

Financial Statements

**CORPORATION OF THE COUNTY  
OF FRONTENAC**

Year ended December 31, 2009

# CORPORATION OF THE COUNTY OF FRONTENAC

Financial Statements

Year ended December 31, 2009

## CORPORATION OF THE COUNTY OF FRONTENAC

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### **Management's Responsibility for the Consolidated Financial Statements**

The accompanying consolidated financial statements of the Corporation of the County of Frontenac (the "County") are the responsibility of the County's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, 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 the consolidated financial statements. These systems are monitored and evaluated by management.

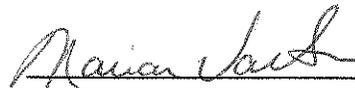
The audit committee meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

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



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Elizabeth Savill  
Chief Administrative Officer



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Marian VanBruinessen  
Treasurer



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## AUDITORS' REPORT

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

We have audited the consolidated statement of financial position of the Corporation of the County of Frontenac as at December 31, 2009 and the consolidated statements of operations and accumulated surplus, change in net financial assets (net debt) and cash flows for the year then ended. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the County as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*KPMG LLP*

Chartered Accountants, Licensed Public Accountants

Kingston, Canada

March 26, 2010

# CORPORATION OF THE COUNTY OF FRONTENAC

## Consolidated Statement of Financial Position

December 31, 2009, with comparative figures for 2008

	2009	2008
		(Restated, note 2)
<b>Assets</b>		
Financial assets:		
Cash	\$ 18,131,131	\$ 18,430,576
Accounts receivable	1,973,805	2,058,469
	20,104,936	20,489,045
Financial liabilities:		
Accounts payable and accrued liabilities	4,262,206	6,373,185
Deferred revenue	106,458	224,830
Deferred revenue - obligatory reserve fund (note 5)	1,755,642	1,130,548
Employee benefit obligations (note 4)	141,171	127,661
Long-term liabilities (note 3)	14,335,044	15,033,912
	20,600,521	22,890,136
Net financial assets (net debt)	(495,585)	(2,401,091)
<b>Non-financial assets</b>		
Tangible capital assets (note 13)	20,538,562	20,106,327
Inventories of supplies	182,117	161,848
Prepaid expenses	20,155	33,518
	20,740,834	20,301,693
Contingent liabilities (note 16)		
Accumulated surplus (note 18)	\$ 20,245,249	\$ 17,900,602

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

Approved by The Corporation of the County of Frontenac:

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

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

# CORPORATION OF THE COUNTY OF FRONTENAC

## Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2009, with comparative figures for 2008

	Budget (Unaudited, note 12)	2009	2008 (Restated, note 2)
<b>Revenue:</b>			
Taxation and user charges:			
Taxation from other governments	\$ 8,450,862	\$ 8,517,901	\$ 8,256,347
User charges	3,129,185	3,084,304	3,007,736
Payments in lieu of taxes	–	–	47,756
Grants:			
Province of Ontario	14,495,062	14,210,061	15,388,288
Federal	–	248,131	91,485
Other municipalities	9,044,500	9,110,867	7,734,058
Other:			
Provincial offences fines penalties	157,137	210,483	199,082
Investment income	120,000	163,624	437,310
Other	69,786	230,317	136,898
<b>Total revenue</b>	<b>35,466,532</b>	<b>35,775,688</b>	<b>35,298,960</b>
<b>Expenses:</b>			
Current (note 15):			
General government	1,790,026	1,590,708	1,358,949
Protection to persons and property	15,199	41,573	28,457
Transportation services	1,579,540	1,490,909	1,457,475
Ambulance services	12,236,671	12,272,495	11,806,485
Health services	2,471,603	2,627,510	2,317,804
Social and family services	14,034,960	13,632,191	14,039,841
Libraries	669,886	653,139	733,297
Social housing	591,600	514,080	553,959
Planning and development	1,657,196	485,841	227,166
Other	166,500	122,595	29,192
<b>Total expenses</b>	<b>35,213,181</b>	<b>33,431,041</b>	<b>32,552,625</b>
<b>Annual surplus</b>	<b>253,351</b>	<b>2,344,647</b>	<b>2,746,335</b>
<b>Accumulated surplus, beginning of year</b>	<b>–</b>	<b>17,900,602</b>	<b>15,154,267</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 253,351</b>	<b>\$ 20,245,249</b>	<b>\$ 17,900,602</b>

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

# CORPORATION OF THE COUNTY OF FRONTENAC

## Consolidated Statement of Change in Net Financial Assets (Net Debt)

Year ended December 31, 2009

	Budget (Unaudited, note 12)	2009	2008
Annual surplus	\$ 253,351	\$ 2,344,647	\$ 2,746,335
Acquisition of tangible capital assets	(1,347,200)	(1,649,669)	(1,365,987)
Amortization of tangible capital assets	1,078,760	1,142,465	1,229,836
Loss (gain) on sale of tangible capital assets	-	(60,492)	2,907
Proceeds on sale of tangible capital assets	-	135,461	7,143
	(15,089)	1,912,412	2,620,234
Acquisition of inventories of supplies	-	(182,117)	(161,848)
Acquisition of prepaid expenses	-	(20,155)	(33,518)
Consumption of inventories of supplies	-	161,848	149,478
Use of prepaid expenses	-	33,518	-
Change in net financial assets	(15,089)	1,905,506	2,574,346
Net financial assets (net debt), beginning of year	-	(2,401,091)	(4,975,437)
Net financial assets (net debt), end of year	\$ (15,089)	\$ (495,585)	\$(2,401,091)

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

# CORPORATION OF THE COUNTY OF FRONTENAC

## Notes to Consolidated Financial Statements

Year ended December 31, 2009

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### 1. Accounting policies:

The consolidated financial statements of the Corporation of the County of Frontenac ("the County") are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Council are as follows:

#### (a) Reporting entity:

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

These consolidated financial statements include:

Fairmount Home for the Aged

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

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

- (ii) Non-consolidated entities:

The following joint local board is not consolidated:

Kingston-Frontenac Public Library Board

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

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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## 1. Accounting policies (continued):

### (b) Use of estimates:

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

In addition, the County's implementation of the Public Sector Accounting Handbook PS 3150 has required management to make estimates of historical cost and useful lives of tangible capital assets. Actual results could differ from those estimates.

### (c) Employee benefit obligations:

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

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

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

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

### (e) Deferred revenue:

Deferred revenue represents grants, user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed.

### (f) Government transfers:

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

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

## 1. Accounting policies (continued):

### (g) Non-financial assets:

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.

### (i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land and landfill sites, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Years
Land improvements	10 to 30
Buildings	10 to 50
Vehicles	6 to 15
Machinery and equipment	3 to 30

Annual amortization is charged for months in use. Assets under construction are not amortized until the asset is available for productive use.

### (ii) Contributions of tangible capital assets:

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

### (iii) Natural resources:

Natural resources that have not been purchased are not recognized as assets in the financial statements.

### (iv) Works of art and cultural and historic assets:

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

### (v) Inventories of supplies:

Inventories of supplies held for consumption are stated at the lower of cost and replacement cost.

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

## 2. Change in accounting policies:

The County has implemented Public Sector Accounting Board ("PSAB") sections 1200 Financial Statement Presentation and 3150 Tangible Capital Assets. Section 1200 establishes general reporting principles and standards for the disclosure of information in government financial statements. Section 3150 requires governments to record and amortize their tangible capital assets in their financial statements. In prior years, tangible capital asset additions were expensed in the year of acquisition or construction.

### Methods used for determining the cost of each major category of tangible capital assets

The financial information recorded includes the actual or estimated historical cost of the tangible capital assets. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization of the assets. The County applied a consistent method of estimating the replacement or reproduction cost of the tangible capital assets for which it did not have historical cost records, except in circumstances where it could be demonstrated that a different method would provide a more accurate estimate of the cost of a particular type of tangible capital asset. After defining replacement or reproduction cost, the non-residential building consumer price index ("NRBCPI") was used as a resource for determining appropriate indices in order to deflate the replacement or reproduction cost to an estimated historical cost at the year of acquisition.

This change has been applied retroactively and prior periods have been restated. This change in accounting policy has changed amounts reported in the prior period as follows:

Accumulated surplus at January 1, 2008:	
Capital Fund	\$ 20,865
Reserves - County	7,953,015
Reserves - Kingston, Frontenac, Lennox and Addington Health Board	411,786
Reserve funds	2,597,832
Amounts to be recovered	(15,806,550)
Accumulated surplus, as previously recorded	(4,823,052)
Net book value of tangible capital assets recorded	19,977,319
Accumulated surplus as at January 1, 2008, as restated	\$ 15,154,267
Annual surplus for 2008:	
Net revenues, as previously reported	\$ 1,941,315
Tangible capital assets capitalized but previously expensed	1,365,986
Amortization expense not previously recorded	(1,229,836)
Proceeds on disposal	(7,143)
Loss on disposal of assets	(2,907)
Debt principal repayments previously expensed	678,920
Annual surplus, as restated	\$ 2,746,335

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

### 3. Long-term liabilities:

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

	2009	2008
Debenture issue	\$ 13,459,374	\$ 14,135,802
Proportionate share of Kingston, Frontenac and Lennox and Addington Public Health long-term liabilities	875,670	898,110
	<u>\$ 14,335,044</u>	<u>\$ 15,033,912</u>

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

New debt of \$3,142,000 was issued during 2004 by the Kingston, Frontenac and Lennox and Addington Public Health to fund a new building project. The amount of \$875,670 (2008 - \$898,110) reflects the County's proportionate share of the Kingston, Frontenac and Lennox and Addington Public Health's total long-term liabilities upon year end consolidation.

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

2010	\$ 719,047
2011	764,351
2012	812,510
2013	863,703
2014	918,122
2015 and thereafter	9,381,641
	<u>\$ 13,459,374</u>

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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

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

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

2010	\$	23,970
2011		25,628
2012		26,902
2013		29,482
2014		31,385
2015 and thereafter		738,303
	\$	<u>875,670</u>

(c) Charges for long-term liabilities:

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

	2009	2008
Principal payments	\$ 698,868	\$ 657,627
Interest	910,022	892,948
	<u>\$ 1,608,890</u>	<u>\$ 1,550,575</u>

(d) The long-term debt issued in the name of the County, has been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

### 4. Employee benefit obligations:

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

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

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

#### 4. Employee benefit obligations (continued):

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

The accrued benefit obligation relating to employee non-pension retirement benefits has been actuarially determined using the projected benefit method pro-rated on services. At December 31, 2009, based on an actuarial update, the accrued benefit obligation was \$141,171.

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

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

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

	2009	2008
Opening balance	\$ 127,661	\$ 115,012
Expense recognized for the year	7,310	6,826
Interest cost	6,557	5,919
Benefit payments	(357)	(96)
Accrued benefit obligation, end of year	\$ 141,171	\$ 127,661

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

## 5. Deferred revenue – obligatory reserve funds:

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

	2009	2008
Balance, beginning of year	\$ 1,130,548	\$ 799,127
Federal grant – gasoline tax	793,190	396,595
Investment income	9,372	26,311
Transfers to current fund	(177,468)	(91,485)
<b>Balance, end of year</b>	<b>\$ 1,755,642</b>	<b>\$ 1,130,548</b>
Analyzed as follows:		
Federal gasoline tax	\$ 1,755,642	\$ 1,130,548

## 6. Contributions to joint boards:

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

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

	2009	2008
Kingston-Frontenac Public Library Board	\$ 653,139	\$ 733,297

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

	2009	2008
Kingston-Frontenac Public Library Board	\$ (8,122)	\$ (14,416)

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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## 6. Contributions to joint boards (continued):

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

	2009	2008
Kingston, Frontenac and Lennox and Addington Health Board	\$ 578,830	\$ 525,398

## 7. Trust funds:

Trust funds administered by the County amounting to \$15,104 (2008 - \$19,541) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Financial Activities".

## 8. Lease commitments:

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

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

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

## 9. Commitments:

In 2008, the Corporation of the County of Frontenac pledged \$54,000 annually for 10 years to the University Hospitals Kingston Foundation, a joint fund raising appeal undertaken by the Foundation on behalf of local hospitals. The County has provided \$54,000 as the second of 10 payments, as of December 31, 2009.

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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## 10. Pension agreements:

The County makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 234 members of its staff. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for current service in 2009 was \$842,522 (2008 - \$801,720).

## 11. Cost sharing allocations:

The Local Service Realignment Cost Sharing Agreement sets out formulae under which the costs for Social Services, Child Care, Social Housing, Provincial Offences, and Land Ambulance are shared between the County of Frontenac and the City of Kingston. A new cost sharing arrangement was derived for the period of 2004 to 2006 through an arbitrated settlement and continued on a year to year basis in 2009. 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.

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

## 12. Budget figures:

The unaudited budget data presented in these consolidated financial statements is based upon the 2009 operating and capital budgets approved by Council on February 11, 2009. Amortization was not contemplated on development of the budget.

Reconciliation of the approved budget to the budget figures reported in these consolidated financial statements is as follows:

	Budget 2009
Revenue	\$ 41,697,097
Less social services and child care transfer	(2,916,109)
Operating budget	38,120,530
Capital budget	660,458
	38,780,988
Less:	
Federal gas tax transfer	(793,190)
Transfers from other funds	(2,509,362)
Proceeds on sale of assets	(11,904)
Total revenue	35,466,532
Expenses:	
Original amount	41,697,400
Less social services and child care transfer	(2,916,109)
Operating budget	37,434,091
Capital budget	1,347,200
Add: Depreciation	1,078,760
Less: Transfers to other funds	(2,021,595)
Other:	
Capital expenses	(1,948,847)
Debt principal repayments	(676,428)
Total expenses	35,213,181
Annual surplus	\$ 253,351

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

## 13. Tangible capital assets:

Cost	Balance at December 31, 2007 (note 2)	Additions	Disposals	Balance at December 31, 2008
Land	\$ 252,160	\$ -	\$ -	\$ 252,160
Land improvements	349,270	-	-	349,270
Buildings	16,845,415	664,904	-	17,510,319
Machinery and equipment	3,914,140	296,194	-	4,210,334
Vehicles	1,859,841	235,404	(96,564)	1,998,681
Work in progress	-	146,415	-	146,415
Public Health	1,333,533	25,977	-	1,359,510
<b>Total</b>	<b>\$ 24,554,359</b>	<b>\$ 1,368,894</b>	<b>\$ (96,564)</b>	<b>\$ 25,826,689</b>

Accumulated amortization	Balance at December 31, 2007 (note 2)	Disposals	Amortization expense	Balance at December 31, 2008
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	48,808	-	15,159	63,967
Buildings	2,036,178	-	417,402	2,453,580
Machinery and equipment	1,563,621	-	448,491	2,012,112
Vehicles	754,460	(86,514)	286,793	954,739
Work in progress	-	-	-	-
Public Health	173,973	-	61,991	235,964
<b>Total</b>	<b>\$ 4,577,040</b>	<b>\$ (86,514)</b>	<b>\$ 1,229,836</b>	<b>\$ 5,720,362</b>

	Net book value December 31, 2007	Net book value December 31, 2008
Land	\$ 252,160	\$ 252,160
Land improvements	300,462	285,303
Buildings	14,809,237	15,056,739
Machinery and equipment	2,350,519	2,198,222
Vehicles	1,105,381	1,043,942
Work in progress	-	146,415
Public Health	1,159,560	1,123,546
<b>Total</b>	<b>\$ 19,977,319</b>	<b>\$ 20,106,327</b>

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

## 13. Tangible capital assets (continued):

Cost	Balance at December 31, 2008 (note 2)	Additions	Disposals	Balance at December 31, 2009
Land	\$ 252,160	\$ -	\$ -	\$ 252,160
Land improvements	349,270	77,581	-	426,851
Buildings	17,510,319	548,345	-	18,058,664
Machinery and equipment	4,210,334	85,124	(23,808)	4,271,650
Vehicles	1,998,681	559,230	(327,440)	2,230,471
Work in progress	146,415	350,266	-	496,681
Public Health	1,359,510	29,123	-	1,388,633
<b>Total</b>	<b>\$ 25,826,689</b>	<b>\$ 1,649,669</b>	<b>\$ (351,248)</b>	<b>\$ 27,125,110</b>

Accumulated amortization	Balance at December 31, 2008 (note 2)	Disposals	Amortization expense	Balance at December 31, 2009
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	63,967	-	17,314	81,281
Buildings	2,453,580	-	377,213	2,830,793
Machinery and equipment	2,012,112	(20,734)	387,599	2,378,977
Vehicles	954,739	(255,544)	296,637	995,832
Work in progress	-	-	-	-
Public Health	235,964	-	63,701	299,665
<b>Total</b>	<b>\$ 5,720,362</b>	<b>\$ (276,278)</b>	<b>\$ 1,142,464</b>	<b>\$ 6,586,548</b>

	Net book value December 31, 2008	Net book value December 31, 2009
Land	\$ 252,160	\$ 252,160
Land improvements	285,303	345,569
Buildings	15,056,739	15,227,871
Machinery and equipment	2,198,222	1,892,673
Vehicles	1,043,942	1,234,639
Work in progress	146,415	496,681
Public Health	1,123,546	1,088,968
<b>Total</b>	<b>\$ 20,106,327</b>	<b>\$ 20,538,562</b>

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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## 13. Tangible capital assets (continued):

(a) Work in progress:

Work in progress having a value of \$496,681 (2008 - \$146,415) has not been amortized. Amortization of this asset will commence when the asset is put into service.

(b) Tangible capital assets disclosed at nominal values:

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

(c) Write-down of tangible capital assets:

The write-down of tangible capital assets during the year was \$Nil (2008 - \$Nil).

## 14. Segmented information:

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

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

(a) Protection Services:

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

(b) Transportation Services:

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

(c) Ambulance Services:

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

(d) Health Services:

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

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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## 14. Segmented information (continued):

### (e) Social and Family Services:

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

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

### (f) Libraries:

The Kingston Frontenac Public Library provides services throughout the County.

### (g) Social Housing:

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

### (h) Planning and Development:

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

### (i) Administration:

Administration includes corporate services and governance of the County. Administration as a segment includes human resource management, support to Council for policy development, by-law development in accordance with the Municipal Act and financial management reporting.

### (j) Fairmount Home for the Aged:

The County owns and operates a long-term care residence for seniors.

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

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

## 15. Supplementary information:

	2009	2008
Expenditure by object:		
Salaries, wages and employee benefits	\$ 20,799,263	\$ 20,160,736
Long-term debt interest expense	–	892,948
Materials	3,511,658	2,941,834
Contracted services	6,333,522	6,553,164
Rents and financial expenses	852,724	155,575
External transfers	781,037	644,940
Other	136,541	38,490
Depreciation	1,078,761	1,167,845
Gain/loss on sale	(62,465)	(2,907)
	<u>\$ 33,431,041</u>	<u>\$ 32,552,625</u>

## 16. Contingent liabilities:

The County is involved with pending litigation and claims, which arise in the normal course of business, some of which may seek damages in substantial amounts. These claims may be covered by the County's insurance. Liability for these claims and lawsuits are recorded to the extent that the probability of a loss is likely and it is estimable.

## 17. Fair value of financial instruments:

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

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

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

## 18. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2009	2008
<b>Surplus:</b>		
Invested in tangible capital assets	\$ 20,538,562	\$ 20,106,327
Long-term debt (note 4)	(14,335,044)	(15,033,912)
KFLA Public Health excess recoveries	10,380	12,389
<b>Unfunded:</b>		
Employee benefits	(141,171)	(127,661)
<b>Total surplus</b>	<b>6,072,727</b>	<b>4,957,143</b>
<b>Reserves:</b>		
Working funds – County of Frontenac	4,764,195	5,969,635
Working funds – Fairmount Home for the Aged	1,163,613	879,258
Land ambulance	2,279,631	1,389,257
Social housing	339,400	314,400
Library	96,473	70,726
Land use planning	46,159	38,000
County of Frontenac land ambulance	394,217	408,903
Stabilization reserve	378,431	615,000
Ferry revenue	17,655	38,704
County capital replacement	84,480	63,360
Ontarians with disabilities	15,000	10,000
Severance – Fairmount Home for the Aged	57,721	19,234
EOWC-EORN	250,000	–
Strategic projects	70,000	–
County vehicle replacement	3,250	–
	<b>9,960,225</b>	<b>9,816,477</b>
<b>Reserve funds set aside by Council:</b>		
Administration capital	46,579	46,184
Fairmount donations	98,900	82,879
Fairmount rebuild donations	66,461	65,976
County of Frontenac capital	2,375,187	2,429,273
Investing in Ontario	1,172,136	–
	<b>3,759,263</b>	<b>2,624,312</b>
<b>Share of KFLA Public Health reserve funds:</b>		
Board of Health reserve fund	190,798	489,934
Building fund reserve	262,236	12,736
	<b>453,034</b>	<b>502,670</b>
<b>Accumulated surplus</b>	<b>\$ 20,245,249</b>	<b>\$ 17,900,602</b>

# CORPORATION OF THE COUNTY OF FRONTENAC

## Schedule of Reserves and Reserve Funds

Year ended December 31, 2009, with comparative figures for 2008

Reserves	Working Capital Frontenac	Working Capital Fairmount	Vehicle Replacement	Equipment Replacement	Ambulance Severance Reserve	Ambulance Other Projects Reserve	Fairmount Severance Reserve	Social Housing Out of Scope Reserve	Ontarians With Disabilities Reserve	Library
Interfund transfers:										
Transfers from current year surplus	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer to capital fund operations	-	-	-	-	-	-	-	-	-	-
Inter Reserve Transfers	(1,680,497)	-	-	-	-	-	-	-	-	-
Transfer from current funds	769,560	288,637	355,500	248,656	-	905,717	50,000	25,000	5,000	31,000
Transfer to current funds	(294,504)	(4,282)	(490,493)	(125,775)	-	(3,229)	(11,513)	-	-	(5,253)
	(1,205,441)	284,355	(134,993)	122,881	-	902,488	38,487	25,000	5,000	25,747
Reserves, beginning of year	5,969,636	879,258	545,590	349,937	493,729	-	19,234	314,400	10,000	70,726
Reserves, end of year	\$ 4,764,195	\$ 1,163,613	\$ 410,597	\$ 472,818	\$ 493,729	\$ 902,488	\$ 57,721	\$ 339,400	\$ 15,000	\$ 96,473

Reserves	County Ambulance Reserve	County Capital Replacement FMT	County Planning Reserve	Stabilization Reserve	EOWC EORN Reserve	Ferry Revenue Reserve	Strategic Projects Reserve	County Vehicle Replacement	2009 Total	2008 Total
Interfund transfers:										
Transfers from current year surplus	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,653,569
Transfer to capital fund operations	-	-	-	-	-	-	-	-	-	(322,002)
Inter Reserve Transfers	-	21,120	-	120,000	250,000	-	20,000	-	(1,269,377)	21,120
Transfer from current funds	-	-	10,000	-	-	-	50,000	3,250	2,742,320	-
Transfer to current funds	(14,686)	-	(1,841)	(356,569)	-	(21,049)	-	-	(1,329,194)	510,774
	(14,686)	21,120	8,159	(236,569)	250,000	(21,049)	70,000	3,250	143,749	1,863,461
Reserves, beginning of year	408,903	63,360	38,000	615,000	-	38,704	-	-	9,816,476	7,953,016
Reserves, end of year	\$ 394,217	\$ 84,480	\$ 46,159	\$ 378,431	\$ 250,000	\$ 17,655	\$ 70,000	\$ 3,250	\$ 9,960,225	\$ 9,816,477

# CORPORATION OF THE COUNTY OF FRONTENAC

Schedule of Reserves and Reserve Funds (continued)

Year ended December 31, 2009, with comparative figures for 2008

Reserve Funds	Administration Capital	Fairmount Donations	Fairmount Rebuild Donations	County of Frontenac Capital	Investing in Ontario	2009 Total	2008 Total
Revenue:8							
Interest earned	\$ 394	\$ 622	\$ 456	\$ 17,033	\$ -	\$ 18,505	\$ 83,086
Donations	--	24,052	30	-	-	24,082	25,087
Net revenue	394	24,674	486	17,033	-	42,587	108,173
Interfund transfer	-	-	-	(21,120)	1,290,497	1,269,377	(21,120)
Transfer to current fund	-	(8,652)	-	(50,000)	(118,361)	(177,013)	(60,573)
Reserve funds, beginning of year	46,185	82,878	65,975	2,429,274	-	2,624,312	2,597,832
Reserve funds, end of year	\$ 46,579	\$ 98,900	\$ 66,461	\$ 2,375,187	\$ 1,172,136	\$ 3,759,263	\$ 2,624,312

# CORPORATION OF THE COUNTY OF FRONTENAC

Schedule of Segment Disclosure

Year ended December 31, 2009

	Protection	Transportation	Ambulance	Social and Family Services	Fairmount Home for the Aged	Libraries	Social Housing
Revenue:							
Taxation from other governments	\$ -	\$ -	\$ 1,233,430	\$ 2,811,490	\$ 1,327,644	\$ 678,886	\$ 616,600
User charges	-	133,480	5,100	-	2,685,092	-	-
Grants:							
Province of Ontario	5,001	635,773	6,202,572	5,483	5,555,794	-	-
Federal	-	-	-	-	-	-	-
Other municipalities	-	700,340	6,523,855	-	1,886,673	-	-
Provincial offenses net revenue	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-
Other	40,947	-	20,129	-	-	-	-
Recoveries	-	-	9,923	-	81,725	-	-
Net revenue	45,948	1,469,593	13,995,009	2,816,973	11,536,928	678,886	616,600
Salaries and benefits	-	737,128	9,897,982	-	7,512,296	-	-
Materials	40,081	18,781	1,217,514	-	1,453,582	-	-
Contracted services	-	34,660	704,170	2,778,750	504,721	653,139	514,080
Rents and financial expenses	-	-	-	-	852,724	-	-
External transfers	-	700,340	80,697	-	-	-	-
Depreciation	-	-	434,598	-	530,118	-	-
Gain/loss on sales	-	-	(62,465)	-	-	-	-
Other	1,492	-	-	-	-	-	-
Net expenditures	41,573	1,490,909	12,272,496	2,778,750	10,853,441	653,139	514,080
Net revenue (expenditures)	\$ 4,375	\$ (24,316)	\$ 1,722,513	\$ 38,223	\$ 682,487	\$ 25,747	\$ 102,520

# CORPORATION OF THE COUNTY OF FRONTENAC

Schedule of Segment Disclosure (continued)

Year ended December 31, 2009

	Planning and					Total	Health Services	Total
	Development	Administration	Other	Other	Total			
Revenue:	\$ 213,829	\$ 934,595	\$ 122,597	\$ 7,939,071	\$ 578,830	\$ 8,517,901		
Taxation from other governments		135		2,822,807	260,497	3,084,304		
User charges								
Grants:								
Province of Ontario		81,040		12,482,663	1,724,397	14,210,060		
Federal	248,131			248,131		248,131		
Other municipalities				9,110,868		9,110,868		
Provincial offenses net revenue		210,483		210,483		210,483		
Investment income		163,624		163,624		163,624		
Other	5,571	72,022		138,669		138,669		
Recoveries				91,648		91,648		
Net revenue	467,531	1,461,899	122,597	33,207,964	2,563,724	35,775,688		
Salaries and benefits	110,957	600,753		18,859,116	1,940,147	20,799,263		
Materials	8,352	85,985		2,824,295	687,363	3,511,658		
Contracted services	366,532	777,470		6,333,522		6,333,522		
Rents and financial expenses				852,724		852,724		
External transfers				781,037		781,037		
Depreciation		114,045		1,078,761		1,078,761		
Gain/loss on sales				(62,465)		(62,465)		
Other		12,452	122,597	136,541		136,541		
Net expenditures	485,841	1,590,705	122,597	30,803,531	2,627,510	33,431,041		
Net revenue (expenditures)	\$ (18,310)	\$ (128,806)	\$	\$ 2,404,433	\$ (63,786)	\$ 2,344,647		

See accompanying notes to financial statements.



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## AUDITORS' REPORT

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

We have audited the statements of financial position of the trust funds of the Corporation of the County of Frontenac as at December 31, 2009 and the statements of continuity of trust funds for the year then ended. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of residents' deposits referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the trust funds of the County as at December 31, 2009 and the continuity of trust funds for the year then ended in accordance with Canadian generally accepted accounting principles.

*KPMG LLP*

Chartered Accountants, Licensed Public Accountants

Kingston, Canada

March 26, 2010

# CORPORATION OF THE COUNTY OF FRONTENAC

## Trust Funds Statements of Financial Position

As at December 31, 2009, with comparative figures for 2008

NAME OF FUND	Fairmount Home Residents' Trust Funds	Bridget Fowler Trust fund	2009 Total	2008 Total
<b>Assets</b>				
Cash	\$ 11,601	\$ 3,503	\$ 15,104	\$ 19,541
<b>Capital</b>				
Balances - capital	\$ 11,601	\$ 3,503	\$ 15,104	\$ 19,541

## Trust Funds Statements of Continuity

Year ended December 31, 2009, with comparative figures for 2008

NAME OF FUND	Fairmount Home Residents' Trust Funds	Bridget Fowler Trust fund	2009 Total	2008 Total
Balances, beginning of year	\$ 15,974	\$ 3,567	\$ 19,541	\$ 15,248
<b>Receipts:</b>				
Deposits by residents	21,768	–	21,768	22,540
Interest earned	109	25	134	541
Dividends received	–	211	211	100
	37,851	3,803	41,654	38,429
<b>Expenditures:</b>				
Withdrawals by residents	(26,250)	–	(26,250)	18,588
Payment out of fund	–	(300)	(300)	300
	(26,250)	(300)	(26,550)	18,888
Balances, end of year	\$ 11,601	\$ 3,503	\$ 15,104	\$ 19,541

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

# CORPORATION OF THE COUNTY OF FRONTENAC

Trust Funds

Notes to Financial Statements

Year ended December 31, 2009

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## 1. Significant accounting policies:

The financial statements of the Corporation of the County of Frontenac Trust Funds are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

### (a) Basis of accounting:

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

### (b) Revenue recognition:

Revenue and expenditures are recorded on an accrual basis.

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

### (c) Use of estimates:

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

## 2. Statement of changes in financial position:

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