

Financial Statements

**CORPORATION OF THE COUNTY  
OF FRONTENAC**

Year ended December 31, 2010

# CORPORATION OF THE COUNTY OF FRONTENAC

Financial Statements

Year ended December 31, 2010

## CORPORATION OF THE COUNTY OF FRONTENAC

	Page
Management's Responsibility for the Consolidated Financial Statements	1
<b>AUDITED FINANCIAL STATEMENTS:</b>	
Independent Auditors' Report	2
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations and Accumulated Surplus	5
Consolidated Statement of Change in Net Debt	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8
<b>TRUST FUNDS:</b>	
Independent Auditors' Report	27
Statement of Financial Position	29
Statements of Continuity	29
Notes to Financial Statements	30

### **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 Canadian public sector accounting standards. 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 council 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.

---

Elizabeth Savill  
Chief Administrative Officer

---

Marian VanBruinessen  
Treasurer



**KPMG LLP**  
**Chartered Accountants**  
863 Princess Street Suite 400  
PO Box 1600 Stn Main  
Kingston ON K7L 5C8  
Canada

Telephone (613) 549-1550  
Fax (613) 549-6349  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## INDEPENDENT AUDITORS' REPORT

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

We have audited the consolidated financial statements of the Corporation of the County of Frontenac, which comprise the consolidated statement of financial position as at December 31, 2010, the consolidated statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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.

### *Auditors' 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 our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we 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, the 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, 2010, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

Chartered Accountants, Licensed Public Accountants

July 6, 2011

Kingston, Canada

# CORPORATION OF THE COUNTY OF FRONTENAC

## Consolidated Statement of Financial Position

December 31, 2010, with comparative figures for 2009

	2010	2009
<b>Assets</b>		
Financial assets:		
Cash	\$ 18,327,285	\$ 18,131,131
Short-term investment (note 2)	830,688	—
Accounts receivable	3,106,305	1,973,805
	<u>22,264,278</u>	<u>20,104,936</u>
Liabilities:		
Accounts payable and accrued liabilities	6,449,928	4,262,206
Deferred revenue	178,556	106,458
Deferred revenue - obligatory reserve fund (note 5)	2,207,010	1,755,642
Employee benefit obligations (note 4)	155,212	141,171
Long-term liabilities (note 3)	13,592,096	14,335,044
	<u>22,582,802</u>	<u>20,600,521</u>
Net debt	(318,524)	(495,585)
<b>Non-financial assets</b>		
Tangible capital assets (note 13)	23,331,879	20,538,562
Inventories of supplies	158,438	182,117
Prepaid expenses	30,759	20,155
	<u>23,521,076</u>	<u>20,740,834</u>
Commitments (notes 8 and 9)		
Contingent liabilities (note 14)		
Accumulated surplus (note 15)	\$ 23,202,552	\$ 20,245,249

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, 2010, with comparative figures for 2009

	Budget (Unaudited, note 12)	2010	2009
<b>Revenue:</b>			
Taxation and user charges:			
Taxation from other governments	\$ 8,766,836	\$ 8,908,469	\$ 8,517,901
User charges	3,453,604	3,228,210	3,084,304
Grants:			
Province of Ontario	17,051,624	16,910,736	14,210,061
Federal	50,000	511,151	248,131
Other municipalities	8,897,685	8,791,549	9,110,867
Other:			
Provincial offences fines penalties	156,903	245,814	210,483
Investment income	120,000	131,676	163,624
Other	75,225	203,207	230,317
<b>Total revenue</b>	<b>38,571,877</b>	<b>38,930,812</b>	<b>35,775,688</b>
<b>Expenses (note 16):</b>			
General government	1,901,984	1,747,113	1,590,708
Protection to persons and property	15,199	11,306	41,573
Transportation services	1,581,043	1,555,106	1,490,909
Ambulance services	13,089,744	13,551,722	12,272,495
Health services	2,751,318	2,790,670	2,627,510
Social and family services	13,232,829	13,158,594	13,632,191
Libraries	717,386	704,092	653,139
Social housing	591,870	580,821	514,080
Planning and development	2,649,918	1,354,594	485,841
Other	542,367	519,491	122,595
<b>Total expenses</b>	<b>37,073,658</b>	<b>35,973,509</b>	<b>33,431,041</b>
<b>Annual surplus</b>	<b>1,498,219</b>	<b>2,957,303</b>	<b>2,344,647</b>
<b>Accumulated surplus, beginning of year</b>		<b>20,245,249</b>	<b>17,900,602</b>
<b>Accumulated surplus, end of year</b>		<b>\$ 23,202,552</b>	<b>\$ 20,245,249</b>

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

# CORPORATION OF THE COUNTY OF FRONTENAC

## Consolidated Statement of Change in Net Debt

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Annual surplus	\$ 2,957,303	\$ 2,344,647
Acquisition of tangible capital assets	(4,141,884)	(1,649,669)
Amortization of tangible capital assets	1,191,959	1,142,465
Loss (gain) on sale of tangible capital assets	135,310	(60,492)
Proceeds on sale of tangible capital assets	21,299	135,461
	163,987	1,912,412
Acquisition of inventories of supplies	(158,438)	(182,117)
Acquisition of prepaid expenses	(30,759)	(20,155)
Consumption of inventories of supplies	182,117	161,848
Use of prepaid expenses	20,154	33,518
Change in net assets	177,061	1,905,506
Net debt, beginning of year	(495,585)	(2,401,091)
Net debt, end of year	\$ (318,524)	\$ (495,585)

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

# CORPORATION OF THE COUNTY OF FRONTENAC

## Consolidated Statement of Cash Flows

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Operations:		
Annual surplus	\$ 2,957,303	\$ 2,344,647
Sources (uses) of funds:		
Items not involving cash:		
Amortization	1,191,959	1,142,464
Loss (gain) on sale of tangible capital assets	135,310	(60,492)
Change in employee benefits and other liabilities	14,041	13,510
Change in non-cash assets and liabilities:		
Accounts receivable	(1,132,499)	84,665
Accounts payable and accrued liabilities	2,187,721	(2,110,979)
Deferred revenue	72,097	(118,371)
Deferred revenue – obligatory reserve fund	451,369	625,093
Inventory of supplies	23,679	(20,269)
Prepaid expenses	(10,604)	13,363
Net change in cash from operations	5,890,376	1,913,631
Investing activities:		
Change in short-term investment	(830,688)	–
Net change in cash from investing activities	(830,688)	–
Capital activities:		
Proceed on sale of tangible capital assets	21,299	135,461
Cash used to acquire tangible capital assets	(4,141,884)	(1,649,669)
Net change in cash from capital activities	(4,120,585)	(1,514,208)
Financing activities:		
Debt principal repayments	(742,949)	(698,868)
Net change in cash from financing activities	(742,949)	(698,868)
Increase (decrease) in cash	196,154	(299,445)
Cash, beginning of year	18,131,131	18,430,576
Cash, end of year	\$ 18,327,285	\$ 18,131,131
Supplemental cash flow information:		
Cash paid for interest	\$ 812,303	\$ 854,922
Cash received from interest	131,675	106,136

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, 2010

---

### 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 public sector accounting standards. 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, revenue, expenses 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, revenue 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, 2010

---

## 1. Accounting policies (continued):

### (b) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 expenses 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.

### (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 expenses, 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 related expenses are incurred or services 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, 2010

## 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, 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 ("work in progress") 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, 2010

## 2. Short-term investments:

In September 2010, the County entered into an agreement with Eastern Ontario Wardens Caucus Inc. to participate in the project to provide construction and delivery of high-speed internet services to area citizens and businesses using a wired or wireless technology and satellite technology.

The agreement allowed municipalities to participate with a prepayment option as an investment which would earn interest at the fixed rate of 5.0% per annum.

## 3. Long-term liabilities:

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

	2010	2009
Debenture issue	\$ 12,740,327	\$ 13,459,374
Proportionate share of Kingston, Frontenac and Lennox and Addington Public Health long-term liabilities	851,769	875,670
	<u>\$ 13,592,096</u>	<u>\$ 14,335,044</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.

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 \$851,769 (2009 - \$875,670) 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:

2011	\$ 764,351
2012	812,510
2013	863,703
2014	918,122
2015	975,969
2016 and thereafter	8,405,672
	<u>\$ 12,740,327</u>

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

### 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:

2011	\$	25,628
2012		26,902
2013		29,325
2014		31,237
2015		33,277
2016 and thereafter		705,400
	\$	851,769

(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:

	2010	2009
Principal payments	\$ 742,949	\$ 698,868
Interest	867,462	910,022
	\$ 1,610,411	\$ 1,608,890

(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, 2010

## 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, 2010, based on an actuarial update, the accrued benefit obligation was \$155,212.

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:

---

	2010	2009
Opening balance	\$ 141,171	\$ 127,661
Expense recognized for the year	7,830	7,310
Interest cost	7,229	6,557
Benefit payments	(1,018)	(357)
Accrued benefit obligation, end of year	\$ 155,212	\$ 141,171

---

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

## 5. Deferred revenue – obligatory reserve funds:

A requirement of Canadian public sector accounting standards 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 County are summarized below:

	2010	2009
Balance, beginning of year	\$ 1,755,642	\$ 1,130,548
Federal grant – gasoline tax	820,278	793,190
Investment income	18,002	9,372
Transfers to current fund	(386,912)	(177,468)
<b>Balance, end of year</b>	<b>\$ 2,207,010</b>	<b>\$ 1,755,642</b>
Analyzed as follows:		
Federal gasoline tax	\$ 2,207,010	\$ 1,755,642

## 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:

	2010	2009
Kingston-Frontenac Public Library Board	\$ 704,092	\$ 653,139

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:

	2010	2009
Kingston-Frontenac Public Library Board	\$ (10,000)	\$ (8,122)

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

---

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

(b) The assets, liabilities, revenue 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:

	2010	2009
Kingston, Frontenac and Lennox and Addington Health Board	\$ 641,934	\$ 578,830

## 7. Trust funds:

Trust funds administered by the County amounting to \$10,279 (2009 - \$15,104) 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:

(a) 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 third of 10 payments, as of December 31, 2010.

(b) The County has a letter of credit outstanding for \$789,078 in favour of the Ministry of Agriculture, Food and Rural Affairs relating to the Rural Connections broadband project.

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

---

## 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 2010 was \$905,417 (2009 - \$842,522).

## 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. 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, 2010

## 12. Budget figures:

The unaudited budget data presented in these consolidated financial statements is based upon the 2010 operating and capital budgets approved by Council on March 3, 2010. 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 2010
Revenue	\$ 47,325,234
Less social services and child care transfer	(3,188,529)
Operating budget	44,136,705
Capital budget	(870,663)
	43,266,042
Less:	
Federal gas tax transfer	(817,734)
Transfers from other funds	(3,854,656)
Proceeds on sale of assets	(21,775)
Total revenue	38,571,877
Expenses:	
Original amount	47,338,896
Less social services and child care transfer	(3,188,530)
Operating budget	38,570,039
Capital budget	5,580,327
Add: Depreciation	1,121,970
Less: Transfers to other funds	(1,899,304)
Other:	
Capital expenses	(5,580,327)
Debt principal repayments	(719,047)
Total expenses	37,073,658
Annual surplus	\$ 1,498,219

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

## 13. Tangible capital assets:

Cost	Balance at December 31, 2009 (note 2)	Additions	Disposals	Balance at December 31, 2010
Land	\$ 252,160	\$ 47,646	\$ 17,456	\$ 282,350
Land improvements	426,851	-	-	426,851
Buildings	18,058,664	35,583	17,258	18,076,989
Machinery and equipment	4,271,650	765,875	332,643	4,704,882
Vehicles	2,230,471	780,160	10,156	3,000,475
Work in progress	496,681	2,294,198	-	2,790,879
Public Health	1,388,633	218,422	-	1,607,055
<b>Total</b>	<b>\$ 27,125,110</b>	<b>\$ 4,141,884</b>	<b>\$ 377,513</b>	<b>\$ 30,889,481</b>

Accumulated amortization	Balance at December 31, 2009 (note 2)	Disposals	Amortization expense	Balance at December 31, 2010
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	81,281	-	17,745	99,026
Buildings	2,830,793	2,293	388,973	3,217,473
Machinery and equipment	2,378,977	213,535	387,709	2,553,151
Vehicles	995,832	5,077	327,543	1,318,298
Work in progress	-	-	-	-
Public Health	299,665	-	69,989	369,654
<b>Total</b>	<b>\$ 6,586,548</b>	<b>\$ 220,905</b>	<b>\$ 1,191,959</b>	<b>\$ 7,557,602</b>

	Net book value December 31, 2009	Net book value December 31, 2010
Land	\$ 252,160	\$ 282,350
Land improvements	345,570	327,825
Buildings	15,227,871	14,859,516
Machinery and equipment	1,892,673	2,151,731
Vehicles	1,234,639	1,682,177
Work in progress	496,681	2,790,879
Public Health	1,088,968	1,237,401
<b>Total</b>	<b>\$ 20,538,562</b>	<b>\$ 23,331,879</b>

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

---

## 13. Tangible capital assets (continued):

### (a) Work in progress:

Work in progress having a value of \$2,790,879 (2009 - \$496,681) 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 (2009 - \$Nil).

## 14. 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.

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

## 15. Accumulated surplus:

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

	2010	2009
Surplus:		
Invested in tangible capital assets	\$ 23,331,879	\$ 20,538,562
Long-term debt (note 4)	(13,592,095)	(14,335,044)
KFLA Public Health excess recoveries	26,806	10,380
Unfunded:		
Employee benefits	(155,212)	(141,171)
Total surplus	9,611,378	6,072,727
Reserves	10,084,254	9,960,225
Reserve funds set aside by Council	3,269,629	3,759,263
Share of KFLA Public Health reserve funds:		
Board of Health reserve fund	122,429	190,798
Building fund reserve	114,862	262,236
	237,291	453,034
Accumulated surplus	\$ 23,202,552	\$ 20,245,249

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010, with comparative figures for 2009

## 15. Accumulated surplus (continued):

Reserves	Working Capital Frontenac		Working Capital Fairmount		Ambulance Other Projects Reserve		Fairmount Severance Reserve		Fairmount Operations Reserve		Social Housing Out of Scope Reserve		Ontarians With Disabilities Reserve		County Ambulance Reserve	
	Library	Capital	Fairmount	Capital	Severance	Other	Severance	Operations	Out of Scope	Disabilities	Ambulance	Reserve	Reserve	Reserve	Reserve	Total
Interfund transfers:																
Transfers from current year surplus	\$ 500,048	\$ 108,083	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Inter Reserve Transfers	(732,664)	(435,000)	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Transfer from current funds	45,000	--	356,728	197,992	--	--	30,000	9,000	25,000	10,000	--	--	--	--	--	--
Transfer to current funds	(184,429)	(9,600)	(347,338)	(227,523)	(124,052)	(277,301)	(8,231)	--	--	--	--	--	--	--	--	--
	(372,045)	(336,517)	9,390	(29,531)	(124,052)	(277,301)	21,769	9,000	25,000	10,000	--	--	--	--	--	--
Reserves, beginning of year	4,764,195	1,163,615	410,597	472,817	493,729	902,488	57,721	--	339,400	15,000	--	--	--	--	--	394,217
Reserves, end of year	\$ 4,392,150	\$ 827,098	\$ 419,987	\$ 443,286	\$ 369,677	\$ 625,187	\$ 79,490	\$ 9,000	\$ 364,400	\$ 25,000	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 394,217

Reserves	County Capital Replacement		County Planning Reserve		Stabilization Reserve		EOWC EORN Reserve		Ferry Revenue Reserve		Strategic Projects Reserve		County Vehicle Replacement Reserve		County Land Acquisition Reserve		County GIS Reserve		2010 Total		2009 Total	
	Library	FMT	OMB	Reserve	Reserve	Reserve	Reserve	Reserve	Reserve	Reserve	Reserve	Reserve	Reserve	Reserve	Reserve	Reserve	Reserve	Total	Total	Total	Total	
Interfund transfers:																						
Transfers from current year surplus	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 608,131	\$ --	\$ --
Inter Reserve Transfers	--	435,000	--	476,000	--	--	(85,930)	--	--	--	389,564	--	--	--	--	--	--	--	46,970	(1,269,378)	--	--
Transfer from current funds	31,000	--	50,000	--	--	10,156	--	50,000	5,850	20,000	11,000	--	--	--	--	--	--	--	851,726	2,742,320	--	--
Transfer to current funds	(30,256)	--	(10,000)	--	--	--	(164,070)	--	--	--	--	--	--	--	--	--	--	--	(1,382,800)	(1,329,191)	--	--
	744	435,000	40,000	476,000	476,000	10,156	(250,000)	50,000	395,414	20,000	11,000	124,027	143,751	--	--	--	--	--	9,960,227	9,816,476	--	--
Reserves, beginning of year	96,473	84,480	46,159	378,431	250,000	17,655	70,000	3,250	--	--	--	--	--	--	--	--	--	--	10,084,254	\$ 9,960,227	\$ 10,084,254	\$ 9,960,227
Reserves, end of year	\$ 97,217	\$ 519,480	\$ 86,159	\$ 854,431	\$ --	\$ 27,811	\$ 120,000	\$ 398,664	\$ 20,000	\$ 20,000	\$ 11,000	\$ 10,084,254	\$ 9,960,227	\$ 10,084,254	\$ 9,960,227	\$ 10,084,254	\$ 9,960,227	\$ 10,084,254	\$ 9,960,227	\$ 10,084,254	\$ 9,960,227	\$ 9,960,227

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010, with comparative figures for 2009

## 15. Accumulated surplus (continued):

Reserve Funds	Administration Capital	Fairmount Donations	Fairmount Rebuild Donations	County of Frontenac Capital	Investing in Ontario	2010 Total	2009 Total
Revenue:							
Interest earned	\$ 391	\$ 930	\$ 558	\$ 19,957	\$ 8,588	\$ 30,424	\$ 18,505
Donations	--	19,159	16	--	--	19,175	24,082
Net revenue	391	20,089	574	19,957	8,588	49,599	42,587
Interfund transfer	(46,970)	--	--	--	--	(46,970)	1,269,377
Transfer to current fund	--	(2,121)	--	(125,000)	(365,142)	(492,263)	(177,013)
Reserve funds, beginning of year	46,579	98,900	66,461	2,375,187	1,172,136	3,759,263	2,624,312
Reserve funds, end of year	\$ --	\$ 116,868	\$ 67,035	\$ 2,270,144	\$ 815,582	\$ 3,269,629	\$ 3,759,263

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

## 16. Supplementary information:

	2010	2009
Expense by object:		
Salaries, wages and employee benefits	\$ 22,441,105	\$ 20,799,263
Long-term debt interest expense	867,472	910,022
Materials	3,368,691	3,390,659
Contracted services	6,498,378	6,333,522
Rents and financial expenses	154,660	—
External transfers	788,367	781,037
Other	527,568	136,541
Depreciation	1,191,960	1,142,462
Gain (loss) on sale	135,308	(62,465)
	<u>\$ 35,973,509</u>	<u>\$ 33,431,041</u>

## 17. Segmented information:

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

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

(a) Protection Services:

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

(b) Transportation Services:

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

(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.

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

---

## 17. Segmented information (continued):

(d) 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.

(e) 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 service manager in the 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, information management, support to Council for policy development, by-law development in accordance with the Municipal Act and financial management reporting.

(j) 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.

For each segment separately reported, the segment revenue and expenses 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, 2010

## 17. Segmented information (continued):

	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	-	180,937	6,545	-	2,723,739	-	-
Grants							
Province of Ontario	-	683,121	7,009,685	5,005	5,520,057	-	-
Federal	-	-	-	-	-	-	-
Other municipalities	-	707,349	5,923,035	-	2,061,165	-	-
Provincial offenses net revenue	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-
Other	7,140	-	35	-	-	-	-
Recoveries	-	-	28,801	-	91,423	-	-
Net revenue	7,140	1,571,407	14,201,531	2,816,495	11,724,028	678,886	616,600
Salaries and benefits	-	764,254	10,917,244	-	7,767,193	-	-
Materials	592	50,518	1,158,816	-	1,486,303	-	-
Contracted services	10,714	39,993	663,465	2,085,919	468,532	704,092	580,821
Rents and financial expenses	-	-	154,660	-	809,964	-	-
External transfers	-	700,340	88,027	-	-	-	-
Depreciation	-	-	468,665	-	524,255	-	-
Gain/loss on sales	-	-	100,845	-	16,428	-	-
Other	-	-	-	-	-	-	-
Net expenses	11,306	1,555,105	13,551,722	2,085,919	11,072,675	704,092	580,821
Net revenue (expenses)	\$ (4,166)	\$ 16,302	\$ 649,809	\$ 730,576	\$ 651,353	\$ (25,206)	\$ 35,779

# CORPORATION OF THE COUNTY OF FRONTENAC

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

## 17. Segmented information (continued):

	Planning and Development	Administration	Other	Total	Health Services	Total
Revenue:						
Taxation from other governments	\$ 213,829	\$ 865,165	\$ 519,489	\$ 8,266,533	\$ 641,934	\$ 8,908,467
User charges	—	—	—	2,911,221	316,989	3,228,210
Grants:						
Province of Ontario	597,265	1,290,839	—	15,105,972	1,804,764	16,910,736
Federal	511,151	—	—	511,151	—	511,151
Other municipalities	100,000	—	—	8,791,549	—	8,791,549
Provincial offenses net revenue	—	245,814	—	245,814	—	245,814
Investment income	—	131,676	—	131,676	—	131,676
Other	9,996	73,447	(7,633)	82,985	—	82,985
Recoveries	—	—	—	120,224	—	120,224
Net revenue	1,432,241	2,606,941	511,856	36,167,125	2,763,687	38,930,812
Salaries and benefits	222,157	658,830	—	20,329,678	2,111,428	22,441,106
Materials	33,907	86,811	—	2,816,947	551,745	3,368,692
Contracted services	1,098,530	846,310	—	6,498,376	—	6,498,376
Rents and financial expenses	—	—	—	964,624	57,508	1,022,132
External transfers	—	—	—	788,367	—	788,367
Depreciation	—	129,050	—	1,121,970	69,989	1,191,959
Gain/loss on sales	—	18,035	—	135,308	—	135,308
Other	—	8,077	519,492	527,569	—	527,569
Net expenses	1,354,594	1,747,113	519,492	33,182,839	2,790,670	35,973,509
Net revenue (expenses)	\$ 77,647	\$ 859,828	\$ (7,636)	\$ 2,984,286	\$ (26,983)	\$ 2,957,303

See accompanying notes to financial statements.



**KPMG LLP**  
**Chartered Accountants**  
863 Princess Street Suite 400  
PO Box 1600 Stn Main  
Kingston ON K7L 5C8  
Canada

Telephone (613) 549-1550  
Fax (613) 549-6349  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## INDEPENDENT AUDITORS' REPORT

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

We have audited the financial statements of the trust funds of the Corporation of the County of Frontenac, which comprise the statement of financial position as at December 31, 2010 and the statement of continuity of trust funds for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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.

### *Auditors' 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 about whether the financial statements are free from 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 our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation of the County of Frontenac trust funds as at December 31, 2010, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

---

Chartered Accountants, Licensed Public Accountants

July 6, 2011

Kingston, Canada

# CORPORATION OF THE COUNTY OF FRONTENAC

## Trust Funds Statements of Financial Position

As at December 31, 2010, with comparative figures for 2009

NAME OF FUND	Fairmount Home Residents' Trust Funds	Bridget Fowler Trust fund	2010 Total	2009 Total
<b>Assets</b>				
Cash	\$ 6,808	\$ 3,471	\$ 10,279	\$ 15,104
<b>Capital</b>				
Balances - capital	\$ 6,808	\$ 3,471	\$ 10,279	\$ 15,104

## Trust Funds Statements of Continuity

Year ended December 31, 2010, with comparative figures for 2009

NAME OF FUND	Fairmount Home Residents' Trust Funds	Bridget Fowler Trust fund	2010 Total	2009 Total
Balances, beginning of year	\$ 11,601	\$ 3,503	\$ 15,104	\$ 19,541
<b>Receipts:</b>				
Deposits by residents	15,797	–	15,797	21,768
Interest earned	92	30	122	134
Dividends received	–	238	238	211
	27,490	3,771	31,261	41,654
<b>Expenses:</b>				
Withdrawals by residents	(20,682)	–	(20,682)	(26,250)
Payment out of fund	–	(300)	(300)	(300)
	(20,682)	(300)	(20,982)	(26,550)
Balances, end of year	\$ 6,808	\$ 3,471	\$ 10,279	\$ 15,104

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, 2010

---

## 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 public sector accounting standards.

### (a) Basis of accounting:

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

### (b) Revenue recognition:

Revenue and expenses are recorded on an accrual basis.

The accrual basis recognizes revenue as it becomes available and measurable; expenses 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 public sector accounting standards 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 expenses 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 cash flows:

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