

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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**County of Frontenac
Consolidated
Financial Statements
December 31, 2011**

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

December 31	2011	2010
Population (Statistics Canada)	* 26,375	** 26,658
* 2011 population from the 2011 Census ** 2010 population from the 2006 Census		
Number of Households (MPAC)	18,797	18,674
<hr/>		
Taxable Assessment (000's)	\$	\$
Residential	3,854,781	3,528,289
Multi-residential	4,014	3,905
Commercial	41,399	37,175
Industrial	11,586	10,610
Farmland	90,985	91,189
Total	4,002,765	3,671,168
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Rates of Taxation		
▸ residential (municipal)	0.212540	0.242244
▸ multi-residential (municipal)	0.212540	0.242244
▸ commercial (municipal)	0.212540	0.242244
▸ industrial (municipal)	0.212540	0.242244
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Revenues for County Purposes (000's)	\$	\$
▸ Taxation	8,496	8,908
▸ Government transfers	21,916	22,185
▸ Other	4,260	3,879
▸ Revenues related to capital assets	948	1,837
Total	35,620	36,809
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Expenditures (000's)		
▸ Operations	33,472	33,825
▸ Amortization	1,251	1,122

(Note: All dollar amounts are in thousands of dollars.)

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

December 31	2011	2010
	\$	\$
Long Term Debt		
▸ Net long term debt (000's)	11,976	12,740
▸ Long term debt charges (000's)	1,529	1,529
▸ Annual repayment limit (000's)	2,999	3,006
▸ Long term debt per household	637	682
▸ Debt charges (000's)		
▸ tax supported	489	489
▸ City of Kingston	1,040	1,040
<hr/>		
Municipal Equity (000's)		
▸ Surplus and Reserves	13,557	13,353
▸ Invested in capital assets	11,323	9,535
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Financial Indicators		
▸ Sustainability		
▸ financial assets to liabilities	1.0705	1.0126
▸ financial assets to liabilities excluding long term debt	2.7254	2.4955
▸ long term debt to tangible capital assets	51.40%	57.19%
▸ Flexibility		
▸ Debt charges to total operating revenue	4.44%	4.41%
▸ Total operating revenue to taxable assessment	0.86%	0.94%
▸ Vulnerability		
▸ Operating government transfers ▸ to operating revenue	64.43%	63.20%
▸ Total government transfers ▸ to total revenues	65.38%	63.21%

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Chartered Accountant Professional Corporation

INDEPENDENT AUDITOR'S 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, 2011 and the consolidated statement of operations, changes in net financial assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation of the County of Frontenac as at December 31, 2011 and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.



Chartered Accountants
Licenced Public Accountants
Perth, Ontario,
May 4, 2012.

County of Frontenac
Consolidated Statement of Financial Position

December 31	2011	(Note 6) 2010
	\$	\$
ASSETS		
Financial Assets		
Cash	16,919,197	17,842,926
Short term investment	492,209	830,688
Accounts receivable	3,702,706	3,034,805
	21,114,112	21,708,419
LIABILITIES		
Financial Liabilities		
Accounts payable and accrued liabilities	5,116,167	6,246,203
Employee future benefit obligations (note 3)	171,286	155,212
Deferred revenues	53,459	90,518
Deferred revenues - obligatory reserve fund (note 4)	2,406,299	2,207,010
Long term liabilities (note 5)	11,975,976	12,740,327
	19,723,188	21,439,271
NET FINANCIAL ASSETS	1,390,925	269,148
NON-FINANCIAL ASSETS		
Tangible capital assets (note 14)	23,299,475	22,275,784
Inventories	172,582	158,438
Prepaid expenses	17,891	30,759
	23,489,948	22,464,980
Commitments (note 11) Contingent Liabilities (note 9)		
MUNICIPAL EQUITY (note 6)	24,880,873	22,734,128

Approved by the Corporation of the County of Frontenac

_____ Warden

_____ Deputy Warden

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

County of Frontenac
Consolidated Statement of Operations

For the year ended December 31	(Note 16) Budget	2011	(Note 6) 2010
	\$	\$	\$
REVENUES			
Taxation ▶ from other governments	8,398,371	8,496,222	8,908,469
User charges	3,171,991	2,901,382	2,911,222
Government grants ▶ provincial	13,199,227	13,644,849	13,268,911
▶ federal	6,320	4,426	124,235
▶ other municipalities	8,996,872	8,266,440	8,791,549
Deferred revenues earned (note 4)	---	646,756	386,912
Provincial offences fines penalties	165,308	225,509	245,814
Investment income	135,000	207,877	131,676
Other income	386,140	278,086	203,207
TOTAL REVENUES	34,459,229	34,671,547	34,971,995
EXPENDITURES			
General government	2,667,371	2,595,044	1,747,113
Protection to persons and property	21,045	12,960	11,306
Transportation services	1,564,072	1,523,051	1,555,106
Ambulance services	14,274,278	13,778,955	13,551,722
Health services	659,806	636,357	641,934
Social and family services	12,711,600	12,496,155	13,158,594
Libraries	756,647	740,394	704,092
Social housing	745,343	640,681	580,821
Planning and development	1,654,942	870,962	1,354,594
Other	165,000	177,816	519,491
TOTAL EXPENDITURES	35,220,104	33,472,375	33,824,773
NET REVENUES (EXPENDITURES) FROM OPERATIONS	(760,875)	1,199,172	1,147,222
OTHER			
Grants and transfers related to capital Government transfers	705,442	947,573	1,837,062
ANNUAL SURPLUS (DEFICIT)	(55,433)	2,146,745	2,984,284
MUNICIPAL EQUITY, BEGINNING OF YEAR	22,734,128	22,734,128	19,749,844
MUNICIPAL EQUITY, END OF YEAR	22,678,695	24,880,873	22,734,128

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

County of Frontenac

Consolidated Statement of Changes in Net Financial Assets

For the year ended December 31	(Note 16) Budget	2011	(Note 6) 2010
	\$	\$	\$
ANNUAL SURPLUS (DEFICIT)	(55,433)	2,146,745	2,984,284
Amortization of tangible capital assets	1,153,398	1,250,859	1,121,970
Acquisition of tangible capital assets	(3,032,398)	(2,366,988)	(3,923,462)
Gain on sale of tangible capital assets	---	74,894	135,308
Proceeds on sale of tangible capital assets	---	17,544	21,299
Acquisition of inventories of supplies	---	(172,582)	(158,438)
Acquisition of prepaid expenses	---	(17,891)	(30,759)
Consumption of inventories	---	158,438	182,117
Use of prepaid expenses	---	30,758	20,155
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(1,934,433)	1,121,777	352,474
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	269,148	269,148	(83,326)
NET FINANCIAL ASSETS (DEBT), END OF YEAR	(1,665,285)	1,390,925	269,148

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

County of Frontenac
Consolidated Statement of Cash Flows

For the year ended December 31	2011	(Note 6) 2010
	\$	\$
OPERATING		
Annual surplus for the year	2,146,745	2,984,284
Amortization	1,250,859	1,121,970
	3,397,604	4,106,254
Net Change in Non-Cash Working Capital Balances		
Accounts receivable	(667,902)	(1,200,154)
Accounts payable and accrued liabilities	(1,130,035)	2,193,979
Employee future benefit obligations	16,074	14,041
Deferred revenues	(37,059)	23,726
Deferred revenues ▶ obligatory reserve funds	199,287	451,369
Inventories	(14,144)	23,680
Prepaid expenses	12,868	(10,604)
	(1,620,911)	1,496,036
Working Capital from Operations	1,776,693	5,602,290
INVESTING		
Increase (decrease) in short term investments	338,479	(830,688)
Net increase in investments	338,479	(830,688)
CAPITAL		
Acquisition of tangible capital assets	(2,366,988)	(3,923,462)
Net proceeds on sale of tangible capital assets	92,438	156,607
Net investment in tangible capital assets	(2,274,550)	(3,766,855)
FINANCING		
Debt principal repayments	(764,351)	(719,047)
Net decrease in cash from financing activities	(764,351)	(719,047)
NET (DECREASE) INCREASE IN CASH	(923,729)	285,699
CASH, BEGINNING OF YEAR	17,842,926	17,557,227
CASH, END OF YEAR	16,919,197	17,842,926

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

County of Frontenac

Notes to the Consolidated Financial Statements

December 31, 2011

1. Status of the County of Frontenac

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

2. Significant Accounting Policies

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

Basis of Consolidation

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

- ▶ Fairmount Home for the Aged

- (ii) Non-consolidated entities:

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

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

- (iii) The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards are not reflected in the municipal fund balances of these financial statements.

Basis of Accounting

- (i) The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenditures are recognized as they are incurred and measurable based on receipt of goods and services and/or the creation of a legal obligation to pay.

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2011

2. Significant Accounting Policies / continued

Basis of Accounting / continued

- (ii) Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

- (iii) Trust funds and their related operations administered by the County are not included in these financial statements but are reported separately on the Trust Funds Statement of Financial Activities and Financial Position.

Tangible Capital Assets

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

Land	
Land Improvements	10 - 30 years
Buildings	10 - 50 years
Vehicles	6 - 15 years
Machinery and Equipment	3 to 30 years
Bridges	16 years
Work in Progress	

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

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of other asset as of the date of transfer.

Leases

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

Inventories and Prepaid Expenses

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

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2011

2. Significant Accounting Policies / continued

Pension and Employee Benefits

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

Cash and Cash Equivalents

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

Government Transfers

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

Deferred Revenues

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

Investments

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

Investment income earned on surplus current funds, capital funds, reserves and reserve funds (other than obligatory reserve funds) are reported as revenue in the period earned.

Financial Instruments

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

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

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

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

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2011

2. Significant Accounting Policies / continued

Measurement Uncertainty

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 revenues and expenditures during the period. Actual results could differ from these estimates.

3. Employee Future Benefit Obligations

Extended health care, dental, life insurance and sick leave benefits:

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.

Retirement Benefits

An independent actuarial study of the employee non-pension retirement benefits has been undertaken. The most recent valuation of the employee future benefits was completed at December 31, 2010.

The accrued benefit obligations relating to employee non-pension retirement benefits has been actuarially determined using the projected benefit method pro-rated on services. At December 31, 2011, based on actuarial update, the accrued benefit obligation was \$171,286.

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

Discount rate	5% per annum
Inflation rate	2% per annum
Salary escalation	3% per annum
Dental benefits escalation	4% per annum
Health benefits escalation	8% per year starting in 2008, reducing to 4% per year over 12 years to reach 4% per year starting in 2010

Employee benefit obligations are comprised of:

	2011	2010
	\$	\$
Opening balance	155,212	141,171
Expense recognized for the year	9,525	7,830
Interest cost	8,482	7,229
Benefit payments	(3,194)	(1,018)
Amortization of actuarial losses	1,261	---
Accrued benefit obligation, end of year	171,286	155,212

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2011

4. Deferred Revenues

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

	2011	2010
	\$	\$
January 1, 2011	2,207,011	1,755,642
Federal grant - gasoline tax	817,734	820,278
Investment income	28,310	18,003
Transfer to operating fund	(646,756)	(386,912)
December 31, 2011	2,406,299	2,207,011

5. Long Term Liabilities

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

	2011	2010
	\$	\$
Debenture issue	11,975,976	12,740,327
Net long term liabilities at the end of the year	11,975,976	12,740,327

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

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2011

5. Long Term Liabilities / continued

(b) Principal payments fall due as follows:

	General Revenues
	\$
2012	812,510
2013	863,703
2014	918,122
2015	975,969
2016	1,037,462
2017 and thereafter	7,368,210
	11,975,976

(c) These payments are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

(d) Interest expense on long term liabilities in 2011 amounted to \$764,517 (2010 \$809,964).

6. Municipal Equity

The comparative information was reported on by another accounting firm and included the proportionate consolidated of the Kingston Frontenac Lennox and Addington Public Health Unit. The consolidated financial statements do not include the proportionate consolidation of the Kingston Frontenac Lennox and Addington Public Health Unit. The prior year's information has been restated to conform with this year's presentation as follows:

	2010
	\$
Municipal Equity, January 1, 2010	
As previously reported	20,245,249
Kingston Frontenac Lennox and Addington Public Health	
Tangible capital assets	(1,088,964)
Long term liabilities	875,670
Excess recoveries	(10,380)
Kingston Frontenac Lennox and Addington Public Health	
Share of reserve funds	(453,034)
Adjustment to County Owned Tangible Capital Assets (to recognize land not previously categorized as an asset)	181,303
Restated Municipal Equity ▶ January 1, 2010	19,749,844

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2011

6. Municipal Equity / continued

	2011	2010
	\$	\$
Invested in tangible capital assets	23,299,475	22,275,784
Long term liabilities	(11,975,976)	(12,740,327)
	11,323,499	9,535,457
Unrestricted surplus	---	(155,212)
Reserves (Schedule 1)	10,570,892	10,084,254
Reserve Funds (Schedule 1)	2,986,482	3,269,629
Total Municipal Equity	24,880,873	22,734,128

7. Pension Contributions

The County makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of all permanent members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The amount contributed to OMERS was \$1,083,045 (2010 \$905,417) for current services and is included as an expenditure on the Consolidated Statement of Operations and Accumulated Surplus classified under the appropriate functional expenditure. Contributions by employees were a similar amount.

8. Trust Funds

Trust funds administered by the County amounting to \$9,700 (2010 \$10,279) are presented in a separate financial statement of trust fund balances and operations. As such balances are held in trust by the County for the benefit of others, they are not presented as part of the County's financial position or financial activities.

9. Contingent Liabilities

(a) The County is contingently liable for its share of any operating deficit of the Kingston-Frontenac Public Library Board, which is approximately 13% of the accumulated balance as at the end of the year for the Board. The County's share of the accumulated operating surplus (deficits) is \$33,702 (2010 \$(10,000)).

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2011

9. Contingent Liabilities / continued

- (b) The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at December 31, 2011, management believes that the County has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the County's financial position.
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10. Contributions to Joint Boards

- (a) The assets and liabilities of the Kingston-Frontenac Public Library Board have not been consolidated. The County contributions to the Library Board for 2011 are \$725,077 (2010 \$704,092) and are reported on the Consolidated Statement of Operations.
- (b) The assets and liabilities of the Kingston-Frontenac and Lennox and Addington Health Board have not been consolidated. The County made the following contributions to the Kingston, Frontenac and Lennox and Addington Health Board for 2011 \$636,357 (2010 \$641,934).
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11. Commitments

- (a) The County leases premises under long term operating lease agreements with terms as follows:
- (i) \$25,500 per annum plus HST to December 22, 2013, adjusted annually for additional rent and realty taxes (\$19,950 in 2011);
 - (ii) \$28,000 per annum plus HST;
 - (iii) \$25,389 per annum in 2011, during each subsequent year \$25,389 plus an adjustment based on CPI;
 - (iv) \$4,000 per annum plus HST first five year term to 2015 and the following 15 years \$4,000 plus CPI escalator, plus HST;
 - (v) \$4,000 per annum plus HST.
- (b) In 2008, the County pledged \$54,000 annually for 10 years to the University Hospitals Kingston Foundation, a joint fund raising appeal undertaken by the Foundation on behalf of local hospitals. The County has provided \$54,000 as the fourth of 10 payments, as of December 31, 2011.
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County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2011

12. Cost Sharing Allocations

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

13. Risk Management

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

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

The County's exposure to and management of risk has not changed materially from December 31, 2010.

(a) Credit Risk

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

(b) Interest Rate Risk

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

(c) Liquidity Risk

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

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2011

14. Tangible Capital Assets

	2011	2010
	\$	\$
Land	463,653	463,653
Land Improvements	450,915	327,823
Buildings	17,723,355	14,859,519
Vehicles	2,021,955	1,682,180
Machinery and Equipment	2,289,308	2,151,730
Bridges	125,524	---
Work in Progress	224,765	2,790,879
	23,299,475	22,275,784

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

15. Segmented Information

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

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

For each reported segment, expenditures represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

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

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2011

15. Segmented Information / continued

2011	Salaries, Wages & Employee Benefits	Rents and Debt Interest	Materials & Services	External Transfers	Amortization	Total
	\$	\$	\$	\$	\$	\$
General Government						
Administration	801,202	---	1,103,369	510,000	180,473	2,595,044
Protection to Persons and Property	---	---	12,961	---	---	12,961
Transportation	799,548	---	48,321	675,182	---	1,523,051
Health Services						
Public Health Services	---	---	636,357	---	---	636,357
Ambulance	11,118,304	148,810	1,989,312	---	522,529	13,778,955
Social and Family Assistance						
General Assistance	---	---	1,267,813	---	---	1,267,813
Assistance to Aged Persons	8,064,348	764,517	1,866,935	---	532,540	11,228,340
Social Housing	---	---	640,681	---	---	640,681
Recreation and Cultural Services						
Libraries	---	---	725,077	---	15,317	740,394
Other	---	---	177,816	---	---	177,816
Planning and Development	236,685	---	634,278	---	---	870,963
2011	21,020,087	913,327	9,102,920	1,185,182	1,250,859	33,472,375

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2011

15. Segmented Information / continued

2010	Salaries, Wages & Employee Benefits	Rents and Debt Interest	Materials & Services	External Transfers	Amortization	Total
	\$	\$	\$	\$	\$	\$
General Government						
Administration	658,830	---	959,233	---	129,050	1,747,113
Protection to Persons and Property	---	---	11,306	---	---	11,306
Transportation	764,254	---	90,511	700,340	---	1,555,105
Health Services						
Public Health Services	---	---	---	641,934	---	641,934
Ambulance	10,917,244	154,660	1,923,126	88,027	468,665	13,551,722
Social and Family Assistance						
General Assistance	---	---	2,085,919	---	---	2,085,919
Assistance to Aged Persons	7,767,193	809,964	1,971,263	---	524,255	11,072,675
Social Housing	---	---	580,821	---	---	580,821
Recreation and Cultural Services						
Libraries	---	---	704,092	---	---	704,092
Other	---	---	519,492	---	---	519,492
Planning and Development	222,157	---	1,132,437	---	---	1,354,594
2010	20,329,678	964,624	9,978,200	1,430,301	1,121,970	33,824,773

16. Budget Figures

The operating budget approved by County Council, for 2011 is reflected on the Consolidated Statement of Operations. The budgets established for capital investment in tangible capital assets are on a project oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expenditure amounts.

County of Frontenac
Schedule 1 ▶ Continuity of Reserves and Reserve Funds

For the year ended December 31	(Note 16) Budget	2011	2010
	\$	\$	\$
Revenues			
Donations	---	40,951	19,175
Investment income	44,715	39,877	30,425
Total Net Revenues	44,715	80,828	49,600
Net Transfers From/(To) Other Funds			
Transfers from operations	682,832	794,531	752,458
Transfers to capital acquisitions	(2,029,076)	(671,868)	(1,167,664)
Total Net Transfers	(1,346,244)	122,663	(415,206)
Balances, Change in Year	(1,301,529)	203,491	(365,606)
Balances, Beginning of Year	13,353,883	13,353,883	13,719,489
Reserves and Reserve Fund Balances, End of Year	12,052,354	13,557,374	13,353,883

Schedule 1 ▶ Composition of Reserves and Reserve Funds

For the year ended December 31	2011	2010
	\$	\$
Reserves set aside for specific purposes by Council:		
▶ for working capital ▶ County of Frontenac	4,830,040	4,392,150
▶ Fairmount Home for the Aged	677,807	827,098
▶ for land ambulance joint with City of Kingston	1,372,592	1,858,137
▶ for land ambulance County of Frontenac	394,217	394,217
▶ for social housing	389,400	364,400
▶ for library	128,217	97,217
▶ for GIS	22,000	11,000
▶ for land acquisition	40,000	20,000
▶ for land use planning	136,159	86,159
▶ for stabilization	974,431	854,431
▶ for ferry revenue stabilization	42,611	27,811
▶ for Fairmount capital replacement schedule	604,500	519,480
▶ for County capital asset replacement schedule	486,664	398,664
▶ for Ontarians with disabilities	35,000	25,000
▶ for Severance ▶ Fairmount Home for the Aged	99,254	79,490
▶ for Operations ▶ Fairmount Home for the Aged	18,000	9,000
▶ for strategic projects	170,000	120,000
▶ for NEER reserve	150,000	---
Total Reserves	10,570,892	10,084,254
Reserve Funds		
▶ for Fairmount donations	156,045	116,868
▶ for Fairmount rebuild donations	67,878	67,035
▶ for County of Frontenac capital	2,174,318	2,270,144
▶ for investing in Ontario	588,241	815,582
	2,986,482	3,269,629
Total Reserves and Reserve Funds	13,557,374	13,353,883

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

County of Frontenac
Schedule 2 ▶ 2011 Tangible Capital Assets

Asset Class	Cost 01/01/11	Additions	(Disposals)	Cost 31/12/11
	\$	\$	\$	\$
Land	463,653	---	---	463,653
Land Improvements	426,851	146,959	---	573,810
Buildings	18,076,989	3,286,911	---	21,363,900
Vehicles	3,000,478	805,241	(673,407)	3,132,312
Machinery & Equipment	4,704,882	560,294	(10,148)	5,255,028
Bridges	---	133,695	---	133,695
Work in Progress	2,790,878	(2,566,112)	---	224,766
	29,463,731	2,366,988	(683,555)	31,147,164

Asset Class	Accumulated Amortization 01/01/11	Amortization	(Disposals)	Accumulated Amortization 31/12/11	Net Book Value 31/12/11
	\$	\$	\$	\$	\$
Land	---	---	---	---	463,653
Land Improvements	99,027	23,869	---	122,896	450,914
Buildings	3,217,470	423,076	---	3,640,546	17,723,354
Vehicles	1,318,298	379,624	(587,565)	1,110,357	2,021,955
Machinery & Equipment	2,553,152	416,120	(3,552)	2,965,720	2,289,308
Bridges	---	8,170	---	8,170	125,525
Work in Progress	---	---	---	---	224,766
	7,187,947	1,250,859	(591,117)	7,847,689	23,299,475

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

County of Frontenac
Schedule 2 ▶ 2010 Tangible Capital Assets

Asset Class	Cost 01/01/10	Additions	(Disposals)	Cost 31/12/10
	\$	\$	\$	\$
Land	433,463	47,646	(17,456)	463,653
Land Improvements	426,851	---	---	426,851
Buildings	18,058,664	35,583	(17,258)	18,076,989
Vehicles	2,230,471	780,160	(10,154)	3,000,477
Machinery & Equipment	4,271,650	765,875	(332,643)	4,704,882
Work in Progress	496,680	2,294,198	---	2,790,878
	25,917,779	3,923,462	(377,511)	29,463,730

Asset Class	Accumulated Amortization 01/01/10	Amortization	(Disposals)	Accumulated Amortization 31/12/10	Net Book Value 31/12/10
	\$	\$	\$	\$	\$
Land	---	---	---	---	463,653
Land Improvements	81,282	17,745	---	99,027	327,824
Buildings	2,830,790	388,973	(2,293)	3,217,470	14,859,519
Vehicles	995,832	327,543	(5,077)	1,318,298	1,682,179
Machinery & Equipment	2,378,977	387,709	(213,535)	2,553,151	2,151,731
Work in Progress	---	---	---	---	2,790,878
	6,286,881	1,121,970	(220,905)	7,187,946	22,275,784

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

Allan

Chartered Accountant Professional Corporation

INDEPENDENT AUDITOR'S REPORT

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

We have audited the statement of financial position of the trust funds of the Corporation of the County of Frontenac as at December 31, 2011 and the statement of financial activities of the trust funds for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

In our opinion, except for the effect of adjustments which might have been required had receipts from the Homes for Senior Citizens residents been susceptible to complete audit verification, these financial statements present fairly, in all material respects, the financial position of the trust funds of the Corporation of the County of Frontenac as at December 31, 2011 and the financial activities for the year ended in accordance with Canadian Public Sector Accounting Standards.



Chartered Accountants
Licenced Public Accountants
Perth, Ontario,
May 4, 2012

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

December 31	Fairmount Home Residents'	Bridget Fowler	2011	2010
	\$	\$	\$	\$
ASSETS				
Cash	6,297	3,403	9,700	10,279
FUND BALANCES	6,297	3,403	9,700	10,279

Statement of Financial Activities

For the year ended December 31	Fairmount Home Residents'	Bridget Fowler	2011	2010
	\$	\$	\$	\$
REVENUES				
Residents' deposits	15,417	---	15,417	15,797
Interest	---	30	30	122
Dividends	---	202	202	238
	15,417	232	15,649	16,157
EXPENDITURES				
Residents' withdrawals	15,928	---	15,928	20,682
Payments	---	300	300	300
	15,928	300	16,228	20,982
NET EXPENDITURES FOR THE YEAR	(511)	(68)	(579)	(4,825)
BALANCE AT THE BEGINNING OF THE YEAR	6,808	3,471	10,279	15,104
BALANCE AT THE END OF THE YEAR	6,297	3,403	9,700	10,279

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

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

December 31, 2011

1. Significant Accounting Policies

Reporting Entity

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