

**CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

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**County of Frontenac  
Consolidated  
Financial Statements  
December 31, 2013**

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

December 31	2013	2012	2011	2010
<b>Population</b> (Statistics Canada)	* 26,375	* 26,375	* 26,375	** 26,658
* 2011 population from the 2011 Census ** 2010 population from the 2006 Census				
<b>Number of Households</b> (MPAC)	18,433	18,417	18,797	18,674
<b>Taxable Assessment</b> (000's)				
	\$	\$	\$	\$
Residential	4,448,390	4,186,639	3,854,781	3,528,289
Multi-residential	4,446	4,123	4,014	3,905
Commercial	45,056	43,891	41,399	37,175
Industrial	12,826	12,074	11,586	10,610
Farmland	99,710	95,614	90,985	91,189
<b>Total</b>	<b>4,610,428</b>	<b>4,342,341</b>	<b>4,002,765</b>	<b>3,671,168</b>
<b>Rates of Taxation</b>				
▸ residential (municipal)	0.178401	0.193135	0.212540	0.242244
▸ multi-residential (municipal)	0.178401	0.193135	0.212540	0.242244
▸ commercial (municipal)	0.178401	0.193135	0.212540	0.242244
▸ industrial (municipal)	0.178401	0.193135	0.212540	0.242244
<b>Revenues for County Purposes</b> (000's)				
	\$	\$	\$	\$
▸ Taxation	8,242	8,450	8,496	8,908
▸ Government transfers	23,226	23,616	21,916	22,185
▸ Other	5,107	4,495	4,260	3,879
▸ Revenues related to capital assets	---	---	948	1,837
<b>Total</b>	<b>36,575</b>	<b>36,561</b>	<b>35,620</b>	<b>36,809</b>
<b>Expenditures</b> (000's)				
▸ Operations	35,867	35,873	33,472	33,825
▸ Amortization	1,606	1,367	1,251	1,122
<b>Net Assets (Net Debt)</b>				
▸ % of Operating Revenue (>(20%))**	9.23%	7.63%	4.02%	0.77%
▸ % of Taxation (>(50%))**	40.97%	32.99%	16.38%	3.02%

\*\* Represents the Provincial Low Risk Indicator.  
(Note: All dollar amounts are in thousands of dollars.)

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

December 31	2013	2012	2011	2010
	\$	\$	\$	\$
<b>Long Term Debt</b>				
▸ Net long term debt (000's)	10,300	11,163	11,976	12,740
▸ Long term debt charges (000's)	1,528	1,529	1,529	1,529
▸ Annual repayment limit (000's)	2,960	3,118	2,999	3,006
▸ Long term debt per household	558	606	637	682
▸ Debt charges (000's)				
▸ tax supported	489	489	489	489
▸ City of Kingston	1,040	1,040	1,040	1,040
<hr/>				
<b>Municipal Equity (000's)</b>				
▸ Surplus and Reserves	13,871	14,118	13,557	13,353
▸ Invested in capital assets	12,407	11,451	11,323	9,535
▸ Net book value to original cost	69.36%	72.14%	74.80%	75.60%
▸ Reserves as % of operating expenses (>20%)**	38.79%	39.45%	40.50%	39.48%
<hr/>				
<b>Financial Indicators</b>				
▸ Sustainability				
▸ financial assets to liabilities	1.1989	1.1562	1.0705	1.0126
▸ financial assets to liabilities excluding long term debt	3.0479	3.0899	2.7254	2.4955
▸ long term debt to tangible capital assets	45.36%	49.36%	51.40%	57.19%
▸ Flexibility				
▸ Debt charges to total operating revenue (<5%)**	4.15%	4.18%	4.44%	4.41%
▸ Total operating revenue to taxable assessment	0.79%	0.84%	0.86%	0.94%
▸ Working capital to operating expenses (>10%)**	38.13%	38.89%	39.93%	38.46%
▸ Vulnerability				
▸ Operating government transfers ▸ to operating revenue	63.50%	64.59%	64.43%	63.20%
▸ Total government transfers ▸ to total revenues	63.50%	64.59%	65.38%	63.21%



## Management's Responsibility for the Consolidated Financial Statements

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The accompanying consolidated financial statements of the Corporation of the County of Frontenac are the responsibility of the County's management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of significant accounting policies are described in note 2 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The County's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of consolidated financial statements. These systems are monitored and evaluated by management.

The consolidated financial statements have been audited by Allan Chartered Accountant Professional Corporation, independent external auditors appointed by the County. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the County's consolidated financial statements.

  
\_\_\_\_\_  
Chief Administrative Officer

  
\_\_\_\_\_  
Treasurer



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**COUNTY OF FRONTENAC**

2069 Battersea Road, Glenburnie, Ontario, Canada K0H 1S0 t. 613.548.9400 f. 613.548.8460 [www.frontenacounty.ca](http://www.frontenacounty.ca)

# Allan

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Chartered Accountant Professional Corporation

## INDEPENDENT AUDITOR'S REPORT

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**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, 2013 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, 2013 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  
Licensed Public Accountants  
Allan Chartered Accountants Professional Corporation  
Authorized to practice public accounting by the Institute of Chartered Accountants of Ontario

Perth, Ontario,  
May 21, 2014.

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

December 31	2013	2012
	\$	\$
<b>ASSETS</b>		
<b>Financial Assets</b>		
Cash	18,204,795	16,908,835
Short term investment	---	164,069
Accounts receivable	2,150,455	3,553,018
	<b>20,355,250</b>	<b>20,625,922</b>
<b>LIABILITIES</b>		
<b>Financial Liabilities</b>		
Accounts payable	4,419,221	3,996,132
Employee future benefit obligations (note 3)	244,181	222,638
Deferred revenues	104,179	12,283
Deferred revenues ▶ obligatory reserve fund (note 4)	1,910,900	2,444,292
Long term liabilities (note 5)	10,299,763	11,163,466
	<b>16,978,244</b>	<b>17,838,811</b>
<b>NET FINANCIAL ASSETS</b>	<b>3,377,006</b>	<b>2,787,111</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (note 14)	22,706,778	22,615,130
Inventories	148,631	149,390
Prepaid expenses	45,991	18,118
	<b>22,901,400</b>	<b>22,782,638</b>
Commitments (note 11) Contingent Liabilities (note 9)		
<b>MUNICIPAL EQUITY (note 6)</b>	<b>26,278,406</b>	<b>25,569,749</b>

Approved by the Corporation of the County of Frontenac

\_\_\_\_\_ Warden

\_\_\_\_\_ Deputy Warden

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

**County of Frontenac  
Consolidated Statement of Operations**

For the year ended December 31	(Note 16) Budget	2013	2012
	\$	\$	\$
<b>REVENUES</b>			
Taxation ▶ from other governments	8,161,907	8,242,482	8,450,478
User charges	3,044,827	2,973,693	2,915,276
Government grants ▶ provincial	14,034,938	14,222,116	14,029,913
▶ other municipalities	10,010,435	8,775,755	9,586,395
Deferred revenues earned (note 4)	1,430,542	1,394,747	812,989
Provincial offences fines penalties	202,572	202,890	200,299
Investment income	144,102	193,357	199,356
Other income	506,066	570,167	367,580
<b>TOTAL REVENUES</b>	<b>37,535,389</b>	<b>36,575,207</b>	<b>36,562,286</b>
<b>EXPENDITURES</b>			
General government	2,383,961	2,338,602	2,340,150
Protection to persons and property	17,650	93,693	11,320
Transportation services	909,399	895,518	1,553,466
Ambulance services	15,267,680	15,592,596	15,156,842
Health services	690,736	690,732	677,658
Social and family services	13,007,296	13,065,446	12,933,461
Libraries	788,356	801,933	786,579
Social housing	744,467	714,016	688,572
Planning and development	1,058,076	715,781	960,362
Other	958,034	958,233	765,000
<b>TOTAL EXPENDITURES</b>	<b>35,825,655</b>	<b>35,866,550</b>	<b>35,873,410</b>
<b>NET REVENUES FROM OPERATIONS</b>	<b>1,709,734</b>	<b>708,657</b>	<b>688,876</b>
<b>ANNUAL SURPLUS</b>	<b>1,709,734</b>	<b>708,657</b>	<b>688,876</b>
<b>MUNICIPAL EQUITY, BEGINNING OF YEAR</b>	<b>25,569,749</b>	<b>25,569,749</b>	<b>24,880,873</b>
<b>MUNICIPAL EQUITY, END OF YEAR</b>	<b>27,279,483</b>	<b>26,278,406</b>	<b>25,569,749</b>

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

**County of Frontenac**  
**Consolidated Statement of Changes in Net Financial Assets**

For the year ended December 31	(Note 16) Budget	2013	2012
	\$	\$	\$
<b>ANNUAL SURPLUS</b>	1,709,734	708,657	688,876
Amortization of tangible capital assets	1,666,465	1,606,155	1,366,641
Acquisition of tangible capital assets	(4,115,127)	(1,705,961)	(713,229)
(Loss) gain on sale of tangible capital assets	---	(16,353)	11,403
Proceeds on sale of tangible capital assets	---	24,511	19,531
Acquisition of inventories of supplies	---	(148,631)	(149,391)
Acquisition of prepaid expenses	---	(45,991)	(18,118)
Consumption of inventories	---	149,390	172,582
Use of prepaid expenses	---	18,118	17,891
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	(738,928)	589,895	1,396,186
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	2,787,111	2,787,111	1,390,925
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	2,048,183	3,377,006	2,787,111

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

**County of Frontenac  
Consolidated Statement of Cash Flows**

<b>For the year ended December 31</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>OPERATING</b>		
Annual surplus for the year	708,657	688,876
Amortization	1,606,155	1,366,641
	<b>2,314,812</b>	<b>2,055,517</b>
<b>Net Change in Non-Cash Working Capital Balances</b>		
Accounts receivable	1,402,561	149,689
Accounts payable	423,089	(1,120,036)
Employee future benefit obligations	21,543	51,352
Deferred revenues	91,896	(41,176)
Deferred revenues ▶ obligatory reserve funds	(533,391)	37,993
Inventories	760	23,191
Prepaid expenses	(27,873)	(227)
	<b>1,378,585</b>	<b>(899,214)</b>
<b>Working Capital from Operations</b>	<b>3,693,397</b>	<b>1,156,303</b>
<b>INVESTING</b>		
Decrease in short term investments	164,069	328,140
<b>Net increase in investments</b>	<b>164,069</b>	<b>328,140</b>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(1,705,961)	(713,229)
Net proceeds on sale of tangible capital assets	8,158	30,934
<b>Net investment in tangible capital assets</b>	<b>(1,697,803)</b>	<b>(682,295)</b>
<b>FINANCING</b>		
Debt principal repayments	(863,703)	(812,510)
<b>Net decrease in cash from financing activities</b>	<b>(863,703)</b>	<b>(812,510)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>1,295,960</b>	<b>(10,362)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>16,908,835</b>	<b>16,919,197</b>
<b>CASH, END OF YEAR</b>	<b>18,204,795</b>	<b>16,908,835</b>

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

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# County of Frontenac

## Notes to the Consolidated Financial Statements

December 31, 2013

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### 1. Status of the County of Frontenac

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

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### 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.
- (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.

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**County of Frontenac**  
**Notes to the Consolidated Financial Statements**

**December 31, 2013**

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**2. Significant Accounting Policies / continued**

**Basis of Accounting / continued**

- (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	4.5 - 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.

**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.

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**County of Frontenac**  
**Notes to the Consolidated Financial Statements**

**December 31, 2013**

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**2. Significant Accounting Policies / continued**

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

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

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

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

**Measurement Uncertainty**

The preparation of consolidated financial statements in conformity with Canadian Public Accounting Standards requires management to make estimates and assumptions on such areas as employee benefits, assessment appeals and environmental provisions. These estimates and assumptions are based on the County's best information and judgment and may differ significantly based on actual results.

**County of Frontenac**  
**Notes to the Consolidated Financial Statements**

**December 31, 2013**

**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 employees who meet specific criteria within the Fairmount Home and Paramedic Services. Extended health care and dental benefits continue to be available to early retirees at 100% of their cost up to the age of 60, then between the age of 60 and 65, the retiree will generally be responsible for paying 50% of the benefit premiums.

**Retirement Benefits**

An independent actuarial study of the employee non-pension retirement benefits has been undertaken. The most recent valuation of the employee future benefits was completed at December 31, 2012.

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, 2013, based on actuarial update, the accrued benefit obligation was \$244,181.

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:

	2013	2012
	\$	\$
Opening balance	222,638	171,286
Increase due to plan amendment	---	35,175
Expense recognized for the year	14,621	10,177
Interest cost	9,251	9,171
Benefit payments	(2,586)	(4,432)
Amortization of actuarial losses	257	1,261
<b>Accrued benefit obligation, end of year</b>	<b>244,181</b>	<b>222,638</b>

**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:

**County of Frontenac**  
**Notes to the Consolidated Financial Statements**

**December 31, 2013**

**4. Deferred Revenues / continued**

	2013	2012
	\$	\$
Federal Gas Tax ▶ January 1, 2013	2,444,292	2,406,299
Federal grant ▶ gasoline tax	817,734	817,734
Investment income	43,621	33,248
Transfer to operating fund	(1,394,747)	(812,989)
Federal Gas Tax ▶ December 31, 2013	1,910,900	2,444,292

**5. Long Term Liabilities**

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

	2013	2012
	\$	\$
Debenture issue	10,299,763	11,163,466
Net long term liabilities at the end of the year	10,299,763	11,163,466

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

- (b) Principal payments fall due as follows:

	General Revenues
	\$
2014	918,122
2015	975,969
2016	1,037,462
2017	1,102,822
2018	1,172,313
2019 and thereafter	5,093,075
	10,299,763

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**County of Frontenac**  
**Notes to the Consolidated Financial Statements**

December 31, 2013

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**5. Long Term Liabilities / continued**

- (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 2013 amounted to \$664,840 (2012 \$716,200).
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**6. Municipal Equity**

	2013	2012
	\$	\$
Invested in tangible capital assets	22,706,778	22,615,129
Long term liabilities	(10,299,763)	(11,163,466)
	12,407,015	11,451,663
Unfunded Future Employee Liabilities	(41,715)	(35,175)
Reserves (Schedule 1)	11,381,703	11,410,776
Reserve Funds (Schedule 1)	2,531,403	2,742,485
<b>Total Municipal Equity</b>	<b>26,278,406</b>	<b>25,569,749</b>

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**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 \$1,570,762 (2012 \$1,267,813) for current services and is included as an expenditure on the Consolidated Statement of Operations classified under the appropriate functional expenditure. Contributions by employees were a similar amount.

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**8. Trust Funds**

Trust funds administered by the County amounting to \$10,182 (2012 \$10,051) 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.

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**County of Frontenac**  
**Notes to the Consolidated Financial Statements**

**December 31, 2013**

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**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 \$10,162 (2012 \$28,631).
  - (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, 2013, 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 2013 are \$755,982 (2012 \$740,329) 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 2013 \$690,732 (2012 \$677,658).
- 

**11. Commitments**

- (a) The County leases premises under long term operating lease agreements with terms as follows:
  - (i) \$27,000 per annum plus HST to December 31, 2015, adjusted annually for additional rent and realty taxes; \$25,500 per annum plus HST to December 21, 2013, adjusted annually for additional rent and realty taxes (\$25,500 in 2012);
  - (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) \$51,600 per annum plus HST to September 30, 2015;
  - (v) \$4,000 per annum plus HST first five year term to 2015 and the following 15 years \$4,000 plus CPI escalator, plus HST;
  - (vi) \$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 sixth of 10 payments, as of December 31, 2013.

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**County of Frontenac**  
**Notes to the Consolidated Financial Statements**

**December 31, 2013**

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**11. Commitments**

- (c) In 2012, the Kingston Frontenac Housing Corporation entered into an agreement with the City of Kingston to pay \$12,500 per year beginning in 2012 to provide for a new septic system at the social housing site in Verona. Through the cost sharing agreement with the City of Kingston the County of Frontenac is obligated for 100% of the costs of the social housing units in the County, including this annual repayment.

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**12. Cost Sharing Allocations**

The Local Service Realignment sets out formulae under which the costs for Social Services, Child Care, Social Housing, Provincial Offences and Land Ambulance are shared between the County of Frontenac and the City of Kingston. A new cost sharing arrangement was derived for the period of 2004 to 2006 through an arbitrated settlement and continued on a year to year basis. Program costs for Social Services and Child Care are distributed on the basis of caseload and Social Housing costs are allocated by the location of the unit. The administrative costs for these services are allocated on the basis of weighted assessment. The cost of Land Ambulance and the net revenue of Provincial Offences are distributed on the basis of weighted assessment.

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**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, 2012.

**Credit Risk**

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

**Interest Rate Risk**

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

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**County of Frontenac**  
**Notes to the Consolidated Financial Statements**

December 31, 2013

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**13. Risk Management / continued**

**Liquidity Risk**

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

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**14. Tangible Capital Assets**

	2013	2012
	\$	\$
Land	513,729	463,653
Land Improvements	1,213,480	655,597
Buildings	16,896,668	17,279,874
Vehicles	1,214,810	1,686,611
Machinery and Equipment	2,020,757	2,124,078
Bridges	312,409	116,612
Work in Progress	534,925	288,705
	<b>22,706,778</b>	<b>22,615,130</b>

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

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**15. Segmented Information**

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

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

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

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

**County of Frontenac**  
**Notes to the Consolidated Financial Statements**

December 31, 2013

15. Segmented Information / continued

2013	Salaries, Wages & Employee Benefits	Rents and Debenture Debt Interest	Materials & Services	External Transfers	Amortization	Total
	\$	\$	\$	\$	\$	\$
<b>General Government</b>						
Administration	796,241	---	1,341,861	965,184	193,549	3,296,835
<b>Protection to Persons and Property</b>	---	---	93,693	---	---	93,693
<b>Transportation</b>	862,259	---	33,259	---	---	895,518
<b>Health Services</b>						
Public Health Services	---	---	690,732	---	---	690,732
Ambulance	12,554,214	153,168	2,075,848	---	809,366	15,592,596
<b>Social and Family Assistance</b>						
General Assistance	---	---	1,164,432	---	---	1,164,432
Assistance to Aged Persons	8,703,057	664,840	1,992,181	---	540,936	11,901,014
Social Housing	---	---	714,016	---	---	714,016
<b>Recreation and Cultural Services</b>						
Libraries	---	---	755,982	---	45,951	801,933
<b>Planning and Development</b>	265,396	---	450,385	---	---	715,781
<b>2013</b>	<b>23,181,167</b>	<b>818,008</b>	<b>9,312,389</b>	<b>965,184</b>	<b>1,589,802</b>	<b>35,866,550</b>

**County of Frontenac**  
**Notes to the Consolidated Financial Statements**

December 31, 2013

15. Segmented Information / continued

2012	Salaries, Wages & Employee Benefits	Rents and Debt Interest	Materials & Services	External Transfers	Amortization	Total
	\$	\$	\$	\$	\$	\$
<b>General Government</b>						
Administration	855,262	---	1,289,491	771,263	189,133	3,105,149
<b>Protection to Persons and Property</b>	---	---	11,320	---	---	11,320
<b>Transportation</b>	841,567	---	37,125	674,774	---	1,553,466
<b>Health Services</b>						
Public Health Services	---	---	677,658	---	---	677,658
Ambulance	12,259,774	---	2,303,462	---	593,606	15,156,842
<b>Social and Family Assistance</b>						
General Assistance	---	---	1,189,165	---	---	1,189,165
Assistance to Aged Persons	8,487,287	716,200	2,002,859	---	537,951	11,744,297
Social Housing	---	---	688,572	---	---	688,572
<b>Recreation and Cultural Services</b>						
Libraries	---	---	740,628	---	45,951	786,579
<b>Planning and Development</b>	266,418	---	693,944	---	---	960,362
<b>2012</b>	<b>22,710,308</b>	<b>716,200</b>	<b>9,634,224</b>	<b>1,446,037</b>	<b>1,366,641</b>	<b>35,873,410</b>

16. Budget Figures

The operating budget approved by County Council, for 2013 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	2013	2012
	\$	\$	\$
<b>Revenues</b>			
Donations	---	62,528	94,838
Investment income	67,291	56,240	58,348
<b>Total Net Revenues</b>	67,291	118,948	153,186
<b>Net Transfers From / (To) Other Funds</b>			
Transfers from operations	338,274	86,741	548,205
Transfers to capital acquisitions	(1,504,160)	(446,544)	(105,504)
<b>Total Net Transfers</b>	(1,165,886)	(359,803)	442,701
<b>Balances, Change in Year</b>	(1,098,595)	(240,855)	595,887
<b>Balances, Beginning of Year</b>	14,153,961	14,153,961	13,557,374
<b>Reserves and Reserve Fund Balances, End of Year</b>	13,055,366	13,913,106	14,153,961

**Schedule 1 ▶ Composition of Reserves and Reserve Funds**

For the year ended December 31	2013	2012
	\$	\$
<b>Reserves set aside for specific purposes by Council:</b>		
▶ for working capital ▶ County of Frontenac	4,455,736	4,983,724
▶ Fairmount Home for the Aged	555,624	626,793
▶ for land ambulance joint with City of Kingston	2,001,521	1,774,037
▶ for land ambulance County of Frontenac	394,217	394,217
▶ for social housing	414,400	401,900
▶ for library	151,682	141,867
▶ for GIS	44,000	33,000
▶ for land acquisition	77,654	57,654
▶ for land use planning	235,670	185,670
▶ for stabilization	974,431	974,431
▶ for ferry revenue stabilization	---	32,450
▶ for Fairmount capital replacement schedule	831,862	689,524
▶ for County capital asset replacement schedule	800,410	574,664
▶ for Ontarians with disabilities	55,000	45,000
▶ for Severance ▶ Fairmount Home for the Aged	132,954	116,762
▶ for Operations ▶ Fairmount Home for the Aged	36,542	27,223
▶ for strategic projects	160,000	170,000
▶ for NEER reserve	---	151,860
▶ 150 <sup>th</sup> Anniversary reserve	60,000	30,000
<b>Total Reserves</b>	11,381,703	11,410,776
<b>Reserve Funds</b>		
▶ for Fairmount donations	145,763	243,375
▶ for Fairmount rebuild donations	157,023	68,734
▶ for County of Frontenac capital	1,982,600	2,077,161
▶ for investing in Ontario	246,017	353,215
	2,531,403	2,742,485
<b>Total Reserves and Reserve Funds</b>	13,913,106	14,153,261

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

**County of Frontenac**  
**Schedule 2 ▶ 2013 Tangible Capital Assets**

Asset Class	Cost 01/01/13	Additions	(Disposals)	Cost 31/12/13
	\$	\$	\$	\$
Land	463,653	50,076	---	513,729
Land Improvements	816,323	608,350	---	1,424,673
Buildings	21,374,356	67,217	---	21,441,573
Vehicles	3,025,565	211,698	(125,109)	3,112,154
Machinery & Equipment	5,242,355	317,691	(189,696)	5,370,350
Bridges	133,695	204,710	---	338,405
Work in Progress	288,705	465,820	(219,601)	534,924
	<b>31,344,652</b>	<b>1,925,562</b>	<b>(534,406)</b>	<b>32,735,808</b>

Asset Class	Accumulated Amortization 01/01/13	Amortization	(Disposals)	Accumulated Amortization 31/12/13	Net Book Value 31/12/13
	\$	\$	\$	\$	\$
Land	---	---	---	---	513,729
Land Improvements	160,726	50,467	---	211,193	1,213,480
Buildings	4,094,482	450,423	---	4,544,905	16,896,668
Vehicles	1,338,954	675,498	(117,110)	1,897,342	1,214,810
Machinery & Equipment	3,118,277	420,853	(189,538)	3,349,592	2,020,758
Bridges	17,083	8,913	---	25,996	312,409
Work in Progress	---	---	---	---	534,924
	<b>8,729,522</b>	<b>1,606,154</b>	<b>(306,648)</b>	<b>10,029,028</b>	<b>22,706,778</b>

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

**County of Frontenac**  
**Schedule 2 ▶ 2012 Tangible Capital Assets**

Asset Class	Cost 01/01/12	Additions	(Disposals)	Cost 31/12/12
	\$	\$	\$	\$
Land	463,653	---	---	463,653
Land Improvements	573,810	242,513	---	816,323
Buildings	21,363,900	10,456	---	21,374,356
Vehicles	3,132,312	106,844	(213,591)	3,025,565
Machinery & Equipment	5,255,028	289,477	(302,150)	5,242,355
Bridges	133,695	---	---	133,695
Work in Progress	224,766	113,797	(49,858)	288,705
	<b>31,147,164</b>	<b>763,087</b>	<b>(565,599)</b>	<b>31,344,652</b>

Asset Class	Accumulated Amortization 01/01/12	Amortization	(Disposals)	Accumulated Amortization 31/12/12	Net Book Value 31/12/12
	\$	\$	\$	\$	\$
Land	---	---	---	---	463,653
Land Improvements	122,896	37,830	---	160,726	655,597
Buildings	3,640,546	453,936	---	4,094,482	17,279,874
Vehicles	1,110,357	426,188	(197,591)	1,338,954	1,686,611
Machinery & Equipment	2,965,720	439,773	(287,216)	3,118,277	2,124,078
Bridges	8,170	8,913	---	17,083	116,612
Work in Progress	---	---	---	---	288,705
	<b>7,847,689</b>	<b>1,366,640</b>	<b>484,807</b>	<b>8,729,522</b>	<b>22,615,130</b>

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

# Allan

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Chartered Accountant Professional Corporation

## INDEPENDENT AUDITOR'S REPORT

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**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, 2013 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, 2013 and the financial activities for the year ended in accordance with Canadian Public Sector Accounting Standards.



Chartered Accountants

Licensed Public Accountants

Allan Chartered Accountants Professional Corporation

Authorized to practice public accounting by the Institute of Chartered Accountants of Ontario

Perth, Ontario,  
May 21, 2014.

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

December 31	Fairmount Home Residents'	Bridget Fowler	2013	2012
	\$	\$	\$	\$
<b>ASSETS</b>				
Cash	6,352	3,830	10,182	10,051
<b>FUND BALANCES</b>	6,352	3,830	10,182	10,051

**Statement of Financial Activities**

For the year ended December 31	Fairmount Home Residents'	Bridget Fowler	2013	2012
	\$	\$	\$	\$
<b>REVENUES</b>				
Residents' deposits	12,190	---	12,190	14,121
Interest	---	50	50	30
Dividends	---	317	317	630
	12,190	367	12,557	14,781
<b>EXPENDITURES</b>				
Residents' withdrawals	12,126	---	12,126	14,130
Payments	---	300	300	300
	12,126	300	12,426	14,430
<b>NET REVENUES FOR THE YEAR</b>	64	67	131	351
<b>BALANCE AT THE BEGINNING OF THE YEAR</b>	6,288	3,763	10,051	9,700
<b>BALANCE AT THE END OF THE YEAR</b>	6,352	3,830	10,182	10,051

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

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

**December 31, 2013**

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**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.

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