

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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**County of Frontenac
Consolidated
Financial Statements
December 31, 2014**

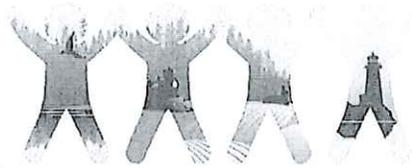
County of Frontenac
Five Year Financial Review
(not subject to audit)

December 31	2014	2013	2012	2011	2010
Population (Statistics Canada)	26,375	* 26,375	* 26,375	* 26,375	** 26,658
* 2011 population from the 2011 Census ** 2010 population from the 2006 Census					
Number of Households (MPAC)	19,183	18,433	18,417	18,797	18,674
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Taxable Assessment (000's)	\$	\$	\$	\$	\$
Residential	4,733,817	4,448,390	4,186,639	3,854,781	3,528,289
Multi-residential	4,769	4,446	4,123	4,014	3,905
Commercial	47,059	45,056	43,891	41,399	37,175
Industrial	12,137	12,826	12,074	11,586	10,610
Farmland	102,675	99,710	95,614	90,985	91,189
Total	4,900,457	4,610,428	4,342,341	4,002,765	3,671,168
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Rates of Taxation	0.171918	0.178401	0.193135	0.212540	0.242244
▸ residential (municipal)	0.171918	0.178401	0.193135	0.212540	0.242244
▸ multi-residential (municipal)	0.171918	0.178401	0.193135	0.212540	0.242244
▸ commercial (municipal)	0.171918	0.178401	0.193135	0.212540	0.242244
▸ industrial (municipal)	0.171918	0.178401	0.193135	0.212540	0.242244
<hr/>					
Revenues for County Purposes (000's)	\$	\$	\$	\$	\$
▸ Taxation	8,356	8,242	8,450	8,496	8,908
▸ Government transfers	23,312	22,756	23,616	21,916	22,185
▸ Other	5,124	4,641	4,495	4,260	3,879
▸ Revenues related to capital assets	---	---	---	948	1,837
Total	36,792	35,639	36,561	35,620	36,809
<hr/>					
Expenditures (000's)	36,128	35,867	35,873	33,472	33,825
▸ Operations	1,417	1,606	1,367	1,251	1,122
▸ Amortization					
<hr/>					
Net Assets (Net Debt)					
▸ % of Operating Revenue (>(20%))**	9.81%	9.23%	7.63%	4.02%	0.77%
▸ % of Taxation (>(50%))**	46.17%	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
Five Year Financial Review
(not subject to audit)

December 31	2014	2013	2012	2011	2010
	\$	\$	\$	\$	\$
Long Term Debt					
▸ Net long term debt (000's)	9,381	10,300	11,163	11,976	12,740
▸ Long term debt charges (000's)	1,528	1,528	1,529	1,529	1,529
▸ Total annual repayment limit (000's)	2,971	2,960	3,118	2,999	3,006
▸ Long term debt per household (Frontenac portion)	107	122	132	139	149
▸ Debt charges (000's)					
▸ tax supported	334	334	334	334	334
▸ City of Kingston	711	711	711	711	711
▸ Government of Ontario	483	483	483	483	483
Municipal Equity (000's)					
▸ Surplus and Reserves	13,468	13,871	14,118	13,557	13,353
▸ Invested in capital assets	15,520	12,407	11,451	11,323	9,535
▸ Asset consumption ratio	30.38%	30.64%	27.85%	25.20%	24.40%
▸ Reserves as % of operating expenses (>20%)**	37.28%	38.79%	39.45%	40.50%	39.48%
Financial Indicators					
▸ Sustainability					
▸ financial assets to liabilities	1.2443	1.1989	1.1562	1.0705	1.0126
▸ financial assets to liabilities excluding long term debt	3.1281	3.0479	3.0899	2.7254	2.4955
▸ long term debt to tangible capital assets	37.67%	45.36%	49.36%	51.40%	57.19%
▸ capital reserves to accumulated amortization	50.46%	90.47%	107.76%	120.67%	129.52%
▸ Flexibility					
▸ Debt charges to total operating revenue (<5%)**	3.05%	4.15%	4.18%	4.44%	4.41%
▸ Total operating revenue to taxable assessment	0.79%	0.79%	0.84%	0.86%	0.94%
▸ Working capital to operating expenses (>10%)**	39.04%	38.13%	38.89%	39.93%	38.46%
▸ Vulnerability					
▸ Operating government transfers ▸ to operating revenue	63.36%	63.85%	64.59%	64.43%	63.20%
▸ Total government transfers ▸ to total revenues	63.92%	62.88%	64.59%	65.38%	63.21%



Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the County of Frontenac are the responsibility of the County's management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards 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



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 consolidated statement of financial position of the Corporation of the County of Frontenac as at December 31, 2014 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, 2014 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 Professional Accountants
Licensed Public Accountants

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

Perth, Ontario,
April 15, 2015.

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

December 31	2014	2013
	\$	\$
ASSETS		
Financial Assets		
Cash	7,355,051	18,204,795
Short term investment	8,500,000	---
Accounts receivable	3,529,020	2,150,455
	19,384,071	20,355,250
LIABILITIES		
Financial Liabilities		
Accounts payable	4,481,449	4,419,221
Employee future benefit obligations (note 3)	265,198	244,181
Deferred revenues	164,237	104,179
Deferred revenues ▶ obligatory reserve fund (note 4)	1,285,891	1,910,900
Long term liabilities (note 5)	9,381,641	10,299,763
	15,578,416	16,978,244
NET FINANCIAL ASSETS	3,805,655	3,377,006
NON-FINANCIAL ASSETS		
Tangible capital assets (note 14)	24,901,532	22,706,778
Inventories	198,994	148,631
Prepaid expenses	33,270	45,991
	25,133,796	22,901,400
Commitments (note 11) Contingent Liabilities (note 9)		
MUNICIPAL EQUITY (note 6)	28,939,451	26,278,406

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	2014	(Note 17) 2013
	\$	\$	\$
REVENUES			
Taxation ▶ from other governments	8,381,929	8,356,326	8,242,482
User charges	3,160,111	3,110,128	2,973,693
Government grants ▶ provincial	14,350,471	14,643,447	14,222,116
▶ other municipalities	8,391,796	8,668,679	8,534,172
Deferred revenues earned (note 4)	1,541,040	1,025,447	928,734
Provincial offences fines penalties	190,898	171,657	202,890
Investment income	140,000	173,718	193,357
Other income	369,076	643,244	342,167
TOTAL REVENUES	36,525,321	36,792,646	35,639,611
EXPENDITURES			
General government	2,247,724	2,363,342	2,338,602
Protection to persons and property	34,600	31,377	93,693
Transportation services	938,716	943,644	895,518
Ambulance services	15,521,900	15,547,044	15,592,596
Health services	703,517	703,517	690,732
Social and family services	13,002,399	13,329,519	13,065,446
Libraries	878,113	824,587	801,933
Social housing	826,086	752,893	714,016
Planning and development	1,333,656	717,660	715,781
Other	913,999	914,099	958,233
TOTAL EXPENDITURES	36,400,710	36,127,682	35,866,550
NET REVENUES (EXPENDITURES) FROM OPERATIONS	124,611	664,964	(226,939)
OTHER			
Grants and transfers related to capital			
Government grants (Provincial and other municipal)	1,588,788	1,483,165	241,583
Deferred revenues earned (note 4)	703,540	420,716	466,013
Other	115,000	92,200	228,000
	2,407,328	1,996,081	935,596
ANNUAL SURPLUS	2,531,989	2,661,045	708,657
MUNICIPAL EQUITY, BEGINNING OF YEAR	26,278,406	26,278,406	25,569,749
MUNICIPAL EQUITY, END OF YEAR	28,810,345	28,939,451	26,278,406

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	2014	2013
	\$	\$	\$
ANNUAL SURPLUS	2,531,939	2,661,045	708,657
Amortization of tangible capital assets	1,502,769	1,416,536	1,606,155
Acquisition of tangible capital assets	(4,363,316)	(3,647,571)	(1,705,961)
Loss on sale of tangible capital assets	---	(10,344)	(16,353)
Proceeds on sale of tangible capital assets	---	46,625	24,511
Acquisition of inventories of supplies	---	(198,994)	(148,631)
Acquisition of prepaid expenses	---	(33,270)	(45,991)
Consumption of inventories	---	148,631	149,390
Use of prepaid expenses	---	45,991	18,118
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(328,608)	428,649	589,895
NET FINANCIAL ASSETS, BEGINNING OF YEAR	3,377,006	3,377,006	2,787,111
NET FINANCIAL ASSETS, END OF YEAR	3,048,398	3,805,655	3,377,006

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

County of Frontenac
Consolidated Statement of Cash Flows

For the year ended December 31	2014	2013
	\$	\$
OPERATING		
Annual surplus for the year	2,661,045	708,657
Amortization	1,416,536	1,606,155
	4,077,581	2,314,812
Net Change in Non-Cash Working Capital Balances		
Accounts receivable	(1,378,568)	1,402,561
Accounts payable	62,229	423,089
Employee future benefit obligations	21,017	21,543
Deferred revenues	60,058	91,896
Deferred revenues ▶ obligatory reserve funds	(625,008)	(533,391)
Inventories	(50,363)	760
Prepaid expenses	12,721	(27,873)
	(1,897,914)	1,378,585
Working Capital from Operations	2,179,667	3,693,397
INVESTING		
(Increase) decrease in short term investments	(8,500,000)	164,069
Net increase in investments	(8,500,000)	164,069
CAPITAL		
Acquisition of tangible capital assets	(3,647,571)	(1,705,961)
Net proceeds on sale of tangible capital assets	36,282	8,158
Net investment in tangible capital assets	(3,611,289)	(1,697,803)
FINANCING		
Debt principal repayments	(918,122)	(863,703)
Net decrease in cash from financing activities	(918,122)	(863,703)
NET (DECREASE) INCREASE IN CASH	(10,849,744)	1,295,960
CASH, BEGINNING OF YEAR	18,204,795	16,908,835
CASH, END OF YEAR	7,355,051	18,204,795

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

County of Frontenac

Notes to the Consolidated Financial Statements

December 31, 2014

1. Status of the County of Frontenac

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

2. Significant Accounting Policies

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

Basis of Accounting

- (i) The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenditures are recognized as they are incurred and measurable based on receipt of goods and services and/or the creation of a legal obligation to pay.
- (ii) Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.
- (iii) Trust funds and their related operations administered by the County are not included in these financial statements but are reported separately on the Trust Funds Statement of Financial Activities and Financial Position.

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2014

2. Significant Accounting Policies / continued

Basis of Accounting / continued

Tangible Capital Assets

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

Land	
Land Improvements	10 - 30 years
Buildings	10 - 50 years
Vehicles	4.5 - 15 years
Machinery and Equipment	3 to 30 years
Bridges	16 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.

Cash and Cash Equivalents

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

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2014

2. Significant Accounting Policies / continued

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, 2014

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, 2014, based on actuarial update, the accrued benefit obligation was \$265,198.

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

Discount rate	5% per annum
Inflation rate	2% per annum
Salary escalation	3% per annum
Dental benefits escalation	4% per annum
Health benefits escalation	4% per annum

Employee benefit obligations are comprised of:

	2014	2013
	\$	\$
Opening balance	244,181	222,638
Expense recognized for the year	15,510	14,621
Interest cost	10,074	9,251
Benefit payments	(4,824)	(2,586)
Amortization of actuarial losses	257	257
Accrued benefit obligation, end of year	265,198	244,181

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, 2014

4. Deferred Revenues / continued

	2014	2013
	\$	\$
Federal Gas Tax ▶ January 1, 2014	1,910,900	2,444,292
Federal grant ▶ gasoline tax	785,546	817,734
Investment income	35,608	43,621
Transfer to operating fund	(1,025,447)	(928,734)
Transfer to capital fund	(420,716)	(466,013)
Federal Gas Tax ▶ December 31, 2014	1,285,891	1,910,900

5. Long Term Liabilities

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

	2014	2013
	\$	\$
Debenture issue	9,381,641	10,299,763
Net long term liabilities at the end of the year	9,381,641	10,299,763

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
	\$
2015	975,969
2016	1,037,462
2017	1,102,822
2018	1,172,313
2019	1,569,800
2020 and thereafter	3,523,275
	9,381,641

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2014

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 2014 amounted to \$610,244 (2013 \$664,840).

6. Municipal Equity

	2014	2013
	\$	\$
Invested in tangible capital assets	24,901,532	22,706,778
Long term liabilities	(9,381,641)	(10,299,763)
	15,519,891	12,407,015
Unfunded Future Employee Liabilities	(48,832)	(41,715)
Reserves (Schedule 1)	11,592,878	11,381,705
Reserve Funds (Schedule 1)	1,875,514	2,531,401
Total Municipal Equity	28,939,451	26,278,406

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 \$1,545,200 (2013 \$1,570,762) for current services and is included as an expenditure on the Consolidated Statement of Operations classified under the appropriate functional expenditure. Contributions by employees were a similar amount.

8. Trust Funds

Trust funds administered by the County amounting to \$8,836 (2013 \$10,182) are presented in a separate financial statement of trust fund balances and operations. As such balances are held in trust by the County for the benefit of others, they are not presented as part of the County's financial position or financial activities.

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2014

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 \$12,480 (2013 \$9,652).
 - (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, 2014, management believes that the County has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the County's financial position.
-

10. Contributions to Joint Boards

- (a) The assets and liabilities of the Kingston-Frontenac Public Library Board have not been consolidated. The County contributions to the Library Board for 2014 are \$778,636 (2013 \$755,982) 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 2014 \$703,517 (2013 \$690,732).
-

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, 2016, adjusted annually for additional rent and realty taxes; adjusted annually for additional rent and realty taxes (\$19,950 in 2014);
 - (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 seventh of 10 payments, as of December 31, 2014.

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2014

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.

12. Cost Sharing Allocations

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

13. Risk Management

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

The County's financial instruments consist of cash, investments, accounts receivable and accounts payable. The fair values of cash, investments and accounts payable 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, 2013.

Credit Risk

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

Interest Rate Risk

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

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2014

13. Risk Management / continued

Liquidity Risk

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

14. Tangible Capital Assets

	2014	2013
	\$	\$
Land	536,076	513,729
Land Improvements	1,525,248	1,213,480
Buildings	19,244,004	16,896,668
Vehicles	1,126,498	1,214,810
Machinery and Equipment	1,967,318	2,020,757
Bridges	453,321	312,409
Work in Progress	49,067	534,925
	24,901,532	22,706,778

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

15. Segmented Information

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

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

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

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

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2014

15. Segmented Information / continued

2014	Salaries, Wages & Employee Benefits	Rents and Debt Interest	Materials & Services	External Transfers	Amortization	Total
	\$	\$	\$	\$	\$	\$
General Government						
Administration	808,415	---	1,321,512	914,099	233,415	3,277,441
Protection to Persons and Property	---	---	31,377	---	---	31,377
Transportation	870,944	---	68,638	---	4,062	943,644
Health Services						
Public Health Services	---	---	703,517	---	---	703,517
Ambulance	12,524,812	215,441	2,168,463	---	638,328	15,547,044
Social and Family Assistance						
General Assistance	---	---	1,185,095	---	---	1,185,095
Assistance to Aged Persons	8,809,401	610,244	2,229,999	---	494,780	12,144,424
Social Housing	---	---	752,893	---	---	752,893
Recreation and Cultural Services						
Libraries	---	---	778,636	---	45,951	824,587
Planning and Development	377,499	---	340,161	---	---	717,660
2014	23,391,071	825,685	9,580,291	914,099	1,416,536	36,127,682

County of Frontenac
Notes to the Consolidated Financial Statements

December 31, 2014

15. Segmented Information / continued

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

16. Budget Figures

The operating budget approved by County Council, for 2014 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.

17. Comparative Figures

Some reclassification of prior year's figures was necessary in order to conform to this year's presentation.

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

For the year ended December 31	(Note 16) Budget	2014	2013
	\$	\$	\$
Revenues			
Donations	---	---	62,528
Investment income	---	69,162	56,240
Total Net Revenues	---	69,162	118,948
Net Transfers From / (To) Other Funds			
Transfers from operations	558,216	908,127	86,741
Transfers to capital acquisitions	(2,383,484)	(1,422,005)	(446,544)
Total Net Transfers	(1,825,268)	(513,878)	(359,803)
Balances, Change in Year	(1,825,268)	(444,716)	(240,855)
Balances, Beginning of Year	13,913,106	13,913,106	14,153,961
Reserves and Reserve Fund Balances, End of Year	12,087,838	13,468,390	13,913,106

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

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

For the year ended December 31	2014	2013
	\$	\$
Reserves set aside for specific purposes by Council:		
Operating	1,625,476	4,455,736
Working Fund ▶ County of Frontenac	35,925	555,624
▶ Fairmount Home for the Aged	357,800	352,516
Frontenac Paramedic Service ▶ Severance	240,644	---
▶ NEER	46,090	36,542
Fairmont Home ▶ operating	99,837	132,954
▶ severance	235,670	235,670
Land Use Planning		
Asset Replacement	1,249,381	800,410
Capital replacement	65,000	55,000
Ontarians with Disabilities	80,587	77,654
Land acquisition	35,109	44,000
GIS Project	819,519	831,862
Fairmont Home ▶ capital replacement	1,403,437	1,982,600
▶ capital reserve fund *	702,709	685,879
Frontenac Paramedic Service ▶ vehicle replacement	994,437	767,440
▶ equipment replacement	156,194	394,217
▶ general	---	195,688
▶ other projects		
External Agency Reserves	156,830	151,682
Library reserve	439,400	414,400
Social housing ▶ Out of Scope	403,430	---
Renovates program reserve		
Strategic Regional Reserves	249,707	246,017
Investing in Ontario reserve fund *	2,504,000	160,000
Strategic projects reserve	90,000	60,000
150 th Anniversary reserve		
Stabilization Reserves	415,535	974,431
County of Frontenac	324,000	---
Land ambulance	515,305	---
Fairmont Home		
Legally Restricted	111,965	102,663
Donations *	46,063	43,098
Pathways *	64,342	157,023
Capital Campaign *		
Total Reserves and Reserve Funds	13,468,392	13,913,106
Reserves	11,592,878	11,381,705
Reserve Funds *	1,875,514	2,531,401
Total Reserves and Reserve Funds	13,468,392	13,913,106

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

County of Frontenac
Schedule 2 ▶ 2014 Tangible Capital Assets

Asset Class	Cost 01/01/14	Additions	(Disposals)	Cost 31/12/14
	\$	\$	\$	\$
Land	513,729	22,347	---	536,076
Land Improvements	1,424,673	403,588	---	1,828,261
Buildings	21,441,573	2,814,881	---	24,256,454
Vehicles	3,112,154	429,304	(566,391)	2,975,067
Machinery & Equipment	5,370,350	334,554	(50,281)	5,654,623
Bridges	338,405	128,754	---	467,159
Work in Progress	534,924	49,067	(534,924)	49,067
	32,735,808	4,182,495	(1,151,596)	35,766,707

Asset Class	Accumulated Amortization 01/01/14	Amortization	(Disposals)	Accumulated Amortization 31/12/14	Net Book Value 31/12/14
	\$	\$	\$	\$	\$
Land	---	---	---	---	536,076
Land Improvements	211,193	91,820	---	303,013	1,525,248
Buildings	4,544,905	467,545	---	5,012,450	19,244,004
Vehicles	1,897,342	493,616	(542,389)	1,848,569	1,126,498
Machinery & Equipment	3,349,592	375,713	(38,000)	3,687,305	1,967,318
Bridges	25,996	(12,158)	---	13,838	453,321
Work in Progress	---	---	---	---	49,067
	10,029,028	1,416,536	(580,389)	10,865,175	24,901,532

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
	31,344,652	1,925,562	(534,406)	32,735,808

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	1,338,956	675,498	(117,110)	1,897,344	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
	8,729,522	1,606,154	(306,648)	10,029,028	22,706,778

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

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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 statement of financial position of the trust funds of the Corporation of the County of Frontenac as at December 31, 2014 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, 2014 and the financial activities for the year ended in accordance with Canadian Public Sector Accounting Standards.



Chartered Professional Accountants
Licensed Public Accountants

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

Perth, Ontario,
April 15, 2015.

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

December 31	Fairmount Home Residents'	Bridget Fowler	2014	2013
	\$	\$	\$	\$
ASSETS				
Cash	4,925	3,911	8,836	10,182
FUND BALANCES	4,925	3,911	8,836	10,182

Statement of Financial Activities

For the year ended December 31	Fairmount Home Residents'	Bridget Fowler	2014	2013
	\$	\$	\$	\$
REVENUES				
Residents' deposits	7,587	---	7,587	12,190
Interest	---	52	52	50
Dividends	---	329	329	317
	7,587	381	7,968	12,557
EXPENDITURES				
Residents' withdrawals	9,014	---	9,014	12,126
Payments	---	300	300	300
	9,014	300	9,314	12,426
NET (EXPENDITURES) REVENUES FOR THE YEAR	(1,427)	81	(1,346)	131
BALANCE AT THE BEGINNING OF THE YEAR	6,352	3,830	10,182	10,051
BALANCE AT THE END OF THE YEAR	4,925	3,911	8,836	10,182

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

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

December 31, 2014

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.
