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INDEPENDENT AUDITORS' REPORT

To the Owners of Essex County Civic and Education Centre

We have audited the accompanying financial statements of Essex County Civic and Education Centre, which comprise the statement of financial position as at November 30, 2017 and the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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



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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Essex County Civic and Education Centre as at November 30, 2017, and the results of its operations, changes in net financial assets and cash flows for the period then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

Approval date
Windsor, Canada

ESSEX COUNTY CIVIC AND EDUCATION CENTRE

STATEMENT OF FINANCIAL POSITION NOVEMBER 31, 2017, WITH COMPARATIVE INFORMATION FOR DECEMBER 31, 2016

	NOV 30, 2017 \$	DEC 31, 2016 \$
	<u> </u>	<u> </u>
Financial Assets		
Cash	672,132	974,562
Accounts receivable	21,457	112,043
Total Financial Assets	<u>693,589</u>	<u>1,086,605</u>
Liabilities		
Accounts payable	440,635	509,554
Accrued expenses	5,325	7,332
Due to the County of Essex	5,022,793	5,336,057
Employee benefits payable (Note 2)	50,366	51,968
Total Liabilities	<u>5,519,119</u>	<u>5,904,911</u>
Net Financial Assets (Debt)	<u>(4,825,530)</u>	<u>(4,818,306)</u>
Non-Financial Assets		
Tangible capital assets (Note 3)	7,472,198	7,514,085
Accumulated Surplus (Note 4)	<u>2,646,668</u>	<u>2,695,779</u>

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

ESSEX COUNTY CIVIC AND EDUCATION CENTRE

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS FOR THE PERIOD ENDED NOVEMBER 30, 2017, WITH COMPARATIVE INFORMATION FOR DECEMBER 31, 2016

	2017	Budget	2016
	\$	\$	\$
Revenue			
Cost sharing	877,591	877,578	910,236
Interest	-	1,833	2,000
Tenant rental	64,330	60,983	69,406
Other	14,843	24,292	25,555
Total Revenue	956,764	964,686	1,007,197
Expenses			
Administrative fees	58,868	58,868	63,265
Amortization of tangible capital assets	443,912	443,912	469,103
Audit fees	3,325	3,325	3,378
Building and other repairs and maintenance	37,374	31,167	31,072
Capital	33,483	74,750	44,773
Employees' benefits	35,649	37,767	40,589
Grounds maintenance	13,690	18,500	10,627
Legal and consulting fees	-	1,500	-
Occupancy	171,001	216,622	211,719
Office	1,555	1,535	1,562
Salaries and wages	114,310	128,700	138,558
Service contracts	92,234	96,146	99,670
Staff	474	1,146	308
Total Expenses	1,005,875	1,113,938	1,114,624
Annual Surplus (Deficit), period	(49,111)	(149,252)	(107,427)
Accumulated Surplus, beginning of year	2,695,779	2,695,779	2,803,206
Accumulated Surplus, end of period	2,646,668	2,546,527	2,695,779

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

ESSEX COUNTY CIVIC AND EDUCATION CENTRE

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)

FOR THE PERIOD ENDED NOVEMBER 30, 2017, WITH COMPARATIVE INFORMATION FOR DECEMBER 31, 2016

	2017	BUDGET	2016
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Annual (Deficit), period	(49,111)	(149,252)	(107,427)
Acquisition of tangible capital assets	(402,025)	(420,000)	(103,552)
Amortization of tangible capital assets	<u>443,912</u>	<u>443,912</u>	<u>469,103</u>
Change in Net Financial Assets (Debt)	(7,224)	(125,340)	258,124
Net Financial Assets (Debt), beginning of period	<u>(4,818,306)</u>	<u>(4,818,306)</u>	<u>(5,076,430)</u>
Net Financial Assets (Debt), end of period	<u>(4,825,530)</u>	<u>(4,943,646)</u>	<u>(4,818,306)</u>

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

ESSEX COUNTY CIVIC AND EDUCATION CENTRE

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED NOVEMBER 30, 2017, WITH COMPARATIVE INFORMATION FOR DECEMBER 31, 2016

	2017	2016
	\$	\$
Cash provided by (used in):		
Operating Activities		
Annual (Deficit)	(49,111)	(107,427)
Items not involving cash:		
Amortization of tangible capital assets	443,912	469,103
Employee benefits payable	(1,602)	2,877
Change in non-cash assets and liabilities		
Accounts receivable	90,586	428,639
Accounts payable	(68,919)	(138,974)
Accrued expenses	(2,007)	242
Due to County of Essex	(313,264)	(763,952)
Net change in operating activities	99,595	(109,492)
Capital Activities		
Cash used to acquire tangible capital assets	(402,025)	(103,552)
Net change in cash from capital activities	(402,025)	(103,552)
Net change in cash	(302,430)	(213,044)
Cash, beginning of period	974,562	1,187,606
Cash, end of period	672,132	974,562

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

**ESSEX COUNTY CIVIC AND EDUCATION CENTRE
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED NOVEMBER 30, 2017**

1. SIGNIFICANT ACCOUNTING POLICIES

The Essex County Civic and Education Centre (the "Centre") represents the facility ownership costs of the four owner occupants identified below under 1(c). Only the accounts which pertain to the operation of the building are included in these financial statements.

The financial statements reflect the following policies:

(a) Accrual Basis of Accounting

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

(b) Non-financial assets

Non financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible Capital assets

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

Asset	Useful Life - Years
Land	Infinite
Land improvements	15 - 30
Buildings and building improvements	10 - 50
Vehicles	5 - 8
Machinery and equipment	5 - 20
Computer systems	3
Furniture and fixtures	15

(ii) Amortization

Tangible capital assets shall be recorded at historical cost which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. Where historical cost is not available, the Corporation of the County of Essex (the "County") shall use deflated replacement values. The cost of the tangible capital assets will be amortized on a straight-line basis over the above noted useful lives. The only exception, per the above, is for Land which is considered to have an infinite life. One half of the annual amortization shall be charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use. Gains and/or losses on the disposal of an asset shall be recorded on the statement of operations and accumulated surplus as "Gain/Loss on disposal of tangible capital assets."

**ESSEX COUNTY CIVIC AND EDUCATION CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED NOVEMBER 30, 2017**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Contributions of Tangible Capital Assets

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

(b) Non-financial assets (continued)

(iv) Leased Assets

Leases shall be classified as either operating or capital leases. Lease agreements which substantially transfer all the risks and rewards of ownership to the County shall be accounted for as a capital lease and will be capitalized. All other leases shall be considered operating leases and the related payments shall be charged to operating expense as incurred.

(v) Works of Art and Historical Treasures

Both works of art and historical treasures are retained within the Essex County Civic and Education Centre. These assets are deemed worthy of preservation because of the social rather than financial benefits provided to the community. Although the existence of the assets are recorded, the historical cost of the art and treasures are neither determinable nor relevant in significance; hence, a valuation shall neither be assigned to these assets nor disclosed in these financial statements.

(c) Shared Costs of Building Operations

Building operations are administered by the County for which the County receives an administrative fee and building maintenance fee. Building operating costs are shared by the owner occupants on the basis of budgeted expenditure net of both miscellaneous recoveries and tenant space rental revenue and the previous year's surplus or deficit. The recovery of the costs is recorded as cost sharing revenue. The common costs are shared on the basis of floor space utilization as indicated below with the exception of the County administrative fee, which is shared equally by the owner occupants.

Costs based on floor space utilization are allocated as follows:

Corporation of the County of Essex	50.84%
Greater Essex County District School Board	24.75%
Windsor - Essex Catholic District School Board	16.54%
Essex Region Conservation Authority	<u>7.87%</u>
	<u>100.00%</u>

(d) Employee future benefit obligations

The County has adopted the accrued method of accounting for employee future benefits as required by the Canadian public sector accounting standards. The cost of future benefits earned by employees is actuarially determined using the projected benefit method prorated on service and assumptions of mortality and termination rates, retirement age and expected inflation rate.

**ESSEX COUNTY CIVIC AND EDUCATION CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED NOVEMBER 30, 2017**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The accumulated actuarial gain (loss) of the accrued benefit obligation is amortized over the average remaining service period of active employees, which is 13 years.

(e) Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the valuation of accounts receivable and the valuation of employee future benefits.

2. EMPLOYEE BENEFITS AND OTHER LIABILITIES

The employee benefit and other liabilities, reported on the statement of financial position, are made up of the following:

	Nov 30, 2017	Dec 31, 2016
Retiree benefits	33,680	35,628
Vacation pay	12,149	12,149
WSIB	4,537	4,191
Total	\$ 50,366	\$ 51,968

Employees of the Essex County Civic and Education Centre are employees of the County. The County pays certain extended health and dental benefits for early retirees to age 65. The County recognizes these post-retirement costs in the period in which the employees rendered the services. The most recent actuarial valuation was performed as at December 31, 2016. The accrued benefit liability and the expense for the 11 months ended November 30, 2017, were determined by extrapolation of the December 31, 2016 actuarial valuation based on the following significant actuarial assumptions:

	Nov 30, 2017	Dec 31, 2016
Discount rate	4.25%	4.75%
Medical costs		
Initial	6.42%	5.70%
Ultimate	3.75%	4.00%
Year of ultimate level	2026	2020
Dental	3.75%	4.00%

**ESSEX COUNTY CIVIC AND EDUCATION CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED NOVEMBER 30, 2017**

3. TANGIBLE CAPITAL ASSETS

Nov 30, 2017							
	Land	Land Improvements	Building and Building Improvements	Vehicles, Machinery and Equipment	Furniture and Fixtures	Assets under Construction	Total
Cost							
Balance, beginning of year	66,828	473,638	10,673,111	243,583	56,089	34,764	11,513,249
Additions	-	402,025	-	-	-	-	402,025
Disposals	-	(57,586)	(59,270)	-	-	(34,764)	(116,856)
Balance, end of year	66,828	818,077	10,613,841	243,583	56,089	-	11,798,418
Accumulated Amortization							
Balance, beginning of year	-	131,840	3,567,652	243,583	56,089	-	3,999,164
Disposals	-	(57,586)	(59,270)	-	-	-	(116,856)
Amortization Expense	-	19,160	424,752	-	-	-	443,912
Balance, end of year	-	93,414	3,933,134	243,583	56,089	-	4,326,220
Net Book Value, end of year	\$66,828	\$724,663	\$6,680,707	-	-	-	\$7,472,198

**ESSEX COUNTY CIVIC AND EDUCATION CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED NOVEMBER 30, 2017**

3. TANGIBLE CAPITAL ASSETS (continued)

Dec 31, 2016							
	Land	Land Improvements	Building and Building Improvements	Vehicles, Machinery and Equipment	Furniture and Fixtures	Assets under Construction	Total
Cost							
Balance, beginning of year	66,828	389,445	11,420,090	243,583	56,089	34,764	12,210,799
Additions	-	95,193	43,123	-	-	-	138,316
Disposals	-	(11,000)	(790,102)	-	-	(34,764)	(835,866)
Balance, end of year	66,828	473,638	10,673,111	243,583	56,089	-	11,513,249
Accumulated Amortization							
Balance, beginning of year	-	132,216	3,899,275	243,583	56,089	-	4,331,163
Disposals	-	(11,000)	(790,102)	-	-	-	(801,102)
Amortization Expense	-	10,624	458,479	-	-	-	469,103
Balance, end of year	-	131,840	3,567,652	243,583	56,089	-	3,999,164
Net Book Value, end of year	\$66,828	\$341,798	\$7,105,459	-	-	-	\$7,514,085

**ESSEX COUNTY CIVIC AND EDUCATION CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED NOVEMBER 30, 2017**

4. ACCUMULATED SURPLUS

Accumulated surplus consist of individual fund surplus and reserve funds as itemized follows:

	Nov 30, 2017	Dec 31, 2016
Surplus:		
Invested in tangible capital assets	\$ 7,472,198	\$ 7,514,085
Debt – owed to County of Essex	(5,022,793)	(5,397,777)
Unfunded		
Employee benefits	(50,366)	(51,968)
Total surplus	2,399,039	2,064,340
Reserves:		
Art acquisitions	6,875	6,875
Capital expenses	240,754	624,564
Total reserves	247,629	631,439
	\$ 2,646,668	\$ 2,695,779

The surplus and reserve balance represents an appropriation of funds and will be shared by the owner occupants on the basis of the floor space utilization described in Note 1 (c).

5. BUDGET DATA

The budget data presented in these financial statements is based upon the 2017 Budget approved by the Committee on November 17, 2016. Amortization was not contemplated on development of the budget and, as such, has been estimated based on 2016 tangible capital asset data and budgeted capital expenses. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

	Budget Amount
Revenues:	
Operating budget	\$ 559,936
Capital budget	869,750
Less:	
Transfers from other funds	(465,000)
Total Revenue	964,686
Expenses:	
Operating budget	1,113,938
Capital budget	869,750
Less:	
Capital expenses	(869,750)
Total Expenses	1,113,938
Annual Deficit	\$ (149,252)

**ESSEX COUNTY CIVIC AND EDUCATION CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED NOVEMBER 30, 2017**

6. SUBSEQUENT EVENTS

On November 30th, 2017, the Corporation of the County of Essex purchased full ownership of the Essex County Civic and Education Centre. All associated assets, liabilities and equity were transferred to the Corporation to dissolve the entity. At December 31, 2017, the Essex County Civic and Education Centre was recorded as a wholly owned asset of the Corporation of the County of Essex.