

Audit Committee Report

2nd Meeting of the Audit Committee
June 20, 2018

PRESENT: P. Hubert (Chair), A. Hopkins, S. Turner, M. van Holst, S. Khullar
ALSO PRESENT: Councillor J. Helmer; D. Baldwin (KPMG), A.L. Barbon, B. Card,
I. Collins, K. den Bok (KPMG), A. DiCicco, P. Kokkoros, D.
O'Brien, J. Pryce (Deloitte), M. Ribera, A. Ruffudeen (Deloitte),
C. Saunders, E. Skalski, S. Swance and B. Westlake-Power

The meeting was called to order at 12:04 PM.

1. Disclosures of Pecuniary Interest

That it BE NOTED that no pecuniary interests were disclosed.

2. Consent

None.

3. Scheduled Items

3.1 London and Middlesex Housing Corporation

That it BE NOTED that the Audit Committee received the attached presentation from J. Browne, Chief Executive Officer and M. Buzzelli, Chair, London & Middlesex Housing Corporation Board of Directors, with respect to the PricewaterhouseCoopers (PwC) internal audit dated February 15, 2018 of London & Middlesex Housing Corporation; it being noted that the Audit Committee received a communication dated June 5, 2018 from PwC with respect to this matter.

Motion Passed

- a. PWC Cover Report - London and Middlesex Housing Corporation - Report on Internal Audit Results
- b. PWC Internal Audit of London & Middlesex Housing Corporation

4. Items for Direction

4.1 2017 Financial Audit

That the following actions be taken with respect to the 2017 Financial Audit and Audit Findings Report 2017, as prepared by KPMG:

- a) the 2017 Financial Report of The Corporation of the City of London BE RECEIVED; and
- b) the Audit Findings Report for the year ending December 31, 2017 BE RECEIVED, including the attached revised page relating to the Indicators of Financial Performance document;

it being noted that the Audit Committee received the attached presentation from the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer and the attached presentation from KPMG with respect to these matters.

Motion Passed

- a. 2017 Financial Statement
 - b. Audit Findings Report to the Audit Committee for the Year Ending December 31, 2017
- 4.2 Addendum Report to the January 2018 Internal Audit Report - Building Permit Review

That, on the recommendation of the Managing Director, Development and Compliance Services and Chief Building Official, the following action plans for the implementation of the recommendations of the Deloitte audit, dated January, 2018, appended to the staff report dated June 20, 2018 as Appendix 'A', BE RECEIVED as addendum to the aforementioned Audit Report.

Motion Passed

- 4.3 Management Compensation Process Assessment - Internal Audit Report
- That the Internal Audit Report with respect to the Management Compensation Process Assessment, Internal Audit Report, issued April 23, 2018, BE RECEIVED and the recommendations BE IMPLEMENTED.

Motion Passed

- 4.4 Internal Audit Summary Update Memo

That the memo dated June 1, 2018, from Deloitte, providing an internal audit summary update BE RECEIVED.

Motion Passed

- 4.5 June 2017 - December 2018 Internal Audit Dashboard as at June 1, 2018
- That the communication from Deloitte, with respect to the June 2017 - December 2018 Internal Audit Dashboard as of June 1, 2018, BE RECEIVED.

Motion Passed

- 4.6 City of London Audit Committee Observation Summary as at June 1, 2018
- That the Observation Summary from Deloitte, as of June 1, 2018, BE RECEIVED.

Motion Passed

5. Deferred Matters/Additional Business

- 5.1 ADDED - Parking Revenue Generation Assessment

That the Internal Audit Report with respect to the Parking Revenue Generation Assessment, issued June 2018, BE RECEIVED and the recommendations BE IMPLEMENTED.

Motion Passed

6. Confidential (Enclosed for Members only.)

6.1 ADDED - Personal Matters/Identifiable Individual/Solicitor-Client Privileged Advice/Litigation/Potential Litigation

That the Audit Committee BE CONVENEED in closed session with respect to item 6.1, being a matter pertaining to personal matters about an identifiable individual with respect to employment-related matters and advice and recommendations of officers and employees of the Corporation including communications necessary for that purpose; advice that is subject to solicitor-client privilege, including communications necessary for that purpose; and litigation or potential litigations, including matters before administrative tribunals, affecting the municipality or board.

Motion Passed

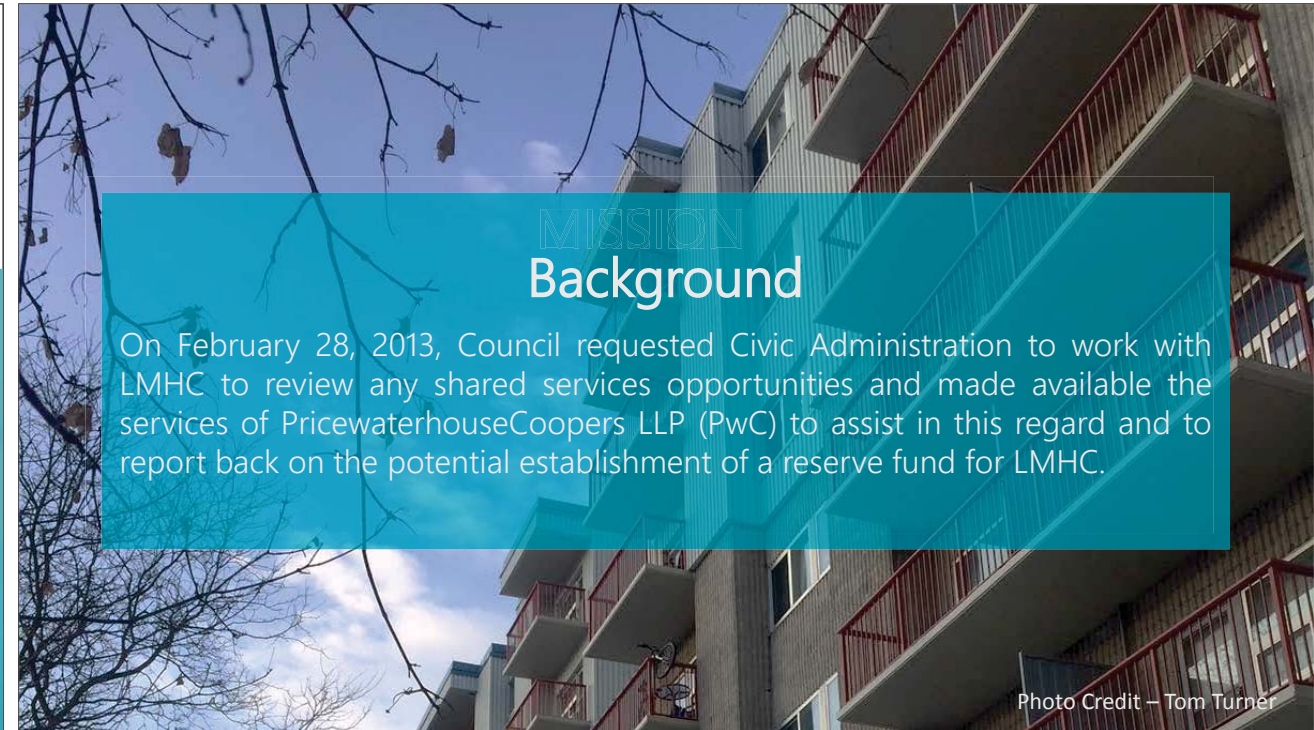
The Audit Committee convened in closed session from 2:32 PM to 2:54 PM with respect to Item 6.1.

7. Adjournment

The meeting adjourned at 2:55 PM.

PwC Internal Audit Results

Review of operational alignment of funding model and strategic plan



MISSION Background

On February 28, 2013, Council requested Civic Administration to work with LMHC to review any shared services opportunities and made available the services of PricewaterhouseCoopers LLP (PwC) to assist in this regard and to report back on the potential establishment of a reserve fund for LMHC.

Photo Credit – Tom Turner

Phase 1

A review and alignment of LMHC purchasing policies with the City's Procurement of Goods and Services Policy for purchased materials and services.

Phase 2

At the request of LMHC, the City of London Audit Committee, at its meeting of December 7, 2016, approved PwC complete the second phase of the shared services review.

SCOPE

The operational alignment of LMHC's funding model and it's

Observations & Findings

Capital Funding

LMHC does not have the appropriate level of resources to maintain our properties

Support Costs

Growing need to cover costs for social supports, community development, intervention, security, etc.

Priority List

The tenant priority list is not aligned with the City of London's housing support strategy

Flexibility

LMHC does not have any flexibility with respect to strategic and operational decisions

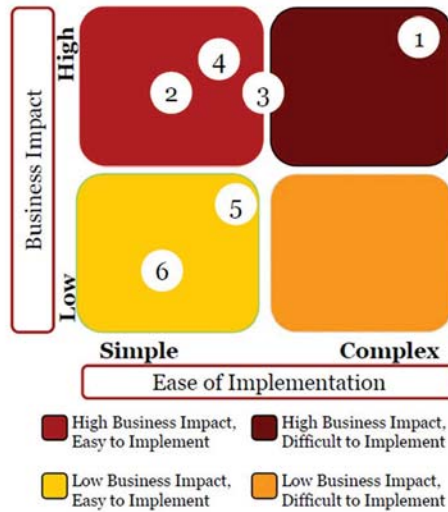
Budget Process

Current budget based on % of year over year change, will not give LMHC sufficient information to fund the our strategic plan

Reporting

reporting operating expenses on a supplementary basis by "nature", may help illustrate how to resource the various strategic goals

Action Plan Summary




PricewaterhouseCoopers LLP

Observations	Timing	Rating
#1 Insufficient capital funding for deferred maintenance	September 2019	Needs Improvement
#2 Impact of tenant intake process and priority list	December 2019	Needs Improvement
#3 Tenant priority list is not aligned with the City of London's housing support strategy	December 2018	Needs Improvement
#4 Flexibility within shareholder Agreement	December 2018	Satisfactory
#5 Zero based budget for new strategic plan implementation	2019 budget cycle	Satisfactory
#6 Operating expenses by function	January 2019	Satisfactory

PwC Rating Scale


Satisfactory

Controls are present to mitigate process/business risk, however an opportunity exists for improvement.

Satisfactory 


Needs Improvement

Existing controls may not mitigate process/business risk and management should consider implementing a stronger control structure.

Needs Improvement 

Unsatisfactory

Control weaknesses are significant and the overall exposure to risk is unacceptable. Immediate attention and oversight from management is required.

Unsatisfactory 

PricewaterhouseCoopers LLP

Capital Funding

PwC Observation

Insufficient capital funding for future maintenance

Business Impact

Overall condition of housing units at great risk

LMHC Response

Advocacy, Capital Asset Strategy, Innovation, Regeneration

Support Costs

PwC Observation

Impact of tenant intake and priority list on operating costs

Business Impact

LMHC does not have the capacity to be proactive

LMHC Response

Collaborate to build a responsive system

Priority List

PwC Observation

Tenant Priority list not aligned with City Housing Support Strategy

Business Impact

More housing supports would improve health, safety & wellbeing

LMHC Response

Supportive Housing Pilot Program & Associated Study

Budget Process

PwC Observation

Zero based budget to align with new strategic plan

Business Impact

Will help allocate resources to critical areas within the strategic plan

LMHC Response

Developing a comprehensive financial plan

Reporting

PwC Observation

Report operating expenses by function

Business Impact

The ability to more effectively analyze operating results

LMHC Response

Focus on technology & data collection

Flexibility

PwC Observation

Flexibility within Shareholder Agreement

Business Impact

Relieve some current challenges and allow for more revenue generation

LMHC Response

Request Shareholder Declaration Review



Thank You





June 5, 2018

Members of the Audit Committee of The Corporation of the City of London

London & Middlesex Housing Corporation - Report on Internal Audit Results

On February 15, 2018 we issued a report to the Board of Directors of the London & Middlesex Housing Corporation (LMHC) which included a "Review of operational alignment of funding model and strategic plan". The general scope of this project was determined in collaboration with management and the Board of LMHC with the shared objective of contributing our time and effort in an area that could yield the most valuable results for the LMHC.

The review involved a significant number of interviews across different functional areas of LMHC combined with analysis of business plans, strategic plans, budgets, financial and operational results, review of publicly available strategic reports, review of relevant housing legislation and the shareholder agreement between LMHC and the City of London.

The results of our review have been discussed with both management and the Board of LMHC prior to the report being finalized following Board acceptance on February 15, 2018.

It is clear from the results of our report and in depth discussion with the various stakeholders of LMHC that there are significant challenges ahead for not only LMHC but the public sector housing industry in general. Our hope is that these recommendations within this report will be considered by management to help improve the business outcomes of LMHC from both a risk and operational perspective.

We would again like to express our gratitude to management and the Board of Directors of LMHC for their meaningful time and effort they have contributed to this review.

Kind regards,

A handwritten signature in black ink, appearing to read "Chirag Shah", written over a horizontal line.

Chirag Shah, CPA, CA, MBA
Partner, Assurance

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PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

June 7, 2018

Chair and Members
City of London Audit Committee
300 Dufferin Avenue
City of London

RE: PWC INTERNAL AUDIT OF LONDON & MIDDLESEX HOUSING CORPORATION

On February 28, 2013, as part of the 2013 Municipal Budget Approval process, Council requested Civic Administration to *“work together with LMHC on a review of any shared services opportunities and cost centre savings and efficiencies; it being noted that the Municipal Council has made available the services of PricewaterhouseCoopers LLP (PwC) to assist in this regard”* and *“report back with respect to the potential establishment of a reserve fund for LMHC.”*

PwC completed Phase 1 of this review in 2013, which included the review and alignment of LMHC purchasing policies with the City’s Procurement of Goods and Services Policy for purchased materials and services.

At the request of LMHC, the City of London Audit Committee, at its meeting of December 7, 2016, approved PwC complete the second phase of the shared services review. At that time, it was expected that Phase 2 would focus on areas where LMHC may be directly delivering or purchasing services and supports that the City directly provides, including but not limited to, technology services and purchased professional/administrative services.

Given PwC’s understanding of LMHC’s operations, the lack thereof of any value-for-money considerations and new strategic direction of LMHC, the scope of the internal review was revised to focus on the operational alignment of LMHC’s funding model and strategic plan.

The evaluation of key controls/processes was predicated on an assessment of risk exposure, that is, the nature and extent of potential for loss/risk.

PwC completed the review in the fall 2017 and presented their findings (Attached as **Appendix 1**) at the January 25, 2018 meeting of the LMHC Board. PwC advised of the following review findings:

- i. that LMHC does not have the appropriate level of resources to maintain our properties;
- ii. there has been a growing need for additional costs to cover social supports, community development, intervention, security, etc. that has arisen primarily as a result of the changing demographic of tenants due to Provincial and local priority rules;
- iii. the tenant priority list is not aligned with the City of London’s housing support strategy;
- iv. that LMHC does not have any flexibility with respect to strategic and operational decisions within the shareholder agreement with the City of London;

- v. that the current budgeting process, which is primarily determined based on a percentage year over year change, will not give LMHC sufficient information for funding needs required to implement our new strategic plan; and
- vi. reporting operating expenses on a supplementary basis by “nature” may help illustrate better how resources are being deploy to the various strategic goals.

Notwithstanding the review findings, PwC provided a summary observation of areas for potential further analysis and areas for consideration that PwC would expect LMHC to address. The following table summarizes the six (6) observations:

#	Observation	Rating	Business Impact
1	Insufficient capital funding for deferred maintenance	Needs Improvement	High Business Impact, Difficult to Implement
2	Impact of tenant intake process and priority list	Needs Improvement	High Business Impact, Easy to Implement
3	Tenant priority list is not aligned with the City of London’s housing support strategy	Needs Improvement	High Business Impact, Difficult to Implement
4	Flexibility within shareholder agreement	Satisfactory	High Business Impact, Easy to Implement
5	Zero based budget for new strategic plan implementation	Satisfactory	Low Business Impact, Easy to Implement
6	Operating expenses by function	Satisfactory	Low Business Impact, Easy to Implement

The Board of LMHC, in response to the submitted observations, adopted the following resolutions:

With respect to the recommendations regarding PwC Internal Audit Report:

1. Administration **BE DIRECTED** to prepare an implementation plan respecting the action plans for consideration and approval by the Board at a future meeting of the Board of Directors.
2. Administration **BE DIRECTED** to arrange for the presentation of the Internal Audit Results Report to the City of London’s Audit Committee, including preparing the appropriate covering letter accompanying the Report and for the Report to be made by the Board Chair and Chief Executive Officer.

The remaining part of this letter forms the basis of an implementation plan and presentation to the City of London’s Audit Committee, scheduled for June 20, 2018.

Observation #1 – Insufficient capital funding for future maintenance

Recommended Action Plan:

LMHC needs to continue to provide information, education, and advocacy to funding agencies, including the Province of Ontario and the City of London to ensure there is full transparency about the urgent and immediate need for capital funding to improve the maintainable quality, safety and satisfaction of tenants. A corporate asset management strategy should be incorporated into the City of London’s Corporate Asset strategy. We (PwC) understand a regeneration plan is also being developed in collaboration with the Housing Development Corporation.

LMHC Response:

LMHC will continue to provide information, education, and advocacy to funding agencies, including the Province of Ontario and the City of London to ensure there is full transparency about the urgent and immediate need for capital funding to improve the maintainable quality, safety and satisfaction of tenants.

As an important first step, LMHC provided an update to SPPC in May 2017 on the state of public housing assets to understand and begin addressing, in a collaborative way, the funding gap between future capital needs and available funding resources. The Facility Condition Assessment (FCA) completed by VFA Inc. concluded that in order to maintain the current Facility Condition Index (FCI) of 9% (good condition) over next twenty (20) years, LMHC will require an annual increase in capital funding of \$21.2 million above the existing budget allocation of \$2.2 million. Over the same period, adding \$11.3 million to the current annual funding would result in an ending FCI of 40% (fair condition). Maintaining the current level of funding would result in an ending FCI of 75% (deficient condition).

More recently, LMHC in partnership with Ontario's Independent Local Housing Corporations (LHC) Forum submitted a response to Ministry of Housing on the modernization of social housing. The submission, entitled "*Increasing Ontario's Independent LHCs Capacity to Deliver Housing within a Social Housing Modernization Framework*" (attached as **Appendix 2**), responded to pre-determined discussion questions. The submission also highlighted a number of current issues and recommendations related to capital repairs, investment/reserves, funding asset management and planning. As a complementary document, the LHC Forum also produced an information sheet (attached as **Appendix 3**) highlighting a number of facts and the value proposition of Independent LHCs in that they are uniquely positioned to help communities across Ontario meet local housing needs through entrepreneurialism and business innovation.

Moving forward, LMHC must now consider the most efficient and effective strategy for the management and sustainability of one of the City's most important assets – Public Housing. This includes the development of a detailed asset management strategy and implementation plan in order to understand and address the identified funding gap between anticipated future lifecycle renewal needs and available funding resources. LMHC is working with Civic Administration to ensure that the asset management strategy can be incorporated into the City of London's Corporate Asset Management Plan as required under Bill 6, *Infrastructure for Jobs and Prosperity Act, 2015* by January 1, 2021.

LMHC is committed to looking for innovative ways to generate alternative sources of revenue and working with Civic Administration to reduce the capital-funding gap identified by the VFA Report over the long term. The appropriate capital funding level for the next multiyear budget cycle will be reviewed upon the completion of a comprehensive asset management strategy and implementation plans. Any adjustments to funding levels will be the subject of multiyear budget requirements, including but not limited to the submission of a business case.

Regeneration of Public Housing

In addition, the City of London, as articulated in the London Plan, has begun a process to build a strategy and supports to undertake the regeneration of Public Housing sites within its service area, as well as to expand affordable housing options across the community. The City has established a Housing Development Corporation (HDC) to provide leadership, expertise and focus to this work, providing support across the non-profit and the private housing sectors, as well as to LMHC. A key consideration for the City in establishing the HDC was the need to both bring resources to and create a focus on the need for the regeneration of public housing.

LMHC is committed to working closely with the City of London in its role as Service Manager and the HDC to identify financial tools and best practices to support regeneration. Support from the City of London in its capacity of Shareholder for LMHC will be critical to support a framework to enable the changes required to implement the plan.

LMHC has been working with the HDC and Housing Services to articulate guiding principles and develop a plan to support LMHC to begin the process of regenerating public housing communities in our portfolio. This includes leveraging the capacity and contributions of our partners, the City of London and HDC. Planning for regeneration must support LMHC's Strategic Plan and commitment to create a foundation for a culture of change in our organization and the communities we serve.

Over the past year LMHC, HDC and Service Manager Staff have established an informal process to begin to move forward on a plan for Regeneration. Meeting together regularly, a process is underway to prepare the organizations for the work that lies ahead, and to begin to evaluate each of the public housing sites to support a well-considered and prioritized plan for regeneration and renewal over a period of years. It is the shared goal of this team to present an initial plan for regeneration of public housing sites to the LMHC Board by the end of 2018. It is acknowledged that any plan will be a living document that will need to come back to decision makers at regular intervals, as the team responds to new opportunities, potential partnerships and community needs over time.

Observation #2 – Impact of tenant intake process and priority list on operating costs

Recommended Action Plan:

During tenant intake assessment, a two-step approach should be used to (1) identify support service needs of the tenant (a Housing Access Centre responsibility); and (2) use the identification of support service requirements to anticipate growth pressures on support services, mobilize the appropriate response and delivery of support services, determine operating budget requirements and other resources supporting the provision of support services for tenants (an LMHC responsibility).

Concurrently, LMHC should continue to think of new ways to collaborate with its partners such as scheduled site visits by other stakeholders including police services, medical professionals and mental health professionals to try and be as proactive as possible to serve the growing needs of tenants. An assessment of all potential social and affordable housing clients at the Housing Access Centre to determine necessary supports on an individual basis would be extremely valuable in determining the optimal approach in terms of providing those services.

LMHC Response:

A stronger, more responsive social housing system is one in which collaboration and relationship building and partnership development is fundamental. LMHC, other housing providers and service managers are often facing similar challenges and working independently to solve them.

LMHC has attempted (although not in a strategic and/or focused effort) to build partnerships and coordinate with other agencies to offer the required services to support those with complex barriers to housing, yet our staff continue to report that many community partners struggle to support our tenants. Anecdotally staff have contributed this to either fear of safety, or a lack of resources. With the number of agencies providing similar services within our community, many

must compete for funding and resources, rather than collaborating and coordinate the housing and homelessness support network needed.

LMHCs has become the de facto provider of supports and is doing so without the required resources based on our previous mandate and funding by the City to act as a landlord. These pressures have been layered upon an already aging infrastructure and shareholder agreement that typically does not provide the flexibility to generate or retain additional resources to invest in future initiatives or sustainability. The unintended consequences of well-meaning initiatives has exacerbated and contributed to the further deterioration of LMHC properties, creating a negative impact on the health, safety and wellbeing of our tenants and staff.

Despite these challenges, LMHC is committed to working with Civic Administration to review and revise the intake process for housing. The vision would be to have an access system that assesses individual needs and choice and then matches applicants with appropriate housing and the required level of support/assistance to maintain housing stability over the long term within a priority system that aligns with City's housing and homelessness goals and objectives.

LMHC has also taken a significant step forward in looking at a new way to provide supports to both our tenants and community in partnering with the Middlesex London Health Unit (MLHU) and Regional HIV/AIDs Connection (RHAC) to establish a Supervised Consumption Facility (SCF) at 241 Simcoe Street. The collaboration with the MLHU and RHAC will allow us to leverage and share a community asset for the benefit of the whole community while improving tenant safety and increasing support services in social housing.

Based on the idea that upfront housing education and support will lead to tenancies that are more successful and increased housing stability, one of LMHC strategic action plan was to develop a tenant education/onboarding program. This idea has been supported by the Housing Division who is introducing a program called "RentSmart" that provides education and support to tenants, housing providers and community educators with one goal: Successful Tenancies.

Observation #3 – Tenant priority list is not aligned with the City of London's housing support strategy

Recommended Action Plan:

LMHC needs to work with its sole shareholder, the City of London, to seek a phased approach, which could start with a pilot program to provide proof of concept. The City and LMHC should review housing access systems and make sure the proper level of supports (and resources for those supports) are in place before these complex and high need tenants are housed by LMHC.

LMHC Response:

LMHC as the largest provider of Rent-Geared to Income Housing in London and Middlesex County has never been fully equipped to operate within these models. Both Provincial and Local Access rules require a high percentage of new tenancies be offered to individuals from the 'Special Priority' or 'Urgent' status list. This means that a significant number of new tenants have experienced chronic or episodic homelessness, violence, addiction and mental health issues. Multiple research studies have shown that those experiencing chronic or repeated episodic homelessness often are coping with multiple complex barriers to housing stability including mental health, substance abuse, unemployment and relationship challenges.

In responding to this issue, LMHC as drafted a proof of concept pilot project (attached as **Appendix 4**) to support housing stability within social housing programs for the City of London's consideration.

Observation #4 – Flexibility within shareholder agreement

Recommended Action Plan:

LMHC should discuss with the City of London the feasibility of amending the shareholder agreement to allow for some greater discretion or flexibility in the target number of units, whether non-RGI units can be offered, and the ability for LMHC to launch other forms of revenue generating activities.

LMHC Response:

LMHC does not have any flexibility with respect to strategic and operational decisions under the terms of a Shareholder Declaration approved by the City of London on June 20, 2011. Since that time, the City has evolved its delivery of social and affordable housing as is true across the Ontario social housing sector. This lack of flexibility restricts LMHC's ability to respond to growing and changing needs such as new and unique capital deficiencies and changing tenant demographics.

In order to enable our strategic plan, LMHC is requesting that the City consider amending the Shareholder Declaration to support our new objectives and acknowledge the following:

- LMHC's role in providing a broader range of housing forms to achieve mixed-income profiles and stronger communities;
- Flexibility to build improved revenue streams and a stronger balance sheet;
- New financial tools/greater financial flexibility in our relationship with funders;
- Performance monitoring based on outcomes confirming the Board's responsibility to lead; and
- Support for our role in advocating for our tenants, taking a leadership role in the sector and supporting broader partnership development.

A discussion paper (attached as **Appendix 5**) has been provided that highlights areas for the City of London's consideration and review for a future shareholder direction.

Observation #5 – Zero based budget for new strategic plan implementation

Action Plan:

LMHC should consider a zero based budget/ forecast process, along with a realignment of resources, to evaluate the specific feasibility of strategic goals and objectives. This could be developed separately from the City of London budget process and would give insight into the specific costs of full implementation of the strategic plan. LMHC should also develop a comprehensive financial plan with consideration of both operating and capital to be provided to the City of London as part of next multiyear budget cycle.

LMHC Response:

LMHC is currently working on achieving the strategic objectives outlined in our 2017-2019 strategic plan. One such objective is the development of a comprehensive financial plan. LMHC's finance department is currently developing a financial planning process that is both long-range and integrated with our strategic plan and annual work plans that will serve as the base for a comprehensive financial plan. Although this is a new approach for LMHC, we

understand that a well thought-out financial plan is a critical document that will serve as a guideline for future financial performance and provide the information needed to make informed strategic and operational decisions.

The aim is to match LMHC's financial resources with the goals and objectives outlined in our strategic plan using a structured analytical approach, thus ensuring the financial plan will serve as the blue print to define our fiscal accountability structure. Such structure will be based on prudent fiscal and operational management that supports accountability, sustainability, competitive positioning, affordability and a valued return on investment based on social, economic and environmental returns to the community.

Along with the effective and efficient management of expenditures, the financial plan will also endeavour to foster a culture of continuous improvement, and a focus on developing supportive and predictable sources of investment. A zero based budget/forecast approach aligns well with our intended accountability structure. As such, LMHC will consider a zero based budgeting along with a realignment of resources while completing this project.

Observation #6 – Operating expenses by function

Recommended Action Plan:

LMHC should consider whether it would be feasible to report, on a supplementary basis, how the operating expenditures line up against the strategic goals. A high cost in certain function, without improvements in the area, could be an indicator of a focus area for management to consider.

LMHC Response:

LMHC implemented the first phase of a new ERP system in 2017, in order to better collect data and measure impact. This project was a significant undertaking for our staff group as we shifted from a 15-year-old server based system to a more modern cloud based solution. While this technology promises to bring greater efficiencies, particularly with the roll out of the second phase two, it would not currently support this recommendation. Although LMCH sees value in this recommended action, it would create both administrative and resource pressures which could not be absorbed within our current staffing levels.

Conclusion

LMHC is undertaking business transformation and modernizing our practices to improve how we deliver social housing for residents in our community. LMHC is no longer just a landlord and we want our community to know that we CARE and are taking action. LMHC has used the acronym, CARE, as our slogan for impact and to provide a mnemonic for all stakeholders. For us, CARE means being **C**ollaborative and **C**ommitted; **A**ccountable and **A**ccessible; **R**espectful and **R**esponsive; **E**quity and **E**xcellence.

At LMHC, our new vision centers on healthy homes and communities in London and Middlesex using housing as the foundation to make a difference and positively impact lives. LMHC wants to be part of the solution to social issues in our community by showing that we CARE and by taking action.

With a new strategic direction, we believe that as an independent LHC, LMHC is uniquely positioned to help London meet its local social and affordable housing goals through entrepreneurialism and business innovation. With the support of the City of London and collaboration with our community partners, we can begin to address the observations identified by PwC in their internal audit. More importantly, LMHC can help the City in achieving its goal of strengthening our community and building a diverse and caring community that supports every person and that welcomes and engages us in vibrant, safe and healthy neighborhoods.

Regards,



Digitally signed by Josh
Browne, CEO, London &
Middlesex Housing
Corporation
Date: 2018.06.07 12:18:43
-04'00'

Josh Browne
Chief Executive Officer, LMHC

Cc: Michael Buzzelli, Chair, LMHC Board of Directors
Sandra Datars Bere, Managing Director Housing, Social Services and Dearness Home
City of London
Stephen Giustizia, CEO, HDC

Appendix 1: PwC Report on Internal Audit Result of LMHC: Review of operational alignment of funding model and strategic plan

Appendix 2: Increasing Ontario's Independent LHCs Capacity to Deliver Housing within a Social Housing Modernization Framework

Appendix 3: Ontario's Independent Local Housing Corporations Information Sheet

Appendix 4: LMHC Social Housing with Supports: A Proof of Concept, Pilot Project to Support Housing Stability within Social Housing Programs

Appendix 5: LMHC Discussion Document: Shareholder Declaration for the Future

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London & Middlesex Housing Corporation

Report on Internal Audit Results

*Review of operational alignment of funding
model and strategic plan*

February 15, 2018

Agenda

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Rating Scale – Opportunities for Improvement

- **Satisfactory**

Controls are present to mitigate process/business risk, however an opportunity exists for improvement.

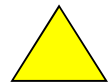
Satisfactory



- **Needs Improvement**

Existing controls may not mitigate process/business risk and management should consider implementing a stronger control structure.

Needs
Improvement



- **Unsatisfactory**

Control weaknesses are significant and the overall exposure to risk is unacceptable. Immediate attention and oversight from management is required.

Unsatisfactory



Summary of Risks & Scope

London & Middlesex Housing Corporation: Review of operational alignment of funding model and strategic plan

Scope

- Review of funding model compared to (1) operational strategy; (2) cost of delivery and provision of services; (3) capital costs; (4) other municipalities/ non-profit and low income/ subsidized housing providers
- Review of resource allocation to operational activities, including growing tenant needs for social support and community development
- Review of capital asset planning, budgeting and funding
- Review of required support costs (vs. actual costs) to support “housing first” and “housing stability” objectives and their alignment with the City of London’s strategic objectives around poverty reduction and homeless

Potential Risks

- Funding model does not properly reflect the gradual changes to the core services offered by LMHC, specifically for the provision of social services and other support needs.
- Level of funding for the LMHC may not be consistent with other municipalities/ non-profit and low income/ subsidized housing providers
- Capital asset planning, budgeting and funding may not allow for appropriate levels of investment in and maintenance of capital assets
- LMHC may incur increased operational and capital costs due to changing demographic of tenants.
- The LMHC objectives may not be aligned with the City of London
- Current operating budget may not allow for appropriate levels of funding to achieve “housing first” and “housing stability” objectives

Controls Operating Effectively

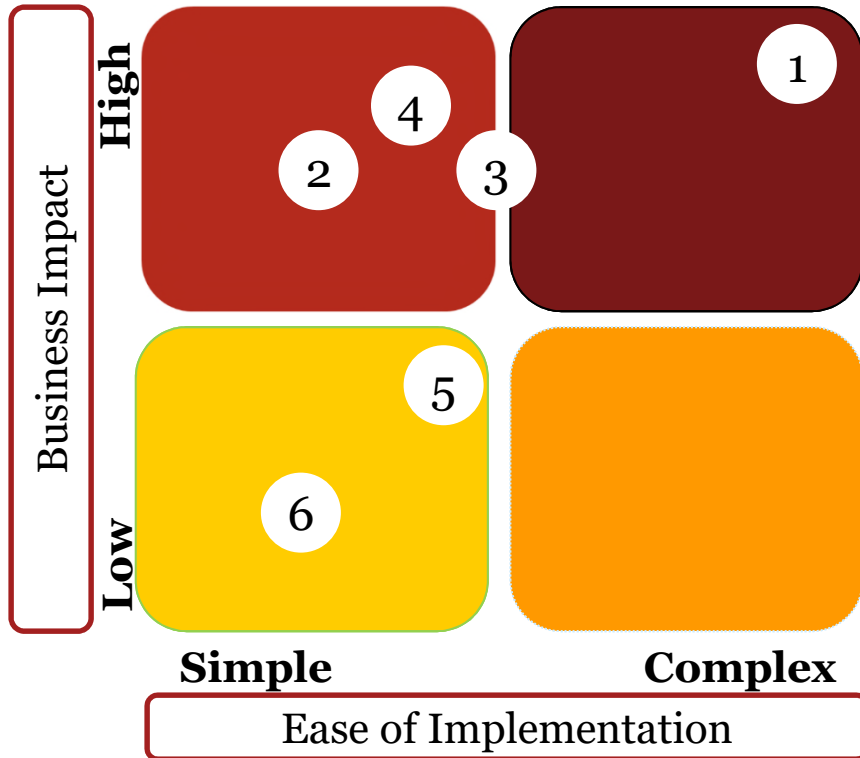
- Prioritization of critical projects for capital and operating spending given the limited resources available
- Limited social service and community outreach resources are effectively deployed by LMHC
- The strategic plan has been designed to align itself with the City of London to address tenant needs

Value-for-Money Considerations

- No value-for-money considerations were identified as part of this review

Action Plan Summary

London & Middlesex Housing Corporation: Review of operational alignment of funding model and strategic plan



- High Business Impact, Easy to Implement
- High Business Impact, Difficult to Implement
- Low Business Impact, Easy to Implement
- Low Business Impact, Difficult to Implement

Observations	Timing	Rating
#1: Insufficient capital funding for deferred maintenance	September 2019	Needs improvement
#2: Impact of tenant intake process and priority list	December 2019	Needs improvement
#3: Tenant priority list is not aligned with the City of London's housing support strategy	December 2018	Needs improvement
#4: Flexibility within shareholder agreement	December 2018	Satisfactory
#5: Zero based budget for new strategic plan implementation	2019 budget cycle	Satisfactory
#6: Operating expenses by function	January 2019	Satisfactory

Observations & Action Plans #1

London & Middlesex Housing Corporation: Review of operational alignment of funding model and strategic plan

Needs Improvement 

Observation

#1 - *Insufficient capital funding for future maintenance*

- The capital funding per unit LMHC receives is low relative to benchmark municipal housing providers. The average capital funding per unit (of \$583) is far below the average of Kingston, Hamilton and Windsor (average of \$995 in 2015 and 2016). This has resulted in a substantive decline in the conditions of the housing units.

Business Impact

- LMHC does not have the appropriate level of resources to maintain their properties. As a result, the overall condition of their housing units is at great risk and the capital requirement to bring the units back to a satisfactory level become greater each year. The overall condition of the assets can create a reputational risk for both LMHC and their sole shareholder, the City of London and a safety risk for the tenants and employees of LMHC.

Action Plan

- LMHC needs to continue to provide information, education, and advocacy to funding agencies, including the Province of Ontario and the City of London to ensure there is full transparency about the urgent and immediate need for capital funding to improve the maintainable quality, safety and satisfaction of tenants. A corporate asset management strategy should be incorporated into the City of London's Corporate Asset strategy. We understand a regeneration plan is also being developed in collaboration with the Housing Development Corporation.

Action Plan Lead

CEO & Director, Assets and Property Services

Timing

September 2019

Observations & Action Plans #2

London & Middlesex Housing Corporation: Review of operational alignment of funding model and strategic plan

Needs Improvement 

Observation

#2 – Impact of tenant intake process and priority list on operating costs

- Control over the tenant priority list has moved to the City of London, granting tenant priority to those with highest needs first. Growth in the number of high-needs tenants LMHC now houses is becoming increasingly costly, and the intake of these individuals has not been matched with the appropriate increase in operating funding to allow LMHC to provide effective services and supports to these tenants.

Business Impact

- There has been a growing need for additional costs to cover social supports, community development, intervention, security, etc. that has arisen primarily as a result of the changing demographic of tenants. This has placed an increased burden on LMHC from the perspective of limited resources as there has not been a corresponding change to the operating subsidies provided by the City. As a result, LMHC does not have the capacity to proactively deal with some of these growing issues.

Action Plan

During tenant intake assessment, a two-step approach should be used to (1) identify support service needs of the tenant (a Housing Access Centre responsibility); and (2) use the identification of support service requirements to anticipate growth pressures on support services, mobilize the appropriate response and delivery of support services, determine operating budget requirements and other resources supporting the provision of support services for tenants (an LMHC responsibility).

Concurrently, LMHC should continue to think of new ways to collaborate with its partners such as scheduled site visits by other stakeholders including policy services, medical professionals and mental health professionals to try and be as proactive as possible to serve the growing needs of tenants. As assessment of all potential social and affordable housing clients at the Housing Access Centre to determine necessary supports on an individual basis would be extremely valuable in determining the optimal approach in terms of providing those services.

Action Plan Lead

Director, Tenant Administration & Director, Corporate Services

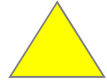
Timing

December 2019

Observations & Action Plans #3

London & Middlesex Housing Corporation: Review of operational alignment of funding model and strategic plan

Needs
Improvement



Observation

#3 – Tenant priority list is not aligned with the City of London’s housing support strategy

The tenant priority list, which favours an intake of tenants with complex and high needs, is based on a 2005 local housing rule (referred to the “9 of 10” rule). The City of London’s “Housing First” strategy is to “...move individuals and families [experiences homelessness] quickly into housing...with the right level of support”. In absence of the appropriate levels of support for these new tenants, the current intake process cannot be aligned with the Housing First strategy.

Business Impact

By providing housing without the right level of support for tenants with multiple complex needs prioritized through the “9 of 10” rule, the strategy cannot be fully implemented. Available social support programs offered within the region (including the City of London services along with various other agencies) are fragmented, and a higher level of focus and attention directed on the high needs tenants would yield better results for the Housing First strategy. This would also improve the health, safety and wellbeing of both tenants and LMHC staff.

Action Plan

LMHC needs to work with its sole shareholder, the City of London, to seek a phased approach which could start with a pilot program to provide proof of concept. The City and LMHC should review housing access systems and make sure the proper level of supports (and resources for those supports) are in place before these complex and high need tenants are housed by LMHC.

Action Plan Lead

CEO (LMHC) and City of London

Timing

December 2018

Observations & Action Plans #4

Satisfactory 

London & Middlesex Housing Corporation: Review of operational alignment of funding model and strategic plan

Observation

#4 – Flexibility within shareholder agreement

- Within the shareholder agreement with the City of London, LMHC does not have any flexibility with respect to strategic and operational decisions; this includes strategic portfolio/ asset management review, the number of units it offers under RGI programs, and the creation of operational reserves. This lack of flexibility restricts LMHC’s ability to respond to growing needs, capital deficiencies, changing demographics, etc.

Business Impact

- Some flexibility within the shareholder agreement with the City of London could help relieve some of the current challenges facing LMHC which include growing operating costs, a significant capital deficiency in capital improvements, the need for improved safety and security, and housing support programs for complex high need tenants. Areas for additional flexibility could include, but are not limited to: the ability to make use of an operational reserve, ability to offer non-RGI units and the number of overall units mandated within the agreement.
- Additionally, this could allow LMHC to look into various other revenue generating activities to help offset some of their operating and capital deficiencies.

Action Plan

- LMHC should discuss with the City of London the feasibility of amending the shareholder agreement to allow for some greater discretion or flexibility in the target number of units, whether non-RGI units can be offered, and the ability for LMHC to launch other forms of revenue generating activities.

Action Plan Lead

CEO and Chair of the Board of Directors

Timing

December 2018

Observations & Action Plans #5

Satisfactory 

London & Middlesex Housing Corporation: Review of operational alignment of funding model and strategic plan

Observation

#5 – Zero based budget for new strategic plan implementation

- LMHC has put together a transformative strategic plan for 2017 to 2020 which, on implementation, will require significant changes to the operating and capital budget. The current budgeting process, which is primarily determined based on a percentage year over year change, will not give LMHC sufficient information for funding needs required to implement the plan.

Business Impact

- The strategic plan represents the high level vision and direction for LMHC, but without the appropriate level of detailed budgeting and consideration of a realignment of activities and cost structure there is uncertainty over the implementation and execution plan. This could impact LMHC's chances of achieving the stated goals & objectives. A detailed budget and execution plan will also help LMHC allocate scarce resources to the critical areas within the strategic plan.

Action Plan

- LMHC should consider a zero based budget/ forecast process, along with a realignment of resources, to evaluate the specific feasibility of strategic goals and objectives. This could be developed separately from the City of London budget process and would give insight into the specific costs of full implementation of the strategic plan. LMHC should also develop a comprehensive financial plan with consideration of both operating and capital to be provided to the City of London as part of next multi year budget cycle.

Action Plan Lead

CEO and Director, Corporate Services

Timing

2019 budget cycle

Observations & Action Plans #6

Satisfactory 

London & Middlesex Housing Corporation: Review of operational alignment of funding model and strategic plan

Observation

#6– Operating expenses by function

- The current method of reporting includes a presentation of the operating expenses of LMHC by “nature” (i.e. salaries/ wages, maintenance, administration). Under this format, it is difficult to compare how the resources of LMHC are being deployed to the various strategic goals. A supplementary operating statement showing expenses by “nature” (i.e. people investment, asset improvement, IT enhancements, tenant engagement) may be able to illustrate this better.

Business Impact

- Readers of the Board reporting package may not be able to effectively analyze the operating results relative to the function of the expenses being incurred. For example, there may be \$150k in administration costs incurred during a month, but it is difficult to consider whether this relates to processing of tenant rent, time spent on IT enhancements, etc.

Action Plan

- LMHC should consider whether it would be feasible to report, on a supplementary basis, how the operating expenditures line up against the strategic goals. A high cost in certain function, without improvements in the area, could be an indicator of a focus area for management to consider.

Action Plan Lead

Director, Corporate Services

Timing

January 2019

This report was prepared by PricewaterhouseCoopers at the request of the London & Middlesex Housing Corporation and the City of London and is intended solely for the information of the London & Middlesex Housing Corporation and the City of London. The material in it reflects PricewaterhouseCoopers best judgement in light of the information available at the time of preparation. The work performed in preparing this report, and the report itself is governed by and in accordance with the terms and conditions of the internal audit services engagement letter between PricewaterhouseCoopers and the City of London. The existence of this report may not be disclosed nor its contents published in any way without PricewaterhouseCoopers written approval in each specific instance. PricewaterhouseCoopers written approval in each specific instance. PricewaterhouseCoopers does not accept any responsibility to any other party to whom it may be shown or into whose hands it may come.

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Increasing Ontario's Independent LHCs Capacity to Deliver Housing within a Social Housing Modernization Framework

Submitted by: Local Housing Corporation Forum

April 30, 2018

Long-Term Affordable Housing Strategy

Submission to the Social Housing Modernization, Technical Discussion Document #2: A Modern Framework

Submitted via email to: Housingstrategy.mah@ontario.ca

Submitted to: Social Housing Modernization Consultation, Housing Policy Branch, Ministry of Housing, 777 Bay Street, 14th Floor, Toronto ON M5G 2E5





Increasing Ontario's Independent LHCs Capacity to Deliver Housing within a Social Housing Modernization Framework

INTRODUCTION

This submission is in response to the request for feedback about the province's Technical Discussion Document #2: A Modern Framework. Additional feedback and engagement with the Ministry of Housing (MHO), Ontario was undertaken through a discussion with the Assistant Deputy Minister on March 1, 2018 with the Local Housing Corporation (LHC) Forum. As a key partner of the Ministry of Housing, the LHC Forum is appreciative of this opportunity to provide input at the conceptual phase of the modernization framework.

Our collective discussion of the proposed modern framework has triggered strategic conversations about the transformations that we are enabling within our LHC organizations and how our business practices align with the province's vision and future directions for the sector. As independently operating municipally owned LHCs, we are an important piece of the next generation of social housing. In this vein, the modern framework suggests enabling more flexibility within the system and providing more autonomy and choice for housing providers. There is however, a lack of clarity as to whether this would pertain to LHCs and how our organizations fit within the proposed structure. We raise the following questions for the province to consider and to address in the next steps of its work on the modern framework:

- How does the Social Housing Modernization Framework impact LHCs?
- Where do LHCs fit in and what role do the LHCs play?
- How will the changes be applied to municipal shareholder organizations vs. non-profit organizations?
- How will households currently on RGI assistance be affected by the proposed system?

The contents in this submission include both feedback and recommendations that the LHC Forum have collectively identified as key areas that need to be addressed to improve our business delivery and in support of modernizing the social housing system in which we operate. Although there are 47 Local Housing Corporations that operate across Ontario, this submission is from the municipally-owned independent operating Local Housing Corporations.

LHC Forum- Who we are



The LHC Forum consists of the CEO or a designated senior level staff representative from the following local housing corporations:

- Ottawa Community Housing
- Windsor Essex Community Housing
- Peterborough Housing
- Cornwall & Area Housing
- Kingston & Frontenac Housing
- London & Middlesex Housing
- CityHousing Hamilton
- Haldimand-Norfolk Housing
- Greater Sudbury Housing

The LHC Forum has been established by the independently operating municipally owned LHCs to enhance information exchanges amongst the sector, improve access to leading edge thoughts on best practices, and increase quality of working environment for their staff.



ABOUT US:

Approximately half (over 134,000 units) of the total social housing stock in Ontario is comprised within the 47 Local Housing Corporations in Ontario. Of this stock, 70% (over 90,000 units) are administered by the ten housing organizations that comprise the LHC Forum.

Our entities are wholly owned by municipalities respective of our jurisdictions and we operate as independent corporations under the Ontario Business Corporations Act. In total, we own and operate over \$14.9 billion in property assets.

As housing providers we help communities across Ontario meet local housing needs. We are home to over 37,000 senior households, 34,603 families and over 19,600 single adults. In addition, we are a major contributor to the local economy:

- \$502 million is re-injected annually into local economies via contracted services
- \$44.7 million is paid annually in municipal property taxes
- Over 2,600 employed as staff

Furthermore our organizations have been the most proactive housing providers in Ontario to intentionally undertake expansion of our existing portfolio footprint to meet future affordable housing needs. We can boast that we are Ontario's leading developers of affordable housing. From 2018 – 2022 our total investment commitments are close to \$1 billion for redevelopment and new builds.

2018-2022 Total Investment Commitments

\$1+ Billion for Redevelopment & new builds

The nature of our portfolios includes a higher proportion of rent-geared-to income units than those of other social housing providers in Ontario. In addition, due to the shortage of supportive housing in the jurisdictions we serve, many people with special needs reside in our units. This has resulted in us being more than just landlords that manage buildings. To enable stable tenancies and to create healthier communities; our business practices extend to include empowering tenants, serving the needs of the vulnerable and bridging the gap between support service need and housing for the clients we serve. We receive, however, "\$0" dedicated support dollars to house or support residents with mental health issues, victims of abuse, addictions, physical and mental disabilities, and mobility and age-related issues.

Under the Housing Services Act (HSA), municipally-owned independent operating LHCs have differing regulations compared to the in-house operated LHCs. We are not financed under a funding formula. Apart from the occasional one-time grant or special funding from another level of government, we obtain government funding from our respective Service Managers. We have a variety of funding arrangements that are negotiated with our SMs, most of which are little more than year to year, budget to budget requests for break-even operating subsidy for the following year. To reduce the amount of funding required from municipalities and to meet the unique needs of residents, we have tried to diversify our business while maintaining our social purpose. For example, we have over 8,000 units in our portfolio that provide homes leased through the rent supplement program.

Our organizations have demonstrated strong resilience amidst a tough operating and financial environment. We have adapted our business models in order to sustain our



organizations, and many of us are currently engaged in business and organizational transformation to enable our organizations to expand and be innovative and responsive to the needs of our communities. As our organizations transform, the re-direction of our business requires recognition that a great deal of change is needed in the sector to build the capacity we need to deliver. Our organizations need to align how we operate in the new social housing modernization environment that province presents us with and the need to meet new challenges in our jurisdictions of housing service provision.

Although the government has made important changes to the legislative and regulatory framework in Ontario, there still remain restrictive regulatory processes and procedures that hinder our organizations pathway toward business transformation and modernizing our practices for future proofing our businesses. In this document we outline the policy changes and tools and capacity support that can enable independent LHCs to address legal obligations and requirements, community needs and contribute to a modernized social housing system.

MODERNIZING SOCIAL HOUSING

The government's commitment to modernize social housing provides an opportunity for LHCs to help the province shape the sector's future. Our comments and recommendations for modernizing social housing is placed within the context of the questions provided in the Technical Discussion #2 document.

Discussion Question #1

What works well under the current social housing system?

In our discussions and engagement with the MHO there were several recommended areas

for supporting LHCs that have been reflected in recent regulatory changes, such as:

Encouraging mixed income communities

Removing the requirement that public housing projects be exclusively rent-geared-to-income has given LHCs more freedom to create mixed communities and include market units to enhance revenue potential through new rent structures and market segment. We see this as a significant program enhancement.

Ministerial Consent

Transferring responsibilities for most transfers and sales of social housing assets from the ministry to Service Manager has enabled our LHCs to be more effective in the planning and portfolio management; efficient and responsive to enable asset leveraging needed for portfolio renewal; and work collaboratively with our service managers to make decisions about our portfolios in a mutually-beneficial manner.

Prevailing legislation ensures our viability in the housing sector

The inclusion of the LHC's in the HSA is valuable for our organizations as we are not incorporated as non-profits, and are not captured by most housing provider language. For the amount of public funding that has gone into the assets; we have paid for these assets several times over. It is critical for this asset that we operate to be kept within the system and not lost to the private sector.

Funding investments through federal and provincial partnerships

Grant programs like SHARP, SHAI, SHEEP, SHIP provide the funding needed to make our portfolio safe, energy efficient and accessible. It has allowed some LHCs to invest in cost-asset saving upgrades.

Provision of rental subsidy

To achieve the goal to end homelessness and that all Canadians have a home, subsidized rental programs must be maintained. With an average income of only \$50,000 for Canadians,



affordability remains an issue. It is not just a matter of supply.

Current government programs for new builds (e.g. IAH) only provide capital funding with no associated rental subsidy.

The issue of supply directly links to the issue of financial viability. The private sector has not played a large role in the provision of social and affordable housing as it is not financially viable without rental subsidy available. The rental subsidy, in some form, works and must be maintained in the future.

Exemptions from land transfer taxes

Expansion of HSA s.167 transfer exemptions to include an amalgamation of portfolios, the transfer of social housing projects from Service Manager to local housing corporation or social housing provider or vice versa. (e.g. exemptions from land transfer taxes) has been beneficial for LHCs.

Several of these changes enable our LHCs to be positioned to be the landlord of choice in the future. As we currently work towards capital repairs, asset management, become mixed income and create a sustainable business model, our LHCs will become the attractive route for low and moderate income households in Ontario.

What could be improved under a new, modern framework?

There must be clarity from the province about how the LHCs fit under the proposed modern framework. Is the new approach intended only for housing providers with operating agreements ending over the next few years or does it also apply to housing providers that may continue to be regulated under the HSA? Further, there needs to be clarity from the MHO if they intend on expanding the framework with additional requirements for local housing corporations.

The province emphasizes that the intention of the modern framework is to replace legacy rules in operating agreements and those in the HSA with an approach that enables housing providers to effectively manage social housing portfolios, foster innovation to better meet tenant's needs, increase the supply of affordable housing; and operate with more financial independence and flexibility.

In response to this, we have identified specific areas for improvements for LHCs which are important considerations in implementing a new modern framework:

Disentangle the “one-size-fits-all” prescriptive LHC model placed on the independent operating LHCs

During the time just prior to devolution, the Ontario Housing Corporation Committee presented a document to the government of the day with concerns that the LHC model change would mean social housing may vary in its delivery across the province and be very different from a tenant/member perspective in 47 Service Manager areas. Local flexibility, while very appropriate and sensitive to local needs has, in fact, enabled this prediction to be true and adjunct to that truth is the fact that LHC's are also quite diverse.

The province must recognize this diverse nature of the LHCs and address the “one-size-fits-all” notion of our organizations under the HSA. This will enable us to transform and evolve into organizations that can leverage our assets, become more entrepreneurial while delivering on our social purpose; and contribute to a modernized social housing sector in Ontario.

Requirement for Service Managers to work with LHCs to establish sustainable funding

Having a sustainable funding agreement with our respective SMs that includes rent subsidy and alternative options is necessary given the nature of our LHC's who do not have integrated services with Service Managers. It is imperative,



that under a new modern framework, any new funding models must consider the need for ongoing capital investment and rising costs, and include a rental subsidy component.

As owners and operators of over \$14.9 billion in social housing assets, we believe that the province and our respective SMs has interest in ensuring that LHCs have the tools and the stability we need to maintain and renew assets for the future. LHCs require money for the rent subsidy to ensure stability of income and to be sustainable. Without rental subsidy, LHCs cannot be financially viable.

If MHO and SMs want us to be entrepreneurial and business-minded, LHCs cannot go year to year requesting for a budget approval or reconciliation. LHCs need to have an established sustained funding mechanism to be able to project for the future. Long-term funding will allow for capital funding.

LHCs can do smarter things when there is stability of funding. In addition, it is a risk mitigation measure for SMs and way of effectively leveraging their dollars.

It is crucial that the province under a modern framework lead the development of a long-term strategy that addresses sustainability of the LHC assets; especially if the LHC are included under the HSA. A first step in this direction is for the province to require that SMs work with LHCs to establish sustainable funding.

Shift the ministerial consent “download” directly to LHC Board of Directors

Although the HSA has reduced requirements for the Minister to consent to program administration decisions, some consent requirements remain, in particular, related to portfolio level management of housing assets specific to the sale and disposal of LHC property. LHC's have greater capacity and understanding of its assets than other housing providers and legislation should recognize this

distinction and enable the LHCs to take over this role for its own property. Particularly, if the province is agnostic about who owns the social housing stock.

LHCs now have increasing ability to leverage our assets. Most of us do not have mortgages, we have debentures which do not show on title and the local government can allow us to leverage the assets. We have the ability to access our equity; however, if we have ministerial consent for our own organizations, we could do a lot more.

In our efforts to increase the supply and maintain the quality of our assets; LHCs have invested in developing long term asset management and revitalization plans. Our plans are also considered and approved by our Boards and by the Service Manager and local or regional councils. This process ensures that our decisions and directions for our portfolio, usually developed in partnership with our Service Manager, are informed by Service Manager plans and community need. As LHCs are principally responsible for the delivery of housing, we believe that we should have discretion over the assets under our administration.

We are suggesting shifting the ministerial consent directly to the LHCs so they can make decisions about the transfer (sale) of public housing assets, leveraging, and reuse or regeneration of our properties.

Require that capital reserves be established for LHC's

Housing providers are responsible for care and maintenance of their buildings and to ensure that projects are “well managed, maintained in a satisfactory state of repair and fit for occupancy.” (HSA s.69 (2)). As such it would be beneficial for the requirement for LHCs to make capital reserve contributions, in accordance with leading industry practice and to meet our priorities. As part of this consideration, it is



critical that LHCs have responsibility and are able to exert control over its capital reserves. This would enable our organizations to prepare and plan capital expenditures that meet the specific needs of the assets.

LHCs view capital reserves as part of good financial practice; and as such suggest that it should be included as a provider standard and linked to accreditation under the registry. The registry could require that housing providers have established reserves in order to qualify to be in the registry.

Allow LHC's to retain surpluses

There must be a review of the policies and rules related to surpluses or surplus sharing. If LHCs are able to retain operating surpluses, redirect rent supplement surpluses to be used as intended and build capital reserves with unspent capital allocations from a previous year, it would contribute to a sustainable funding model. We would have flexibility to allocate under spending in one program area to other program areas (e.g., operating, capital, rent supplement) and contribute/ withdraw from reverse accounts as determined by the LHC board. The majority of the LHCs would no longer operate in a "use it or lose it" environment.

Permit LHCs to administer portable housing benefit

There is a role for LHCs when it comes to portable benefits. LHCs have experience administering RGI, Rent Supplement and the centralized waiting list. Given these various roles, LHCs could manage the tenancy support and expand this support/business/service out to the private sector. This could be a cost reduction for the system in terms of administration of this benefit.

If LHCs are permitted to support the administration of the portable benefit, it would protect the Service Manager (isolation from risks) and provide a revenue stream for LHCs. It would also allow LHCs to be entrepreneurial in a

manner that effectively utilizes our sector knowledge, client delivery capacity and administration abilities while supporting the sector.

Discussion Question #2

What current barriers do Service Managers and social housing providers face that make it difficult to provide sustainable housing, and/or to pursue innovative and entrepreneurial approaches or practices?

Please provide details related to any legislative, regulatory or policy practices that may be limiting innovation in the housing sector.

The encouragement from the province for housing providers to pursue innovative and entrepreneurial approaches or practices is a positive signal for the sector. Our LHCs are already far down this path and have demonstrated the capacity and ability to be entrepreneurial while continually maintaining the social purpose. However, innovative approaches often require upfront capacity, financial capital and human capital that organizations don't always have readily available or have the structure and processes in place to facilitate and support this direction.

Barriers

In response to the ministry request for feedback about the barriers that hinder our abilities to provide sustainable housing and to pursue innovation and entrepreneurial approaches and practices; we have identified the following areas:

Accessing funding opportunities to support pursuing innovation and entrepreneurial approaches

The province through its Innovation, Evidence and Capacity Fund provides an opportunity for housing organizations to access funding to explore innovative approaches and practices. However, LHCs are not always well informed



directly through the province or our respective Service Managers of these types of opportunities. Not only are we uninformed, we must rely on the Service Manager agreeing to participate in whatever funding opportunity there is and if they don't, we cannot access available funding opportunities. This is an example of an administrative barrier that hinders our ability to access resources to pilot and pursue innovative approaches and practices; despite the nature of our organizations qualifying for this specific funding.

If the intention of the MHO is to build housing provider capacity then it must keep the sector informed of such funding opportunities. It is suggested that similar future funding through this program should include a specific stream for housing providers only.

LHCs are not set up to be enterprises

The current structure and operations of LHC's is one of business agility compared to Service Managers and the municipal world. Not only are we more responsive to day to day operations than LHCs internal to service manager operations; our LHC structure has demonstrated ability and capacity to be developers (create new units/supply). Within the current structure LHCs can be developers and undertake such business activities that would not be possible if part of a municipality.

Despite being encouraged to take a business and entrepreneurial approach, there are risks involved and LHCs need to be prudent. In order to be entrepreneurial, housing providers have to undergo a transition from a successful model to one with market-based opportunities (assets, social value and leveraging). We are currently not set up to be enterprises and restrictions to revenue generation exist.

Providing housing for individuals with high needs, without access to adequate supports is a significant challenge for LHCs

LHCs as the largest provider of Rent-Geared to Income Housing have never been fully equipped to operate within these models. Both Provincial and Local Access rules require a high percentage of new tenancies be offered to individuals from the 'Special Priority' or 'Urgent' status list. This means that a significant number of new tenants have experienced chronic or episodic homelessness, violence, addiction and mental health issues. Multiple research studies have shown that those experiencing chronic or repeated episodic homelessness often are coping with multiple complex barriers to housing stability including mental health, substance abuse, unemployment and relationship challenges.

LHCs attempt to build partnerships and coordinate with other agencies to offer the required services to support those with complex barriers to housing, yet our staff continue to report that many community partners have stopped showing up. Anecdotally staff have contributed this to either fear of safety, or a lack of resources. With the number of agencies providing similar services within our respective jurisdictions, many must compete for funding and resources, rather than collaborating and coordinate the housing and homelessness support network needed.

LHCs mandate and funding by our shareholders to act as a landlord has become the de facto provider of supports and is doing so without the required resources. These pressures have been layered upon an already aging infrastructure and shareholder agreements that typically do not provide the flexibility to generate or retain additional resources to invest in future initiatives or sustainability. The unintended consequence of the well-meaning initiatives has exacerbated or is already contributing to the further deterioration of LHC properties, and creating a



negative impact on the health, safety and wellbeing of our tenants and staff.

Removing constraints for redevelopment and renewal

The real estate industry has typically recognized property as an investment, one with a return. The province, and SMs, can seize this opportunity to invest greater equity into affordable housing. This will serve as a stimulus to the economy and provide an opportunity to leverage the value of these assets in the future. Equity investment will enable providers to reduce their debt servicing cost, making it more financially viable to provide affordable housing to residents.

Current programs, such as the Investment in Affordable Housing (IAH), act as equity and enable building affordable housing to be viable. In certain jurisdictions, such as Peterborough, the primary affordable housing provider has been selected as a developer of choice, enabling the Service Manager to direct funding, such as IAH, to them. This streamlined process would reduce administrative and procurement related costs to provide even greater value to both the City and housing providers.

The IAH program alone, however, is insufficient to supply the housing needed to meet the demand. The cost to build new is greater than retrofit. As such, funding for alternative approaches would enable housing providers to deliver such solutions.

A key challenge to the provision of affordable housing is the high cost to build, which cannot be recuperated through revenue generation or rental profit. Building new has been undertaken only to the extent that grant funding has been available. A portion of the high costs are for land purchase and development fees. In order to meet the demand for affordable housing (nearly triple the current supply), changes are needed. The government could stimulate this

infrastructure investment and development by providing access to available government land or buildings (e.g. schools, warehouses, etc.). Government lands could be repurposed and/or made available for affordable and social housing. This is happening in California, for instance, where a registry of available land is being developed to support potential affordable housing developments.

Tax incentives can also support affordable housing development, such as a property tax exemption on new and existing affordable housing stock. To be most effective, the exemption would apply to the entire housing development, even where affordability is stratified and inclusive of market units. Since 1972, the federal Income Tax Act has undergone a number of revisions that have had progressively detrimental effects on rental investors. The Goods and Services Tax (GST), now the Harmonized Sales Tax (HST), has increased the cost of building rental units. Currently, the private sector is not eligible for the same level of rebates as the not-for-profit sector; and small landlords cannot be considered businesses under the Income Tax Act. The United States has utilized tax incentives in an attempt to stimulate the development of affordable housing. Their Low Income Housing Tax Credit Program allows tax credits for development costs for up to 15 years for capital investments made in affordable housing.

Providing homes for all in need is a factor of not only available housing but also associate rental subsidy. Current IAH funding provides for a capital contribution, however, without ongoing rental subsidy for the units built, it is also not viable nor meeting the biggest need – deep subsidy need. Furthering this dilemma is the requirement to rent at 70% or 80% of average market rent (BMAR). Housing providers with Rent Geared to Income (RGI) and Rent Supplement will in fact be ‘made whole’ on the rent for a unit; BMAR provides less revenue to cover the



costs. Thus again, making it more difficult to achieve a financially sustainable housing development. The current conditions associated with IAH funding limit or prevent the transfer, or use of, rental subsidy (i.e. RGI, rent supplement), as it is considered 'double dipping'. This is contrary to the requirement and desperate need to renew old housing stock portfolios.

Therefore, in summary, to assist in portfolio renewal:

- Fund retrofit not just new build to further leverage government funding available (better value)
- Allow for direct equity contributions to a developer of choice to avoid costs from all parties
- Provide greater up front equity contributions to reduce overall operating costs (debt financing) making it more financially viable and increasing ability to provide more affordable units
- Provide and/or allow for use of rental subsidies in IAH or equivalent funded housing developments to ensure viable projects
- Remove or limit requiring for 70%/80% market rent units to ensure more viable projects
- Amend and introduce flexibility in annual Service Levels to recognize the cycle of renewal

Sharing of information and privacy legislation

The sharing of information between social housing landlords, community-based support agencies and healthcare providers is one of the biggest barriers that our LHC experience in creating successful tenancies and supporting tenants.

Concerns about privacy legislation often mean that our LCH are excluded from discussions about the provision of care and support in their

communities. Often, social housing landlords are unaware that tenants' relationships with support providers have ceased or that they have been released from a hospital, until their tenancy is in jeopardy. Similarly, housing provider staff may struggle to know how much information they can share with support providers or families if they see a resident struggling or at risk of eviction. There is uncertainty about the application of privacy legislation and the absence of shared understanding between landlords, healthcare agencies and community-based care providers about what information can be shared with whom and this prevents effective responses to individual and community need.

We encourage the province to clarify privacy legislation and to convene a working group of housing providers, healthcare providers, community-based agencies and tenants to develop protocols and best practices for the sharing of information. It is important to resolve privacy concerns so that stakeholders can work together to better support tenants.

Lack of coordinated data to support policy and evidenced-based informed decision making

Ontario has a reputation of a fragmented data collection system and its limited data mobilization ability to support the sector to determine policy decisions and design future housing programs. The current system makes it difficult to compare all but basic unit-level data between LHCs. Data collection and a coordination mechanism should be accompanied by funding to build sector capacity.

A common data set with defined standards as proposed for the registry would be crucial for evidenced-based decision making.



Legislative, Regulatory and Policy Practices

Below are several related legislative, regulatory and policy practices that limit our organization's ability to pursue innovative and entrepreneurial approaches and practices.

Public Sector Accounting Board (PSAB) rules

Under PSAB rules, municipalities have to consolidate LHCs into their books and this makes it look like LHCs are in debt. The PSAB rules do not reflect the true debt capacity or lending value to a financial institution when we attempt financing. When we want to talk about financing it can be scary for a municipality because the loans skew financials, and we are seen as a liability. This presents a negative picture to Service Managers and Councilors within our municipalities when it comes to decision making to support our strategic directions and for investing additional capital. This can result in clawing back our organizations ability to be innovative and entrepreneurial.

Municipal Property Assessment (MPAC) property values are not based on actual rent revenues

MPAC values and classifies all properties in Ontario and prepares annual Assessment Rolls for use by municipalities and the province of Ontario to calculate property and education taxes. Historically, most social and affordable housing have been assessed by MPAC using a multi-residential (more than 7 units) rate which is based in part on the gross income potential of the properties and in part on neighboring multi-residential unit assessments.

According to MPAC, "the 2008 current value assessment (CVA) valuation [used for social housing properties] was based on the rental returns from 2007". These would have reflected actual revenues from subsidized and market rents. However, it appears that the 2012 MPAC assessments were calculated as if the buildings would achieve full market rent on all units. The increased MPAC assessments appear to be the

result of a change in practice rather than a change in legislation or provincial policy. The impact of increased assessments varies by social housing program. New affordable housing projects and providers with former federal operating agreements must manage property tax increases with existing reserves. Some may not be able to do so. Property tax increases are likely to impact LHCs. In order to stabilize costs and preserve housing affordability, the province could create a special category for social and affordable housing under the Ontario Assessment Act, 1990, that bases property values on actual rent revenues, not full market rates.

Prescribed Provincial Waiting List Priorities

With the SPP program implementation and policy enhancements for survivors of domestic violence and survivors of human trafficking, there continues to be a significant number of unconsidered consequences, mainly: 1) vacant units being increasingly filled by SPP households; and 2) creates limitations for diversifying our rent mix to support mixed income communities. Even with a portable housing benefit program for SPP households, there continues to be an increasing trend in SPP applicants being housed in our portfolios, and as units become vacant their priorities must be accommodated over non-priority applicants. We are housing individuals with acute needs but there is no consistent framework of supports or funding dollars aligned with the policy to enable these households to stabilize their housing.

The province should be responsible for addressing the affordability and support needs of survivors of domestic violence and human trafficking. The current mandatory SPP requirements should be removed from the HSA and instead replaced with a provincial program, aligned with support services as part of a broader provincial commitment and strategy to support survivors to find affordable housing. LHCs need to be allowed to



incorporate better alternatives and establish priorities based on their building stock and local community need.

Flexibility Regarding Provincial Service Level Standards

Service Level requirements designed under a government program to maintain the number of units in a given portfolio; currently constraints renewal initiatives. Such legacy programs do not allow the transfer of the subsidy to another unit. This is counterproductive to the renewal objective, as renewal or divesting of an old housing stock 'married' to this funding, means funding will be lost. Further, while renewal is occurring, requiring housing providers to leverage their assets, divestiture is required to create equity for new development. This will affect, in essence reduce, the number of units available; until new units are built and available. This cannot be done simultaneously as housing providers do not have sufficient equity without divesting the assets. Therefore, flexibility is needed in the annual Service Level obligations.

A new approach can still keep housing providers (ultimately Service Managers) accountable, yet provide flexibility. Annual reporting could include and indicate units affected by renewal, such as forecasted or actual divested and forecasted new/replacement units to be provided within a given timeline (e.g. 3-5 years).

Historically rental supplements, similar to the new portable housing benefits, have been made available. This type of rental subsidy allows greater flexibility as it is portable and is provided to the individual rather than be associated with the unit. At minimum, the use and provision of this type of rental subsidy along with the IAH equity investment for new development, would increase the viability of development and number of subsidized units.

Coordinated Access System

MHO is proposing a coordinated access system with a vision for one access system as a way of accessing housing need and other needs and matching up with housing appropriately-connecting to other types of housing assistance/supports.

Any system redesign would need to include a provision that communities would be required to develop and implement a coordinated access and assessment system for shelter, rapid rehousing, prevention, transitional housing and permanent supportive housing along with social and affordable housing or even home ownership or home modifications programs.

Successfully coordinated access processes can help communities move toward their goal of ending homelessness by matching people with the housing and support they need and connecting them to those resources quickly. Need and support requirements should be linked to tools and housing options available within a community.

Coordinated access can:

- Help unclog the system by moving people more quickly through the referral process
- Reduce duplication of efforts and help serve clients better.
- Assist communities with ending chronic homelessness by sparking conversations about targeting the most expensive resources to those that have been homeless the longest.

Successfully coordinated access requires the participation of all housing and service providers in the community, making it critical that organizations involved in supportive housing projects:

- Participate in a designated community process to coordinate access to housing, including the use of coordinated referrals



and triage, common applications, common entrance criteria and centralized wait-lists. If the community does not have coordinated access to housing, the supportive housing project partners clearly communicate the referral and application process to the entire community.

- Participate in or lead efforts to ensure that community application processes, documentation of eligibility and intake processes are streamlined and efficient, so that applicants are not asked for the same information on multiple occasions.
- Prioritize persons that community data identify as having a high need for services (such as a high vulnerability index score) or frequently utilizing crisis systems (frequent users) for all available units.
- Move towards a choice based model of selection housing options rather than the current chronological model.

In addition to offering tenants the opportunity to choose among multiple units of supportive housing, it is also important that the community has supportive housing in a range of models and locations. In many communities, supportive housing is almost entirely found in a single model, such as single-site buildings with 100% supportive housing concentrated in a few neighborhoods. Since tenants have family and other connections to diverse communities, communities should mirror that diversity in the overall supportive housing available to tenants.

The organizations that are part of a supportive housing project team play a significant role in addressing systemic issues such as homelessness or affordable housing availability in the community. By participating in community planning processes, the supportive housing project team can push for needed changes and ensure that the project contributes to the

achievement of overall community and Provincial goals.

Participating in data management systems and sharing data within the bounds of confidentiality also can be important in understanding the most successful interventions in the community. This ensures that housing and service providers can continue to improve and learn from one another.

An effective coordinated access system is impossible without first addressing the multiple concerns identified by Service Managers and housing providers in relation to waiting list provisions under the HSA.

- Amendments to the HSA waiting list requirements to support its use more broadly than for RGI (e.g. eligibility, offers, internal transfers, selection of tenants).
- Amendments to exclude modified units without dedicated support services from the definition of special needs housing and exempt special needs units from the HSA application, tenant selection and review process requirements.

Removing the requirement of multiple rent collection in cases of fluctuating income/household member; not to be applied retroactively and standardizing tax documentation with go-forward implementation

Currently, in any given year, LHCs undertake more than one calculation per household (requiring a rental calculation). Modernizing rent calculations for subsidized tenants done based on an annual income tax, rather than the current continual and multiple rent calculations would provide multiple benefits from tenant, housing provider and government perspective as outlined herein.

LHCs have identified retroactive rent adjustments as a common trigger for rent arrears. In fact, an example of a built-in system



issue is when a senior moves from Ontario Disability Support Program (ODSP) to Canadian Pension Plan (CPP). Their income decreases and they move to a 30% Rent Geared to Income (RGI) calculation, as opposed to the previous rent based on a historic Ontario scale developed between the Ministries. Consequently, the rent increases and they automatically have a retroactive rent adjustment resulting in rental arrears. Removing this obstacle would prove more efficient, lead to more successful tenancies and positive mental health.

The current RGI approach, with near immediate rent increases when income increases, does not provide an incentive for individuals to increase income, education or gain employment. These are key drivers of affordability and pressures on affordable housing. Further, the 'income' definition for affordable housing assistance should match other regulatory definitions. The 2017 Ontario budget cited changes to Ontario Works and Ontario Disability Support Program with respect to how income is treated. This should be examined for alignment.

Similarly, those receiving disability have the fear of losing disability income forever if they wish to try and re-enter the workforce. There needs to be greater alignment of the overall objective of these policies and programs with housing, recognizing the overall housing system; and the creation of mechanisms that promote re-entry into the labour market. Employment, health, education and immigration policies are all great influencers to income and hence affordability; and ultimately affordable housing.

MOVING FORWARD- A MODERN FRAMEWORK FOR SOCIAL HOUSING

REGISTRY OF HOUSING PROVIDERS WITH A SOCIAL PURPOSE & HOUSING PROVIDER ACCREDITATION

Standalone LHC's view the Housing Registry as an excellent step to begin the process of equalizing not only standards but opportunities across all Service Manager areas. Currently, all 47 LHC's are as diverse in their operations, ability to be entrepreneurial and access funding from their Service Managers. There are 47 different approaches to risk, service delivery, tenant and community engagement and political influence. As part of a Registry, we envision this entity to be able to serve as a platform for LHC's to highlight their ability to deliver core services, share best practices and demonstrate excellence.

With a common standard for all to achieve and possibly a series of standards or tiers above the norm that will lend credibility to those that are developing new properties, planning regeneration projects of current communities and are innovative in their practices.

Standards of housing providers if applied equitably throughout the province, ensures that financial institutions, councils and boards of directors will have an accurate measuring tool for the performance of their housing providers and funding will be distributed using merit as a determinant. This will also measure each provider against the same standard while allowing for the differences that have evolved in each Service Manager areas that suit their geography, demographics and the need for services and the ability to provide them.

Funding for operations will, as we understand, be a negotiation between the provider and their Service Manager, an exercise which is very familiar to LHC's.



The Registry, will need to consider, when a provider is not achieving the base standards, if inadequate funding is the issue or the allocation and distribution of the funds received are being used resourcefully. Again this may lead to equalization and a setting of best practices and key performance indicators, both of which can be used by providers to improve their services.

Discussion Question #3

What are some basic standards that all housing providers should meet in order to be included in a housing provider registry?

The organizations representing the LHC Forum are accountable to our respective Service Managers, Boards and communities. We have reporting requirements and established indicators and standards to enable assessment of performance that ensure our organizations are set up to be successful. Despite the varying size and scale of our organizations there are several fundamental and common standards that we adhere to and that we suggest housing providers should be in a position to demonstrate, namely:

Social Purpose Mandate

Having a clear and well-articulated vision and mission should be an important strategic standard for housing providers in a registry. This is especially important if the province intends on ensuring that housing providers in the registry are organizations that are committed to delivering on a social purpose. A charter specifying the organization's social purpose and commitment to provide housing that low-and moderate-income Ontarians can afford, could be the key standard output.

Governance

A housing organization should have a properly functioning board, and a board selection process in place that requires terms for board members. This will enable a periodic refresh of Board members. If a housing provider in a

registry is accessing funding opportunities through this framework then there should be records and accountability standards that they must adhere to even in its simplistic form, as in meetings and minutes.

Financial Sustainability

As good practice and as a basic standard, housing providers should have an informed understanding of their financial status and be able to report on this periodically to the Registry. In addition to demonstrating budget preparation and monitoring, financial reporting, and audit functions; it will also critical for housing providers especially those coming out of the EOA process to continue to monitor and understand their viability. There are available sector tools to assist housing providers to complete project and portfolio viability assessments. For LHCs to participate in a Housing Registry and to adhere to this standard, we would need to have a sustainable funding mechanism in order to project into the future; and demonstrate financial sustainability.

Without being able to demonstrate financial sustainability, it could impact our placement on the Registry and further impact how much funding we get. It would put us in a disadvantage compared to other housing providers that are funded differently; unless the province establishes a different classification of standards and accreditation for the LHCs.

A sustainable funding agreement with our SMs, will ensure that we are in a position to access funding, have business cases prepared for incentives and benefits and maintain accurate building condition assessments.

Operations

One of the cornerstones of a successful housing provider is having strength in its daily operations. There are basic operation standards that all housing providers should meet as part of a housing provider registry. A component of these standards would be the day to day



maintenance of buildings as well as preventative maintenance, building safety (e.g. life safety systems) and building renewal. These are typically reported on by housing providers and should continue to be part of a housing registry.

Housing providers are becoming more sophisticated in their Information Technology Systems. As part of a registry, providers would want to demonstrate the work flow mapping of their business processes and how the Information Management Systems support service delivery and performance tracking.

Another key focus in the operations of housing providers is vacancy management. This includes areas such as arrears, occupancy, unit turnovers, and sustained residencies. These items are fundamental and significant to the operations of housing providers to ensure they are best meeting the affordable housing service level needs of their respective communities.

For the above identified areas, it is critical that policies and procedures are in place to provide a framework for these elements of the operations. A housing registry would necessitate that providers were able to illustrate that they have key operational policies and procedures in place and they are being followed. As well, as a basic standard, housing providers would want to have a performance monitoring system in place that would include operational KPIs, benchmarks and best practices.

Resident Management

There is currently a great deal of discussion and activity at the provincial level regarding resident management. As we move forward and transition away from the traditional RGI system to incorporating models such as the portable housing benefit, housing providers and service managers will need to be attentive to hitting service level targets. Some of the basic

standards that all housing providers should meet to be part of a registry would include:

- Leases/Occupancy subsidy agreements
- Approved targets for portfolio established under current and future legislation
- Internal transfer waiting list
- Resident files
- Over-housed residents
- Eviction rates
- Policies relating to resident management (e.g. Complaints & Confidentiality Policies)

It is important that the documents, processes and models that are incorporated into the standards of resident management for the housing registry continue to support and optimize the lived experience for current and future residents.

Asset Management

There are several key components of asset management that we suggest is necessary and within a housing provider's realm to produce as part of the standard requirements. These are preventive maintenance plans, building condition assessments, capital repair plans, and unit inspection reports. As a basic standard, housing providers should have some basic elements of an asset management plan and be able to demonstrate how maintenance and upkeep of the projects are being undertaken (e.g., energy efficiency upgrades).

Environmental and Energy Sustainability

The current political and funding environment has a keen interest in implementing and demonstrating environmental and energy efficiencies. These components often go hand in hand with asset management plans to ensure the longevity and fiscal health of the housing stock.

It is expected that any government funding for capital repair, new builds and redevelopment will require reporting on the outputs and outcomes. Adherence to some basic standards would place housing providers in a better



position to access funding dollars. We suggest for this area standards for housing providers could be:

- Energy management plan for portfolio
- Energy audits completed on each building every 5 years
- Complies with Ontario's Energy and Water Reporting and Benchmarking regulation (O.Reg.20/17)
- Monitors and benchmarks energy consumption of part or all of portfolio in an energy management software
- Set energy reduction targets for portfolio and annually reviews progress to targets
- Board-approved energy policy including energy reduction targets for portfolio
- Completed energy efficiency and/or greenhouse gas reduction retrofits in portfolio
- Ground level operations and maintenance staff have completed training on energy management from an accredited energy training organization

If specialized standards are developed for providers interested in expansion and new development the following standards may be applicable:

- Pursuing one or more projects to develop, redevelop, or retrofit a building to the level of Passive House standard, LEED certification, Net-Zero, minimum 15% energy savings over building code (such as Union and Enbridge Gas Savings by Design programs), or similar. Formal certification may not be required.
- Health impacts or standards when planning energy efficient initiatives (e.g. pursues WELL Certification or similar)

Tenant/Resident Engagement

At the core of a social housing provider's mandate is to meet the housing needs of tenants. The extent to which this is done well, should include a third party client driven assessment of service delivery via a tenant satisfaction survey. Client feedback mechanisms exist for most businesses; as it has

been recognized that clients are the best source of information and can identify areas for improvement. There is opportunity to standardize and deploy tenant satisfaction surveys across all housing providers. This provides for greater objectivity, economies of scale and "benchmark ability". Surveying every 2 or 3 years is sufficient and allows for actions and improvements to be made from the findings.

Other customer feedback and satisfaction mechanism should also exist for providers. These can take many forms, including brief 3-5 question pulse checks by call centre operators for 1 out of every 25 callers; customer service/care campaigns.

Capital Reserves

Require that housing providers within the Registry maintain a capital reserve fund and have a capital reserve plan. A capital reserve plan is a good practice management tool that can help housing providers; (1) budget for the future costs for major repairs and replacement of capital items, (2) gain an improved understanding of the physical condition of the asset(s), (3) maintain the assets in a safe, efficient and structurally-sound condition, and (4) make good decisions about investing the capital reserve.

The suggested standards above are critical to the nature of any housing organization to ensure that it is a well-run business, meets its social purpose, preserves its asset and provides a safe home for the people that it houses.

The province must recognize that standards should be simple, provide a minimum baseline, and reflect current best practices. A cautionary note is that the Registry should also pay attention to the quality of the standard reported and not just evaluate compliance to the baseline.



In the development of any standard; MHO must consider the range of standards that CMHC (i.e., accessibility, asset management, environmental) will require for housing providers to demonstrate through their new funding programs. This is critical to ensure that the reporting of standards from MHO and CMHC have some alignment which can limit some of capacity issues that may be faced by some housing providers.

In the implementation of standards, the province should consider the size of housing providers, their internal capacity and resources to support demonstrating standards. A larger number of housing providers in Ontario have less than 100 units and some of these organizations may have no intention to grow. On the other hand there are providers with over 100 units to 1,000 units with plans for development and/or to provide more units; and there are housing providers with over 1,000 units that have plans for development and are on a trajectory of business diversification and growth.

Although there should be a set of core standards, it is suggested that there should be a tiered approach to enable housing providers to achieve the required standards and feel more comfortable participating in a registry. If a tiered approach is considered there could be additional standards that housing providers would need to demonstrate to access particular incentive, grants and benefits.

Discussion Question #4

What benefits or incentives would be valuable to housing providers in deciding whether or not to participate in a housing provider registry?

Some benefits and incentives that would be of value to LHCs and housing providers are:

- Rental subsidy
- Direct access to government and private sector funding

- A "rating" that makes housing providers attractive to lenders
- Capital and green energy grants
- Qualification that makes tenants want to rent with us, especially if they have a portable housing benefit
- Access to financial loans
- Offset development cost charges
- Tax advantages- HST exemptions
- Allow housing providers to keep savings resulting from energy efficiencies etc.
- Priority (first right of refusal) for available land and development opportunities
- "Partners of Choice" for cross governmental projects that promote holistic housing such as health, education and employment 'hubs'

Discussion Question #5

Under the new framework, what type of body or level of government would be best suited to:

- a) Assess providers participating in a registry against a series of province-wide standards?
- b) Manage a list of accredited providers?

The LHC Forum recommends that an independent industry sector body that has provincial scope (not owned by the province) is best placed to deliver on the MHO objectives of a Housing Registry and accreditation. An independent entity with housing industry knowledge and expertise could be invested with the authority to ensure effective standard management of the sector. In fact, it would be advantageous for an independent body to provide a focused platform for the sector for governance, financial management and performance responsibilities in what is at present a transitioning nature of the regulatory landscape.



There will be benefits to creating a body that is independent of government in structure and in the execution of its functions. Political independence and autonomy to act free from policy and funding considerations are fundamental to the integrity and credibility of a 'body' and would be key to attracting finance into the sector. It is recommended that an appeal mechanism be established as part of the process and or procedural function of the body.

An independent body will also provide confidence in the stability of the sector. This will provide security for continued government investment, as well as attracting increased investment from the private sector. In addition, independent oversight and reporting would adhere to openness and transparency for all stakeholders including social housing tenants.

It is imperative however that any entity that is responsible for the delivery of this function has strong housing sector knowledge and works with the sector to leverage sector capacity and intelligence. This process must be a sector led initiative. Of importance is that the province recognizes that there will be additional financial impacts to a housing provider to participate in the registry. The accreditation costs should not be put on small housing providers; and neither should LHCs bear the cost for the sector.

The MHO has indicated that they have looked at models in other jurisdictions, in particular UK and Ireland. It is recommended that the province also review the Canadian models that have been used by the long term care and health sector and LEED. Lessons learned with respect to structure, implementation and capacity to adhere are important considerations to ensure an effective and mutually beneficial process.

CAPACITY-BUILDING AND SUPPORT

Discussion Question #6

What tools and supports will enable Service Managers and housing providers to take advantage of new opportunities and build capacity within a modern framework?

The Ministry's recognition for capacity-support is critical in the current operating environment to ensure that housing providers are in a state of readiness to transition into and while operating under a modern framework.

We have outlined the types of support and tools that the province can enable to assist LHCs and other housing providers in the delivery of social housing.

Facilitate the development of a governance and human resource strategy for the non-profit housing sector

A Human Resource strategy for the non-profit housing sector will help mitigate the risks posed by the loss of critical knowledge, expertise and capacity to effectively manage and administer housing projects and portfolios. It would help raise the profile of sector and the problem of eroding human capital. This would also facilitate the development of the plan for providers within the registry, and the sector, to use in assessing and addressing key issues, such as on-going governance, education/training, succession planning, and staff retention needs within the sector. This would be a step toward improving the long-term viability of non-profit and social housing. Opportunities exist to develop a strategic plan in partnership with key stakeholder groups, including:

- Chartered Institute of Housing, Canada
- Housing Services Corporation
- Ontario Non-Profit Housing Corporation
- Service Manager Housing Network
- Co-operative Housing Federation of Canada – Ontario Region
- Institute of Housing Management
- Real Estate Institute of Canada



The rationale is to create a system of training and accreditation that will form the foundation of the skill set required for non-profit housing administration.

Amend the Housing Services Act, and other acts as required, to enable sharing of information and disclosure to other service providers to improve client service

Although section 174 of the HSA permits the sharing of information collected under the HSA, it is only for the purposes of determining eligibility. Restrictions on disclosure of personal information hamper client service. Currently non-financial data and information based on eligibility can be shared with OW and ODSP. Sharing information on arrears is critically important as it would enable LHCs to provide good service to our clients receiving social assistance and can pro-actively prevent an eviction. For example, not all tenants receiving OW or ODSP are on rent direct. It is not unusual for these households to miss rent payment thereby placing them in an arrears status. This can continue over months and the collective arrears are a financial burden that a household may not be able to repay, ultimately leading to eviction. If an LHC were able to share arrears data or even the fact that a household is in arrears with social services, we would be able to work through a remedial process to ensure that tenants are not at risk of losing their housing.

Create a permanent automated income verification (AIV) program for housing income tested programs using Canada Revenue Agency tax data

We encourage the province to re-engage the Canada Revenue Agency (CRA) and the Ministry of Finance to determine and establish a permanent automated income verification process specific to the RGI system. Income verification for rent-geared-to-income is currently completed by residents providing paper documents in-person. If individuals fail to provide required documents, they will not receive or may lose needed benefits. People

who are vulnerable are at particular risk, as they may face additional challenges to providing income verification. LHCs spend a significant amount of staff resources to administer RGI calculations and follow up with households for annual household income updates.

The existing AIV service developed is used by several provincial income-tested programs (e.g., Ontario Child Benefit, Northern Ontario Energy Credit) but it does not include the RGI program. The expansion of the AIV to the RGI program is a critical component of human services integration. It will significantly reduce the RGI administrative costs, improve service delivery, simplify the provincial income test and calculation for RGI; reduce duplication and provide individuals with a streamlined experience. More broadly it would link with the provincial benefits transformation initiative which aims to automate service delivery of income support programs. Further, the AIV service is in keeping with the new provincial Poverty Reduction strategy, supporting the strategic directions to end homelessness. The province is in the best position to make an efficient, cost effective AIV service available to all municipalities.

An efficient and accurate administration of RGI, inclusive of checks and balances, is dependent on IT systems. More sophisticated systems are costly and require ongoing investment such as IT specialists and upgrades to maintain. Such investment and capacity is either a great strain or does not exist in smaller providers. In an environment where resources are already strained, IT/IM requirements further exacerbate the challenge. Subsidy programs should leverage current government systems where possible, such as the income verification by CRA, and alleviate the drain of resources on providers. This at minimum and immediately could include only annual rent calculations. Longer term, this could evolve to shared service offering for administration of subsidy.



As technology introduces further opportunities to housing providers and tenants including onsite health care, education and employment opportunities, so does the need to enhance technological capacity among housing providers. This ranges from integrating technology into new builds, to leveraging technology for maintenance (e.g. heating management systems) to providing virtual services to tenants. Accreditation could be broadened to recognize this new component of housing. Return on investment (ROI) business cases, supplier agreements and 'project implementation teams' can be undertaken as a centralized and shared services model to support housing providers. Partnerships and a more formal role for educational institutions to support the viability of affordable and social housing is required.

Establish a Tenant Engagement Housing Funding Stream to support community development activities for the residents that live in social housing

It is evident under the modern framework that the province has interest in tenant engagement. The HSA mandates LHCs to provide physical housing but is silent about the need for community development or tenant support services. Nonetheless, LHCs enhance housing services to promote stronger communities. Our organizations provide various methods of tenant participation and accordingly we specifically budget for resources to support community development and resident empowerment initiatives or seek partnerships and resources to improve safety, human and social services, education, and job opportunities for residents. Many of the initiatives are socially driven community development activities to engage residents in their neighbourhood, participate in the decision-making process related to the communities they live in, and fostering tenant economic opportunities.

While LHCs share many of the same responsibilities as private sector landlords, our task is intensified by the additional need for the social and physical development of our tenants. Some of the many programs and initiatives are targeted to reducing isolation amongst seniors, creating apprenticeship opportunities for youth, developing leadership skills, and fostering social enterprise activities for residents. There is a direct correlation between tenant engagement activities and the financial impact on the company. Such activities build more vibrant communities and community cohesion, improves quality of life and inadvertently can improve health outcomes and reduce social costs. However, inconsistent funding prevents long-term sustainability of initiatives. Although worth every dollar spent on our residents, we recommend that the Ministry of Housing establish a pool of financial resources dedicated to supporting tenant engagement activities specific to social housing.

Discussion Question #7

[How can all partners- the province, Service Managers, housing providers, and tenants- work together to better support tenants and minimize impacts in the transition to a new framework?](#)

A stronger, more responsive social housing system is one in which collaboration and relationship building and partnership development is fundamental. LHCs, other housing providers and service managers are often facing similar challenges and working independently to solve them. To better support tenants and minimize impacts in the transition to a new framework, we have identified several significant partnerships that the Ministry of Housing can facilitate to achieve better outcomes for the people we house.



Ministry of Housing's Continued Engagement with the LHC Forum

The LHC Forum and the Ministry of Housing has fostered an ongoing relationship over the last few years. This has resulted in increased collaboration between the LHC Forum and MHO including the opportunity to be involved in the province's work on social housing modernization, through our participation on the Discussion Forum and technical working groups. Consequently, this has enabled the province to directly engage with representatives from the LHC Forum to understand a housing provider perspective (not typical of most housing providers) and make policy and regulatory changes on issues as it relates uniquely to standalone LHCs.

Given the nature of the independent LHCs and its role as reflected under the Housing Service Act; we continue to welcome additional engagement opportunities and dialogue with the province. The province would benefit from our perspectives and participation to co-design programs, for policy development and for consulting on the modernization framework, specifically with the role of LHCs within a new structure. We are also in a unique position to be able to consult and work with the Ministry for the purposes of implementing pilots and should the province want to workshop with the LHCs directly.

Greater collaboration is needed between institutions/organizations that are discharging their clients and LHCs that are housing individuals following discharge

Greater collaboration is needed between institutions/organizations that are discharging their clients and LHC's who are housing people following discharge. The focus should be on thorough case planning prior to discharge and ongoing supports to ensure sustained tenancies following discharge, especially regarding:

- MCYS for the youth population that end their care under CAS

- MJUS for people who are done their incarceration
- MOHLTC/LHIN for services in areas of mental health, health, psycho-geriatric, etc.

Facilitate formal partnership and alignment of service and funding across Ministries, Local Health Integration Networks (LHIN) and with LHCs

Increasingly, LHCs are met with barriers across various sectors, all of which play an important part in delivering a coordinated service to our clients. The current trend in all areas of business is the streamlining of service delivery for the client yet we do not share ideas, resources or information that would benefit a common client. We encourage the province to continue its focus on collaborating planning across ministries and facilitating partnerships amongst the LHINs, Service Manager and LHCs. We also recommend that MHO undertake a consultation with the LHCs and sector stakeholders specifically geared to finding funding and supports for tenants that are vulnerable. By convening the varying stakeholders together to better understand the housing environment in which we operate, the challenges in obtaining support for our tenants, will enable a planned, purposeful and committed way towards the same objectives and will prevent duplication.



CONCLUSION

The province's recognition that the governing and regulatory nature of the social housing landscape is changing and needs a refresh is a positive sign. This is occurring at a time when our LHCs are also undertaking business transformation and modernizing our practices to improve how we deliver social housing for residents in our communities. As the province through MHO makes transitions and contemplates changes to establish the next generation of social and affordable housing provision in Ontario; it is important to account for the significant role that LHCs have in the new era for housing; and give attention to how the LHCs work within the modern framework.

The very nature of our portfolios and subsidized rent makes a strong case for the forthcoming modern framework to support our abilities to continue our business transformation, be entrepreneurial and excel our innovative activities; all undertaken within a social purpose mission for providing a safety net for residents living in our local communities that generally experience limited housing mobility.

As independent operating LHCs we have demonstrated our ability to deliver housing in a changing environment for over 20 years, and have proven that we are stable and a significant avenue for investment in the years ahead. Our LHC model contributes to the overall sustainability of the sector and the flexibility and innovation that occurs within our organizations exceeds the pace and scale of LHCs that are internally run within the service manager structure.

Our overarching business objectives of safeguarding government and public investment, managing risk and achieving best outcomes for tenants, the long-term strategic development of our portfolios, and the support partnerships we enable; align with provincial objectives. We have the same shared interest.

The province through the proposed modern framework is creating new opportunities for innovation, flexibility and freedom which we as LHCs embrace. This submission articulates the LHC Forums ideas for being supported through the modern framework, and provides suggestions for supporting our provision of housing to enable sustaining our portfolios and ensuring successful tenancies. As the province considers the role of local housing corporations in the broader delivery housing system; we encourage MHO to continue the dialogue and the engagement with the LHC Forum to help us better support you in the planning and implementation of a modern social housing system.

Local Housing Corporation (LHC) Forum:

For additional feedback and/or to seek clarification with respect to this submission you may contact:

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119 Van Order Drive,
Kingston, ON K7M 1B9

mlcousinsbrame@kfhc.ca
(613) 546-5591 Ext. 1551



Ontario's Independent Local Housing Corporations

helping communities across Ontario meet local housing needs through entrepreneurialism and business innovation.

meet community needs by providing 40% of the social housing in Ontario

- Wholly owned by municipalities but operated as independent corporations under the *Ontario Business Corporations Act*
- Most residents pay rent-geared-to-income



94,182
homes

37,294
seniors

34,603
families

19,665
adult
singles



\$14.9 Billion
in property assets



45 Years
average age of
housing stock

more than just a landlord



Independent LHCs don't just manage their own buildings. To reduce the amount of funding required from municipalities and meet the unique needs of residents, they have diversified their businesses.



8,728

rent supplement leases managed for community non-profits

Due to the shortage of supportive housing, many people with special needs reside in LHC units

\$0

dedicated support dollars for residents with:

- Mental health issues
- Victims of abuse
- Addictions
- Physical and mental disabilities
- Mobility and age-related issues

LHCs have addressed this by:

- Partnering with community agencies
- Implementing eviction prevention strategies
- Supporting resident engagement & community development

a major contributor to the local economy



\$502 Million
re-injected annually
into local economies via
contracted services

\$44.7 Million
paid annually
in municipal property
taxes

2,672
employed as staff
in 2017

well-positioned to meet future affordable housing needs

Ontario's leading developers of affordable housing:

\$1+ Billion
in new development,
2018-2023

- Local business with focus on community goals
- Flexibility and business agility due to external relation to municipality
- Existing portfolio footprint:
 - Excellent redevelopment, intensification opportunities to better meet current and future housing needs
 - Available for asset leveraging due to expiring debentures
 - Leverage economies of scale for redevelopment



Ontario's Independent LHCs are:



Cornwall & Area
Housing Corporation
Société de logement de
Cornwall et de la région



GREATER SUDBURY
HOUSING CORPORATION



SOCIÉTÉ DE LOGEMENT
DU GRAND SUDBURY



Toronto Community Housing



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Appendix 4

London & Middlesex HOUSING CORPORATION

Social Housing with Supports

A PROOF OF CONCEPT, PILOT PROJECT TO
SUPPORT HOUSING STABILITY WITHIN SOCIAL
HOUSING PROGRAMS

INTRODUCTION

The need to address homeless and housing issues has reached a critical tipping point. Reports show that in London there are 2,600 people searching for emergency shelter annually.¹ Two surveys conducted during 2016; one over three days and one Point-In-Time count, suggest that of the respondents 59% and 52% respectively were considered chronically homeless.² Addressing these issues is top of mind for individuals and communities across Canada. This is evidenced by three of the top four themes identified in Canada Mortgage and Housing Corporation's (CMHC) "Let's talk Housing Report": to provide housing for people with low incomes and other distinct needs, to build a stronger affordable housing sector, and to renewing social housing.³

BACKGROUND

London has a strong history of responding to housing and homelessness issues. In 2003a local housing rule, further revised in 2005, referred to as the "9 of 10 rule" targeted housing to individuals in order of need⁴. In 2010 London embraced the possibilities of Housing First as a pragmatic solution to homelessness "to move individuals and families [experiencing homelessness] quickly into housing. . . with the right level of support."⁵ Both initiatives are viable to house those with the most need. However, developing a cohesive plan to provide the necessary level of supports has been complicated for our community as support agencies in London operate within a fragmented service delivery model. To provide housing for individuals with these needs, without access to adequate housing supports has created significant challenges for LMHC.

LMHC, as London's largest provider of Rent-Geared to Income Housing has never been fully equipped to operate within these models. The "9 of 10" rule requires that 90% of new tenancies are offered to individuals from the 'Urgent' status list. This means that a significant number of new tenants have experienced chronic or episodic homelessness. This is important to understand as multiple research studies have shown that those experiencing chronic or repeated episodic homelessness often are coping with multiple complex barriers to housing stability including mental health, substance abuse, unemployment and relationship challenges.⁶ LMHC attempts to build partnerships and coordinate with other agencies to offer the required services to support those with complex barriers to housing, yet our staff continue to report that many community partners have stopped showing up. Anecdotally staff have contributed this to either fear of safety, or a lack of resources. With the number of agencies providing similar services within our jurisdiction, many must compete for funding and resources, rather than collaborate and coordinate the housing and homelessness support network needed. As outlined in the "London For All" plan "a coordinated response is needed to account for the complexity of these issues."⁷

LMHC mandated and funded by its shareholder to act as a landlord has become the de facto provider of supports and is doing so without the required resources. These pressures have been layered upon an already aging infrastructure and a shareholder agreement that does not provide the flexibility to generate or retain additional resources to invest in future initiatives or sustainability. Thus, the unintended consequences of the well-meaning initiatives described above has exacerbated an already underfunded organization, contributing to the further deterioration of LMHC properties, and creating a negative impact on the health, safety and wellbeing of our tenants and staff.

¹ A. Oudshoorn as cited by Gignac, "Homeless Death Toll in London, Ont. Nearly on Par with Toronto."

² City of London, "Solving Homelessness Together London's 2015-2016 Enumeration-Results," 24.

³ Government of Canada, "What We Heard - Shaping Canada's National Housing Strategy," 14.

⁴ City of London, "Housing Division Notice — HDN #2005-90."

⁵ City of London, "London's Homeless Prevention System.pdf," 1.

⁶ Hennessy and Grant, "Developing a Model of Housing Support: The Evidence from Merseyside.," 338.

⁷ City of London, "London for All Report."

PROPOSED SOLUTION

In LMHC’s new strategic plan launched earlier this year, we outline that we will improve renew and maintain the homes we offer, Support Housing Stability and Prevent Homelessness, and Engage Empower and Assist our tenants. These strategic goals align with the city of London’s 2015-2019 Strategic Plan as shown below in Figure 1.

Shared Goals

City of London		LMHC
<ul style="list-style-type: none"> • Strengthening Our Community 	↔	<ul style="list-style-type: none"> • Improve, renew and maintain the homes that we offer • Stake out critical role in supporting housing stability and preventing homelessness • Engage, Assist & Empower Tenants
<ul style="list-style-type: none"> • Building a Sustainable City 	↔	<ul style="list-style-type: none"> • Improve, renew and maintain the homes that we offer
<ul style="list-style-type: none"> • Growing Our Economy 	↔	<ul style="list-style-type: none"> • Establish long-term financial growth and stability

Figure 1

Common Objectives

City of London		LMHC
<ul style="list-style-type: none"> • Diverse, inclusive and welcoming community • Caring and compassionate services 	↔	<ul style="list-style-type: none"> • Create a Tenant engagement strategy • Foster housing stability by providing tenant onboarding and education programs • Expand and improve tenant communication channels • Improve building conditions to make them more functional
<ul style="list-style-type: none"> • Robust infrastructure • Strong and healthy environment • Beautiful places and spaces 	↔	<ul style="list-style-type: none"> • Ensure capital improvements relate to the annual capital plan and long term capital replacement strategy • Improve building conditions to make them more functional
<ul style="list-style-type: none"> • Urban Regeneration 	↔	<ul style="list-style-type: none"> • Develop an asset strategy with the internet to have "a shovel in the ground"

Figure 2

While we are eager to implement our new Strategic Plan and excited that, through its alignment with the City of London’s Strategic plan, we will be able to partner with our shareholder to further both our long-term visions. We are also cognizant that any implementation plans need to be data driven and evidence-

based. We have some solid data relating to the state of our capital infrastructure from the VFA Facility Condition Assessment presented to London's Strategic Priorities and Policy committee at the Meeting on May 15, 2017⁸. However, at this time we lack the data from which to build a portfolio-wide, evidence-based response to address the need for housing supports.

There is an evident lack of data across the Canadian Social Housing sector. According to CMHC, there are gaps in available housing data including information on:

- households that live in social and affordable housing;
- the physical condition of Canada's social and affordable housing stock;
- opportunities for site redevelopment or increasing density;
- seniors' housing, including both market and government-funded housing;
- Outcome-based indicators or qualitative data, which would show how government-housing programs contribute to positive outcomes for clients and help identify any gaps in housing programs and services.⁹

Filling these data gaps is so significant to the development of housing solutions across the country that the 2017 federal budget committed \$241 million to strengthen the Canadian housing sectors data collection, analytics, and research capacity.¹⁰

Currently LMHC faces a dichotomy between the need for data and proper planning, and the cost of lost opportunity to our tenants, our capital infrastructure, and our broader community. The longer we wait to develop solutions the more our tenants' outcomes, capital infrastructure and the health and safety of communities have the potential to deteriorate. To address this dichotomy we have created a balanced approach that will provide more immediate opportunities while enabling data collection and mitigating risk.

We propose a phased approach starting with a pilot program to provide proof of concept and allow us to build a solid replicable, evidenced-based architecture for future regeneration and revitalization projects. Using a supportive mixed-use model built upon Results Based Accountability principals and Social Return on Investment (SROI) metrics. We will include external research expertise to implement a longitudinal study at the onset. This will allow us to provide both LMHC and the City of London with the data points needed to understand:

- The current states of specific social housing properties
- distinctive housing supports needed to achieve success within a Housing First model
- the efficacy of a supportive housing model substantiated by measurable participant outcomes.
- impacts of supportive housing on the broader community
- the economic return of this investment in terms of cost diversion and other SROI metrics

The longitudinal study will initially focus on a housing supports needs assessment per property. This coupled with the capital infrastructure data already in place will allow us to determine an appropriate site to conduct the pilot. Along with the opportunity to provide housing supports and build community collaboration, the pilot will also include sustainable capital upgrades to one of our buildings.

⁸ Browne, "Update On The State of Public Housing Assets."

⁹ Canada Mortgage and Housing Corporation, "Let's Talk Housing - Housing Data We Can Rely On."

¹⁰ Government of Canada, "Budget 2017."

We have engaged in discussions with two potential community partners who are eager to work with us in developing a supportive housing program. We have also met with a member of Western’s Centre for Research on Health Equity and Social Inclusion(CRHESI) who indicated potential support in conducting the research component discussed herein, and a willingness to assist in securing funding for this component of the project. While there is a need to conduct more community consultation and partnership development, preliminary efforts have indicated that there is an appetite to support this project across our community.

CONCLUSION

Housing First offers a real solution to homelessness. Conversely, research shows that the success of the model “must be adapted to local conditions, and must be followed by the provision [multiple] services.”¹¹ One of the founders of the Housing First model, Sam Tsemberis asserts that positive Housing First outcomes for chronically homeless require the implementation of wraparound supports in the form of Intensive Case Management (ICM) delivered by qualified, professionals.¹² While LMHC is committed to support London’s Housing First model, we have struggled to provide the supports needed within London’s fragmented service delivery model.

Based on the research and best practices from other Local Housing Corporations across Ontario we believe that a mixed-use community including a supportive housing program offers the best option for both LMHC and the broader London community. However, due to a lack of housing data, it would not be prudent to move ahead with a large-scale supportive housing project, and yet we still must address the needs of our tenants, the decline of our social housing communities and the deterioration of our capital infrastructure. We propose developing a pilot program as a platform to collect and analyze data, measure success and provide a proof of concept. This pilot holds the potential to be replicated on a larger scale and provide a real and sustainable solution to homelessness and housing in London. We therefore ask that that council support such a pilot by requesting a more comprehensive business case.

¹¹ Cohen, “Stories of Those Homeless Who Don’t Fit the ‘Housing First’ Model| Nonprofit Quarterly,” para. 8.

¹² Tsemberis, *Housing First*.

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Appendix 5



LONDON & MIDDLESEX
HOUSING CORPORATION

LMHC Shareholder Declaration

A DISCUSSION DOCUMENT TO SUPPORT
LMHC'S STRATEGIC PLANNING INITIATIVES

INTRODUCTION

London Middlesex Housing Corporation (LMHC) operates under the terms of a Shareholder Declaration approved by its sole shareholder, the City of London on June 20, 2011. Since that time the City has evolved its delivery of social and affordable housing as is true across the Ontario social housing sector.

This document will discuss various aspects of the current Shareholder Direction that might be reconsidered in the context of future directions for both LMHC and the City of London in meeting its overall community, social and affordable housing goals.

PURPOSE

Time has passed since the current Shareholder Declaration was executed, a new strategic focus has been articulated for LMHC, and the City has confirmed its organization and strategy for the development and expansion of housing services, facilities and programs. When the original document was created the declaration was constructed around a goal of restricting the powers of LMHC and managing a transitional period.

It is worth noting that when the City created the Housing Development Corporation (HDC), the Shareholder Direction was written explicitly to enable the creativity and reach of the organization. In order for LMHC to meet the goals of its new Strategic plan and to be an effective partner, it will be important to consider delegating greater scope to the Board of Directors and the Corporation, as well as confirming LMHC's modernized corporate direction.

MANDATE

Equally, the mandate of LMHC as articulated in the objectives section of the agreement might be revisited to consider language that encourages and supports allowing the organization to partner in new ways to meet the objectives of its strategic plan, enabling new partnerships and the potential for joint ventures with the community, the HDC, as well as other agencies or funders. At the same time, it will be important to ensure that the scope supports risk management, ensuring that the Shareholder is informed and able to anticipate issues. For example, new language that enables processes wherein the Shareholder can support an overall plan, and allow the LMHC autonomy and flexibility to carry out a plan over a period of time, within the multi-year budget planning cycle would be useful.

Mandates of public housing companies such as LMHC are changing, as is illustrated in the LMHC Strategic plan and in the expectations of the Province and Service Managers as new programs emerge that treat housing as one part of the system that both responds to the needs of vulnerable citizens, and creates healthy communities. It is understood that sophisticated housing providers both own building assets and are enablers and partners in programs and supports for mental and physical health, for positive communities and to support the renewal and development objectives of the municipalities in which they operate. Those realities require a new approach to governance, and more flexible mandates in order to optimize the assets and skills of organizations like LMHC.

GOVERNANCE

In order to be successful LMHC requires a Board that is committed and focused on meeting both its fiduciary responsibilities and the goals set out in the strategic plan. It will be important to recruit Board members who can bring a sophisticated skill set and who can commit to the time and effort necessary to ensure active and committed leadership. To accomplish those goals, the Shareholder Declaration might be amended to facilitate LMHC Board and Executive team in having a stronger role to play in the recruitment and selection of Board members, while continuing to maintain Council's role in appointing the Board.

LMHC could lead the process of Board member recruitment through an active Board recruitment process, advertising and vetting for key skills required and managing an interview process to ensure that candidates fully understand the role and requirements of a Board position. That would allow for the LMHC Board to propose suitable candidates to council for consideration.

MANAGING ASSETS AND LONG-TERM FINANCIAL SUSTAINABILITY

LMHC is well on its way to creating a long-term asset management strategy, the shareholder declaration is written to support a property management operation, without a focus on long-term strategy. The revised declaration should articulate the responsibility of the corporation and the Board for long-range planning and the financial tools to do that effectively. For example, extending the budgeting framework work to incent LMHC to build surpluses that can begin to create an operational reserve would be the first step toward creating a strong financial base. It will be equally important to support LMHC in portfolio management, by allowing flexibility in moving funds across budget categories to most effectively manage its business. Any program to support the regeneration of LMHC over time will require the organization to take on debt, and it may, therefore, be useful to incorporate language similar to that used in the HDC declaration around debt limits and reporting requirements.

The current declaration makes limited mention of the impact of moving to a mixed-income model and incorporating housing funded through either the Canada Ontario Affordable Housing program or other resources. It also doesn't acknowledge the changes that will come from End of Operating Agreement impacts and the need to restructure budgets and financing accordingly. Much of the current financial arrangement is articulated in the Appendix A - Accountability rules, which would need to be restructured to support the strategic plan going forward. The new LMHC strategic plan speaks to high standards and accountability, it may be that a new declaration could be more focused on outcomes rather than rules - again the language in the HDC declaration moves in this direction.

PARTNERSHIPS, JOINT VENTURES, NEW ROLES

The creation of the HDC supports the ability of the Service Manager to deliver affordable housing and community programs in new ways, providing the support and expertise to manage more sophisticated real estate transitions such as land swaps, and mixed-use communities. Those tools may be critical to the success of LMHC's regeneration, and it may then make sense to mirror the language in the HDC declaration in order for LMHC to have the scope to be an effective partner and to maximize those opportunities. A number of similar organizations have now incorporated language to allow for subsidiaries for development purposes, new partnership models, etc. Shareholder support for these sorts of strategies could be managed through regular reporting and the multi-year business planning cycle.

As the social housing sector changes and LMHC refreshes its operation that may be new roles that it can play to both ensure the sustainability of the organization as well as to support Service Manager and community needs. The shareholder direction could either explicitly speak to those potential roles or be written in a way to enable processes to gain approval. For example, some service managers have explicitly said that if they need to place a project that has been abandoned or become a project in difficulty that cannot be resolved, it is expected that the municipal housing provider will assume the property. Other Service Managers have looked to their municipal housing companies to play a substantive role in their Homes First or other supportive programs either as host or in partnership with others. Some housing providers have created new ventures to create revenue streams either through subsidiaries or within the existing company providing their services to the broader sector. Some housing providers have become the host of or deliverer of new kinds of community programs, a good example being the Homeward Bound model initiated and licensed by Woodgreen that is now being offered by a number of housing providers. Change in the system will mean that housing providers may be called upon to play a much broader range of roles and to be much more nimble in being able to respond to opportunities.

TENANT ENGAGEMENT , SECTOR LEADERSHIP AND COMMUNITY BUILDING

The LMHC strategic plan clearly moves the organization away from a bricks and mortar tradition, articulating a strong commitment to tenant engagement and community building. It also acknowledges the importance of LMHC playing a strong leadership role in the broader community and in the sector. It speaks to co-ordinating diverse community stakeholders and pursuing purposeful partnerships.

Some similar organizations have language in shareholder declarations supporting the importance of these roles, and ensuring that funding is targeted towards activities that support the organization in achieving goals in these areas. For example funding for support services like social work, the ability to apply for and manage funding with partners such as universities for research or the delivery of a health funded program in LMHC space and as well as membership and leadership support to sector organizations.



PwC Internal Audit Results

Review of operational alignment of funding model and strategic plan

We
CARE
COLLABORATIVE
ACCOUNTABLE
RESPONSIVE • EQUITABLE





Background

On February 28, 2013, Council requested Civic Administration to work with LMHC to review any shared services opportunities and made available the services of PricewaterhouseCoopers LLP (PwC) to assist in this regard and to report back on the potential establishment of a reserve fund for LMHC.

Phase 1



A review and alignment of LMHC purchasing policies with the City's Procurement of Goods and Services Policy for purchased materials and services.



Phase 2

At the request of LMHC, the City of London Audit Committee, at its meeting of December 7, 2016, approved PwC complete the second phase of the shared services review.

A background image of a residential street with green trees and houses. A semi-transparent teal rectangle is overlaid on the image, containing the text.

SCOPE

- The operational alignment of LMHC's funding model and its new strategic plan, predicated on risk exposure by focusing on the nature and extent of potential for loss/risk.

Observations & Findings

Capital Funding

LMHC does not have the appropriate level of resources to maintain our properties

Support Costs

Growing need to cover costs for social supports, community development, intervention, security, etc.

Priority List

The tenant priority list is not aligned with the City of London's housing support strategy

Flexibility

LMHC does not have any flexibility with respect to strategic and operational decisions

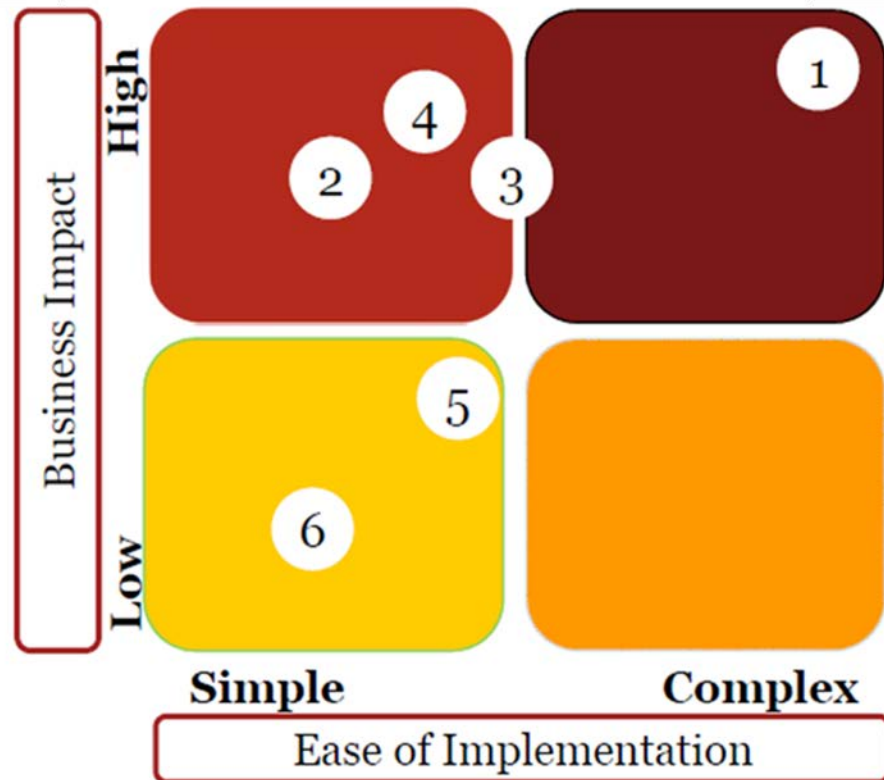
Budget Process

Current budget based on % of year over year change, will not give LMHC sufficient information to fund the our strategic plan

Reporting

reporting operating expenses on a supplementary basis by "nature", may help illustrate how to resource the various strategic goals

Action Plan Summary



- High Business Impact, Easy to Implement
- High Business Impact, Difficult to Implement
- Low Business Impact, Easy to Implement
- Low Business Impact, Difficult to Implement


PricewaterhouseCoopers LLP

Observations	Timing	Rating
#1 Insufficient capital funding for deferred maintenance	September 2019	Needs Improvement
#2 Impact of tenant intake process and priority list	December 2019	Needs Improvement
#3 Tenant priority list is not aligned with the City of London's housing support strategy	December 2018	Needs Improvement
#4 Flexibility within shareholder Agreement	December 2018	Satisfactory
#5 Zero based budget for new strategic plan implementation	2019 budget cycle	Satisfactory
#6 Operating expenses by function	January 2019	Satisfactory

PwC Rating Scale

- Satisfactory

Controls are present to mitigate process/business risk, however an opportunity exists for improvement.

Satisfactory 


- Needs Improvement

Existing controls may not mitigate process/business risk and management should consider implementing a stronger control structure.

Needs
Improvement 

- Unsatisfactory

Control weaknesses are significant and the overall exposure to risk is unacceptable. Immediate attention and oversight from management is required.

Unsatisfactory 

Capital Funding

PwC Observation

**Insufficient capital
funding for future
maintenance**

Business Impact

**Overall
condition of
housing units
at great risk**

LMHC Response

**Advocacy,
Capital Asset
Strategy,
Innovation,
Regeneration**

Support Costs

PwC Observation

**Impact of tenant
intake and priority
list on operating
costs**

Business Impact

**LMHC does
not have the
capacity to be
proactive**

LMHC Response

**Collaborate to
build a
responsive
system**

Priority List

PwC Observation

**Tenant Priority list
not aligned with City
Housing Support
Strategy**

Business Impact

**More housing
supports
would
improve
health, safety
& wellbeing**

LMHC Response

**Supportive
Housing Pilot
Program &
Associated
Study**

Budget Process

PwC Observation

**Zero based budget
to align with new
strategic plan**

Business Impact

**Will help
allocate
resources to
critical areas
within the
strategic plan**

LMHC Response

**Developing a
comprehensive
financial plan**

Reporting

PwC Observation

Report operating expenses by function

Business Impact

The ability to more effectively analyze operating results

LMHC Response

Focus on technology & data collection

Flexibility

PwC Observation

**Flexibility within
Shareholder
Agreement**

Business Impact

**Relieve some
current
challenges
and allow for
more revenue
generation**

LMHC Response

**Request
Shareholder
Declaration
Review**

Thank You



We
CARE
COLLABORATIVE
ACCOUNTABLE
RESPONSIVE • EQUITABLE



THE CORPORATION OF THE CITY OF LONDON

Consolidated Report

Year ended December 31, 2017

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Consolidated Financial Report of

THE CORPORATION OF THE CITY OF LONDON

December 31, 2017

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DRAFT

2017 City of London at a Glance

City of London.....



At a Glance

387,275
Population

423.43 km²
Land Area

3,661
Lane KM of
Paved Road

Aaa

2017 Credit Rating Provided by
Moody's Investors

5.9%

2017 Unemployment Rate*
(Canada Rate is 6.3%)

62.0%

2017 Labour Participation Rate*
(Canada' Rate is 65.8%)

london.ca

*Statistics Canada



THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2017

Message from the City Treasurer



His Worship Mayor Matt Brown
Members of London City Council
Inhabitants and Ratepayers of the City of London

I am pleased to present the Annual Financial Report of The Corporation of the City of London for the year ended December 31, 2017.

The financial statements have been prepared in accordance with generally accepted accounting principles for public sector entities as defined in the Chartered Professional Accountants (CPA) Public Sector Handbook - Accounting. The provincial financial information return has been calculated using accounting policies and practices prescribed for Ontario Municipalities by the Ministry of Municipal Affairs. The Consolidated Financial Statements and the Financial Statements of Local Boards and Commissions have been audited by the firm of KPMG LLP.

In addition, this Annual Financial Report highlights the financial reporting process, the budget process, key financial policies and other supplemental information related to the financial statements.

My appreciation is extended to the staff of Finance, Service Areas, and Boards and Commissions for their assistance and cooperation in the preparation of this report. As well, I thank the partners and staff of KPMG for their advice and professional approach demonstrated during the audit.

Sincerely,

Anna Lisa Barbon, CPA, CGA
Managing Director, Corporate Services and City Treasurer,
Chief Financial Officer

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2017

Financial Reporting

External Audit

The City is required under the Municipal Act, 2001 to engage independent auditors to express an opinion as to whether the financial statements of the City are free from material misstatements. The auditors have full access to all the records and materials within the City. Staff periodically meet with the auditors to discuss any matters that occur during the audit process. At the end of the year-end audit, the City will receive a Management Letter which outlines any audit findings and the adequacy of internal controls over financial reporting.

Although the financial statements are audited by an independent third party, the City's management is responsible for the preparation of the financial statements and the integrity and objectivity of the financial information contained within them.

Consolidated Financial Statements Overview

The Consolidated Financial Statements include the following individual statements:

Name	Purpose
Consolidated Statement of Financial Position	Provides a summary of the City's assets (financial and non-financial), and financial liabilities as at December 31, 2017
Consolidated Statement of Operations	Outlines revenues, expenses, surplus for the year and accumulated surplus at year end. This statement reflects the combined operations of the operating, capital, reserve and reserve funds for the City and its consolidated entities and provides the calculation of the City's accumulated surplus at year end.
Consolidated Statement of Net Financial Assets (Debt)	Outlines the changes in net financial assets as a result of annual operations, tangible capital asset transactions, as well as changes in other non-financial assets.
Consolidated Statement of Cash Flows	Summarizes the City's cash position and changes during the year by outlining the City's sources and uses of cash.

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2017

The Consolidated Financial Statements combine the financial results of the City's service areas with the financial results of the boards and commissions, and government business enterprises that the City effectively controls. There are 19 entities that are directly included in the financial statements and these are listed in Note 1 to the Consolidated Financial Statements. The notes to the statements provide further detail about the City's financial results and are an integral part of the statements.

Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position is the municipal equivalent of the private sector's balance sheet. This statement includes the net book value of the City's tangible capital assets. This statement focuses on the City's assets (financial and non-financial) and liabilities. The difference between the liabilities and financial assets is the City's net financial assets (debt), which represents the net amount that must be financed from future budgets.

Note 15 to the Consolidated Financial Statements details the breakdown of the accumulated surplus, including all of its components: amount invested in tangible capital assets; equity in government business enterprises, reserve and reserve fund balances; and unfunded liabilities that must be recovered from future revenues.

The City has received funds for specific purposes under legislation, regulation or agreements. The recognition of these funds as revenues has been deferred until related expenses occur in the future. For example, development charges and Federal and Provincial Government transfers received (such as public transit funding), are not recognized as revenues until such time as the projects are constructed. These restricted funds are included in liabilities as "Deferred Revenue" and not in the accumulated surplus. A breakdown of the City's deferred revenue obligatory reserve funds can be found in Note 7 to the Consolidated Financial Statements.

As a result of the significant investment in tangible capital assets, there is a large accumulated surplus. While there is a large accumulated surplus, this occurs at the same time that the City has a net financial asset

position which assists in financing future unfunded liabilities and expenses. Although tangible capital asset balances are considerable for municipalities – much larger on a percentage basis than any other level of government – they do not provide liquidity, and are not typically available for sale, the proceeds of which could be used for other purposes. It is for this purpose that tangible capital assets are not included in the calculation of net debt/net financial assets position, arguably the most important financial statistic for governments.

Consolidated Statement of Operations and Accumulated Surplus

The Consolidated Statement of Operations and Accumulated Surplus are considered to be the municipal equivalent to the private sector's Statement of Income and Retained Earnings.

The Consolidated Statement of Operations and Accumulated Surplus provides a summary of the revenues, expenses and surplus throughout the reporting period and outlines the change in accumulated surplus. The 2017 budget values presented in this statement have been adjusted to reflect the differences between amounts as budgeted at the City on a modified "cash requirements" basis and amounts now recorded in these financial statements. Note 20 outlines the adjustments to the budget, particularly reduction of debt proceeds and payments, reduction of tangible capital asset purchases and inclusion of estimated amortization expense. These adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. The accrual based budget results in a surplus, as the City must fund reinvestment in assets at replacement costs which are much greater than their historical cost.

Consolidated Statement of Net Financial Assets (Debt)

The Consolidated Statement of Net Financial Assets (Debt) is unique to governments. Other senior levels of government have been preparing this statement for a number of years. This statement focuses on the financial assets of the City, adjusting the annual surplus for the impact of tangible capital assets: mainly deducting the costs to acquire assets, and adding back amortization charged during the year.

City of London Budget

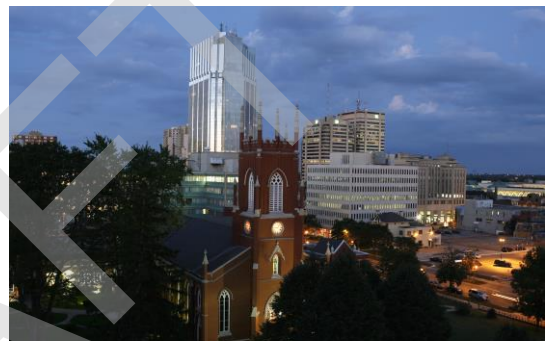
Budgetary Process

In March 2016, Municipal Council approved the City of London's first ever multi-year budget (operating and capital) that covers a four year period (2016-2019) and is linked to Municipal Council's Strategic Plan. Council also approves a ten year capital plan. Linking the strategy to the budget provides accountability between what is achieved and the cost to the tax and rate payer. Rather than approving a budget annually, Municipal Council will approve budgets in four year cycles, with the last year being subject to reconfirmation by the new term of Municipal Council.

An important element of the multi-year budget is the annual update process. Municipal Council is required by the Municipal Act, 2001 to review and readopt the budget for that year. Annual updates will provide Municipal Council the opportunity to adjust the budget to provide flexibility for special events or circumstances that require funding and resource adjustments. The annual update for 2018 was approved in December 2017.

The budget is presented as a service based budget which categorizes the organization into ten service groups: Culture, Economic Prosperity, Environmental Services, Parks, Recreation & Neighbourhood Services, Planning and Development Services, Protective Services, Social and Health Services, Transportation Services, Corporate, Operational & Council Services, and Financial Management.

The budget process incorporates input from elected officials, senior management and staff, as well as the public. The process begins with overall budget targets, taking into consideration the economic climate within the area. Staff will then make recommendations to revise expenditure levels or revenues to meet the targets. Prior to final deliberations on the budget, public input is compiled and utilized in the decision making process. Provincial legislation requires revenues to be raised to meet all budgeted expenditures. Municipalities may not budget for surpluses or deficits and any that occur must be fully accounted for in the next year's budget.



Financial Management

Capital Financing Policies

The City uses a balanced approach to finance capital projects, consistent with the Council endorsed Corporate Strategic Financial Plan. Sources of capital financing include tax and rate supported (capital levy ("pay as you go"), reserve fund and debt) and non-tax/rate supported (development charges and senior government funding). Capital projects are classified as lifecycle, growth, or service improvements. Lifecycle is primarily funded by capital levy and reserve funds. Growth is primarily funded by development charges and debt, and service improvements by all three tax and rate supported sources. The City continues to increase capital levy financing on lifecycle projects to limit the debt burden on future generations. Debt is forecasted at 25.4% of the tax supported financing over the ten year capital plan from 2016 to 2025.

Investment Policy

The City of London invests public funds in a manner that maximizes investment return and minimizes investment risk while meeting the daily cash requirements of the City and conforming to legislation governing the investment of public funds.

The City's investment portfolio maintains a cash portion sufficient to meet the daily operating needs of the City and to provide temporary funding for capital projects that will be long-term financed upon completion of the project. The remaining portfolio is invested in longer term instruments that match terms to anticipated cash flow requirements.

The City's objectives to investing, in priority order, are to adhere to statutory requirements, preserve capital, maintain liquidity and obtain a competitive rate of return. One of the key strategies utilized to meet these objectives is diversification. Investments are diversified by limiting investments in securities to those with higher credit ratings, purchasing securities with varying maturities and investing in marketable securities that have an active secondary market. Another key strategy used by the City is the "buy and hold" strategy. By purchasing investments at varying maturity dates and holding the investments to term the interest rate risk is minimized and capital is preserved while maximizing yields. Along with the diversification and buy and hold strategies, the City also maintains portfolios managed by investment firms. The benefit of investment services provided by a sophisticated team of experts include; regular monitoring, more active trading, diversification of funds, accessibility to market research and anticipation of market conditions. Together these strategies ensure that the City is achieving its investment goal of maximizing investment income at minimal risk to capital.



Property Taxation Policy

Property tax policy in the City of London is guided by four principles as follows:

- Equity
- Economic Development
- Transparency and Public Acceptance
- Administrative Efficiency

Every year as part of its tax policy review, the City of London reviews its tax ratios and compares them to other municipalities in the Province to ensure they are equitable, competitive and conducive to economic development.

A major component of property tax policy in Ontario is the annual setting of tax ratios for property classes by Municipal Councils. Tax ratios determine the relative tax level for the various property classes within a municipality. In September 2011 in a report on future tax policy, an objective was identified to lower and equalize the tax ratios for multi-residential and industrial properties to a level equal to the commercial property class. The objective was to lower the ratios over a number of years subject to Council's approval each year.

The first step of this process began in 2013 with a decrease in the multi-residential tax ratio only. In 2014, both the multi-residential and industrial tax ratios were reduced.

The multi-residential tax ratio was brought down to a level equal to the commercial tax ratio in that year. In 2015 the industrial tax ratio was adjusted to a level equal to the commercial and multi-residential property classes and the objective identified in 2011 therefore has been achieved. The purpose of these changes has been to promote economic development in the industrial and multi-residential property classes and enhance equity in these property classes relative to the commercial class.

In 2017, the City further adopted a policy of equalizing municipal tax increases in the multi-residential and the residential classes. This was accomplished by adjusting the tax ratio in the multi-residential class resulting in a slightly reduced multi-residential tax ratio. This policy was continued in 2018.

THE CORPORATION OF THE CITY OF LONDON

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Since 1998 the City has adopted all available options to reduce the amount of tax mitigation involving clawing back tax decreases and capping increases in the commercial, industrial and multi-residential property classes. For 2018 there will be no tax mitigation in the industrial and multi-residential property tax system and only a very few properties will have tax increases capped in the commercial property class. No properties will have tax decreases clawed back in any property class in 2018. The ending of the tax mitigation required by the Provincial Government will simplify the calculation of property taxes and will enhance equity and transparency in the property tax system in London.

Future Tax Policy

As part of its annual tax policy review, the City will continue to monitor its tax ratios in all classes and all its other policies related to taxation to ensure that property taxation in the City is equitable, conducive to economic development, transparent to the public and administratively efficient.

Credit Rating provided by Moody's Investors Services

Each year Moody's Investors Service (Moody's) reviews the credit worthiness of the City of London and then assigns the City a credit rating for the year. Moody's is a leading provider of credit ratings, research and risk analysis. The firm's ratings and analysis track debt covering more than 120 sovereign nations, 11,000 corporate issuers, 21,000 public finance issuers and 72,000 structured finance obligations.

The rating process involves a review of the City's annual audited consolidated financial statements, the Financial Information Return (FIR) that is filed annually with the Ministry of Municipal Affairs, the 2016-2019 approved multi-year budget and the annual budget update and forecasts. Moody's also utilizes independent research from a variety of sources such as Statistics Canada, comparisons with other municipalities and local media. Along with reviewing and analyzing documents, Moody's arranges a site visit to the

City and interviews with senior management and the Mayor or Deputy Mayor.

According to Moody's credit opinion published September 7, 2017, the City has maintained its Aaa credit rating with a stable outlook.

The City has proudly held the Aaa rating since 1977, making 2017 the 41st consecutive year of the Aaa rating and reaffirming that the City's debt has the highest rating possible.

The City's achievement of being Aaa rated for 41 consecutive years is a testament to the success of the City's prudent, conservative approach to fiscal planning.



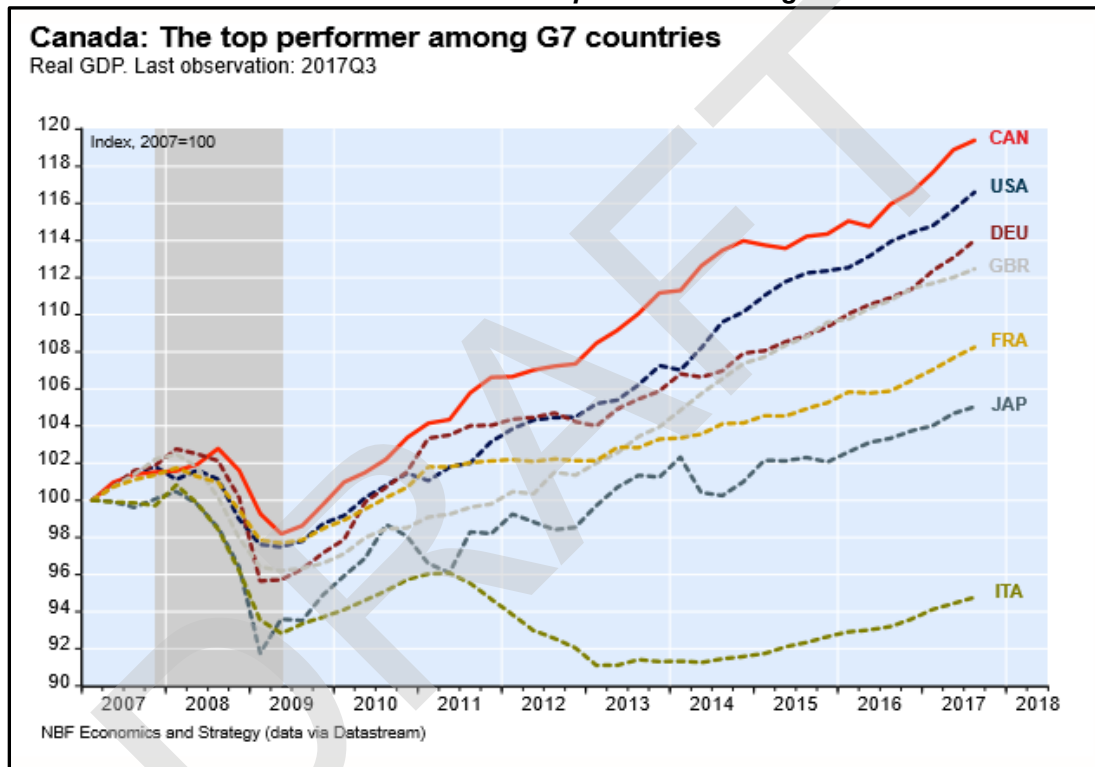
**2017 Credit Rating Provided by
Moody's Investors Service**



Economic Overview

The Canadian economy has been remarkably strong, growing at a pace well above that of all other Group of Seven (G7) countries since mid-2016¹ (See Chart 1). The economy expanded at a 12 year high of 3.1% in 2017, however, real GDP is expected to slow to 2.0% in 2018 and 1.7% in 2019². The strong economic performance resulted in the creation of over 335,000 jobs; such an increase was last seen in 2007 when energy investment was driving robust activity in Alberta’s oil patch³. The growth was supported by intense housing markets and strong consumer spending⁴. Ontario’s real GDP reached 3.2% in 2017, thanks to the province’s strong housing market, but is expected to moderate to 2.0% growth in 2018, and 1.8% in 2019. London’s economy is forecast to see real GDP growth to slow from 2.0% in 2017 to 1.8% in 2018 and 1.5% in 2019⁵.

Chart 1: Ten Year Overview of Top Performer among G7 Countries



Source: National Bank of Canada – Financial Markets, Dec 22, 2017⁶.

As per the Conference Board of Canada, it is predicted that Canada will see a slower job growth in 2018 and 2019. Job gains are expected to slow to 232,000 this year⁷. The softening in the resale and new housing markets is expected to ease consumer spending growth in 2018 and 2019, which will be in line with government cooling measures, slower job growth and rising interest rates.⁸ Ontario’s job growth will slow from 1.6% in 2017 to 0.9% in 2018 and 1.1% in 2019 (see Chart 2). Ontario will struggle with a weak

¹ <https://www.budget.gc.ca/2018/docs/plan/toc-tdm-en.html>

² The Conference Board of Canada: Metropolitan Outlook 2: London, Winter 2018

³ The Conference Board of Canada: Metropolitan Outlook 2: London, Winter 2018

⁴ The Conference Board of Canada: Metropolitan Outlook 2: London, Winter 2018

⁵ The Conference Board of Canada: Metropolitan Outlook 2: London, Winter 2018

⁶ <https://www.nbc.ca/content/dam/bnc/en/rates-and-analysis/economic-analysis/special-report-22dec2017.pdf>

⁷ <https://www.conferenceboard.ca/press/newsrelease/2018/03/20/canadian-economy-shifting-to-a-lower-gear-in-2018?AspxAutoDetectCookieSupport=1#>

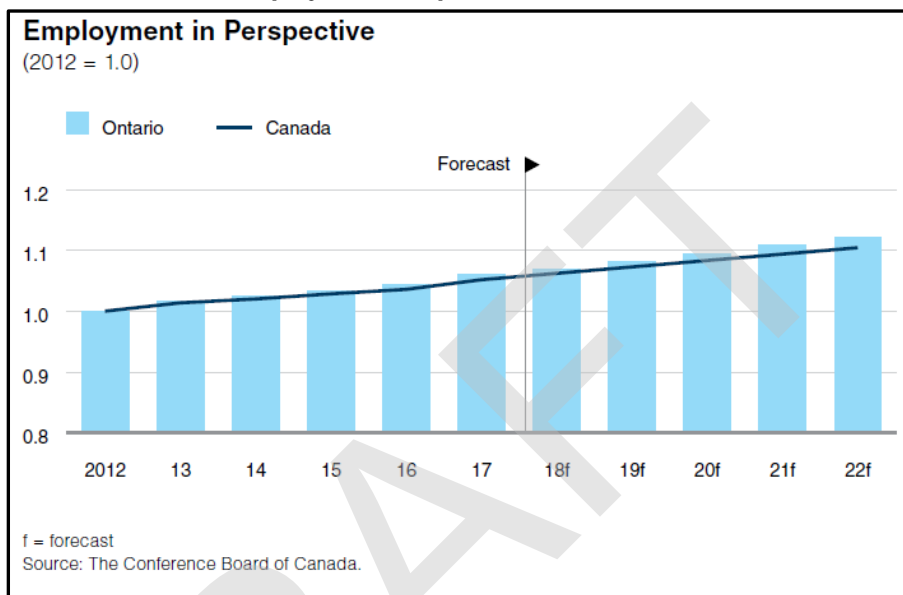
⁸ The Conference Board of Canada: Metropolitan Outlook 2: London, Winter 2018

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Year ended December 31, 2017

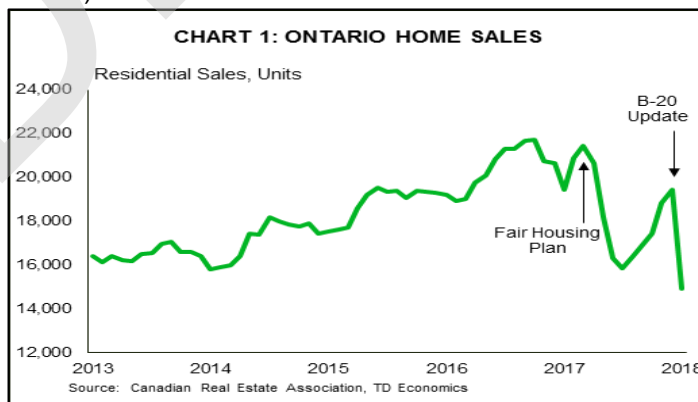
business climate, resulting from high electricity prices and government policies (i.e. the carbon tax and rising minimum wage), which raise business input costs⁹. Ontario’s move toward a \$15 minimum wage will lift the incomes of low-income workers but will incur some job losses¹⁰. London’s employment is forecast to grow 2.6% in 2018 and 2.9% in 2019. London’s economy generated about 9,000 jobs in 2015, however the economy lost an average of 2,800 jobs per year over 2016–17. Nonetheless, the job market is expected to bounce back over the near term, with the economy creating an average of 3,700 net new jobs annually over 2018–19¹¹.

Chart 2: Employment Perspective – Prior Year and Forecast



Source: The Conference Board of Canada: Metropolitan Outlook 2: London, Winter 2018

Following rapid growth in prices and sales in recent years, housing market conditions have become more balanced in Toronto and Vancouver, and their surrounding regions. Housing demand across the country should continue to be supported by solid job and income gains, but tempered by rising interest rates and recent changes to mortgage underwriting Guideline B-20 for federally regulated lenders¹² (See Chart 3: Six Year Overview Ontario Home Sales).



Source: economics.td.com/provincial-economic -forecast

Chart 3: Six year Overview Ontario Home Sales

⁹ The Conference Board of Canada: Metropolitan Outlook 2: London, Winter 2018

¹⁰ The Conference Board of Canada: Metropolitan Outlook 2: London, Winter 2018

¹¹ The Conference Board of Canada: Metropolitan Outlook 2: London, Winter 2018

¹² https://www.budget.gc.ca/2018/docs/plan/toc-tdm-en.html

//www.budget.gc.ca/2018/docs/plan/toc-tdm-en.html

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In 2017 private investment turned around and started posting gains, however the levels remain weak. 2018 will mark a shift in the drivers of economic activity, with the Canadian consumer sector likely to pull back after spending strongly last year. Business investment and government outlays conversely are forecast to make bigger contributions¹³. Canadian economic growth is expected to continue at a more sustainable pace, reflecting in part the combination of higher interest rates and the waning impacts of recent fiscal policy measures. While the level of economic activity is expected to remain strong, growth is anticipated to moderate with little remaining slack in the economy¹⁴.

Total real exports have risen modestly since mid-2014, as solid growth in exports of services and energy commodities has been offset by weakness in non-energy goods exports¹⁵. Export growth has been lower than might have been expected given the significant depreciation in the Canadian dollar since mid-2014, however, export growth is expected to grow in line with foreign demand. The positive global growth backdrop is expected to boost demand for Canadian exports¹⁶. Higher energy exports were the key driver of the modest increase in overall export growth in 2017¹⁷. The volume of non-commodity exports fell 1.9% in 2017 after hitting the highest level in close to a decade the previous year¹⁸. Canada's export sector will continue to be uneven in 2018, with growth being fuelled largely by the energy and services sectors. Overall, total export volumes are forecast to increase by 2.6% in 2018 and 2.8% in 2019¹⁹.

While the Canadian dollar appreciated throughout 2017, it is forecast to face much uncertainty this year. Although an increase in oil prices and short-term interest rates spreads have favored the Canadian currency in the short run, NAFTA-related uncertainty will continue to put pressure on the Canadian dollar as well as keep business investment lower than it otherwise would be²⁰. Real business investment spending is forecast to expand by just 1.0% in 2018, down from growth of 2.3% in 2017²¹.

¹³ http://www.rbc.com/economics/economic-reports/pdf/quarterly-economic-update/fcst_mar2018.pdf

¹⁴ <https://www.budget.gc.ca/2018/docs/plan/toc-tdm-en.html>

¹⁵ <https://www.budget.gc.ca/2018/docs/plan/toc-tdm-en.html>

¹⁶ <https://www.budget.gc.ca/2018/docs/plan/toc-tdm-en.html>

¹⁷ http://www.rbc.com/economics/economic-reports/pdf/quarterly-economic-update/fcst_mar2018.pdf

¹⁸ http://www.rbc.com/economics/economic-reports/pdf/quarterly-economic-update/fcst_mar2018.pdf

¹⁹ The Conference Board of Canada: Metropolitan Outlook 2: London, Winter 2018

²⁰ RBC Economic Outlook 2018

²¹ <https://www.conferenceboard.ca/press/newsrelease/2018/03/20/canadian-economy-shifting-to-a-lower-gear-in-2018?AspxAutoDetectCookieSupport=1#>

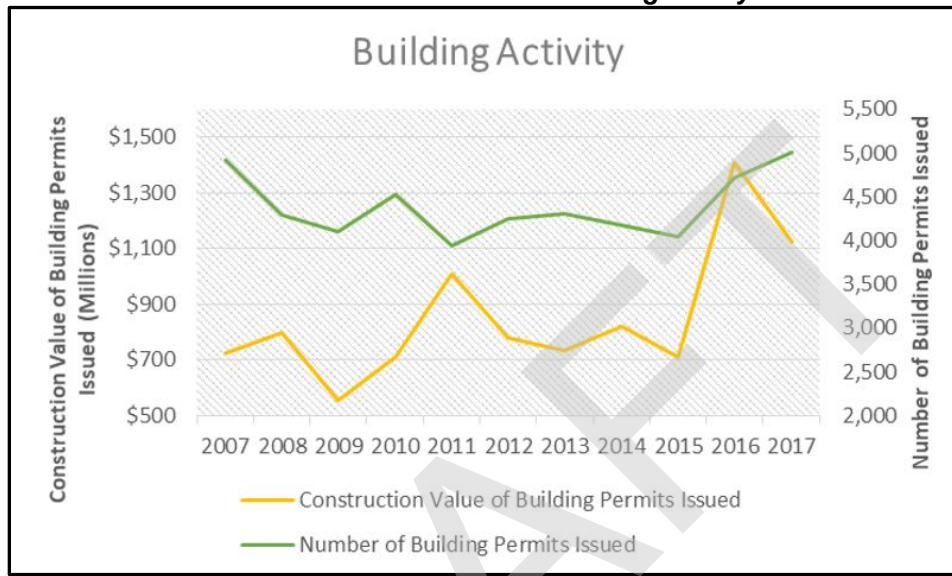
THE CORPORATION OF THE CITY OF LONDON

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The City of London Building Activity and Assessment Growth:

Since 2007, the City of London has processed building permits with an average total construction value of \$851.8 million, and a total value of \$ 1.12 billion in 2017²². This represents a 20.3% decrease over 2016 permit values, of which 2016 was a record year, and a 55.6 % increase compared to 2007.

Chart 4: 11 Year Overview of Building Activity



On a per capita basis, London generated total building construction values (\$3,674) higher than the average permit values at the provincial (\$3,017) and regional (i.e. Southwest Ontario) (\$3,268) levels in 2016, placing it at a mid-level ranking among other municipalities in Ontario. (BMA – Municipal Study 2017)²³.

The City's weighted assessment growth was 0.91% for the year 2017 and 1.27% for 2018. Assessment growth in London generated approximately \$ 4.9 million in tax revenue in 2017.

²² City of London. Summary Listings of Building Construction Activity

²³ BMA. (2017). Municipal Study

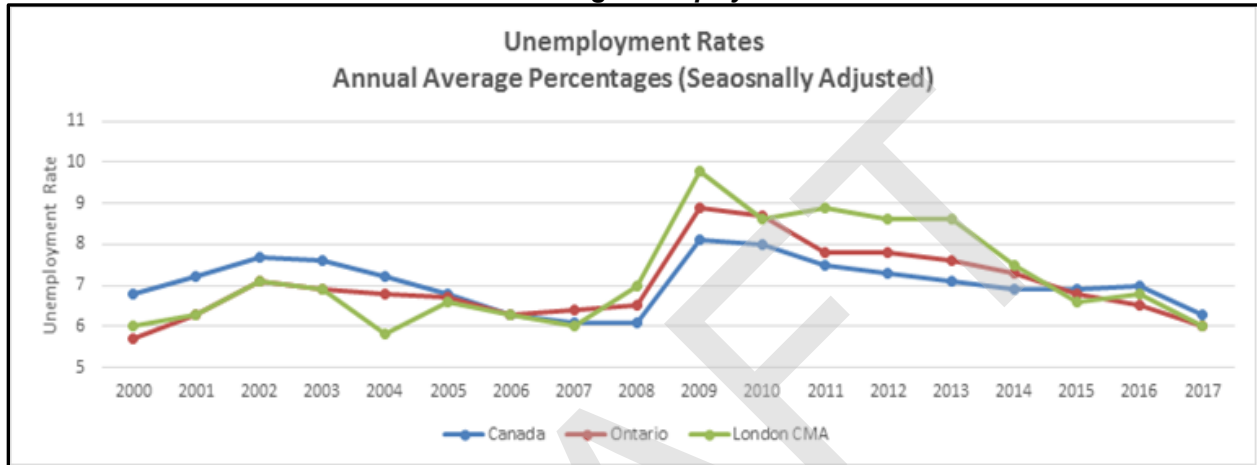
THE CORPORATION OF THE CITY OF LONDON

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Unemployment Rate:

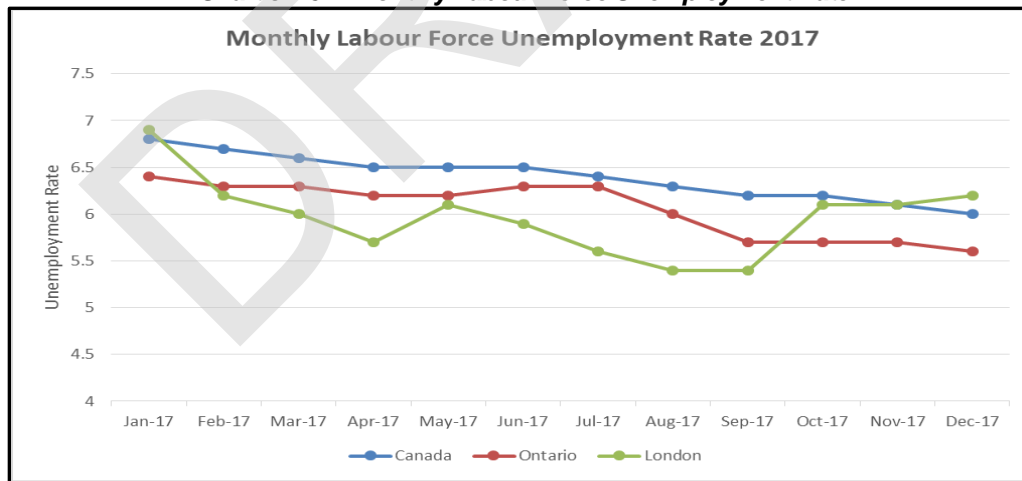
On a national level the unemployment rate was 6.3% in 2017 decreasing from 7% in 2016 mainly due to the gains attributable to full-time work²⁴. Canada's unemployment rate is predicted to remain around 6.3% in 2019²⁵. The provincial unemployment rate declined to 6% in 2017 decreasing from 6.5% in 2016²⁶. Ontario's unemployment rate is predicted to remain around 6% in 2019²⁷. The unemployment rate in the London (Census Metropolitan Area) is predicted to remain stable, edging up slightly from 6% in 2017 to 6.1 per cent in 2019²⁸.

Chart 5: Annual Average Unemployment Rate



In 2017, the monthly labour force unemployment rate (seasonally adjusted) for the London CMA was between a low of 5.4% and a high of 6.9% which was more volatile than that of Canada (6% to 6.8%) and Ontario 5.6% to 6.4% on a month over month basis²⁹.

Chart 6: 2017 Monthly Labour Force Unemployment Rate



²⁴ <http://www.stats.gov.nl.ca/statistics/labour/pdf/unemprate.pdf>

²⁵ The Conference Board of Canada: Metropolitan Outlook 2: London, Winter 2018

²⁶ <http://www.stats.gov.nl.ca/statistics/labour/pdf/unemprate.pdf>

²⁷ <https://economics.td.com/provincial-economic-forecast>

²⁸ The Conference Board of Canada: Metropolitan Outlook 2: London, Winter 2018

²⁹ Unemployment Sources: Statistics Canada. Table 282-0135 - Labour Force Survey estimates (LFS), by census metropolitan area based on 2011 Census boundaries, three-month moving average, seasonally adjusted and unadjusted, monthly (persons unless otherwise noted)

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The following table provides a comparison of London's performance on various indicators relative to other mid-sized cities in Ontario.

Table 1: Municipal Comparison

Comparators	London	Hamilton	Kingston	Kitchener	Waterloo	Barrie	Windsor	Ontario
Population in 2016 (CY)	383,822	536,917	123,798	233,222	104,986	141,434	217,188	13,448,494
Population growth (2011-2016) (CY)	4.8%	3.3%	0.4%	6.4%	6.3%	3.9%	3.0%	4.6%
Immigrant Population (%) (2016) (CY) (based on 25% sample data)	22.2%	24.7%	13.2%	26.3%	25.3%	13.4%	27.8%	29.1%
Diversity (Visible Minority Population%) (2016) (CY) (based on 25% sample data)	19.9%	19.0%	10.0%	21.8%	26.4%	10.3%	26.9%	29.3%
Population Under 25 years (%) 2016 (CY)	29.9%	29.0%	27.8%	30.2%	33.9%	31.9%	29.8%	29.1%
Population under 35 years (%) 2016 (CY)	44.2%	42.2%	41.9%	45.8%	47.0%	45.4%	42.5%	42.0%
Population 25 to 44 years (%) 2016 (CY)	26.5%	25.3%	25.5%	29.4%	25.1%	26.9%	24.8%	25.7%
Population 45 to 64 (%) 2016 (CY)	27.0%	28.4%	27.2%	26.6%	26.6%	27.3%	27.7%	28.5%
Population with University certificate, diploma or degree at bachelor level or above (%) (2016) (CY) (based on 25% sample data)	25.4%	20.4%	27.7%	22.2%	38.3%	17.2%	20.9%	26.0%
Overall Unemployment 2017 (*unadjusted) (CMA)	6.0%	5.0%	5.6%	5.2%		5.7%	5.8%	6.0%
Unemployment 15 and years over (2017) (CMA)	5.9%	5.0%	5.5%	5.1%		5.4%	5.6%	6.0%
Unemployment 15 to 24 years (2017) (CMA)	11.9%	11.6%	14.3% (2016)	10.4%		11.8%	11.4%	12.3%
Unemployment 25 to 44 years (2017) (CMA)	6.1%	3.9%	5.2%	4.5%		3.9%	5.7%	5.4%
Median total income of households in 2015 (*before -tax / private households) (\$) (CY)	\$ 62,011	\$ 69,024	\$ 67,485	\$ 70,774	\$ 83,045	\$ 77,904	\$ 55,450	\$ 74,287
Median employment income in 2015 for full-year full time workers (*persons aged 15 years and over) (25% sample data) (\$)	\$ 51,181	\$ 53,880	\$ 53,952	\$ 51,710	\$ 63,101	\$ 53,157	\$ 48,921	\$ 55,121
Median employment income of families (2015) (CMA)	\$ 69,800	\$ 77,840	\$ 70,810	\$80,070		\$ 77,830	\$ 66,080	\$ 72,050
Prevalence of low income based on the Low-income measure, after tax (2016) (CY)	18.8%	15.3%	14.8%	13.7%	13.7%	12.2%	23.3%	14.4%
Median Absorbed Single/semi-detached Price (\$) (2017) (CMA)	\$ 455,000	\$ 460,000	\$ 420,000	\$535,000		\$ 635,000	\$ 430,000	\$ 595,000
Development Charge Rates	London	Hamilton	Kingston	Kitchener	Waterloo	Barrie	Windsor	Ontario (Median)
Non Residential Commercial per sq. ft. (2017) (CY)	\$ 23.92	\$ 20.67	\$ 17.91	\$ 18.24	\$ 19.44	\$ 28.29	\$ 11.88	\$ 11.26
Non Residential Industrial per sq. ft. (2017) (CY)	\$-	\$ 12.89	\$ 7.92	\$ 10.00	\$ 13.78	\$ 18.85	\$-	\$ 7.85

Source: 1. Statistics Canada, Labour Force Survey, CANISM 282-0001, 0002, 0129 & 0135, 2015-2017; BMA Municipal Study, 2017; CMHC 2017.

*Note: Where Kitchener and Waterloo are merged it includes Cambridge.

The Province is phasing in the upload of Ontario Works Financial and Employment Assistance Costs between 2010 and 2018 with 100% provincial funding occurring by 2018.

2017 Financial Results

Financial Results Summary

The City of London's financial position remained stable during 2017, with the City's cash and investments increasing by \$65 million to a combined total of \$938 million, compared to \$873 million in 2016. Municipal Council's adherence to the strategic financial plan continues to produce positive results that are reflected in maintaining the financial health of the City.

Net Financial Assets

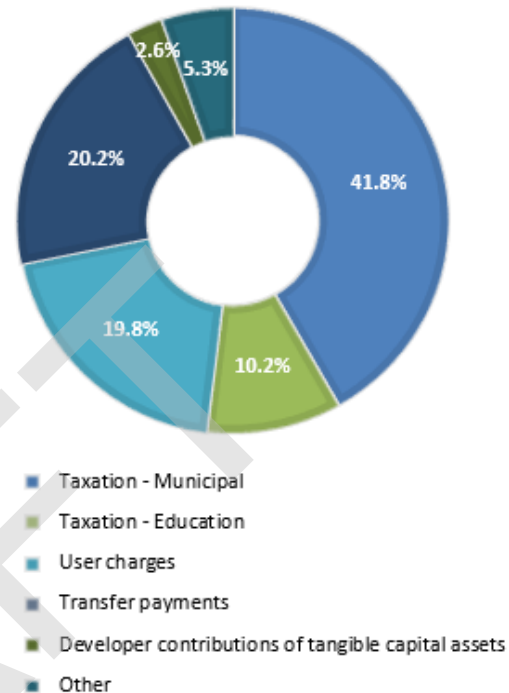
The City's financial position improved to a net financial asset position of \$273 million in 2017, representing an increase of \$38 million over 2016. The net financial assets are the difference between the financial assets and financial liabilities. This means that the City's financial assets are larger than its financial liabilities and indicates that the City is in a stronger position to provide for future expenses and liability repayments.

Total Revenues

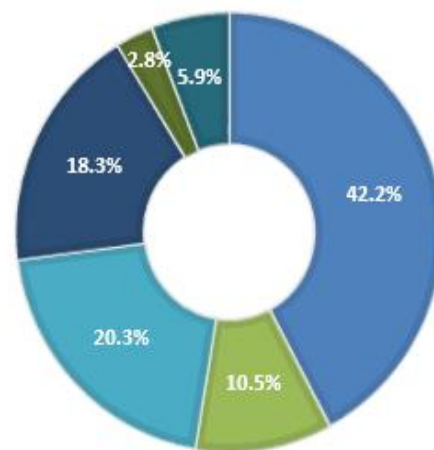
Total revenues are \$1,250 million in 2017, up \$63 million (5.3%) compared to 2016. This is mainly as a result of:

- Tax and user charges revenues were \$857 million, up \$28 million (3.4%) compared to 2016;
- Transfer payments were \$282 million, up \$39 million (16.0%) compared to 2016, predominantly in the areas of transportation, wastewater, and social housing. Also contributing to transfer payments were provincial uploading in social and family services.

2017 REVENUES



2016 REVENUES



Total Expenses

Total expenses are \$1,084 million in 2017, up \$64 million (6.3%) compared to 2016. This is mainly due in part to:

- An increase of \$17 million for environmental services, \$14 million for protective services, \$11 million for social and family services and \$8 million for transportation services.

Expenses are depicted in the pie charts to the right by areas, showing the comparability year-over-year.

Expenses can also be illustrated by account object, grouping similar accounts together by expense category. The table below provides a view of the expenses from this perspective.

2017 EXPENSES

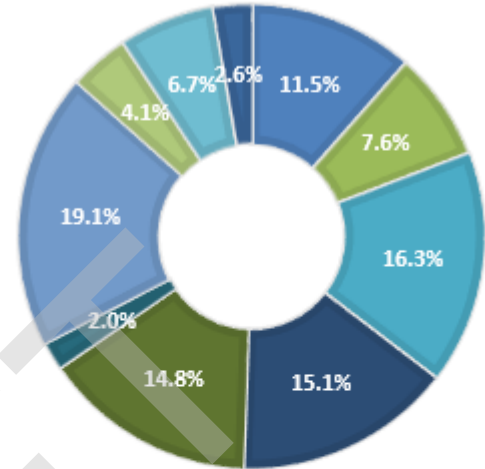
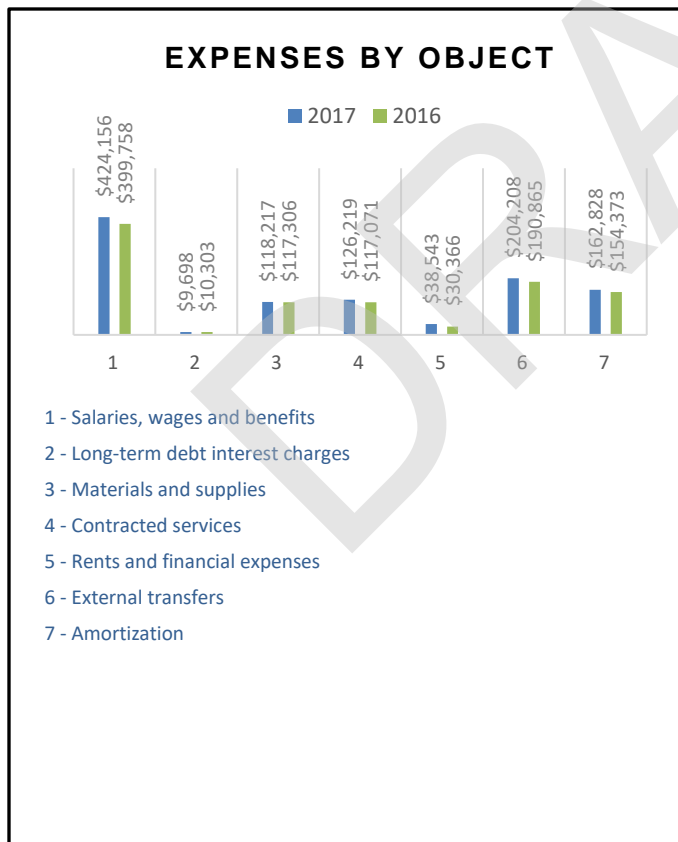
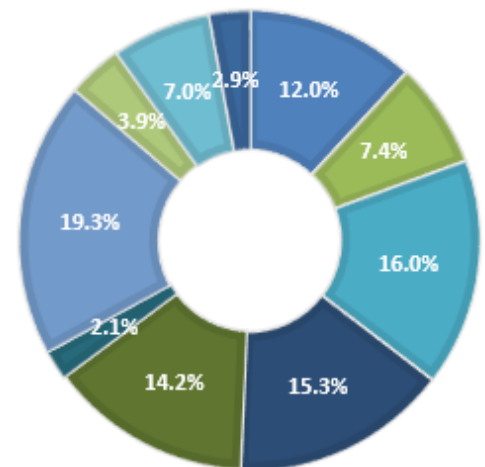


Chart 7: Expenses by Object (in '000's)



- Education transfer
- General government
- Protection to persons and property
- Transportation services
- Environmental services
- Health services
- Social and family services
- Social housing
- Recreation and cultural services
- Planning and development

2016 EXPENSES



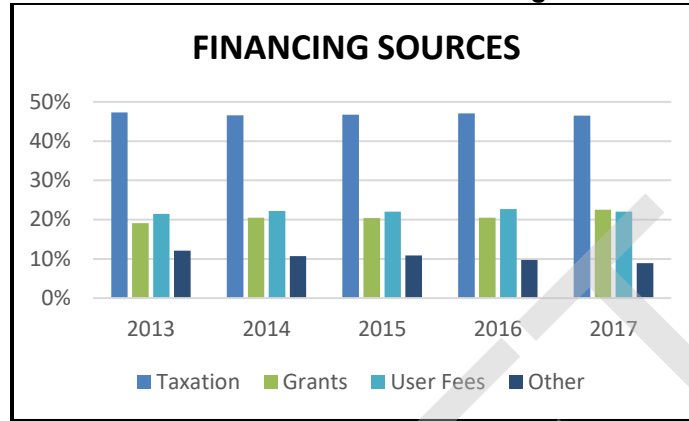
THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2017

Financing Sources for Municipal Operations

This graph illustrates the relative amount of the different sources of financing for all City operations, over the past 5 years.

Chart 8: Five Year Overview of Financing Services



Property Tax Rates and Assessment Growth

City Council approved a tax levy of \$557.0 million, representing an increase over 2017 of 3.8%. When assessment growth, tax policy and education taxes are taken into consideration, the property tax increase translated into a 1.1% increase in the total tax bill for the typical residential property owner. The table reflects the taxes on a residential property with an assessed value of \$229,000 in 2017 and an average value increase from 2016.

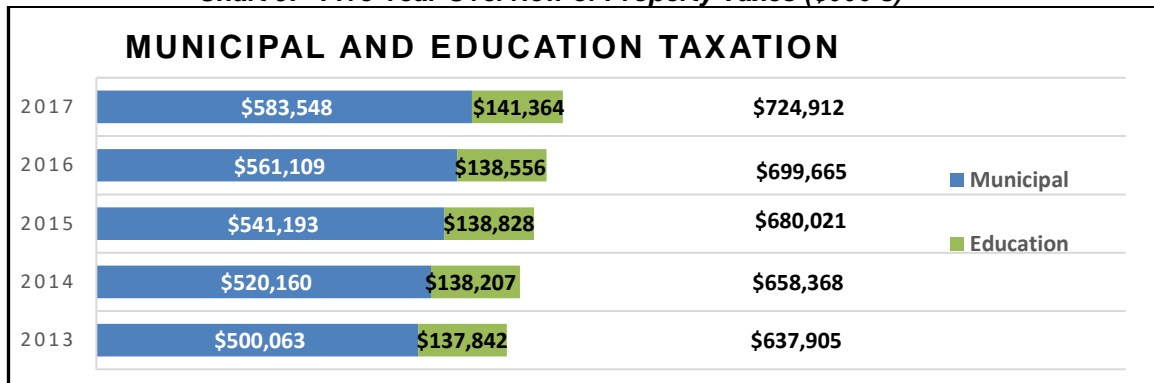
For 2017, assessment weighted with applicable tax ratios and using consistent valuation dates increased by .91%.

COMPARATIVE PROPERTY TAXES

	2017	2016
Municipal	\$ 2,705	\$ 2,655
Education	410	425
Total	\$ 3,115	\$ 3,080

This next chart reflects property taxes collected for the past five years showing the distribution between municipal and education. Education taxes are collected by the City and remitted to the various school boards on a quarterly basis.

Chart 9: Five Year Overview of Property Taxes (\$000's)



THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2017

Capital Additions and Disposals

During 2017, additions to our completed capital assets were \$454 million versus \$351 million in 2016. The City also disposed of capital assets of \$222 million compared to \$149 million in 2016. There was also an increase in assets still under construction of \$4 million in 2017. The following were the largest net additions in 2017, excluding assets still under construction:

NET CAPITAL ASSET INCREASES RANKED BY 2017 SPENDING (\$000'S)

1.	Sanitary and Storm Wastewater Infrastructure	\$ 42,145
2.	Facilities and Improvements	39,147
3.	Roads and Bridges Infrastructure	18,604
4.	Vehicles	11,089
5.	Land, Landfill and Land Improvements	10,547

In 2017 amortization expense recorded was \$163 million and accumulated amortization of \$63 million was removed upon disposal of the assets.

This resulted in a 2017 net book value of \$3,750 million for the City's tangible capital assets, compared to \$3,614 million for 2016.

Annual Surplus and Accumulated Surplus

The annual surplus for the consolidated entity for 2017 was \$166 million (2016 - \$167 million). This results in an increase to the City's Accumulated Surplus for 2017 to \$4,044 million (2016 - \$3,878 million).



THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2017

Analysis of Debenture Issuance and Net Long-term Debt (\$000's)

In 2017, the City issued debt of \$41 million, which is an increase from 2016 when \$30 million was issued. The \$41 million (2016 - \$27 million) issuance of debt was through public debentures and \$nil (2016 - \$3 million) to the Federation of Canadian Municipalities, as Trustee of the Green Municipal Fund (FCM).

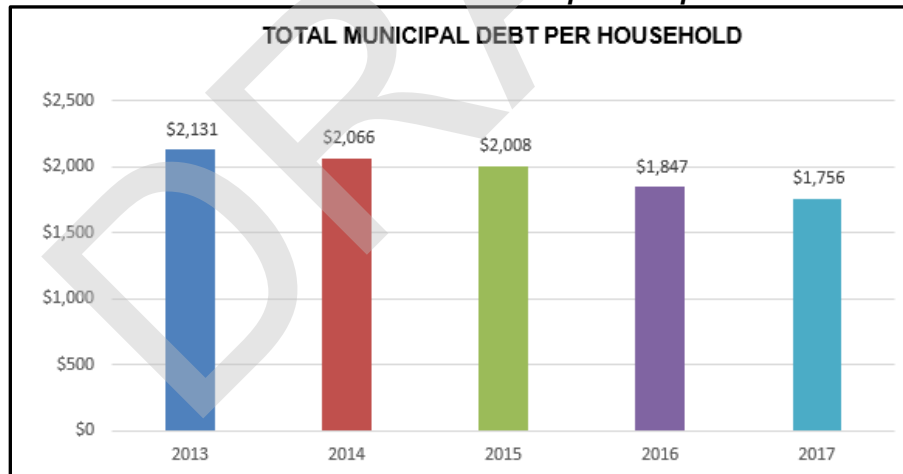
The amounts issued financed the following major activities:

Debenture Issuance (\$000's)	Public Debentures
General Municipal Activities (Roads, Transit, Recreation)	\$ 31,536
Wastewater Infrastructure	4,500
Water Infrastructure (on behalf of Elgin Area Primary Water Supply System and Lake Huron Primary Water Supply System)	4,964
	\$ 41,000


The City issued public debentures at an average cost of 2.48% over a 10-year term.

During the year, debt substitution totaled \$4.9 million (2016 - \$5.3 million) as a result of an allocation of a portion of the debt servicing cost budget and funding allocations from the operating property tax supported budget surplus and assessment growth funding in accordance with the Council approved Surplus/Deficit and Assessment Growth Policies.

Chart 10: Five Year Overview of Municipal Debt per Household



As a result of the Strategic Financial Planning Process, the City has limited the amount of new debt authorized each year.



Total Actual Debt Per Household for 2017 is \$1,756 (5-year average \$1,962)

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report

Year ended December 31, 2017

General Municipal Debt and Long-term Liabilities and Discretionary Reserves and Reserve Funds per Household

DECEMBER 31 (\$000's)	2013	2014	2015	2016	2017
Total Tax Supported Debt	243,560	239,697	225,909	205,690	192,732
Total Rate Supported Debt	119,857	116,174	122,250	118,198	117,883
Total Debt	363,417	355,871	348,159	323,888	310,615
Number of Households	170,543	172,281	173,415	175,342	176,859
Total Debt per Household (\$)	2,131	2,066	2,008	1,847	1,756
Discretionary Reserve Funds & Reserves	421,808	518,480	574,311	606,830	681,028
Discretionary Reserve Funds & Reserves Per Household (\$)	2,473	3,010	3,312	3,461	3,851

Future Balances on Existing Debt and Long-term Liabilities

The following table outlines principal balances remaining on outstanding debentures for general, water, sewer and reserve funds as at December 31, 2017. The current obligation will be met by 2032.

Debt and Long-term Liabilities Outstanding as at December 31 (\$000's)

	2017	2018	2019	2020	2021	2022
General Municipal	174,944	142,020	111,739	82,829	56,704	37,898
Discretionary Reserve Funds	18,764	14,561	10,239	5,786	3,752	1,656
Total Tax Supported Debt	193,708	156,581	121,978	88,615	60,456	39,554
Water	18,927	15,997	13,445	10,841	8,181	5,706
Sewer	55,550	47,245	38,841	30,469	22,413	17,502
Obligatory Reserve Funds	43,890	38,083	32,178	26,168	20,044	15,080
Total Rate Supported Debt	118,367	101,325	84,464	67,478	50,638	38,288
Total Long-term Debt and Liabilities	312,075	257,906	206,442	156,093	111,094	77,842
Less Unamortized Discount	(1,460)	(1,213)	(978)	(743)	(534)	(343)
Total Long-term Debt and Liabilities, net of Unamortized Discount	310,615	256,693	205,464	155,350	110,560	77,499
Percentage Remaining	100%	83%	60%	50%	30%	25%

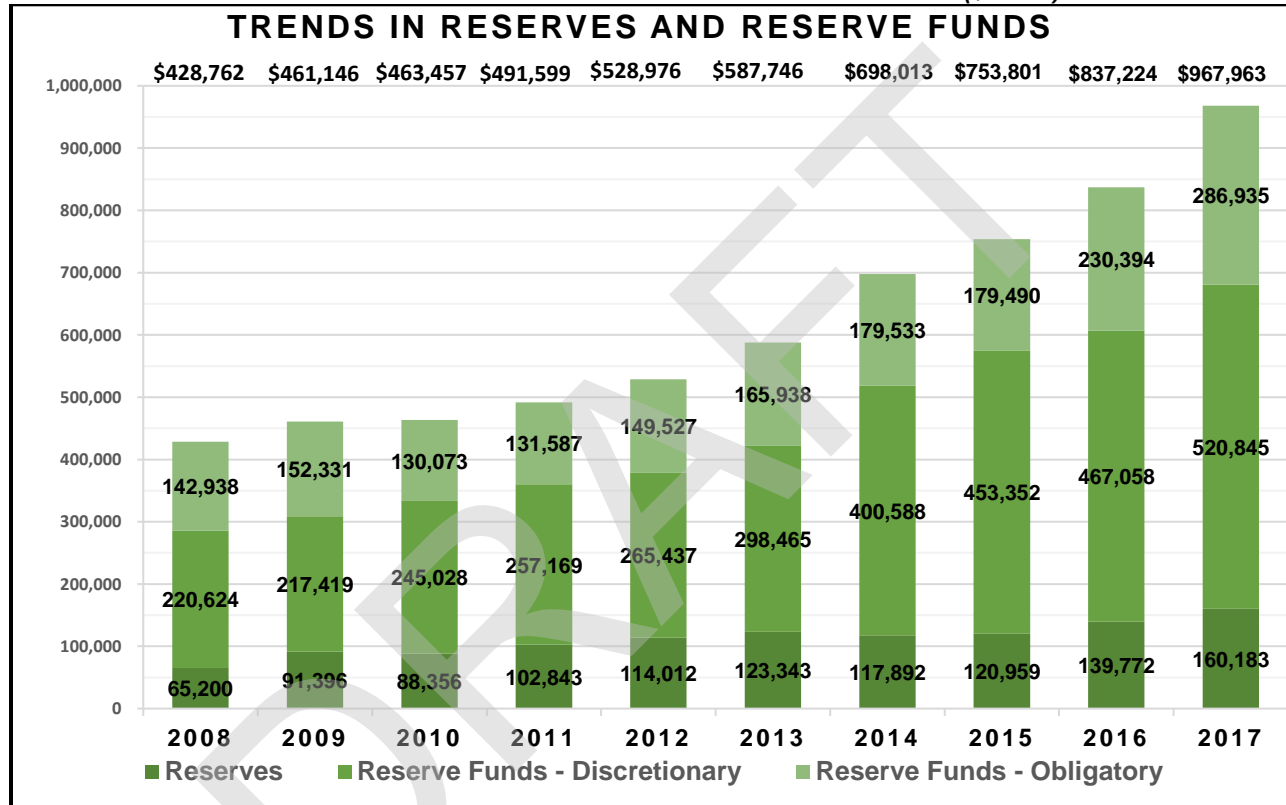
THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
 Year ended December 31, 2017

Reserves and Reserve Funds

At December 31, 2017, the City of London had combined Reserves, and Discretionary and Obligatory Reserve Funds of \$968 million (\$160 million and \$808 million respectively). These balances reflect a net increase of \$131 million from December 2016, created by increased contributions to reserves and reserve funds to allow predominantly for future purchases of tangible capital assets and coverage of unfunded liabilities. The chart does not include the effect of budgeted commitments made, which would reduce balances significantly.

Chart 11: Ten Year Overview Reserves and Reserves Fund (\$000's)



In 2017, Reserve Funds grew by \$111 million, reaching \$808 million by year end. The majority of funds grew due to increased contributions; others were drawn down to fund operations as well as the purchase of capital assets.

Reserves increased by \$20 million over 2016 balances.

The City has continued its “conservative fiscal practices” (Moody’s credit rating opinion) by providing increased contributions to the reserve funds year-over-year despite significant purchases on tangible capital assets.

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2017

Five Year Review and General Statistics

Five Year Review (\$000's)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
TAXATION (Including education)					
Residential & Farm	\$ 507,405	\$ 494,636	\$ 477,128	\$ 457,611	\$ 439,150
Commercial & Industrial	<u>217,507</u>	<u>205,030</u>	<u>202,893</u>	<u>200,757</u>	<u>198,755</u>
	<u>\$ 724,912</u>	<u>\$ 699,665</u>	<u>\$ 680,021</u>	<u>\$ 658,368</u>	<u>\$ 637,905</u>
TOTAL TAXES RECEIVABLE	<u>\$ 28,937</u>	<u>\$ 31,388</u>	<u>\$ 34,897</u>	<u>\$ 35,007</u>	<u>\$ 36,677</u>
TAX ARREARS					
Percentage of Current Levy	<u>4.0%</u>	<u>4.5%</u>	<u>5.1%</u>	<u>5.3%</u>	<u>5.7%</u>
TAX RATES (%) (Including all area rates & education)					
Residential	1.360444	1.362611	1.366710	1.367795	1.367937
Multi-residential	2.361127	2.405666	2.479835	2.509294	2.578781
Commercial	3.693816	3.690491	3.714835	3.766294	3.778755
Industrial	3.693816	3.790491	3.814835	4.145845	4.630114
TOTAL LONG TERM DEBT					
General Municipal Rates	\$ 164,844	\$ 170,906	\$ 184,389	\$ 191,654	\$ 203,410
Water Rates	18,927	18,724	16,916	11,118	12,516
Sewer Rates	55,551	61,922	70,416	74,463	79,035
Municipal Reserve Funds	<u>62,653</u>	<u>60,869</u>	<u>62,227</u>	<u>61,748</u>	<u>58,921</u>
	<u>\$ 301,975</u>	<u>\$ 312,421</u>	<u>\$ 333,948</u>	<u>\$ 338,983</u>	<u>\$ 353,882</u>
DEBT PRINCIPAL & INTEREST REPAYMENTS					
Principal	\$ 62,031	\$ 48,422	\$ 44,202	\$ 44,922	\$ 44,797
Interest and debenture discount	<u>9,698</u>	<u>10,303</u>	<u>10,985</u>	<u>11,514</u>	<u>10,719</u>
	<u>\$ 71,729</u>	<u>\$ 58,725</u>	<u>\$ 55,187</u>	<u>\$ 56,436</u>	<u>\$ 55,516</u>
DEBT ISSUED	<u>\$ 41,000</u>	<u>\$ 30,048</u>	<u>\$ 40,500</u>	<u>\$ 30,000</u>	<u>\$ 50,000</u>
ASSESSMENT GROWTH	<u>0.91%</u>	<u>1.20%</u>	<u>1.17%</u>	<u>1.22%</u>	<u>1.43%</u>
TANGIBLE CAPITAL ASSETS ADDITIONS	<u>\$ 453,959</u>	<u>\$ 350,841</u>	<u>\$ 317,708</u>	<u>\$ 313,293</u>	<u>\$ 273,186</u>
TANGIBLE CAPITAL ASSETS AMORTIZATION	<u>\$ 162,828</u>	<u>\$ 154,373</u>	<u>\$ 147,713</u>	<u>\$ 142,784</u>	<u>\$ 141,559</u>
NET BOOK VALUE TANGIBLE CAPITAL ASSETS	<u>\$3,749,717</u>	<u>\$3,614,041</u>	<u>\$3,486,341</u>	<u>\$3,403,974</u>	<u>\$3,321,318</u>
ANNUAL SURPLUS	<u>\$ 166,359</u>	<u>\$ 166,940</u>	<u>\$ 144,808</u>	<u>\$ 117,376</u>	<u>\$ 158,002</u>
CONSOLIDATED ACCUMULATED SURPLUS	<u>\$4,044,355</u>	<u>\$3,877,996</u>	<u>\$3,711,056</u>	<u>\$3,566,248</u>	<u>\$3,448,872</u>
RESERVES, DISCRETIONARY & OBLIGATORY RESERVE FUNDS	<u>\$ 967,963</u>	<u>\$ 837,224</u>	<u>\$ 753,801</u>	<u>\$ 698,013</u>	<u>\$ 587,746</u>

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2017

General Statistics and Indicators

While the following statistics are not specifically addressed within the Financial Statements and are drawn from different sources, they do provide a frame of reference when considering the overall financial and economic environment in the City of London.

	2017	2016
GENERAL STATISTICS:		
Population ^(a)	387,275	383,822
Area in Acres	104,632	104,632
Number of Households ^(b)	176,859	175,342
Number of Properties ^(b)	154,988	152,898
Building Permit Values ^(c) (\$000's)	\$ 1,123,805	\$ 1,410,120
Average Home Selling Price ^(d)		
London and St. Thomas	\$330,383	\$279,711
Ontario	\$585,290	\$534,508
Canada	\$510,090	\$489,815
Unemployment Rates (Annual Averages) ^(e)		
London	5.9%	7.0%
Ontario	6.0%	6.5%
Canada	6.3%	7.0%
CPI Canada ^(e) (percentage change)	1.6%	1.4%
Real GDP Canada ^(f) (percentage change)	3.1%	2.2%

Sources of Information

(a) Provided by City's Planning Service Area and Statistics Canada May 2018

(b) Municipal Property Assessment Corporation

(c) Provided by City's Building Division

(d) London-St. Thomas Real Estate Board and The Canadian Real Estate Association

(e) Statistics Canada June 2017 and June 2018

(f) Statistics Canada June 2017 and June 2018

Consolidated Financial Statements of

THE CORPORATION OF THE CITY OF LONDON

December 31, 2017

DRAFT

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Statements

Year ended December 31, 2017

INTRODUCTION

The accompanying Consolidated Financial Statements and all other financial information included within this financial report are the responsibility of the management of the City of London. The City's Financial Statements contained in this report have been prepared in accordance with the accounting principles and disclosure requirements of the CPA Canada Public Sector Accounting Handbook.

The City Treasurer is responsible for submitting annually to the Audit Committee and Council audited financial statements. These financial statements include the consolidated results of the City of London for the fiscal year ending December 31, 2017.

Finance staff are responsible for the coordination and completion of the annual financial statements in a timely, accurate and efficient manner as well as providing support and related financial information to external auditors during the year-end audit.

The Consolidated Financial Statements of the City of London provide important information about the overall financial condition of the City. The purpose of the consolidated financial statements is to present the results of transactions of the City, taking into consideration the accounting for all City Funds and associated city business enterprises.

The audited Consolidated Financial Statements for City operations include:

- Auditors' Report
- Consolidated Statement of Financial Position
- Consolidated Statement of Operations
- Consolidated Statement of Change in Net Financial Assets
- Consolidated Statement of Cash Flows
- Notes to the Consolidated Financial Statements
- Consolidated Schedule of Segment Disclosure – Operating Revenues
- Consolidated Schedule of Segment Disclosure – Operating Expenses

INDEPENDENT AUDITORS' REPORT

To Members of Council, Inhabitants and Ratepayers of the Corporation of the City of London

We have audited the accompanying consolidated financial statements of the Corporation of the City of London, which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statements of operations, 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 Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation of the City of London as at December 31, 2017, and its consolidated results of operations, its consolidated changes in net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

[Date]

London, Canada

THE CORPORATION OF THE CITY OF LONDON
Consolidated Statement of Financial Position
As at December 31, 2017, with comparative information for 2016

(all dollar amounts in thousands of dollars)

	2017	2016
Financial assets		
Cash and cash equivalents (Note 2)	\$ 400,503	\$ 330,273
Accounts receivable		
Taxes receivable (Note 3)	22,374	25,030
Other receivables	66,313	54,353
Land held for resale	32,928	32,545
Investments (Note 4)	537,238	542,888
Loan receivable (Note 5)	24,393	24,780
Investment in government business enterprises and partnerships (Note 6)	180,977	173,094
Total financial assets	1,264,726	1,182,963
Financial liabilities		
Accounts payable and accrued liabilities	165,010	175,000
Deferred revenue (Note 7)	317,043	258,756
Accrued interest on long-term debt	2,305	1,932
Long-term liabilities (Note 8)	10,100	12,915
Long-term debt (Note 9)	300,515	310,974
Capital lease obligations (Note 10)	1,835	1,381
Urban works payable (Note 11)	3,826	3,254
Employee benefits payable (Note 12)	154,874	149,175
Landfill closure and post-closure liability (Note 13)	36,692	34,437
Total financial liabilities	992,200	947,824
Net financial assets	272,526	235,139
Non-financial assets		
Tangible capital assets (Note 14)	3,749,717	3,614,041
Inventories of supplies	4,543	4,175
Prepaid expenses	17,569	24,641
Total non-financial assets	3,771,829	3,642,857
Accumulated surplus (Note 15)	\$ 4,044,355	\$ 3,877,996

Contingent liabilities, loan guarantees, commitments (Notes 16, 17, 18)

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

THE CORPORATION OF THE CITY OF LONDON
Consolidated Statement of Operations
For the year ended December 31, 2017, with comparative information for 2016

(all dollar amounts in thousands of dollars)

	Budget	2017	2016
Revenues			
Net municipal taxation	\$ 571,868	\$ 581,481	\$ 558,957
User charges	269,519	275,948	269,623
Transfer payments			
Provincial	233,050	245,325	214,380
Federal	61,719	30,965	23,288
Other municipalities	5,403	5,317	5,292
Investment income	3,168	12,167	12,947
Penalties and interest	6,488	8,225	8,100
Development charges earned	19,685	13,747	17,340
Developer contributions of tangible capital assets (Note 14)	45,354	36,759	37,474
Other	27,751	27,411	28,491
Equity in earnings of government business enterprises and partnerships (Note 6)	6,196	12,883	11,089
Total revenues	1,250,201	1,250,228	1,186,981
Expenses			
General government	92,357	93,311	86,092
Protection to persons and property	200,897	199,450	185,175
Transportation services	183,026	185,306	177,424
Environmental services	179,489	181,562	164,530
Health services	25,310	25,037	24,619
Social and family services	240,721	234,535	223,497
Social housing	46,549	50,465	44,978
Recreation and cultural services	81,520	81,739	80,573
Planning and development	33,016	32,464	33,153
Total expenses	1,082,885	1,083,869	1,020,041
Annual surplus	167,316	166,359	166,940
Accumulated surplus, beginning of year	3,877,996	3,877,996	3,711,056
Accumulated surplus, end of year	\$ 4,045,312	\$ 4,044,355	\$ 3,877,996

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

THE CORPORATION OF THE CITY OF LONDON
Consolidated Statement of Change in Net Financial Assets
For the year ended December 31, 2017, with comparative information for 2016

(all dollar amounts in thousands of dollars)

	Budget	2017	2016
Annual surplus	\$ 167,316	\$ 166,359	\$ 166,940
Acquisition of tangible capital assets	(299,597)	(276,037)	(253,385)
Developer contributions of tangible capital assets	(45,354)	(36,759)	(37,474)
Amortization of tangible capital assets	161,673	162,828	154,373
Proceeds from sale of tangible capital assets	-	15,458	4,725
Loss (gain) on disposal of tangible capital assets	-	(1,166)	4,062
	(183,278)	(135,676)	(127,699)
Change in supplies inventory	-	(368)	(222)
Change in prepaid expenses	-	7,072	(623)
	-	6,704	(845)
Change in net financial assets	(15,962)	37,387	38,396
Net financial assets, beginning of year	235,139	235,139	196,743
Net financial assets, end of year	\$ 219,177	\$ 272,526	\$ 235,139

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

THE CORPORATION OF THE CITY OF LONDON
Consolidated Statement of Cash Flows
For the year ended December 31, 2017, with comparative information for 2016

(all dollar amounts in thousands of dollars)

	2017	2016
Cash provided by (used in)		
Operating Activities		
Annual surplus	\$ 166,359	\$ 166,940
Items not involving cash		
Amortization of tangible capital assets	162,828	154,373
Developer contributions of tangible capital assets	(36,759)	(37,474)
Loss (gain) on disposal of tangible capital assets	(1,166)	4,062
Change in employee benefits payable	5,699	(3,660)
Change in landfill closure and post-closure liability	2,255	875
Equity in earnings of government business enterprises and partnerships	(13,785)	(11,961)
Amortization of debenture discount	(13)	67
Change in non-cash assets and liabilities		
Taxes receivable	2,656	(382)
Other receivables	(11,960)	(2,869)
Land held for resale	(383)	(1,720)
Accounts payable and accrued liabilities	(9,990)	25,903
Deferred revenue	58,287	51,163
Accrued interest on long-term debt	373	(112)
Urban works payable	572	(4,003)
Inventories of supplies	(368)	(222)
Prepaid expenses	7,072	(623)
Net change in cash from operating activities	331,677	340,357
Capital Activities		
Proceeds from sale of tangible capital assets	15,458	4,725
Acquisition of tangible capital assets	(274,401)	(252,709)
Net change in cash from capital activities	(258,944)	(247,984)
Investing Activities		
Net decrease (increase) in investments	5,650	(104,822)
Repayment of loans receivable	387	377
Repayment of promissory note receivable from government business enterprises and partnerships	803	754
Dividends from London Hydro Inc. (Note 6 (a)(v))	5,000	10,000
Net change in cash from investing activities	11,939	(93,573)
Financing Activities		
Long-term debt issued	38,915	26,895
Long-term debt repayments	(49,361)	(48,422)
Repayments of long-term liabilities	(2,815)	(2,810)
Repayments of capital lease obligations	(1,182)	(1,454)
Net change in cash from financing activities	(14,443)	(25,791)
Net change in cash and cash equivalents	70,230	(26,991)
Cash and cash equivalents, beginning of year	330,273	357,264
Cash and cash equivalents, end of year	\$ 400,503	\$ 330,273

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

The Corporation of the City of London (the "Corporation") is a municipality in the Province of Ontario incorporated in 1855 and operates under the provisions of the Municipal Act, 2001.

1. Significant Accounting Policies

The consolidated financial statements of the Corporation are prepared by management, in accordance with Canadian public sector accounting standards as defined in the Chartered Professional Accountants (CPA) of Canada Public Sector Handbook – Accounting. Significant accounting policies are as follows:

a) Basis of Consolidation

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the Corporation and include all organizations that are accountable to the Corporation for the administration of their financial affairs and resources and are owned or controlled by the Corporation except for the Corporation's government business enterprises or partnerships which are accounted for on the modified equity basis of accounting.

(i) Consolidated Entities

The following local Boards or Commissions are consolidated:

Argyle Business Improvement Area Board of Management
London Public Library Board
Covent Garden Market Corporation
Eldon House
Housing Development Corporation, London
London & Middlesex Housing Corporation
London Convention Centre Corporation
London Downtown Business Association
London Police Services Board
London Transit Commission
Museum London
Old East Village Business Improvement Area
Public Utility Commission

The transactions and balances between the Corporation and the related boards have been eliminated.

(ii) Equity Accounting

Government business enterprises are accounted for by the modified equity method. Under the modified equity method, the accounting principles of government business enterprises are not adjusted to conform to the Corporation's accounting principles and inter-organizational transactions and balances are not eliminated. However, inter-organizational gains and losses are eliminated on assets remaining with the government reporting entities at the reporting date. The Corporation recognizes its equity interest of the government business enterprises' income or loss in its consolidated statement of operations with a corresponding increase or decrease in its investment account. All dividends received will be reflected as reductions in the investment account.

The government business enterprises and partnerships during the year were:

London Hydro Inc.
Fair-City Joint Venture
City-YMCA Joint Venture

(iii) Proportionate Consolidation

The Lake Huron and Elgin Area Water Boards have been consolidated on a proportionate basis, based upon the water flow used by the Corporation in proportion to the entire flows provided by the joint water boards.

Middlesex-London Health Unit is consolidated on a proportionate basis based upon a percentage of grant money provided by the Corporation in comparison to grant money provided by the Province of Ontario and the County of Middlesex.

(iv) Accounting for School Board Transactions

Although the Corporation collects taxation on behalf of the School Boards, the assets, liabilities, revenues and expenses, relating to the operations of the school boards are not reflected in these consolidated financial statements.

During the year, **\$139,797** of taxation was collected on behalf of school boards (2016 - \$137,094) and remitted to the school boards during the year.

(v) Trust Funds

Trust funds and their related operations administered by the Corporation are not included in these consolidated financial statements, as they are reported on separately in the Trust Fund Statement of Continuity and Balance Sheet.

Total net assets of Trust Funds administered by the Corporation amounted to **\$4,344** (2016 - \$4,300).

b) Basis of Accounting

(i) Accrual Accounting

Revenues and expenses are reported on the accrual basis of accounting. Revenues are recognized as they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(ii) Deferred Revenue

The Corporation receives contributions pursuant to legislation, regulations or agreements that may only be used for certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

(iii) Land Held For Resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing.

(iv) 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 of the tangible capital assets, excluding land, is amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful Life – Years
Landfill and improvements	5 – 60
Buildings and building improvements	15 – 40
Leasehold improvements	Lease term
Machinery, equipment and furniture	5 – 15
Vehicles	5 – 7
Water infrastructure	15 – 100
Roads infrastructure	10 – 60
Computers	3, 4 & 8
Computers under capital lease	3

Amortization is charged using the half year rule 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.

ii) Contributions of tangible capital assets

Tangible capital assets received as contributions related to water, wastewater infrastructure, roads infrastructure and land are recorded at their estimated fair value at the date they are assumed by the Corporation and are also recorded as revenue.

iii) Works of art and cultural and historic assets

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

iv) Interest capitalization

The Corporation does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

v) Leased tangible capital assets

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

vi) Inventories of supplies

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

(v) Budget Figures

London City Council completes separate budget reviews for tax supported operating and capital, as well as, water and wastewater budgets each year. Budget figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by the Public Sector Accounting Board ("PSAB"), certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

(vi) Use of Estimates

The preparation of these consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the year. These estimates and assumptions, including employee benefits payable, taxation assessment appeals, legal claims provisions, landfill closure and post-closure liabilities, the valuation of tangible capital assets and their related useful lives and amortization and liabilities for contaminated sites, are based on management's best information and judgment and may differ significantly from future actual results.

c) Government Transfers

(i) Revenues

Government transfer revenue is recorded once it is authorized by the transferring government, the Corporation is eligible to receive the transfer and the amount can be reasonably estimated. Any amount received but restricted is recorded as deferred revenue in accordance with Section 3100 of the Canadian public sector accounting handbook and recognized as revenue in the period in which the resources are used for the purpose specified.

Government transfers include amounts received for the social assistance program. Funding ratio can vary from 80% to 100% of program costs depending on social service program and on the Provincial Upload Schedule for the Ontario Works program. Social service administration funding covers 50% of certain administration costs. The Social Housing program funding is approximately 20% of costs of the program.

In addition, the Corporation periodically receives senior government capital funding in the form of infrastructure grants and receives ongoing funding from both senior levels of government as a result of an allocation of gas tax funds.

(ii) Expenses

External transfers from the Corporation are recorded as expenses when eligibility criteria have been met by the recipient and the amount can be reasonably estimated. This includes payments issued to individuals eligible under the Ontario Works Act and Day Nurseries Act as well as funding to contracted local social services agencies, Child Care providers and Housing Providers that deliver services in accordance with legislation and local program policies.

d) Tax Revenues

In 2017 the Corporation received **\$581,481** (2016 - \$558,957) in property tax revenues for municipal purposes. The authority to levy and collect property taxes is established under the Municipal Act, 2001, the Assessment Act, the Education Act, and other legislation.

The amount of the total annual property tax levy is determined each year through Council's approval of the annual operating budget. Municipal tax rates are set annually by Council for each class or type of property, in accordance with legislation and Council-approved policies, in order to raise the revenues required to meet operating budget requirements. Education tax rates are established by the Province each year in order to fund the costs of education on a Province-wide basis.

Taxation revenues are recorded at the time tax billings are issued. Additional property tax revenue can be added throughout the year, related to new properties that become occupied, or that become subject to property tax, after the return of the annual assessment roll used for billing purposes. The Corporation may receive supplementary assessment rolls over the course of the year from the Municipal Property Assessment Corporation that identify new or omitted assessments. Property taxes for these supplementary/omitted amounts are then billed according to the approved tax rate for the property class.

Taxation revenues in any year may also be reduced as a result of reductions in assessment values arising from assessment and/or tax appeals. Each year, an amount is identified to cover the estimated amount of revenue loss attributable to assessment appeals, tax appeals or other deficiencies in tax revenues (e.g., uncollectible amounts, write-offs, etc.).

e) Financial Instruments

The Corporation's financial instruments consist of cash and cash equivalents, accounts receivables, investments, loans receivable, accounts payable and accrued liabilities, long-term debt, long-term liabilities and urban works payable. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency, or credit risks arising from these financial instruments.

f) Investments

Investments are recorded at amortized cost less any amounts written off to reflect a permanent decline in value. Investments consist of authorized investments pursuant to provisions of the Municipal Act and comprise government and corporate bonds, debentures, pooled investment funds and short-term instruments of various financial institutions. Investments with original maturity dates greater than 90 days are classified as investments in the consolidated statement of financial position.

Investment income earned on available current funds, reserves and reserve funds (other than obligatory funds) are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue balances.

g) Contaminated sites:

Contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard.

A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of the following criteria are met:

- (i) an environmental standard exists
- (ii) contamination exceeds the environmental standard
- (iii) the organization is directly responsible or accepts responsibility for the liability
- (iv) future economic benefits will be given up, and
- (v) a reasonable estimate of the liability can be made.

h) Employee Benefits Payable

The Corporation provides employee benefits including sick leave, benefits under the Workplace Safety and Insurance Board ("WSIB") Act, life insurance and extended health and dental benefits for early retirees which will require funding in future periods.

There are also contributions to a multi-employer, defined benefit pension plan, OMERS, which are expensed when contributions are made.

The costs of termination benefits and compensated absences are recognized when the event that obligates the Corporation occurs. Costs include projected future income payments, healthcare continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis.

The costs of other employee benefits are actuarially determined using the projected benefits method pro-rated on service and management's best estimate of retirement ages of employees, salary escalation and expected health costs.

Past service costs from plan amendments related to prior period employee services are accounted for in the period of the plan amendment. The effects of a gain or loss from settlements or curtailments are expensed in the period they occur. Net actuarial gains and losses related to the employee benefits are amortized over the average remaining service life of the related employee group. Employee future benefit liabilities are discounted at the Corporation's cost of borrowing using estimated rates for debt with maturities similar to expected benefit payments in the future. The costs of workplace safety and insurance obligations are actuarially determined and are expensed immediately in the period the events occur.

i) Loan Guarantees

Periodically the Corporation provides loan guarantees on specific debt held by related authorities not consolidated in the Corporation's financial statements. Loan guarantees are accounted for as contingent liabilities and no amounts are accrued in the consolidated financial statements of the Corporation until the Corporation considers it likely that the borrower will default on the specified loan obligation. Should a default occur the Corporation's resulting liability would be recorded in the consolidated financial statements.

j) Environmental Provisions

The Corporation has a formal environmental assessment and reclamation program in place to ensure that it complies with environmental legislation. The Corporation provides for the cost of compliance with environmental legislation when costs are identified and can be reasonably measured.

k) Provision for Landfill Rehabilitation

The *Ontario Environmental Protection Act* sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of landfill sites. This requirement is being provided for over the estimated remaining life of the landfill sites based on usage, and is funded through tipping fees. The annual provision is reported as an operating expense, and the accumulated provision is reported as a liability on the consolidated statement of financial position.

l) Accumulated Surplus

Accumulated surplus represents the Corporation's net economic resources. It is an amount by which all assets (financial and non-financial) exceed liabilities. An accumulated surplus indicates that the Corporation has net resources (financial and physical) that can be used to provide future services. An accumulated deficit means that liabilities are greater than assets.

m) Future Accounting Changes

(i) Related Party Disclosures

PSAB issued Section PS2200 Related Party Transactions which defines related party and provides disclosures requirements. Related parties could be either an entity or an individual. Related parties exist when one party has the ability to control or has shared control over another party. Individuals that are key management personnel or close family members may also be related parties.

Disclosure is only required when the transactions or events between related parties occur at a value different from what would have been recorded if they were not related and the transactions could have a material financial impact on the consolidated financial statements. Material financial impact would be based on an assessment of the terms and conditions underlying the transaction, the financial materiality of the transaction, the relevance of the information and the need for the information to enable the users to understand the financial statements.

This standard also specifies the information required to be disclosed including the type of transactions, amounts classified by financial statement category, the basis of measurement, and the amounts of any outstanding items, any contractual obligations and any contingent liabilities. The standard also requires disclosure of related party transactions that have occurred where no amounts has been recognized.

This standard is effective for fiscal periods beginning on or after April 1, 2017. In conjunction with the approval of this standard, PSAB approved the withdrawal of Section PS4260, Disclosure of Related Party Transactions by Not-for-Profit Organizations, effective for fiscal periods beginning on or after April 1, 2018. Government not-for-profit organizations currently applying Section PS4260, will therefore only be required to adopt the new standard in their fiscal period beginning on or after April 1, 2018.

The Corporation has not yet determined what, if any, financial reporting implications may arise from this standard.

(ii) Inter-entity Transactions

PSAB issued Section PS3420 Inter-entity Transactions that specifies how to account for transactions between public sector entities within the government reporting entity. This standard relates to the measurement of related party transactions for both the provider and the recipient and includes a decision tree to support the standard. Transactions are recorded at carrying amounts with the exception of the following:

- Transactions in the normal course of business are recorded at exchange amount
- Transactions with fair value consideration are recorded at exchange amount
- Transfer of an asset or liability at nominal or no consideration is recorded by the provider at carrying amount and the recipient has the choice of either carrying amount or fair value.
- Cost allocations are reported using the exchange amount and revenues and expenses are reported on a gross basis.
- Unallocated costs for the provision of goods or services may be recorded by the provider at cost, fair value or another amount dictated by policy, accountability structure or budget practice

This standard is effective for fiscal periods beginning on or after April 1, 2017. In conjunction with the approval of this standard, PSAB approved the withdrawal of Section PS4260, Disclosure of Related Party Transactions by Not-for-Profit Organizations, effective for fiscal periods beginning on or after April 1, 2018. Government not-for-profit organizations currently applying Section PS4260 will therefore only be required to adopt the new standard in their fiscal period beginning on or after April 1, 2018.

The Corporation has not yet determined what, if any, financial reporting implications may arise from this standard.

(iii) Foreign Currency Translation

PSAB released a revised standard related to *Foreign Currency Translation* (PS 2601). The standard has been deferred and applies to all local governments for fiscal years beginning on or after April 1, 2021. The standard requires exchange rates to be adjusted to the rate in effect at the financial statement date for monetary assets and liabilities denominated in foreign currency and non-monetary items included in the fair value category. Gains and losses yet to be settled are presented in the statement of re-measurement gains and losses. Gains and losses on long-term monetary assets and liabilities are amortized over the remaining term of the item. The Corporation has not yet determined what, if any, financial reporting implications may arise from this standard.

(iv) Financial Instruments

PSAB released a standard related to *Financial Instruments* (PS 3450). The standard has been deferred and applies to all local governments for fiscal years beginning on or after April 1, 2021. The standard applies to all types of financial instruments (primary and derivatives). In the year that the standard is adopted, Foreign Currency Translation (PS 2601) must also be adopted. The new standard requires equity and derivative instruments be measured at fair value, with changes in value being recorded in a statement of re-measurement gains/losses. The standard gives the option of cost/amortized cost vs. fair value for remaining instruments, which is elected upon by the government organization. The Corporation has not yet determined what, if any, financial reporting implications may arise from this standard.

2. Cash and Cash Equivalents

	2017	2016
Cash on deposit	\$ 355,155	\$ 300,161
Cash equivalents	45,348	30,112
	\$ 400,503	\$ 330,273

Cash equivalents are comprised mainly of term deposits with original maturities of 90 days or less and are recorded at cost.

3. Taxes Receivable

Taxes receivable are reported net of allowance for doubtful accounts. As at December 31, 2017, the balances are as follows:

	2017	2016
Taxes receivable	\$ 27,377	\$ 29,181
Penalties and interest	1,560	2,207
Allowance for doubtful accounts	(6,563)	(6,358)
	\$ 22,374	\$ 25,030

4. Investments

Investments are comprised of the following:

	2017		2016	
	Cost	Market Value	Cost	Market Value
Pooled investment funds	\$ 3,253	\$ 4,021	\$ 2,970	\$ 3,590
Government fixed income	113,277	111,967	113,009	111,499
Corporate fixed income	293,618	294,666	320,028	323,314
Asset backed securities	124,904	123,367	106,309	106,431
Other investments	2,186	2,186	572	572
	\$537,238	\$536,207	\$542,888	\$545,406

5. Loan Receivable

	2017	2016
Subordinate Loan – City of London Arena Trust	\$ 24,393	\$ 24,780

The Corporation previously transferred a capital asset to the City of London Arena Trust, in return for a subordinate loan. This investment is secured by a mortgage charge and assignment of the borrower's interest in the Ground Lease of the Budweiser Gardens building, an assignment of the borrower's interest in the Participatory Occupancy Lease, a general assignment of all present and future subleases, a security interest in the Capital Repair Fund, and a security interest in the trust fund. Repayments vary and are based on an available cash flow calculation within the 50 year agreement. During the year, **\$387** (2016 - \$377) was received as a payment on the loan.

6. Investment in Government Business Enterprises and Partnerships

The Corporation holds a 100% interest in London Hydro Inc., a 41.4289% (2016 – 44.2859%) interest in the Fair-City Joint Venture Partnership and a 73.432% interest in the City-YMCA Joint Venture Partnership based upon investments as follows:

		2017	2016
London Hydro Inc.	a)	\$159,833	\$150,781
Fair-City Joint Venture Partnership	b)	5,196	5,867
City-YMCA Joint Venture Partnership	c)	15,948	16,446
		\$180,977	\$173,094

a) Investment in London Hydro Inc.

The following table provides condensed supplementary financial information reported separately by London Hydro Inc.:

	2017	2016
Financial Position		
Current assets	\$ 82,519	\$ 90,368
Capital assets	306,167	286,319
Total assets	388,686	376,687
Regulatory balances	5,832	6,550
Total assets and regulatory balance	394,518	383,237
Current and other liabilities	62,417	70,720
Deferred revenue	29,955	23,744
Post-employment benefits	15,213	14,481
Long-term debt	118,826	111,130
Total liabilities	226,411	220,075
Regulatory balances	8,274	12,381
Total liabilities and regulatory balances	234,685	232,456
Net assets	\$ 159,833	\$ 150,781
	2017	2016
Results of Operations		
Revenues	\$ 448,758	\$ 506,561
Operating expenses	(433,720)	(482,976)
Other income (expenses)	23	(1,522)
Income tax expense	4,553	3,979
Net movement in regulatory balances	3,544	(5,911)
Net earnings	14,052	12,173
Dividends	(5,000)	(10,000)
Net assets, beginning of year	150,781	148,608
Net assets, end of year - Investment in London Hydro Inc.	\$ 159,833	\$ 150,781

i) Regulated Business Operations and Distribution Rates

London Hydro Inc. ("the Company") is a wholly-owned subsidiary company of the Corporation and delivers regulated electricity and related energy services to the inhabitants of the City of London.

The Company is regulated by the Ontario Energy Board ("OEB"), under the authority granted by the *Ontario Energy Board Act, 1998*. The OEB has responsibility to set just and reasonable distribution rates and thereby approves all of the Company's distribution and ancillary rates. The Company's distribution revenue is determined by applying those regulated rates to customers and their consumption of electricity in the Company's distribution territory, as established by its distribution license granted by the OEB.

ii) Regulatory Balances

The Ontario Energy Board allows distribution companies to recover amounts incurred for certain transitional costs as well as certain costs associated with the discretionary metering activities under the Provincial Smart Meter Program which have been authorized to be recovered through the rates. Net regulatory debit balances for 2017 totalled **\$5,832** (2016 - \$6,550). Net regulatory credit balances for 2017 totalled **\$8,274** (2016 - \$12,381).

iii) Commitments

The Company has provided **\$6,600** (2016 - \$6,600) in bank standby letters of credit to the independent Electricity System Operator, as required by regulation.

The Company has vendor commitments in connection with projects of **\$23,200** (2016 - \$4,600).

The Company has committed to operating lease agreements with future minimum non-cancellable annual lease payments of **\$1,126** (2016 - \$1,314).

iv) Credit Facilities

The Company has an uncommitted operating revolving line of credit facility of \$40,000. As at December 31, 2017 the amount drawn under this facility was nil (2016 - nil).

The Company has a committed 364 day extendable operating revolving loan facility of \$30,000. The amount drawn under this facility was **\$30,000** (2016 - \$20,000). The \$30,000 loan was repaid subsequent to year end with additional borrowing of \$40,000 obtained February 1, 2018.

The Company has an interest rate swap agreement for an unsecured loan in the amount of \$85,000. Interest only payments are due quarterly and commenced December 2014. The principal is due at maturity. The agreement is a fixed rate swap and matures June 2022.

The Company has an interest rate swap agreement for an unsecured loan to fund its Smart Meter capital expenditure program. Principal repayments on this loan commenced in October 2010 and are being amortized over a 9 year period ending August 2019. The agreement is a fixed rate swap and the balance outstanding at December 31, 2017 is **\$3,826** (2016 - \$6,130).

At December 31, 2017, the Company would be required to pay **\$900** (2016 - \$4,400) if it wished to cancel the swap agreements.

v) Related Party Transactions

The Corporation has contracted with London Hydro Inc. to provide billing and collection services for water and wastewater charges on a cost recovery basis. Expenses for the year were **\$4,431** (2016 - \$4,394) and are included on the consolidated statement of operations. At December 31, 2017, the Corporation has a receivable of **\$13,319** (2016 - \$16,148) for water and wastewater charges collected by London Hydro Inc. Miscellaneous receivables of **\$212** (2016 - \$344) are also outstanding at year end.

The Corporation, on behalf of the Public Utility Commission, charged London Hydro Inc. rent, totalling **\$100** (2016 - \$100). The Corporation received **\$5,000** (2016 - \$10,000) in dividend payments, which were recorded as a reduction in the investment in government business enterprises.

vi) International Financial Reporting Standards (“IFRS”)

The Company’s financial statements have been prepared in accordance with IFRS.

b) Fair-City Joint Venture Partnership

The following table provides condensed supplementary financial information reported separately by the Fair-City Joint Venture Partnership:

	2017	2016
Financial Position		
Current assets	\$ 1,829	\$ 1,890
Capital assets	11,755	11,799
	13,584	13,689
Accrued liabilities	2,035	1,735
Deferred capital contributions	3,152	3,285
Long-term debt	4,518	5,339
Total liabilities	9,705	10,359
Net Assets	\$ 3,879	\$ 3,330
Results of Operations		
Revenues	\$ 3,883	\$ 4,069
Operating expenses	3,325	3,422
Net earnings	558	647
Net earnings available to the Corporation	231	287
Distribution for employee future benefit re-measurements	(4)	(39)
Corporation’s portion of earning retained in Joint Venture	227	248
Corporation’s investment in Fair-City Joint Venture’s net assets, beginning of year	1,475	1,306
Adjustment due to change in Corporation’s share during year	(95)	(79)
Corporation’s investment in Fair-City Joint Venture’s net assets, end of year	1,607	1,475
Promissory note due to the Corporation	3,589	4,392
Investment in Fair-City Joint Venture Partnership	\$ 5,196	\$ 5,867

i) On September 1, 2000, the Corporation entered into a joint venture with the Western Fair Association, to construct and operate a four-pad arena complex. The joint venture is in the form of a partnership, referred to as the Fair-City Joint Venture and the investment is held in the Civic Investment Reserve Fund.

In return for a contribution of **\$5,000** and a twenty-year loan of **\$12,000**, the Corporation received an initial equity interest of 50% of the partnership. However, once the partnership prepaid **\$5,000** of the above-noted loan, and for every \$1,000 repayment thereafter, the Corporation’s equity interest will decrease by 2.857% until the loan is completely repaid and the equity interest has decreased to 30%. During the first five years of operation, 100% of profits from the joint venture were paid to the Western Fair Association.

During the year, the repayment threshold was met resulting in the Corporation's equity interest decreasing to 41.4289% (2016 – 44.2859%). The Venturers agreed to apply the charge prospectively to the first day in the year that the threshold was met and to each year thereafter that subsequent repayment thresholds are met. In the current year **nil** (2016 - nil) of profit was available and distributed to the Corporation.

- ii) The Corporation also has an Ice Rental Agreement with the Fair-City Joint Venture Partnership for 240 hours per year. **\$1,800** was paid for ice rental in 2017 (2016 - \$1,782) which was recorded as an expense in the consolidated statement of operations.

c) City-YMCA Joint Venture Partnership

The following table provides condensed supplementary financial information reported separately by the City-YMCA Joint Venture Partnership:

	2017	2016
Financial Position		
Capital assets	\$ 27,135	\$ 27,135
Accumulated amortization	(5,419)	(4,741)
Net Assets	\$ 21,716	\$ 22,394
	2017	2016
Results of Operations		
Amortization of capital assets	\$ 678	\$ 678
Net loss	(678)	(678)
Net assets, beginning of year	22,394	23,072
Net assets, end of year	21,716	22,394
Corporation's portion of net assets	15,948	16,446
Investment in City-YMCA Joint Venture Partnership	\$ 15,948	\$ 16,446

The Corporation entered into a joint venture agreement with the YMCA of Western Ontario (YMCA) in April 2009 to construct and operate the Stoney Creek Community Centre.

The Corporation was responsible for contributing the land, contributing costs related to construction of the building and running the construction project. The YMCA was responsible for contributing costs related to construction of the building. The Corporation's contributed share of the project was \$19,929 or 73.432%.

Construction of this facility was completed in October 2010.

The Joint Venture Partnership has entered into a 40 year lease with the YMCA. The basic annual rent to be paid to the Joint Venture Partnership by the YMCA is nominal. The Joint Venture Partnership does not earn any other type of revenue. In accordance with the lease agreement, the Joint Venture Partnership is not responsible for any costs, expenses or outlays relating to the premises. All capital and operating costs are the responsibility of the tenant, the YMCA.

At the end of the 40 year lease term, the Joint Venture Partnership will transfer the land and building representing the facility to the YMCA for consideration of nil. The transfer of the land and building will result in the dissolution of the Joint Venture Partnership in 2049.

7. Deferred Revenue

Deferred revenue on the consolidated statement of financial position is comprised of the following:

	2017	2016
Funds deferred to future periods for specific purposes by legislation, regulation or agreement:		
Development Charges Act		
- Recreation and transit	\$ 23,473	\$ 18,531
- Capital infrastructure	197,945	148,412
Federal and Provincial gas tax	59,086	56,897
Recreational land (The Planning Act)	2,600	2,793
Capital infrastructure for cultural services	3,831	3,761
	286,935	230,394
Other deferred revenue:		
Subsidy advances from Provincial Ministries for future periods	17,860	15,434
Prepaid deposits	380	277
Prepayment of recreation programs, facility rentals, memberships	2,154	1,903
Vacancy rebate allowances	2,764	2,763
Boards and commissions	6,730	7,786
Other deferred revenues	220	207
	\$317,043	\$258,756

8. Long-term Liabilities

The Corporation has committed to provide capital grants to Fanshawe College. Capital grants are subject to annual budget approval and are generally not liabilities, however, the Corporation has committed to these multi-year grants in advance and therefore these amounts are included in long-term liabilities.

	Last year of obligation	2017	2016
Fanshawe College	2022	\$ 9,800	\$ 12,200
OMEX Insurance	2021	300	706
Elgin Area Landowner Compensation	2017	-	9
		\$ 10,100	\$ 12,915

9. Long-term Debt

Provincial legislation restricts the use of long-term debt to financing capital expenses only. Provincial legislation allows the Corporation to issue debt on behalf of school boards, other local boards, municipal enterprises and utilities. The responsibility of raising amounts to service these liabilities lies with the respective organization. The debt is a joint and several obligation of the Corporation and the respective organization.

a) Long-term debt is as follows:

	2017	2016
Long-term debt issued by the Corporation at various rates of interest ranging from 0.80% to 5.88% (2016 – 0.80% to 5.88%), with maturity dates ranging from August, 2018 to March, 2027,	\$236,595	\$229,673
Long-term debt issued by Infrastructure Ontario programs at various rates of interest ranging from 2.45% to 4.44% (2016 – 2.45% to 4.44%), with maturity dates ranging from November, 2018 to March, 2030,	63,533	78,119
Long-term debt issued to Canada Mortgage and Housing Corporation at an interest rate of 3.23%, with a maturity date of March, 2021,	6,957	8,563
Long-term debt issued to the Federation of Canadian Municipalities (FCM), as Trustee for the Green Municipal Fund, at various rates of interest ranging from 2.00% to 2.25% (2016 – 2.00%), with maturity dates from April, 2026 to May, 2032,	4,160	4,528
Long-term debt, assumed by unconsolidated local Boards, other municipalities, municipal enterprises and utilities	(9,270)	(8,462)
Total long-term debt	301,975	312,421
Less: Unamortized debenture discount	(1,460)	(1,447)
Net long-term debt	\$300,515	\$310,974

Principal repayments are summarized as follows:

Recoverable from	2018	2019	2020	2021	2022	Beyond	Total
General	\$30,384	\$27,821	\$26,450	\$23,685	\$18,606	\$37,898	\$164,844
Water	2,930	2,551	2,605	2,660	2,475	5,706	18,927
Sewer	8,305	8,405	8,371	8,057	4,911	17,502	55,551
Discretionary	4,203	4,322	4,453	2,034	2,096	1,656	18,764
Obligatory	5,807	5,905	6,010	6,123	4,964	15,080	43,889
	\$51,629	\$49,004	\$47,889	\$42,559	\$33,052	\$77,842	\$301,975

b) Total charges which are included in the consolidated statement of operations are as follows:

	2017	2016
Interest on long-term debt	\$ 9,404	\$ 10,005
Amortization of debenture discount	245	230
Interest on capital lease obligations	49	68
	\$ 9,698	\$ 10,303

10. Capital Lease Obligations

	2017	2016
2017	\$ -	\$ 979
2018	802	390
2019	462	54
2020	310	-
2021	256	-
2022	111	-
Minimum lease payments	1,941	1,423
Less amount representing interest at 3.25% (2016 – 3.25% - 3.75%)	106	42
Present value of net minimum capital lease payments	\$ 1,835	\$ 1,381

11. Urban Works Payable

The Corporation operates a system of funding developer claims for construction of infrastructure works. The claimable works generally benefit areas beyond the boundaries of the subdivision or development which triggers the requirement for the works, and the cost of these works are shared through development charge collections administered by the Corporation through the Urban Works Reserve Fund (the "Fund").

Claims are subject to approval by the Corporation. Payment of approved claims are further subject to annual limits, and are only payable when sufficient funds have been accumulated to liquidate claims. Liquidation of approved claims may be delayed indefinitely, until sufficient funds have accumulated to allow for their settlement.

As at December 31 of each year, the value of all completed work is recognized as a liability in the consolidated statement of financial position. Repayment of this liability remains subject to all of the rules of the Fund, including a reliance on development charges received as the source for repayment. Payments for the infrastructure projects are made from both the Urban Works Reserve Fund and the Urban Works Storm Management Reserve Fund. At December 31, there is **\$4,278** (2016 - \$1,136) in the Urban Works Reserve Fund and **\$4,542** (2016 - \$3,357) in the Urban Works Storm Water Management Reserve Fund to fund this liability.

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Year ended December 31, 2017

The Urban Works liability represents works as at December 31, with completion status as follows:

	2017	2016
In excess of the upper limit	\$ 494	\$ 1,667
Completed but no claim received	3,332	1,587
	\$ 3,826	\$ 3,254

The continuity breakdown is as follows:

		Roads	Sanitary Sewers	Storm Sewer	Storm Water	Total
Urban Works Payable	Dec 31, 2015	\$ 2,084	\$ 2,029	\$ 484	\$ 2,660	\$ 7,257
Expenses :						
Value of construction work completed	2016	681	(391)	95	541	926
Payments :						
From Urban Works Reserve Funds	2016	(1,712)	(1,446)	(325)	(1,446)	(4,929)
Urban Works Payable	Dec 31, 2016	1,053	192	254	1,755	3,254
Expenses :						
Value of construction work completed	2017	682	(159)	-	1,976	2,499
Payments :						
From Urban Works Reserve Funds	2017	(614)	-	-	(1,313)	(1,927)
Urban Works Payable	Dec 31, 2017	\$ 1,121	\$ 33	\$ 254	\$ 2,418	\$ 3,826

The estimated future repayments of developer claims are as follows:

2018	\$ 3,517
2019	189
2020	120
Total	\$ 3,826

12. Employee Benefits Payable

Employee future benefits are liabilities of the Corporation to its employees and early retirees for benefits earned but not taken as at December 31. Details are as follows:

		2017	2016
Post-employment and post-retirement benefits	a)	\$ 89,764	\$ 86,378
Workplace Safety and Insurance Board Obligation	b)	46,710	43,297
Vacation credits	c)	16,187	16,300
Vested sick leave benefits	d)	2,213	3,200
		\$154,874	\$149,175

Reserve funds and reserves have been established to partially provide for these employee benefit liabilities. The reserve fund balances at the end of the year are **\$20,404** (2016 - \$18,651), and the reserve balances at the end of the year are **\$70,380** (2016 - \$62,495) to fund these obligations.

a) Post Employment and Post-Retirement Benefits

The Corporation provides benefits, such as health, dental and life insurance to qualified retirees until they reach 65 years of age and provides certain benefits to employees on long-term disability. The liabilities reported in these consolidated financial statements are based on the most recent actuarial valuation prepared as of December 31, 2017.

The significant assumptions used in the actuarial valuations are as follows:

	2017	2016
	%	%
Discount rate	3.25	3.25
Rate of compensation increase	1.90	1.90
Healthcare cost increases	4.00 – 7.00	4.00 - 8.00

The benefit obligation continuity is as follows:

Liability for post-employment and post-retirement benefits:	2017	2016
Accrued benefit obligation, January 1	\$ 79,121	\$ 75,644
Current period benefit cost	4,377	4,208
Retirement interest expense	2,643	2,530
Benefits paid	(3,538)	(3,261)
Accrued benefit obligation, December 31	82,603	79,121
Unamortized actuarial gain (loss)	7,161	7,257
Liability for post-employment and post-retirement benefits	\$ 89,764	\$ 86,378
Post-employment and post-retirement benefits expense:		
Current period benefit cost	\$ 4,377	\$ 4,208
Retirement interest expense	2,643	2,530
Amortization of actuarial (gain) loss	(96)	(96)
Total post-employment and post-retirement benefit expense	\$ 6,924	\$ 6,642

The actuarial loss is amortized over the expected average remaining service life of the related employee group of 13 years (2016 – 13 years).

b) Workplace Safety and Insurance Board Obligation

The Corporation is a Schedule 2 employer under the Workplace Safety and Insurance Act, and as such assumes responsibility for financing its workplace safety insurance costs. The accrued obligation is determined using the estimated value of future benefit costs provided by WSIB and any additional information known to the Corporation about future obligations. All expected future payouts are discounted to December 31, 2017, using an appropriate discount rate.

c) Liability for Vacation Credits

Under the provisions of certain employee vacation plans, some vacation credits are earned as at December 31 but are generally unavailable for use until a later date. In addition, the provisions of certain plans allow the accumulation of vacation credits for use in future periods. The approximate value of these credits as at December 31, 2017 is **\$16,187** (2016 - \$16,300).

d) Liability for Vested Sick Leave Benefits

Under the sick leave benefit plan, certain unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Corporation's employment. The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on termination, amounted to **\$2,213** (2016 - \$3,200) at December 31, 2017. During the year **\$609** (2016 - \$912) was paid to employees who left the Corporation's employment.

Reserve funds and reserves have been established to provide for this past service liability. The reserve funds balance at December 31, 2017 is **\$2,546** (2016 - \$3,107), and the reserves balance is **\$5** (2016 - \$15). An amount of **\$38** (2016 - \$65) has been contributed in the current year.

Only employees of the Corporation which commenced their employment prior to February 1, 1985, Police and Middlesex-London Health Unit employees starting before January 1, 1982, London Middlesex Housing Corporation employees starting before January 1, 2008 and Fire employees starting before January 1, 1991 are entitled to be paid out their balance of accumulated sick time at retirement, which is the balance that makes up this liability.

Anticipated future payments for vested sick leave to employees who are eligible to retire are as follows:

2018	\$ 1,767
2019	268
2020	166
2021	-
2022	3
Thereafter	9
Total	\$ 2,213

e) Pension Agreements

The Corporation makes contributions to the Ontario Municipal Employees' Retirement System Pension Fund (OMERS), which is a multi-employer plan, on behalf of 4,421 (2016 – 4,341) members. The plan is a contributory defined benefit plan which specifies the amount of the retirement benefit to be received by employees based on length of service and rates of pay. Employers and employees contribute jointly to the plan.

Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Corporation does not recognize any share of the OMERS pension surplus or deficit in these consolidated financial statements.

The amount contributed to OMERS for 2017 was **\$32,508** (2016 - \$29,650) for current service. Employer's contributions for current service are included as an expense in the consolidated statement of operations.

13. Landfill Closure and Post-Closure Liability

PSAB Handbook Section 3270: *Solid Waste Landfill Closure and Post-Closure Liability*, sets out the standard for anticipated closure and post-closure costs for existing and closed landfill sites. This liability is the estimated cost to date, based on a volumetric basis, of the expenses relating to those activities required when the site or phase stops accepting waste.

The Sanitary Closure costs include final cover and vegetation, completing facilities for drainage control features, leachate monitoring, water quality monitoring, and monitoring and recovery of gas. Post-closure care activities include all activities related to monitoring the site once it can no longer accept waste, including acquisition of any additional land for buffer zones, treatment and monitoring of leachate, monitoring ground water and surface water, gas monitoring and recovery, and ongoing maintenance of various control systems, drainage systems, and final cover.

The estimated liability for the care of landfill sites is the present value of future cash flows associated with closure and post-closure costs.

Key assumptions in determining the liability at December 31, 2017 for landfills are as follows:

Active (W12A) landfill is expected to reach capacity in 2029	
Remaining capacity of active (W12A) as at December 31, 2017	1.8 million tonnes
Expected closing cost in 2017 dollars	\$1,700
Inflation rate	1.8%
Discount rate	3.25%
Estimated time required for post-closure care - active landfill	75 years
Estimated remaining time required for post-closure care – closed landfills	30 - 40 years

	2017	2016
Active landfill (W12A) closure, site rehabilitation and monitoring obligation	\$ 27,364	\$ 24,906
Closed landfills site rehabilitation and monitoring obligation	9,328	9,531
	\$ 36,692	\$ 34,437

A reserve fund has been established to partially provide for this sanitary landfill site closure and post-closure liability. The reserve fund balance at December 31, 2017 is **\$14,792** (2016 - \$11,935).

The Corporation, with Council approval, has commenced an Individual Environmental Assessment (EA) for the expansion of the W12A landfill site. Work on the undertaking has progressed to the stage of distribution of the Draft Proposed Terms of Reference for comment and review by stakeholders. Successful completion of this EA process will result in extension of the anticipated closure date and an increase in the remaining waste disposal capacity currently assumed in the determination of the liability.

The Corporation anticipates the project to be completed over the next few years and a Ministry decision be reached by 2021.

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14. Tangible Capital Assets

Cost	Balance at December 31, 2016	Additions	Disposals	Balance at December 31, 2017
Land	\$ 416,152	\$ 12,849	\$ 1,959	\$ 427,042
Landfill and land improvements	146,240	7,524	2,841	150,923
Buildings and building improvements	941,242	75,535	9,592	1,007,185
Leasehold improvements	1,824	1,457	38	3,243
Machinery, equipment and furniture	379,194	30,897	7,936	402,155
Vehicles	122,757	19,302	14,760	127,299
Water infrastructure	727,456	24,066	3,727	747,795
Wastewater infrastructure	1,332,949	66,931	4,356	1,395,524
Roads infrastructure	1,238,046	62,110	26,419	1,273,737
Computers	13,982	6,519	3,197	17,304
Computers under capital lease	4,753	1,636	2,241	4,148
Assets under construction	198,662	149,103	145,133	202,632
Total	\$ 5,523,257	\$ 457,929	\$ 222,199	\$ 5,758,987

Accumulated Amortization	Balance at December 31, 2016	Amortization Expense	Amortization Disposal	Balance at December 31, 2017
Land	\$ -	\$ -	\$ -	\$ -
Landfill and improvements	73,518	7,867	2,841	78,544
Buildings and building improvements	425,748	30,101	2,169	453,680
Leasehold improvements	1,147	283	-	1,430
Machinery, equipment and furniture	216,710	27,078	6,287	237,501
Vehicles	72,449	10,301	14,678	68,072
Water infrastructure	228,675	15,582	2,767	241,490
Wastewater infrastructure	421,370	24,147	3,717	441,800
Roads infrastructure	459,192	41,964	24,877	476,279
Computers	7,188	4,238	3,197	8,229
Computers under capital lease	3,219	1,267	2,241	2,245
Assets under construction	-	-	-	-
Total	\$ 1,909,216	\$ 162,828	\$ 62,774	\$ 2,009,270

	Net book value December 31, 2016	Net book value December 31, 2017
Land	\$ 416,152	\$ 427,042
Landfill and land improvements	72,722	72,379
Buildings and building improvements	515,494	553,505
Leasehold improvements	677	1,813
Machinery, equipment and furniture	162,484	164,654
Vehicles	50,308	59,227
Water infrastructure	498,781	506,305
Wastewater infrastructure	911,579	953,724
Roads infrastructure	778,854	797,458
Computers	6,794	9,075
Computers under capital lease	1,534	1,903
Assets under construction	198,662	202,632
Total	\$ 3,614,041	\$ 3,749,717

a) Assets under construction

Assets under construction having a value of **\$202,632** (2016 - \$198,662) have not been amortized. Amortization of these assets will commence when the asset is available for productive use.

In the year that an asset is placed into service, the total cost of the developed asset is transferred to each respective asset category as an addition and removed from assets under construction as a disposal.

b) Contributed Tangible Capital Assets

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is **\$36,759** (2016 - \$37,474) comprised predominantly of roads infrastructure in the amount of **\$10,912** (2016 - \$9,874) and water and wastewater infrastructure in the amount of **\$23,370** (2016 - \$24,003).

c) Tangible Capital Assets Disclosed at Nominal Values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

d) Works of Art and Historical Treasures

The Corporation manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at Corporation sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized in the consolidated financial statements.

e) Write-down of Tangible Capital Assets

There were write-downs of tangible capital assets during the year in the amount of **\$8,078** (2016 - nil).

f) Assets under Shared Control

During 2016, the Corporation entered into a joint venture agreement with the YMCA of Western Ontario (YMCA) and the London Public Library Board (Library). The agreement to construct and operate a multipurpose complex, The Southwest Community Centre, with a total project budget of \$55,366, will include a community centre, recreation centre and public library branch and will feature an indoor pool, double pad arena, gymnasium and community centre space in the southwest area of the City.

Each partner will invest in the project as follows:

- The City proposes to provide \$40,616 (75.13%) including land, plus \$300 for furniture and equipment,
- The YMCA proposes to provide \$9,200 (16.61%), plus \$1,200 for furniture and equipment, and
- The Library proposes to provide \$4,050 (8.26%).

The Library will have a portion of the facility built and designed as a public library. The Library will have exclusive use of its space. The City and Library will pay the YMCA a portion of the common area maintenance costs subject to the terms of the joint venture agreement.

The YMCA will assume all operational and lifecycle maintenance capital costs for the facility with the exception of the dedicated arena and library components through a lease agreement with a term of 40 years.

Title of the land and building will remain with the Corporation. At the end of the term or any mutually agreed upon extension, the Corporation will agree to pay the YMCA and Library an amount equal to their respective partnership interest multiplied by the then fair market value of the partnership.

Preliminary net project costs of **\$37,467** (2016 - \$13,886) incurred to date, have been capitalized under Land and Assets under construction.

Construction of the facility began in July 2016. It is anticipated that this new facility will open to the public in the fall of 2018.

15. Accumulated Surplus

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

	2017	2016
Surplus:		
Invested in tangible capital assets	\$3,783,449	\$3,645,205
Other	(126,750)	(74,354)
Local boards	2,044	1,584
Equity in government business enterprise	180,977	173,094
Unfunded		
Landfill closure and post-closure liability and liability for contaminated sites	(37,542)	(35,737)
Employee benefits payable	(157,249)	(151,398)
Net long-term debt	(281,602)	(287,228)
Total surplus	3,363,327	3,271,166
Reserves set aside by Council		
Working capital	13,219	13,219
Contingencies	111,289	92,286
General operations	35,675	34,267
Total reserves	160,183	139,772
Reserve funds set aside for specific purpose by Council		
Infrastructure renewal	174,271	158,971
Acquisition of vehicles	26,302	24,611
Acquisition of facilities	18,271	15,007
Recreational programs & facilities	382	466
Self-insurance (Note 16b)	13,927	14,203
Sick leave (Note 12d)	2,546	3,107
Industrial over sizing	16,703	17,950
Other purposes	195,330	161,117
Special purpose (Note 18e)	73,113	71,626
Total reserve funds	520,845	467,058
Accumulated surplus	\$4,044,355	\$3,877,996

The Corporation has chosen to reflect items on a gross rather than a net basis. As such the Corporation has reserve funds and reserves to satisfy certain obligations listed as unfunded in the preceding table, as more fully described in notes 12 and 13.

16. Contingent Liabilities

a) Legal Actions

As at December 31, 2017, certain legal actions and other contingent liabilities are pending against the Corporation. The final outcome of the outstanding claims cannot be determined at this time. However management believes that ultimate disposition of these matters will not materially exceed the amounts recorded in these consolidated financial statements.

Estimated costs to settle claims are based on available information and projections of estimated future expenses developed based on the Corporation's historical experience. Claims are reported as an operating expense in the year of the loss, where the costs are deemed to be likely and can be reasonably determined. Claims provisions are reported as a liability in the consolidated statement of financial position.

b) Public Liability and Property Loss Self Insurance

The Corporation and its various Boards and Commissions are jointly self-insured for liability, property and casualty claims for varying amounts ranging up to \$500 for any individual claim.

Insurance is also purchased for claims in excess of these limits to a maximum of \$50,000 for liability claims. The insured and self-insured Boards and Commissions are: Museum London, London Convention Centre Corporation, Covent Garden Market Corporation, London Police Services Board, Middlesex-London Health Unit, London Transit Commission and London & Middlesex Housing Corporation.

The Corporation has made a provision for a reserve fund for self-insurance which as at December 31, 2017 amounted to **\$13,927** (2016 - \$14,203) and is reported in Note 15 of the consolidated financial statements. The contribution for the year of **\$4,703** (2016 - \$5,412) has been reported in the individual revenues on the consolidated statement of operations.

Claims expensed during the year amounting to **\$4,979** (2016 - \$3,811) have been reported with individual expenses on the consolidated statement of operations. The payment of these expenses was funded through the self-insurance reserve fund.

There were unsettled liability claims against the Corporation as at December 31, 2017 to be paid from the self-insurance reserve fund. The probable outcome of these claims cannot be determined at this time.

17. Loan Guarantees

The Corporation has entered into an agreement which guarantees the borrowings of the Grand Theatre up to a maximum of **\$750** (2016 - \$750) in exchange for a mortgage on the land and building of the Grand Theatre.

The Corporation entered into agreements which, under certain conditions, guarantee a \$7,000 loan from the VersaBank, formerly known as the Pacific & Western Bank of Canada, to the trustee of the City of London Arena Trust. The outstanding principal of this loan at December 31, 2017 is **\$2,656** (2016 - \$3,086).

The Corporation has entered into an agreement, which under certain conditions guarantees a \$6,000 leasehold mortgage from the Bank of Montreal to the YMCA of Western Ontario, related to the Stoney Creek Community Centre. The outstanding principal of this loan at December 31, 2017 is **\$2,376** (2016 - \$2,679).

The Corporation has entered into an agreement which, under certain conditions, guarantees to assume the purchase and payment of block power on behalf of the Joint Water Boards. The Corporation has posted performance letters of credit as a condition of its contract in the amount of **\$5,000**. There is no amount outstanding and no anticipated loss from this guarantee.

No amounts have been accrued in the consolidated financial statements of the Corporation with respect to these guarantees, as it is not anticipated at December 31, 2017 that the Corporation will need to make any payments as a result of providing the guarantees.

18. Commitments

- a) Section 474.18 of the Municipal Act, 2001, requires that the Corporation make annual payments to the County of Middlesex for an indefinite period as compensation for the reduction of income due to the dissolution of the London-Middlesex Suburban Roads Commission. The amount paid in 2017 was **\$1,139** (2016 - \$1,283). Payments are based on the base year of 1997 at \$1,000 and are calculated contingent on annual assessment and tax rate increases.
- b) The Corporation has future commitments on the various Rehabilitation Programs, which are programs that allow for future reductions in property taxes. The future commitments are as follows:

2018	\$ 1,994
2019	707
2020	1,085
2021	986
2022	792
Beyond	1,721
Total	\$ 7,285

c) Contractual Obligations

- i) The Corporation is committed to the following fleet and equipment purchases and minimum annual operating lease payments for premises and equipment as follows:

2018	\$ 19,548
2019	8,411
2020	5,378
2021	4,921
2022	2,217
Beyond	9,462
Total	\$ 49,937

- ii) The Corporation has the following outstanding commitments remaining on facilities and infrastructure contracts as at December 31, 2017:

	2017	2016
Roads	\$ 47,230	\$ 20,406
Sanitary Sewer	31,517	29,497
Water	18,155	24,067
Storm Sewer	17,549	6,944
Recreation Facilities	17,085	40,692
General Government	5,347	2,290
Parks	3,240	258
Commercial and Industrial	1,457	1,317
Waste Disposal and Recycling	1,141	679
Fire, Provincial Offences and Emergency Measures	808	2,700
Cultural Facilities	584	1,302
Library Facilities	319	1,139
	\$ 144,432	\$ 131,291

These amounts represent uncompleted portions of contracts, as at December 31, 2017, on major projects. The majority of payments on these outstanding commitments will be made in 2018.

d) Derivatives

The Corporation has the following derivative contracts as at December 31, 2017:

- Contract, expiring October 31, 2019, for average daily natural gas purchases of 210 gigajoules, with a remaining contract value of \$598.

These derivative contracts were purchased to provide price certainty for the majority of the Corporation's natural gas needs over the term of the contract. The value of the contract is not reflected as an asset or liability in these consolidated financial statements.

- Contract with one block, negotiated October 22, 2015, with a daily electricity purchase of 24 megawatt hours, covering the period of November 1, 2015 until October 31, 2018, with a remaining contract cost of **\$220** (2016 - \$484).

This derivative contract was purchased to provide price certainty for 15% of the Lake Huron Area Primary Water Supply System's electricity needs over the term of the contract. The value of the contract is not reflected as an asset or liability in these consolidated financial statements.

- e) A promissory note from London Hydro Inc. to the Corporation was assigned to the Public Utility Commission (Commission) subject to several conditions. On November 28, 2014, the promissory note was extinguished through payment by London Hydro to the Corporation.

As part of the transaction, the Corporation and the Commission entered into a Funding Agreement. The agreement ensures that the \$70 million principal will be held by the Corporation on terms consistent with the earlier pledge of undertaking/assignment of the promissory note from the Corporation to the Commission.

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The agreement acknowledges that the Commission has retained ownership of and responsibility for lands contaminated by prior owners with coal tar and that the full \$70 million payment received by the Corporation from London Hydro under the promissory note will be held by the Corporation for the Commission for the following purposes:

- (i) The investigation, remediation and restoration of the affected lands;
- (ii) Any related legal proceedings, including proceedings before any court or administrative tribunal; and
- (iii) The Commission's actual and reasonable administrative and incidental costs related thereto.

The Funding Agreement provides that the Corporation will maintain the principal amount of the \$70 million in a properly managed portfolio in compliance with the Corporation's Investment Policy and the *Municipal Act 2001*. The Corporation will be entitled to use the interest on the funds for its own purposes. The Fund Agreement provides the mechanism where the Commission may request and the Corporation will provide to it funds for the remediation works.

19. Provincial Offences Court Administration and Prosecution

On March 26, 2001, pursuant to Bill 108, the Corporation assumed responsibility for Provincial Offences Court Administration and Prosecution. The Province of Ontario transferred the responsibility for the administration and prosecution of provincial offences in London-Middlesex to the Corporation. This transfer was part of the Province's strategy to realign provincial and municipal roles in the delivery of public services. As a result, the Corporation was required to establish its own administration, prosecution office and courtrooms to deal with charges laid under the Provincial Offences Act.

	2017	2016
Revenues		
Fines	\$ 5,514	\$ 5,597
Transfer payments - provincial	12	-
Total revenues	5,526	5,597
Expenses		
Salary, wages and benefits	1,627	1,451
County share of net revenues	294	285
Occupancy costs	322	339
Provincial government cost recovery	468	577
Administration costs	1,127	1,187
Equipment and maintenance	182	218
Total expenses	4,020	4,057
Excess of revenues over expenses	\$ 1,506	\$ 1,540

These results comprise part of the other revenue and protection to persons and property expenses that are included in the consolidated statement of operations.

20. Budget Data

Budget data presented in these consolidated financial statements is based upon the 2017 operating budget approved by Council. Adjustments were required to convert the budget from a cash basis to a full accrual basis. These adjustments include revenues and expenses which were budgeted in the capital budget, contributed assets recognized as revenues and amortization expense as well as Board and Commissions budget figures. The adjustments have been reduced for capital assets budgeted in operations. Given that certain budget information is not available in full accrual format, the assumption of using budget adjustments that equal the actual full accrual adjustments was used. These full accrual budget estimates are for financial statement presentation only.

The chart below reconciles the approved budget with the budget figures as presented in these consolidated financial statements.

	Total	Tax	Water	Wastewater
Net Budget PSAB Surplus	\$ 167,316	\$ 110,284	\$ 26,015	\$31,017
Public Sector Accounting Board (PSAB) Reporting Requirements:				
Addback (deduct) from Net Budget PSAB Surplus:				
Transfers:				
Transfers to Capital	(78,866)	(41,760)	(19,854)	(17,252)
Transfers from Reserves and Reserve Funds	6,964	6,964	-	-
Transfers to Reserves and Reserve Funds	(88,863)	(52,575)	(10,937)	(25,351)
	(160,765)	(87,371)	(30,791)	(42,603)
Budget Adjustments:				
Government Grants and Subsidies	14,097	14,097	-	-
Expenses related to Government Grants and Subsidies	(9,697)	(9,683)	(14)	-
Debt Principal Repayments	(880)	(880)	-	-
Transfers to Capital	(44)	(44)	-	-
Transfers from Reserves and Reserve Funds	558	558	-	-
Transfers to Reserves and Reserve Funds	(4,034)	(4,048)	14	-
	-	-	-	-
Debt Principal Repayments:	(40,914)	(30,748)	(338)	(9,828)
PSAB Adjustments:				
Capital program funding earned in year	(60,038)	(54,766)	(108)	(5,164)
Capital projects not resulting in capital assets	52,770	35,737	5,608	11,425
Amortization	134,133	76,062	14,412	43,659
Developer contributions - assumed capital assets	(45,354)	(14,701)	(6,229)	(24,424)
Loss on disposal of capital assets	2,493	809	787	897
Obligatory reserve fund deferred revenue earned	(23,899)	(18,319)	(199)	(5,381)
Government Business Enterprises adjustments	(6,196)	(6,196)	-	-
Landfill liability	1,601	1,601	-	-
Employee future benefits liability	8,159	7,529	228	402
	63,669	27,756	14,499	21,414
Boards and Commissions Budget PSAB Surplus	(29,306)	(19,921)	(9,385)	-
Net Surplus per 2017 Approved Budget	\$ -	\$ -	\$ -	\$ -

THE CORPORATION OF THE CITY OF LONDON
Notes to the Consolidated Financial Statements (continued)
Year ended December 31, 2017

	Total	Tax	Water	Wastewater
Net Surplus per 2017 Approved Budget – Comprised of:				
Revenues:				
Property Tax	\$ 556,980	\$ 556,980	-	-
Government Grants and Subsidies	196,283	196,243	-	40
User Fees	212,578	44,780	75,626	92,172
Municipal Revenues – Other	68,517	68,050	154	313
Municipal Revenues – Transfers from Reserves and Reserve Funds	6,406	6,406	-	-
Total Revenues	1,040,764	872,459	75,780	92,525
Expenses:				
Personnel Costs	353,113	328,939	8,948	15,226
Administrative Expenses	12,199	6,322	2,376	3,501
Financial Expenses – Other	11,452	11,381	71	-
Financial Expenses – Interest and Discount on long-term debt	7,612	5,307	68	2,237
Financial Expenses – Debt Principal Repayments	40,034	29,868	338	9,828
Financial Expenses – Transfers to Reserves and Reserve Funds	84,829	48,527	10,951	25,351
Financial Expenses – Transfers to Capital	78,822	41,716	19,854	17,252
Purchased Services	172,012	165,695	3,057	3,260
Materials and Supplies	71,862	35,172	25,739	10,951
Furniture and Equipment	28,963	24,019	1,809	3,135
Transfers	191,755	191,755	-	-
Other Expenses	8,485	1,125	2,693	4,667
Recovered Expenses	(20,374)	(17,367)	(124)	(2,883)
Total Expenses	1,040,764	872,459	75,780	92,525
Net Surplus per 2017 Approved Budget	\$ -	\$ -	\$ -	\$ -

21. Revenues

In the consolidated statement of operations, revenues are grouped by classification for financial presentation purposes. The following is a more detailed breakdown of some of the Corporation's revenue classifications:

	2017	2016
Net municipal taxation and user charges		
Net municipal taxation	\$ 572,396	\$ 549,966
Payments-in-lieu-of-taxes	9,085	8,991
	581,481	558,957
User charges	275,948	269,623
	\$ 857,429	\$ 828,580
Transfer payments		
Operating	\$ 8,003	\$ 2,249
Capital infrastructure	22,962	21,039
Government of Canada - total	30,965	23,288
Conditional – operating	238,907	212,900
Capital infrastructure	6,418	1,480
Province of Ontario - total	245,325	214,380
Other municipalities	5,317	5,292
	\$ 281,607	\$ 242,960
Investment income		
Investment income - operating	\$ 3,659	\$ 3,196
Investment income - reserves and reserve funds	8,508	9,751
	\$ 12,167	\$ 12,947
Other revenues		
Provincial Offences Fines	\$ 5,514	\$ 5,597
Ontario Lottery & Gaming Corporation	4,811	4,544
Other contributions - operating	6,275	9,714
Other contributions - capital	2,882	5,435
Donations	1,387	1,009
Miscellaneous sales	6,542	2,192
	\$ 27,411	\$ 28,491

22. Expenses by Object

The consolidated statement of operations represents the Corporation's expenses by function. The following classifies those same expenses by object.

	2017	2016
Salaries, wages and fringe benefits	\$ 424,156	\$ 399,758
Long-term debt interest charges	9,698	10,303
Materials and supplies	118,217	117,305
Contracted services	126,219	117,071
Rents and financial expenses	38,543	30,366
External transfers	204,208	190,865
Amortization	162,828	154,373
Total expenses by object	\$ 1,083,869	\$ 1,020,041

23. Liability for Contaminated Sites

Under Public Sector Accounting Board Standard PS 3260 *Liability for Contaminated Sites*, the Corporation has identified two sites that have contamination and were not in productive use, as follows:

Reports indicate that remediation will be required and has been estimated at **\$1,239** (2016 – \$1,300). This amount has been recorded as a liability at year end and has been included in accrued liabilities in the consolidated statement of financial position.

24. Segmented Information

The Corporation is a diversified municipal government institution that provides a wide range of services to its citizens, including police, fire, roadways, public transit, water, wastewater, solid waste and recycling, social and community services. For management reporting purposes the Corporation's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

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

a) Protection

Protection is comprised predominantly of the Police Services and Fire departments. The mandate of the Police Services department is to ensure the safety and security of the lives and property of citizens through law enforcement, victims' assistance, public order maintenance, crime prevention and emergency response. The Fire department is responsible for providing proactive fire and injury prevention education programs, comprehensive inspection programs and fire code enforcement. In addition, the department responds to emergency calls for assistance related to fires, rescues, motor vehicle accidents and cardiac medical events as well as calls related to hazardous material incidents, swift water and ice rescue and limited types of technical rescue calls.

b) Transportation Services

Transportation Services are comprised of year-round road maintenance, parking, traffic signals and street lighting. Activities include the maintenance of roadsides defined as sidewalks, walkways,

boulevards and the urban forest. This service is responsible for the operational integrity of the roadway system through year-round surface maintenance and winter maintenance, including snow and ice control. Parking supports the controlled movement of vehicles to benefit London businesses and residents through policy and operational efforts. Traffic signal services provide the planning, design, operation and maintenance of the Corporation's street lights and traffic signal network including a computerized traffic signal control system.

The London Transit Commission serves as an agent for the Corporation responsible for the delivery of public transit services for the residents of the City of London as provided under the City of London Act.

Public transit services include conventional and specialized transit services. Service design, development and delivery for the respective services take their direction from the Corporation's Official Plan, Transportation Plan and London Transit's Long Term Growth Strategy, Ridership Growth Plan, Business Plan and Accessibility Plan.

c) Environmental Services

i) Water and Wastewater Utilities

The Water Utility provides the planning, engineering, operation and maintenance for the Corporation's water infrastructure. Wholesale potable water is purchased from both the Lake Huron and the Elgin Area Primary Water Supply Systems. Services include the planning and engineering to support the delivery of safe, clean, high quality drinking water of sufficient flow and pressure to enhance the quality of life and support economic development for the residents and businesses of London. Operation and maintenance services ensure the reliable delivery of water to all customers and sustainability of a high quality water infrastructure.

The Wastewater Utility provides the planning, engineering, operation and maintenance for the Corporation's wastewater and drainage infrastructure. Services include the operation of pollution control plants and sewage pumping stations for the treatment of sanitary sewage, year-round maintenance of sanitary and storm sewer systems and planning and implementation of capital works to provide new services and improve existing systems. All services are delivered in an environmentally and fiscally responsible manner while maintaining sustainability of the infrastructure.

ii) Solid Waste and Recycling

Solid Waste and Recycling provides solid waste collection services managing the safe and permanent disposal of non-hazardous wastes collected in an environmentally safe process including the management and operation of a landfill site. It also provides a variety of services and projects relating to the Management of Solid Waste for its customers and the citizens and businesses of London. Such services include daily recyclable and waste drop-off, on-site composting, residential/industrial/commercial and city facilities recycling.

d) Health Services

The Middlesex-London Health Unit provides a wide range of public health services in London and Middlesex County. The programs and services are designed to help citizens live a healthy life, free from disease and injury through health promotion and prevention activities. The Health Unit also monitors the air, food and water supply in the community to make sure it is safe and provides services to individuals and communities and advocates for public policies that make the City of London healthier.

Ambulance Services provide medical emergency medical services to the City of London and Middlesex County.

e) Social and Family Services

As the Consolidated Municipal Service Manager, the Community Services Department is legislated to deliver the Province's Ontario Works program to qualified residents within the City of London; homelessness funding to local emergency shelters and administers the distribution of child care fee subsidies to families in need and wage subsidies to local child care agencies.

The Department also delivers Council-directed social services, including the London CARES initiative and the Child and Youth Agenda in partnership with community agencies and groups. The Department operates the Dearness Home long term care facility; an Adult Day Program and Home Help Services.

f) Social Housing

The Housing Division is responsible for establishing and maintaining a system for administering mortgage and rent subsidies for social housing providers; receiving and evaluating financial reports of housing providers; assessing extraordinary financial requests from housing providers; responding to requests for technical support from housing providers and reviewing housing providers operations to ensure compliance with the Housing Services Act and any rules allocated by the Service Manager. The Division also fulfills the application intake function for social housing providers (the Housing Access Centre) and delivers federal, provincial and municipal affordable housing programs.

g) Parks and Recreation

The Department works collaboratively with their colleagues and partners to improve the quality of life for all Londoners by creating opportunities for individuals to lead healthy, socially-active lives through the direct delivery of recreation programs; strengthening neighbourhoods; leading the integration of community wide initiatives; managing and operating parks and recreation facilities such as Storybook Gardens, municipal golf courses; providing aquatic opportunities; and supporting local sport and special event initiatives.

h) Cultural Services

The Culture Office provides the infrastructure necessary to place a greater focus on culture by acting as the central access point for the cultural functions and responsibilities of the City of London. The Culture Office promotes collaboration, communication and the sharing of knowledge and resources for the purpose of generating economic prosperity through cultural vitality.

i) Planning, Development and Compliance

i) Planning Services

Planning Services provides a wide range of planning and associated services to guide long-term land use and development activity in the City. The Division is organized under four sections – Policy Planning and Programs, Environmental and Parks Planning, Community Planning and Design and Urban Forestry. The Division employs professional resources consisting of Planners, Parks Planning Co-ordinators, Landscape Architects, a Community Projects Co-ordinator, Urban Designers, Ecologists, a Research Analyst and a Heritage Planner as well as support technical and support staff. A wide range of services are provided by the Division including Official Plan and Zoning By-law approvals, policy development, secondary plans, Community Improvement Plans, economic

revitalization programs, brownfield revitalization incentives, heritage preservation incentives, urban design, environmental and ecological evaluations, parks planning, urban forestry, commemorative programs and heritage planning.

ii) Development Services

Development Services is a multi-disciplinary team providing a single point of administration for development approvals under the Planning Act. The Division includes Planners, Engineers, Landscape Planners, Site Plan Officers, Inspectors, a Subdivision Co-ordinator, Integrated Land Planning Technologists and technical support staff that function as geographic teams (east and west) to provide an integrated processing framework to provide quality development approvals in a timely manner. Planning Act applications processed by Development Services include Plans of subdivision including associated Official Plan and Zoning By-law amendments, site plan approvals, condominium approvals and consents. The Division also administers subdivision and development agreement servicing standards and compliance through inspection, assumption and security management.

iii) Building Services

Building Services, by administering the provisions of the Ontario Building Act and the Building Code, ensures high quality building construction in addition to keeping paramount the health and safety of the citizens of London. These directives are established through the enforcement of various municipal By-laws such as the Property Standards By-law, the Sign and Canopy By-law and the Pool Fence By-law to name a few.

iv) Licensing and Municipal Law Enforcement Services

The Licensing and Municipal Law Enforcement Services area is divided into three interrelated areas. The Community By-laws section is responsible for seeking compliance with community based City by-laws which focus on health and safety, consumer protection, nuisance control and quality of life issues. The Licensing and Parking Enforcement areas are responsible for addressing compliance issues with business licensing by-laws and parking infractions. This section also manages a number of parking lots providing parking services to citizens and visitors alike. The Animal Care and Control service area is responsible for administration, planning, co-ordination and direction of animal care and control in an effort to ensure that policies, practices, directives, by-laws and regulations are in place and adhered to for the protection of the public and the welfare of domestic animals in the community.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. The Operating Fund reports on municipal services that are funded primarily by property taxation. Taxation and payments-in-lieu of taxes are apportioned to General Revenue Fund Services based on the Fund's net surplus. User charges, Government transfers, transfer from other funds and other revenues have been taken from the allocations on schedule 12 of the Financial Information Return.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1. The segmented information reports total revenues and expenses by segment.

THE CORPORATION OF THE CITY OF LONDON
Consolidated Schedule of Segment Disclosure - Operating Revenues
For the year ended December 31, 2017, with 2016 comparatives (in thousands of dollars)

	REVENUES					TOTAL 2017	TOTAL 2016
	Taxation	User Charges	Government Transfers	Developer Contributions	Other	Actuals	Actuals
General Government	581,481	4,035	982	-	38,771	625,269	606,499
Fire		245	-	-	1,062	1,307	641
Police		2,063	5,692	-	1,240	8,995	8,345
Other Protection Services		11,012	13	-	5,523	16,548	16,956
Total Protection Services	-	13,320	5,705	-	7,825	26,850	25,941
Transit		31,733	22,684	-	280	54,697	42,046
Other Transportation Services		3,973	6,602	10,912	9,891	31,378	34,787
Total Transportation Services	-	35,706	29,286	10,912	10,171	86,074	76,832
Water/Waste Water		166,562	19,433	23,370	5,999	215,364	205,062
Solid Waste		9,118	663	-	-	9,781	8,004
Total Environmental Services	-	175,680	20,096	23,370	5,999	225,145	213,066
Public Health Services		-	4,678	-	3	4,681	4,966
Ambulance Services		-	-	-	-	-	-
Total Health Services	-	-	4,678	-	3	4,681	4,966
General Assistance		292	144,999	-	372	145,663	134,178
Assistance to aged persons		6,029	12,231	-	-	18,260	17,986
Child Care		-	36,920	-	-	36,920	35,101
Total Social and Family Services	-	6,321	194,150	-	372	200,843	187,265
Social Housing	-	11,413	22,453	-	61	33,927	27,860
Parks and Recreation		18,229	1,585	2,477	1,820	24,111	25,369
Libraries		481	730	-	2,177	3,388	1,434
Cultural Services		2,551	1,764	-	1,307	5,622	3,876
Total Recreation and Cultural Services	-	21,261	4,079	2,477	5,304	33,121	30,679
Planning, Development and Compliance	-	8,212	180	-	5,925	14,317	13,873
Total Revenue	581,481	275,947	281,608	36,759	74,432	1,250,228	1,186,981

THE CORPORATION OF THE CITY OF LONDON
Consolidated Schedule of Segment Disclosure - Operating Expenses
For the year ended December 31, 2017, with 2016 comparatives (in thousands of dollars)

	EXPENSES						TOTAL 2017	TOTAL 2016
	Salaries, Wages & Benefits	Materials	Contracted Services	External Transfers	Amortization	Other	Actuals	Actuals
General Government	46,555	13,216	10,556	4	10,967	12,013	93,311	86,092
Fire	59,061	2,051	511	-	3,149	424	65,196	59,414
Police	96,644	6,150	1,545	-	4,633	512	109,484	102,429
Other Protection Services	14,421	3,493	1,617	4,157	285	797	24,770	23,332
Total Protection Services	170,126	11,694	3,673	4,157	8,067	1,733	199,450	185,175
Transit	46,810	7,771	5,750	10,514	12,131	651	83,627	77,679
Other Transportation Services	21,204	19,945	8,779	3	42,668	9,079	101,678	99,745
Total Transportation Services	68,014	27,716	14,529	10,517	54,799	9,730	185,305	177,424
Water/Waste Water	24,536	29,041	14,123	90	66,133	14,551	148,474	134,906
Solid Waste	8,156	6,663	12,477	1,798	2,549	1,445	33,088	29,624
Total Environmental Services	32,692	35,704	26,600	1,888	68,682	15,996	181,562	164,530
Public Health Services	4,458	454	589	4,734	109	281	10,625	11,400
Ambulance Services	-	-	14,412	-	-	-	14,412	13,219
Total Health Services	4,458	454	15,001	4,734	109	281	25,037	24,619
General Assistance	22,374	632	6,965	131,493	439	2,669	164,572	156,077
Assistance to aged persons	18,993	2,807	981	212	1,323	879	25,195	24,533
Child Care	1,960	954	23,824	17,879	5	147	44,769	42,887
Total Social and Family Services	43,327	4,393	31,770	149,584	1,767	3,695	234,536	223,497
Social Housing	6,430	1,694	12,021	28,194	1,536	590	50,465	44,978
Parks and Recreation	23,662	7,712	4,856	433	10,093	1,919	48,675	46,968
Libraries	14,188	4,427	862	-	3,281	1,022	23,780	25,143
Cultural Services	2,221	2,751	1,397	1,633	1,239	43	9,284	8,462
Total Recreation and Cultural Services	40,071	14,890	7,115	2,066	14,613	2,984	81,739	80,573
Planning, Development and Compliance	12,483	8,457	4,954	3,064	2,289	1,217	32,464	33,153
Total Expenses	424,156	118,218	126,219	204,208	162,829	48,239	1,083,869	1,020,041
Annual Surplus							166,359	166,940

Consolidated Financial Statements of

**THE TRUST FUNDS
OF THE CITY OF LONDON**

Year ended December 31, 2017



KPMG LLP
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Canada
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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the City of London

We have audited the accompanying consolidated financial statements of The Trust Funds of the City of London which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statements of earnings and fund equity for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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



Basis for Qualified Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Trust Funds of the City of London as at December 31, 2017, and its consolidated results of operations and its consolidated changes in fund equity for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that serves as a flourish or underline.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

June 11, 2018

THE TRUST FUNDS OF THE CITY OF LONDON

Consolidated Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
	Total	Total
Assets:		
Cash and short-term deposits	\$ 1,477,575	\$ 4,379,228
Accounts receivable, OHRP	-	11
Accounts receivable, other	62,045	1,677
Investments (Note 2)	2,800,000	-
Prepaid expenses	5,149	-
	\$ 4,344,769	\$ 4,380,916
Liability and fund equity:		
Accounts payable	\$ 971	\$ 80,547
Fund equity (Schedule 1)	4,343,798	4,300,369
	\$ 4,344,769	\$ 4,380,916

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

THE TRUST FUNDS OF THE CITY OF LONDON

Consolidated Statement of Earnings and Fund Equity

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
	Total	Total
Fund equity, beginning of year	\$ 4,300,369	\$ 4,253,227
Revenue:		
Capital receipts	897,298	489,533
Interest earned	47,038	28,247
	944,336	517,780
Expenditures:		
Maintenance payments, Dearness Home	100,647	101,041
Disbursements	958,484	369,597
	1,059,131	470,638
Fund equity, end of year before adjustment	4,185,573	4,300,369
Transfer of funds (Note 3)	158,225	-
Fund equity, end of year (Schedule 2)	\$ 4,343,798	\$ 4,300,369

Note: No statement of cash flows has been provided as it is not considered to provide additional useful information to users of the financial statements.

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

THE TRUST FUNDS OF THE CITY OF LONDON

Schedule 1 - Detailed Consolidated Statement of Financial Position
December 31, 2017

	Sundry Trusts	E.P. Williams Estate	Ontario Home Renewal Program	Bostwick Cemetery	London Public Library	Park Farms	Dearness Residents' Trust	Woodhull Perpetual Maintenance	Woodhull Stone Monument	Amelia Lucy Ronalds Little Trust	2017 Total
Assets:											
Cash and short-term deposits	\$ 144,523	\$ 160,884	\$ -	\$ 13,013	\$ 515,016	\$ 137,521	\$ 96,658	\$ 230,736	\$ 19,226	\$ 159,998	\$ 1,477,575
Accounts receivable, OHRP	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable, other	2,462	-	-	-	59,583	-	-	-	-	-	62,045
Investments (Note 2)	-	-	-	-	2,800,000	-	-	-	-	-	2,800,000
Prepaid expenses	-	-	-	-	5,149	-	-	-	-	-	5,149
	\$ 146,985	\$ 160,884	-	\$ 13,013	\$ 3,379,748	\$ 137,521	\$ 96,658	\$ 230,736	\$ 19,226	\$ 159,998	\$ 4,344,769
Liability and fund equity:											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 971	\$ -	\$ -	\$ -	\$ 971
Fund equity	146,985	160,884	-	13,013	3,379,748	137,521	95,687	230,736	19,226	159,998	4,343,798
	\$ 146,985	\$ 160,884	\$ -	\$ 13,013	\$ 3,379,748	\$ 137,521	\$ 96,658	\$ 230,736	\$ 19,226	\$ 159,998	\$ 4,344,769

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

THE TRUST FUNDS OF THE CITY OF LONDON

Schedule 2 - Detailed Consolidated Statement of Earnings and Fund Equity
December 31, 2017

	Sundry Trusts	E.P. Williams Estate	Ontario Home Renewal Program	Bostwick Cemetery	London Public Library	Park Farms	Dearness Residents' Trust	Woodhull Perpetual Maintenance	Woodhull Stone Monument	Amelia Lucy Ronalds Little Trust	2017 Total
Fund equity, beginning of year	\$ 145,033	\$ 158,748	\$ -	\$ 12,840	\$ 3,510,114	\$ 135,695	\$ 95,462	\$ 224,200	\$ 18,277	\$ -	\$ 4,300,369
Revenue:											
Capital receipts	-	-	-	-	701,125	-	191,973	3,500	700	-	897,298
Interest earned	1,952	2,136	12	173	35,881	1,826	-	3,036	249	1,773	47,038
	1,952	2,136	12	173	737,006	1,826	191,973	6,536	949	1,773	944,336
Expenditures:											
Maintenance payments, Dearness Home	-	-	-	-	-	-	100,647	-	-	-	100,647
Disbursements	-	-	12	-	867,373	-	91,099	-	-	-	958,484
	-	-	12	-	867,373	-	191,746	-	-	-	1,059,131
Fund equity, end of year before adjustment	146,985	160,884	-	13,013	3,379,747	137,521	95,689	230,736	19,226	1,773	4,185,573
Transfer of funds (Note 3)	-	-	-	-	-	-	-	-	-	158,225	158,225
Fund equity, end of year	\$ 146,985	\$ 160,884	\$ -	\$ 13,013	\$ 3,379,747	\$ 137,521	\$ 95,689	\$ 230,736	\$ 19,226	\$ 159,998	\$ 4,343,798

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

THE TRUST FUNDS OF THE CITY OF LONDON

Consolidated Notes to Financial Statements

December 31, 2017 with comparative information for 2016

1. Significant accounting policies:

The consolidated financial statements of the Trust Funds of the City of London have been prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the CPA Canada Public Sector Accounting Handbook. The significant accounting policies are summarized below:

a) Basis of consolidation:

The assets, liabilities, revenues and expenditures of the trust funds of the London Public Library Board are consolidated in these financial statements.

b) Basis of accounting:

Revenues and expenditures are reported on the accrual basis of accounting.

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

c) Contributions:

Contributions received with direction by the donor that the capital of the gift is to be held for a period of not less than ten years are included in the capital portion of each Fund.

Contributions received for library use and investment income are included in the income portion of each Fund.

2. Investments:

Investments are recorded at cost less any amounts written off to reflect a permanent decline in value. Investments consist of term deposits with short-term maturities and interest rates ranging from 1.15% to 1.65%.

3. Transfer of funds:

The Amelia Lucy Ronalds Little Trust Fund represents restricted funds to be used for improvement, redecoration, refurbishing, restoration and enhancement of Eldon House and the artifacts contained therein. The balance in this fund on December 31, 2017 was \$159,998. During the year, the responsibility for administration of the fund was transferred from Museum London to the Corporation of the City of London.

Financial Statements of

**ARGYLE BUSINESS IMPROVEMENT
AREA BOARD OF MANAGEMENT**

Year ended December 31, 2017



KPMG LLP
140 Fullarton Street Suite 1400
London ON N6A 5P2
Canada
Tel 519 672-4800
Fax 519 672-5684

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Argyle Business Improvement Area Board of Management

We have audited the accompanying financial statements of Argyle Business Improvement Area Board of Management, which comprise the statement of financial position as at December 31, 2017, the statements of operations, 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 the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Argyle Business Improvement Area Board of Management as at December 31, 2017, and its results of operations, its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

ARGYLE BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Financial Position

As at December 31, 2017, with comparative information for 2016

	2017	2016
Financial assets		
Cash and cash equivalents (note 3)	\$ 40,761	\$ 28,785
Other receivables	4,990	-
Total financial assets	45,751	28,785
Financial liabilities		
Accounts payable and accrued liabilities	13,137	6,329
Due to related parties (note 6)	13,324	3,656
Total financial liabilities	26,461	9,985
Net financial assets	19,290	18,800
Non-financial assets		
Tangible capital assets (note 4)	3,081	3,680
Inventory	1,440	1,440
Total non-financial assets	4,521	5,120
Accumulated surplus (note 5)	\$ 23,811	\$ 23,920

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

ARGYLE BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Operations

For the year ended December 31, 2017, with comparative information for 2016

	Budget		
	2017	2017	2016
Revenues			
Municipal levy - The Corporation of the City of London	\$ 124,496	\$ 131,171	\$ 120,840
Federal grants	-	9,993	20,791
Santa clause parade sponsorship	4,000	2,850	3,650
Other	100	132	338
Total revenues	128,596	144,146	145,619
Expenses			
Salaries, wages and benefits	64,000	72,363	75,144
Community initiatives	30,323	17,306	14,863
Planters/hanging baskets	11,000	10,946	11,073
Office rent	9,855	9,769	10,641
Professional fees	8,330	8,928	11,735
Advertising, marketing and promotion	10,000	8,384	42,428
Office supplies	5,000	6,363	5,235
Telephone and internet service	1,600	1,875	1,549
Repairs and maintenance	1,500	1,768	382
Utilities	1,600	1,691	1,912
Insurance	2,000	1,541	1,769
Training, travel and professional development	4,500	1,420	4,366
Amortization	-	949	901
Membership fees and dues	400	739	136
Office administration	620	213	555
Total expenses	150,728	144,255	182,689
Deficit	(22,132)	(109)	(37,070)
Accumulated surplus, beginning of year (note 5)	23,920	23,920	60,990
Accumulated surplus, end of year (note 5)	\$ 1,788	\$ 23,811	\$ 23,920

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

ARGYLE BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Net Financial Assets

For the year ended December 31, 2017, with comparative information for 2016

	2017	2016
Deficit	\$ (109)	\$ (37,070)
Acquisition of tangible capital assets	(350)	(3,516)
Amortization of tangible capital assets	949	3,890
	599	375
Change in net financial assets	490	(39,685)
Net financial assets, beginning of year	18,800	58,485
Net financial assets, end of year	\$ 19,290	\$ 18,800

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

ARGYLE BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Cash Flows

For the year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Deficit	\$ (109)	\$ (37,070)
Item not involving cash:		
Amortization of tangible capital assets	949	901
Changes in non-cash assets and liabilities:		
Other receivables	(4,990)	787
Accounts payable and accrued liabilities	6,808	33
Due to related parties	9,668	351
Net change in cash from operating activities	12,326	(34,998)
Capital activities:		
Purchase of tangible capital assets	(350)	(3,516)
Cash used in capital activities	(350)	(3,516)
Increase (decrease) in cash and cash equivalents	11,976	(38,514)
Cash and cash equivalents, beginning of year	28,785	67,299
Cash and cash equivalents, end of year	\$ 40,761	\$ 28,785

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

ARGYLE BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Notes to Financial Statements

Year ended December 31, 2017

1. Nature of reporting entity

Subsection 204(1) of the Municipal Act, 2001 provides that a local municipality may designate an area as an improvement area and may establish a board of management. The Argyle Business Improvement Area Board of Management (the "Board") was incorporated on October 9, 2012, in the Province of Ontario. The Board was established as a local board of The Corporation of the City of London to manage the Argyle Business Improvement Area. This Area is comprised of those lands in the City of London abutting on the north and south sides of Dundas Street, east of Highbury Avenue and west of Wavell Street.

The Board was established to oversee the improvement, beautification and maintenance of municipally-owned land, buildings and structures in the area beyond that provided at the expense of the municipality generally and to promote the area as a business or shopping area. The board was granted municipality status in 2017.

Prior to incorporation, the association operated as the Argyle Business Improvement Area and incurred revenue and expenses in the normal course of business

2. Significant accounting policies

The financial statements of the Argyle Business Improvement Area Board of Management are the representation of management, prepared in accordance with Canadian generally accepted accounting principles as defined in the Chartered Professional Accountants of Canada Public Sector Accounting Handbook.

Significant accounting policies are as follows:

(a) Basis of accounting

Revenues and expenses are reported on the 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 receipt of goods or services and the creation of a legal obligation to pay.

(b) 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, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Furniture and fixtures	5
Computer equipment	4

Annual amortization is charged in the year of acquisition and in the year of disposal using the half year rule. Assets under construction are not amortized until the asset is available for productive use.

ARGYLE BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Notes to Financial Statements (continued)

Year ended December 31, 2017

2. Significant accounting policies (continued)

(c) Government transfers

Government transfer payments from The Corporation of the City of London are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(d) Use of estimates

The preparation of 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 date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(e) Budget figures

Budget figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by the Public Sector Accounting Board ("PSAB"), certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

(f) Related Party Transactions

Monetary related party transactions and non-monetary related party transactions that have commercial substance are measured at the exchange amount when they are in the normal course of business, except when the transaction is an exchange of a product or property held for sale in the normal course of operations. Where the transaction is not in the normal course of operations, it is measured at the exchange amount when there is a substantive change in the ownership of the item transferred and there is independent evidence of the exchange amount. All other related party transactions are measured at the carrying amount.

3. Cash and cash equivalents

Cash and cash equivalents are comprised of the following:

	2017		2016	
Cash on deposit	\$	40,585	\$	28,510
Credit union membership shares		176		275
	\$	40,761	\$	28,785

ARGYLE BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Notes to Financial Statements (continued)

Year ended December 31, 2017

4. Tangible capital assets

Cost	Balance at December 31, 2016	Additions	Disposals	Balance at December 31, 2017
Furniture and fixtures	\$ 1,796	\$ -	\$ -	\$1,796
Computer equipment	6,863	350	-	7,214
	\$ 8,659	\$ 350	\$ -	\$ 9,009

Accumulated Amortization	Balance at December 31, 2016	Amortization Expense	Disposals	Balance at December 31, 2017
Furniture and fixtures	\$ 1,500	\$ 59	\$ -	\$ 1,559
Computer equipment	3,479	890	-	4,369
	\$ 4,979	\$ 949	\$ -	\$ 5,928

Net book value	Balance at December 31, 2016	Balance at December 31, 2017
Furniture and fixtures	\$ 296	\$ 237
Computer equipment	3,384	2,844
	\$ 3,680	\$ 3,081

5. Accumulated surplus

The balance of accumulated surplus is comprised of the following:

	2017	2016
Invested in tangible capital assets	\$ 3,081	\$ 3,680
Operating fund	20,730	20,240
	\$ 23,811	\$ 23,920

6. Related party transactions

At December 31, 2017 \$13,324 (2016 - \$3,656) was owing to the Corporation of the City of London.

7. Comparative information

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2017 financial statements.

Financial Statements of

**COVENT GARDEN MARKET
CORPORATION**

Year ended December 31, 2017



KPMG LLP
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London ON N6A 5P2
Canada
Tel 519 672-4800
Fax 519 672-5684

INDEPENDENT AUDITORS' REPORT

To the Chair and Members of Covent Garden Market Corporation

We have audited the accompanying financial statements of Covent Garden Market Corporation, which comprise the statement of financial position as at December 31, 2017, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes and schedule, 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 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 controls. 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 Covent Garden Market Corporation as at December 31, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that serves as a signature line.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

March 2, 2018

COVENT GARDEN MARKET CORPORATION

Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash	\$ 80,413	\$ 196,351
Investments (note 2)	1,854,231	1,455,270
Accounts receivable (note 3)	259,314	173,603
Prepaid expenses	20,200	28,821
HST receivable	143,183	283,440
	<u>2,357,341</u>	<u>2,137,485</u>
Capital assets (note 4)	4,421,063	4,605,578
	<u>\$ 6,778,404</u>	<u>\$ 6,743,063</u>

Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 268,122	\$ 351,752
Current portion of long-term debt (note 6)	99,883	93,745
HST payable	143,183	283,440
	<u>511,188</u>	<u>728,937</u>
Deferred capital contributions (note 5)	2,068,874	2,163,068
Long-term debt (note 6)	822,525	922,407
Net assets:		
Invested in capital assets (note 7)	1,429,781	1,426,358
Unrestricted	1,946,036	1,502,293
	<u>3,375,817</u>	<u>2,928,651</u>
	<u>\$ 6,778,404</u>	<u>\$ 6,743,063</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

COVENT GARDEN MARKET CORPORATION

Statement of Operations

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Revenue:		
Parking fees	\$ 1,701,314	\$ 1,734,026
Market rentals	782,946	787,330
Common area maintenance	626,656	602,433
Amortization of deferred capital contributions	115,364	102,928
Promotion fund	52,737	52,820
Central chilling lease	22,312	22,434
Management fees	17,460	17,010
Miscellaneous	3,252	2,712
	<u>3,322,041</u>	<u>3,321,693</u>
Expenses:		
Operating (Schedule)	2,420,116	2,325,389
Management (Schedule)	475,617	496,898
	<u>2,895,733</u>	<u>2,822,287</u>
Earnings before the undernoted	426,308	499,406
Other income (expenses):		
Interest income	51,793	14,172
Tenant leaseholds	(30,935)	(31,879)
	<u>20,858</u>	<u>(17,707)</u>
Excess of revenues over expenses	\$ 447,166	\$ 481,699

See accompanying notes to financial statements.

COVENT GARDEN MARKET CORPORATION

Statement of Changes in Net Assets

Year ended December 31, 2017, with comparative information for 2016

	Invested in capital assets	Unrestricted	2017 Total	2016 Total
Balance, beginning of year	\$ 1,426,358	\$ 1,502,293	\$ 2,928,651	\$ 2,446,952
Excess (deficiency) of revenue over expenses	(251,479)	698,645	447,166	481,699
Net change in investment in capital assets (note 7)	254,902	(254,902)	-	-
Balance, end of year	\$ 1,429,781	\$ 1,946,036	\$ 3,375,817	\$ 2,928,651

See accompanying notes to financial statements.

COVENT GARDEN MARKET CORPORATION

Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	\$ 447,166	\$ 481,699
Adjustments for:		
Amortization of capital assets	366,843	328,006
Amortization of deferred capital contributions	(115,364)	(102,928)
Net change in non-cash operating working capital (note 8)	(160,720)	(110,536)
	537,925	596,241
Capital activities:		
Purchase of capital assets	(182,328)	(431,762)
Receipt of deferred capital contributions	21,170	736
	(161,158)	(431,026)
Financing activities:		
Repayment of long-term debt	(93,744)	(87,985)
Investing activities:		
Purchase of investments	(398,961)	(90,700)
Decrease in cash	(115,938)	(13,470)
Cash, beginning of year	196,351	209,821
Cash, end of year	\$ 80,413	\$ 196,351

See accompanying notes to financial statements.

COVENT GARDEN MARKET CORPORATION

Notes to Financial Statements

Year ended December 31, 2017

Covent Garden Market Corporation (the "Corporation") was incorporated without share capital under The Corporations Act, 1953 and pursuant to private legislation remains a local board of The City of London (the "City"). The Corporation has erected and operates a public market and parking facilities on land leased from the City.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards, including the 4200 standards for government not-for-profit organizations.

(a) Basis of presentation:

The Corporation follows the deferral method of accounting for contributions.

Contributions received by the Corporation without restriction are used for operational expenditures.

Contributions that are restricted in nature are used for capital expenditures or expenses determined by the Board of Directors and approved by the City.

(b) Revenue recognition:

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight line basis, at a rate corresponding with the amortization rate for the related capital assets.

Government transfer payments from the City are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expense have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

COVENT GARDEN MARKET CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(c) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Corporation's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on the following basis at the following annual rates:

Asset	Basis	Rate
Buildings	Straight-line	40 years
Equipment and fixtures	Declining balance	20%
Computer equipment	Declining balance	33.3%
Renovations, parking upgrade	Straight-line	10 years
Central chilling program	Straight-line	15 years

(d) Deferred capital contributions:

Capital contributions are deferred and amortized over the same term and on the same basis as the related capital assets.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value.

(f) 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 date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets and valuation allowances for accounts receivable. Actual results could differ from those estimates.

COVENT GARDEN MARKET CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2017

2. Investments:

Investments consist of highly liquid cash equivalents, bond funds and guaranteed investment certificates with terms varying from one year to two years, some of which are cashable instruments. Investments are held for the purpose of meeting short-term commitments.

3. Accounts receivable:

	2017	2016
Trade	\$ 277,073	\$ 178,603
Provision for doubtful accounts	17,759	5,000
	\$ 259,314	\$ 173,603

4. Capital assets:

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Buildings	\$ 7,430,586	\$ 3,841,746	\$ 3,588,840	\$ 3,735,253
Equipment and fixtures	1,987,597	1,181,248	806,349	846,779
Computer equipment	44,013	38,140	5,873	7,621
Renovations, parking upgrade	100,541	94,796	5,745	650
Central chilling program	612,077	597,821	14,256	15,275
	\$10,174,814	\$ 5,753,751	\$ 4,421,063	\$ 4,605,578

Ownership of capital assets is vested with the City. The Corporation operates the facilities on behalf of the City. These fixed assets and the related amortization have been included in the financial statements of the Corporation in order to reflect the assets over which it has stewardship and the amortization costs related to those assets.

In accordance with the Corporation's policy, amortization is not taken until assets are available for use. As such, no amortization is taken on work in progress, as these assets are not available for use at the end of the reporting period.

COVENT GARDEN MARKET CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2017

5. Deferred capital contributions:

Deferred capital contributions represent contributions received from the City to fund construction for which the Corporation is responsible. These unamortized contributions will be recognized as revenue over the life of the assets for which they were received.

	2017	2016
Balance, beginning of year	\$ 2,163,068	\$ 2,265,260
Additional contributions received	21,170	736
Amortization of contributions	(115,364)	(102,928)
Balance, end of year	\$ 2,068,874	\$ 2,163,068

6. Long-term debt:

	2017	2016
Note payable to the City for construction of the mezzanine, fixed interest rate of 6.5%, unsecured, due in blended monthly payments of \$6,028, due 2026	\$ 451,779	\$ 493,674
Note payable to the City for purchase of Tenant A Space, interest rate of 6.34%, unsecured, due in blended yearly payments of \$90,000, due 2024	470,629	522,478
	922,408	1,016,152
Less current portion	99,883	93,745
	\$ 822,525	\$ 922,407

Future principal payments required on all long-term debt for the next five years are as follows:

2018	\$ 99,883
2019	106,422
2020	113,390
2021	120,814
2022	128,724
Thereafter	353,175
	\$ 922,408

COVENT GARDEN MARKET CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2017

6. Long-term debt (continued):

Interest paid on the notes payable to the City, a related party, amounted to \$68,596 (2016 - \$74,357).

Lease costs associated with the central refrigeration system are charged by the Corporation to the tenants who use the system. These revenues and related costs are included in the statement of operations.

7. Invested in capital assets:

(a) Invested in capital assets is calculated as follows:

	2017	2016
Capital assets	\$ 4,421,063	\$ 4,605,578
Amounts financed by:		
Deferred capital contributions	2,068,874	2,163,068
Long-term debt	922,408	1,016,152
	2,991,282	3,179,220
	\$ 1,429,781	\$ 1,426,358

COVENT GARDEN MARKET CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2017

7. Invested in capital assets (continued):

(b) Change in net assets invested in capital assets is calculated as follows:

	2017	2016
Deficiency of revenues over expenses:		
Amortization of capital assets	\$ (366,843)	\$ (328,006)
Amortization of deferred capital contributions	115,364	102,928
	<u>\$ (251,479)</u>	<u>\$ (225,078)</u>
Net change in investment in capital assets:		
Purchase of capital assets	\$ 182,328	\$ 431,762
Increase in deferred capital contributions	(21,170)	(736)
Repayment of long-term debt	93,744	87,985
	<u>\$ 254,902</u>	<u>\$ 519,011</u>

8. Net change in non-cash balances related to continuing operations:

	2017	2016
Accounts receivable	\$ (85,711)	\$ (2,678)
Prepaid expenses	8,621	(8,502)
HST receivable	140,257	(283,440)
Accounts payable and accrued liabilities	(83,630)	(99,356)
HST payable	(140,257)	283,440
	<u>\$ (160,720)</u>	<u>\$ (110,536)</u>

COVENT GARDEN MARKET CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2017

9. Financial risks:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Corporation is exposed to credit risk with respect to the accounts receivable and cash.

The Corporation assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the provision for doubtful accounts. The maximum exposure to credit risk of the Corporation at December 31, 2017 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for a provision for doubtful accounts. The amount of any related impairment loss is recognized in the income statement. Subsequent recoveries of impairment losses related to accounts receivable are credited to the income statement. The balance of the provision for doubtful accounts at December 31, 2017 is \$17,759 (2016 - \$5,000).

There have been no significant changes to the credit risk exposure from 2016.

(b) Liquidity risk:

Liquidity risk is the risk that the Corporation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Corporation manages its liquidity risk by monitoring its operating requirements. The Corporation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

There have been no significant changes to the liquidity risk exposure from 2016.

(c) Market risk:

Market risk is the risk that changes in market prices, such as interest rates will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

COVENT GARDEN MARKET CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2017

9. Financial risks (continued):

(d) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Corporation to cash flow interest rate risk.

There has been no change to the interest rate risk exposure from 2016.

COVENT GARDEN MARKET CORPORATION

Schedule - Operating and Management Expenses

Year ended December 31, 2017, with comparative information for and 2016

	2017	2016
Operating expenses:		
Contracted services and professional fees	\$ 673,010	\$ 666,994
Amortization	358,574	319,834
Advertising	353,307	308,567
Light and heat	271,575	296,077
Maintenance, repairs and supplies	255,264	264,887
Security	251,737	217,470
Insurance	101,594	115,240
Interest expense, notes payable	68,596	74,357
Salaries and benefits	52,911	49,670
Miscellaneous	23,543	9,177
Professional fees	6,865	-
Telephone	3,140	3,116
	\$ 2,420,116	\$ 2,325,389
Management expenses:		
Salaries	\$ 312,494	\$ 301,734
Benefits	79,602	73,506
Miscellaneous	26,408	20,694
Professional fees	17,367	57,260
Maintenance repairs and supplies	14,056	15,429
Amortization	8,269	8,172
Insurance	7,033	7,949
Telephone	6,752	7,627
Travel and entertainment	3,636	4,527
	\$ 475,617	\$ 496,898

Financial Statements of

ELDON HOUSE CORPORATION

Year ended December 31, 2017



KPMG LLP
140 Fullarton Street Suite 1400
London ON N6A 5P2
Canada
Tel 519 672-4800
Fax 519 672-5684

INDEPENDENT AUDITORS' REPORT

To the Chair and Members, Eldon House Corporation

We have audited the accompanying financial statements of Eldon House Corporation, which comprise the statement of financial position as at December 31, 2017, and the statement of operations, 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 the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



Basis for Qualified Opinion

In common with many charitable organizations, Eldon House Corporation derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of Eldon House Corporation. Therefore, we were not able to determine whether, as at and for the year ended December 31, 2017 any adjustments might be necessary to donations and annual surplus reported in the statement of operations and statement of cash flows and current assets reported in the statement of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended December 31, 2016.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Eldon House Corporation as at December 31, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

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Chartered Professional Accountants, Licensed Public Accountants

London, Canada

May 10, 2018

ELDON HOUSE CORPORATION

Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
Financial assets		
Cash and cash equivalents	\$ 46,961	\$ 45,012
Accounts receivable	1,806	8,952
Prepaid expenses and deposits	375	375
	<u>49,142</u>	<u>54,339</u>
Financial liabilities		
Accounts payable and accrued liabilities	26,559	16,707
Deferred revenue	5,664	-
Deposits payable	781	1,000
	<u>33,004</u>	<u>17,707</u>
Net financial assets	16,138	36,632
Non-financial assets		
Tangible capital assets (note 2)	37,524	21,400
Accumulated surplus (note 3)	<u>\$ 53,662</u>	<u>\$ 58,032</u>

See accompanying notes to financial statements.

ELDON HOUSE CORPORATION

Statement of Operations

Year ended December 31, 2017, with comparative information for 2016

	Budget 2017	2017	2016
Revenue:			
The Corporation of the City of London	\$ 278,156	\$ 303,430	\$ 278,678
Grants	30,300	36,081	33,547
Other income	44,043	38,915	43,722
Donations	10,000	9,037	5,241
	<u>362,499</u>	<u>387,463</u>	<u>361,188</u>
Expenditures:			
Salaries and benefits	233,778	266,965	245,262
Office and general	13,700	30,603	23,933
Utilities	26,836	24,064	22,947
Programs and exhibitions	14,600	14,832	17,335
Professional fees	5,500	14,564	4,681
Repairs and maintenance	36,495	13,604	17,907
Amortization	-	8,667	4,902
Advertising	18,500	7,353	12,551
Telephone and internet	5,590	7,309	12,349
Insurance	5,500	2,970	4,992
Meals and entertainment	-	836	1,086
Cost of sales	2,000	66	3,529
	<u>362,499</u>	<u>391,833</u>	<u>371,474</u>
Annual deficit	-	(4,370)	(10,286)
Accumulated surplus, beginning of year	58,032	58,032	68,318
Accumulated surplus, end of year	<u>\$ 58,032</u>	<u>\$ 53,662</u>	<u>\$ 58,032</u>

See accompanying notes to financial statements.

ELDON HOUSE CORPORATION

Statement of Change in Net Financial Assets

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Annual deficit	\$ (4,370)	\$ (10,286)
Acquisition of tangible capital assets	(24,791)	(12,832)
Amortization of tangible capital assets	8,667	4,902
	(20,494)	(18,216)
Consumption of inventories	-	2,820
Net financial assets, beginning of year	36,632	52,028
Net financial assets, end of year	\$ 16,138	\$ 36,632

See accompanying notes to financial statements.

ELDON HOUSE CORPORATION

Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Annual deficit	\$ (4,370)	\$ (10,286)
Item not involving cash:		
Amortization of tangible capital assets	8,667	4,902
Changes in non-cash operating working capital:		
Accounts receivable	7,146	(8,542)
Inventories	-	2,820
Deposits payable	(219)	-
Prepaid expenses and deposits	-	(192)
Accounts payable and accrued liabilities	9,852	330
Deferred revenue	5,664	(2,160)
	26,740	(13,128)
Investing activities:		
Additions to tangible capital assets	(24,791)	(12,832)
Increase (decrease) in cash and cash equivalents	1,949	(25,960)
Cash and cash equivalents, beginning of year	45,012	70,972
Cash and cash equivalents, end of year	\$ 46,961	\$ 45,012
Represented by:		
Cash	\$ 41,921	\$ 39,972
Cash equivalents	5,040	5,040
	\$ 46,961	\$ 45,012

See accompanying notes to financial statements.

ELDON HOUSE CORPORATION

Notes to Financial Statements

Year ended December 31, 2017

1. Significant accounting policies:

Eldon House Corporation (the "Corporation") was incorporated by Municipal Bylaw on January 1, 2013. The Corporation's primary activity is the management of the operations of Eldon House, a historic home and museum in London, Ontario.

The financial statements of the Eldon House Corporation are prepared in accordance with Canadian generally accepted accounting principles as defined in the Chartered Professional Accountants of Canada's Public Sector Handbook - Accounting ("PSAB").

(a) Basis of accounting:

Sources of financing and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Tangible capital assets:

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

Asset	Rate
Furniture and fixtures	20%
Computer equipment	55%
Website	20%
Office equipment	20%
CCTV security system	20%

Works of art and material cultural and historical assets are not recorded as assets in these financial statements.

ELDON HOUSE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(c) Government transfers:

Government transfer payments from The Corporation of the City of London are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(d) Deferred revenue:

Contributions received for expenses of future periods are recorded as deferred revenue and recognized as revenue in the fiscal period the expenses are incurred.

(e) Contributed services:

Volunteers contribute a significant amount of time each year to assist the Corporation in carrying out its operations. Because of the difficulty in determining the fair value, contributed services are not recognized in the financial statements.

(f) 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 date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(g) Budget figures:

Budget figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

ELDON HOUSE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2017

2. Tangible capital assets:

Cost	Balance at December 31, 2016	Additions	Disposals	Balance at December 31, 2017
Furniture and fixtures	\$ 14,715	\$ -	\$ -	\$ 14,715
Computer hardware	9,836	1,563	-	11,399
Website	7,937	-	-	7,937
Office equipment	-	3,409	-	3,409
CCTV security system	-	19,819	-	19,819
Total	\$ 32,488	\$ 24,791	\$ -	\$ 57,279

Accumulated amortization	Balance at December 31, 2016	Disposals	Amortization expense	Balance at December 31, 2017
Furniture and fixtures	\$ 4,457	\$ -	\$ 2,102	\$ 6,559
Computer hardware	5,837	-	2,654	8,491
Website	794	-	1,588	2,382
Office equipment	-	-	341	341
CCTV security system	-	-	1,982	1,982
Total	\$ 11,088	\$ -	\$ 8,667	\$ 19,755

	Net book value December 31, 2016	Net book value December 31, 2017
Furniture and fixtures	\$ 10,258	\$ 8,156
Computer hardware	3,999	2,908
Website	7,143	5,555
Office equipment	-	3,068
CCTV security system	-	17,837
Total	\$ 21,400	\$ 37,524

ELDON HOUSE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2017

3. Accumulated surplus:

The balance of accumulated surplus is comprised of the following:

	2017	2016
Invested in tangible capital assets	\$ 37,524	\$ 21,400
Operating fund	16,138	36,632
	<u>\$ 53,662</u>	<u>\$ 58,032</u>

4. Trust fund:

The Amelia Lucy Ronalds Little Fund represents restricted funds to be used for the improvement, redecoration, refurbishing, restoration, and enhancement of Eldon House and the artifacts contained therein. The balance in this fund at December 31, 2017 was \$159,998 (2016 - \$148,037). During the year, the responsibility for administration of the fund was transferred from Museum London to The Corporation of the City of London. This fund has not been included in the statement of financial position of the Corporation.

Financial Statements of

FAIR-CITY JOINT VENTURE

Year ended June 30, 2017



KPMG LLP
140 Fullarton Street Suite 1400
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INDEPENDENT AUDITORS' REPORT

To the Venture Partners of Fair-City Joint Venture

We have audited the accompanying financial statements of Fair-City Joint Venture ("the Entity"), which comprise the statement of financial position as at June 30, 2017, the statements of operations, changes in net 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 accounting standards for not-for-profit organizations, 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 control relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fair-City Joint Venture as at June 30, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

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Chartered Professional Accountants, Licensed Public Accountants

August 21, 2017

London, Canada

FAIR-CITY JOINT VENTURE

Statement of Financial Position

June 30, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash	\$ 556,175	\$ 495,208
Investment (note 2)	827,692	981,765
Accounts receivable (note 3)	264,594	148,999
Prepaid expenses	153,925	179,117
	<u>1,802,386</u>	<u>1,805,089</u>
Capital assets (note 4)	11,755,263	11,798,774
	<u>\$ 13,557,649</u>	<u>\$ 13,603,863</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 394,184	\$ 245,396
Payable to Western Fair Association (note 14)	145,824	95,310
Deferred revenue	332,083	351,478
Current portion of related party debt, secured (note 6)	828,294	777,896
Current portion of obligations under capital leases (note 7)	<u>108,733</u>	<u>70,852</u>
	1,809,118	1,540,932
Related party debt, secured (note 6)	3,168,491	3,996,785
Obligations under capital leases (note 7)	1,349,277	1,342,547
Employee future benefits (note 8)	226,572	194,239
Deferred capital contributions (note 9)	3,151,886	3,284,513
Net assets:		
Investment in capital assets (note 10)	3,148,582	2,326,181
Internally restricted (note 12)	<u>703,723</u>	<u>918,666</u>
	3,852,305	3,244,847
Contingencies (note 16)		
	<u>\$ 13,557,649</u>	<u>\$ 13,603,863</u>

See accompanying notes to financial statements.

On behalf of the Joint Venture:

_____ Director _____ Director

FAIR-CITY JOINT VENTURE

Statement of Operations

Year ended June 30, 2017, with comparative information for 2016

	2017	2016
Revenues:		
Ice rentals (note 14)	\$ 3,294,308	\$ 3,294,365
Sponsorship and other	617,428	582,720
<u>Amortization of deferred capital contributions</u>	<u>132,627</u>	<u>132,626</u>
	4,044,363	4,009,711
Expenditures:		
Salaries and benefits	1,118,635	1,081,615
Utilities	680,648	644,341
Amortization of capital assets	636,611	580,729
Interest expense (note 14)	385,738	436,106
Supplies and services	363,251	408,207
<u>Management fees from venturer (note 14)</u>	<u>242,479</u>	<u>239,769</u>
	3,427,362	3,390,767
<u>Excess of revenues over expenditures (note 13)</u>	<u>\$ 617,001</u>	<u>\$ 618,944</u>

See accompanying notes to financial statements.

FAIR-CITY JOINT VENTURE

Statement of Changes in Net Assets

Year ended June 30, 2017, with comparative information for 2016

	Western Fair Association	The City of London	Internally restricted (note 12)	Investment in capital assets (note 10)	Total 2017	Total 2016
Balance, beginning of year	\$ -	\$ -	\$ 918,666	\$ 2,326,181	\$ 3,244,847	\$ 2,714,146
Excess of revenues over expenditures	361,384	255,617	-	-	617,001	618,944
Employee future benefit remeasurements	(5,589)	(3,954)	-	-	(9,543)	(88,243)
Venturer distributions	-	-	-	-	-	-
Allocation to internally restricted net assets	(141,461)	(100,059)	241,520	-	-	-
Change in investment in capital assets	(214,334)	(151,604)	(456,463)	822,401	-	-
Balance, end of year	\$ -	\$ -	\$ 703,723	\$ 3,148,582	\$ 3,852,305	\$ 3,244,847

See accompanying notes to financial statements.

FAIR-CITY JOINT VENTURE

Statement of Cash Flows

Year ended June 30, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenditures	\$ 617,001	\$ 618,944
Items not involving cash:		
Amortization of capital assets	636,611	580,729
Change in employee future benefits liability	22,788	4,783
Amortization of deferred capital contributions	(132,627)	(132,626)
Loss on disposal of capital asset	4,256	-
Changes in non-cash operating working capital:		
Accounts receivable	(115,595)	45,812
Prepaid expenses	25,192	(91,393)
Accounts payable and accrued liabilities	148,791	(21,875)
Payable to The City of London	-	(34,413)
Payable to Western Fair Association	50,514	(85,363)
Deferred revenue	(19,395)	8,903
	1,237,536	893,501
Financing activities:		
Repayments of related party debt	(777,896)	(730,565)
Payment of obligations under capital leases	(96,282)	(74,379)
	(874,178)	(804,944)
Investing activities:		
Purchase of capital assets	(456,464)	(269,492)
Net change in investment	154,073	(11,379)
	(302,391)	(280,871)
Increase (decrease) in cash	60,967	(192,314)
Cash, beginning of year	495,208	687,522
Cash, end of year	\$ 556,175	\$ 495,208

See accompanying notes to financial statements.

FAIR-CITY JOINT VENTURE

Notes to Financial Statements

Year ended June 30, 2017

The Fair-City Joint Venture ("Joint Venture") is a venture between the Western Fair Association ("Association") and The City of London ("City") entered into on September 1, 2000. Each venturer controls 50% of the Joint Venture. The purpose of the Joint Venture is to construct and operate a four pad arena to provide facilities for the betterment of the community, and is to be used by the community as a whole. The Joint Venture is registered under the Ontario Partnerships Act.

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian Accounting Standards for not-for-profit organizations in Part III of the CPA Canada Handbook - Accounting.

The Joint Venture's significant accounting policies are as follows:

(a) Revenue recognition:

The Joint Venture recognizes revenue when the service has been rendered and persuasive evidence of an arrangement exists, the price to the buyer is fixed or determinable and collection is reasonably assured. Deposits received for future rentals are included in deferred revenue until the rental is provided and the sale is recognized.

Contributions restricted for the purpose of capital assets are deferred, and when expended, are amortized into revenue at a rate corresponding with the amortization for the related capital asset.

(b) Capital assets:

Capital assets are stated at cost, less accumulated amortization. Capital assets are amortized on a straight-line basis as follows:

Asset	Basis	Rate
Building	Straight-line	40 years
Machinery and equipment	Straight-line	5 years
Special alterations	Straight-line	10-25 years
Solar array under capital lease	Straight-line	20 years

When assets become fully amortized, the cost of the asset and the related accumulated amortization are removed from the respective amounts. Costs related to capital projects in progress are accumulated and no amortization is recorded until the capital project is substantially complete and the assets are ready for use. When completed, the costs of capital projects in progress are transferred to the appropriate asset category and amortized in accordance with the category's useful life.

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2017

1. Significant accounting policies (continued):

(c) Employee future benefits:

(i) Pension plan:

The Joint Venture participates in the defined contribution pension plan sponsored by the Association.

(ii) Post-employment benefits other than pension:

The Joint Venture also participates in the post-employment benefits plan provided by the Association that provides its current and retired employees with extended health and dental benefits, post retirement insurance coverage and sick leave benefits. The cost of these benefits is actuarially determined using the projected benefit method pro-rated on service using management's best estimates of salary escalation, retirement ages of employees and expected health care costs. Remeasurement differences arising from plan amendments, changes in assumptions and actuarial gains and losses are immediately recognized in net assets.

The Joint Venture accrues its obligations under employee post-employment benefits other than pension as the employees render the services necessary to earn them based on the latest valuation for accounting purposes. The actuarial valuation is performed at least every three years. In the years between valuations, plan results are prepared based on extrapolations of the latest available valuation results.

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2017

1. Significant accounting policies (continued):

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Joint Venture determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the cash flows, the amount that could be realized from selling the financial asset or the amount the Joint Venture expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(e) Use of estimates:

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets and employee future benefits. Actual amounts could differ from those estimates.

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2017

2. Investment:

The investment is comprised of a term deposit that matures on August 2, 2017 with an effective interest rate of 0.97% (2016 - 0.95%).

3. Accounts receivable:

	2017	2016
Trade	\$ 193,375	\$ 149,589
Miscellaneous	76,609	-
	269,984	149,589
Allowance for doubtful accounts	(5,390)	(590)
	\$ 264,594	\$ 148,999

4. Capital assets:

	2017		2016	
	Cost	Accumulated amortization	Net book value	Net book value
Building	\$ 15,446,432	\$ 5,914,282	\$ 9,532,150	\$ 9,929,683
Machinery and equipment	546,750	206,062	340,688	231,004
Special alterations	1,077,949	301,109	776,840	203,196
Solar array under capital lease	1,474,114	368,529	1,105,585	1,179,291
Capital projects in progress	-	-	-	255,600
	\$ 18,545,245	\$ 6,789,982	\$ 11,755,263	\$ 11,798,774

During the year, the Joint Venture acquired an asset with a cost of \$140,893 by means of a capital lease. At June 30, 2017, machinery and equipment includes assets under capital lease with a cost of \$287,144 (2016 - \$146,251) and has accumulated amortization of \$78,799 (2016 - \$26,591).

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2017

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$5,269 (2016 - \$8,448), which includes amounts payable for payroll related taxes. Included in miscellaneous receivables is HST receivable in the amount of \$26,224 (2016 - nil)

6. Related party debt:

	2017	2016
Obligation to The City of London:		
Term loan, bearing interest at 6.377%, payable in monthly blended payments of \$88,019, due October 1, 2021, secured by a general security agreement over all assets	\$ 3,996,785	\$ 4,774,681
Current portion of related party debt	828,294	777,896
	<hr/> \$ 3,168,491	<hr/> \$ 3,996,785

Principal repayments over the next five years and thereafter are as follows:

2018	\$ 828,294
2019	881,956
2020	939,095
2021	999,936
2022	347,504
	<hr/> \$ 3,996,785

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2017

7. Obligations under capital leases:

The Joint Venture has entered into two capital lease for certain ice surfacing equipment which expire December 1, 2019 and January 15, 2021 and one capital lease for a solar array expiring June 28, 2033.

2018	\$ 218,847
2019	197,127
2020	181,612
2021	163,825
2022	146,037
Thereafter	1,387,353
<hr/>	
Total minimum lease payments	2,294,801
Less amount representing interest at between 3.37% and 8.21%	836,791
<hr/>	
Present value of net minimum capital lease payments	1,458,010
Current portion of obligations under capital leases	108,733
<hr/>	
	\$ 1,349,277

8. Employee future benefits:

(a) Pension plan:

The Joint Venture contributed \$18,784 (2016 - \$23,099) to the defined contribution pension plan during the year. The total expense for the year was \$18,784 (2016 - \$23,099).

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2017

8. Employee future benefits (continued):

(b) Post-employment benefits other than pension:

The Joint Venture provides its current and retired employees with extended health and dental benefits and post retirement insurance coverage. The Joint Venture's post employment benefits also include sick leave benefits comprised of a non-vested and vested portion. The non-vested program allows for employees to accumulate at most 85 unused sick days and the vested program provides for 50% of sick days accumulated prior to March 2012 to be paid to the employee on retirement. All benefits are provided upon retirement and provide coverage equal to one year for every five years of employment. These benefits are not payable on death or termination.

The most recent actuarial valuation was prepared as at June 30, 2015 for the health plan and the results have been extrapolated to June 30, 2017. The most recent actuarial valuation of the sick leave plans was performed as of June 30, 2017.

The discount rate used in the actuarial measurement of the employee future benefit liability was 3.46% (2016 - 3.58%). The employee future benefit liability relating to post-employment benefits other than pension is \$226,572 (2016 - \$194,239). This liability has been recorded in the financial statements.

Benefit expenses included in salaries and benefits expenditures consist of the following:

	2017	2016
Current service cost	\$ 17,543	\$ 8,157
Interest cost	7,247	3,883
	\$ 24,790	\$ 12,040

Details of annual contributions and benefits paid are as follows:

	2017	2016
Employer contributions	\$ 2,000	\$ 7,257
Benefit payments	(2,000)	(7,257)

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2017

9. Deferred capital contributions:

Deferred capital contributions represent both the unamortized amounts of grants already spent, and the unspent amount of grants received for the future purchase of capital assets.

The change in deferred capital contributions consist of the following:

	2017	2016
Balance, beginning of year	\$ 3,284,513	\$ 3,417,139
Amortization of deferred capital contributions	(132,627)	(132,626)
Balance, end of year	\$ 3,151,886	\$ 3,284,513

10. Investments in capital assets:

Investments in capital assets consists of the following:

	2017	2016
Capital assets	\$ 11,755,263	\$ 11,798,774
Less amounts financed by:		
Related party debt	(3,996,785)	(4,774,681)
Obligation under capital leases	(1,458,010)	(1,413,399)
Deferred capital contributions	(3,151,886)	(3,284,513)
	(8,606,681)	(9,472,593)
	\$ 3,148,582	\$ 2,326,181

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2017

10. Investments in capital assets (continued):

The change in investment in capital assets is calculated as follows:

	2017	2016
Amortization of deferred capital contributions	\$ 132,627	\$ 132,626
Amortization of capital assets	(636,611)	(580,729)
Loss on disposal of capital asset	(4,256)	-
	(508,240)	(448,103)
Purchase of capital assets	597,356	415,743
Repayment of related party debt	777,896	730,565
Repayment of obligations under capital leases	96,282	74,379
Increase in obligations under capital leases	(140,893)	(146,251)
	\$ 822,401	\$ 626,333

11. Contributions to Joint Venture:

In return for their interests in the Joint Venture, both the City and the Association made contributions to the Joint Venture. The City contributed a \$5,000,000 non-refundable capital grant which is recorded as a deferred capital contribution. The Association contributed the lease of the land for the arena at below market values and ongoing project management. Under the terms of the joint venture agreement, the venturers agree to a contribution to internally restricted net assets for future capital purchases annually. For the year ended June 30, 2017, both venturers agreed to a total contribution of \$241,520 (2016 - \$173,860).

12. Internally restricted net assets:

	2017	2016
Balance, beginning of year	\$ 918,666	\$ 1,014,298
Current year allocation	241,520	173,860
Capital expenditures	(456,463)	(269,492)
Balance, end of year	\$ 703,723	\$ 918,666

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2017

13. Allocation of excess of revenues over expenditures to venturers:

The excess of revenues over expenditures of the Joint Venture have been allocated to the venturers in accordance with the Joint Venture agreement. The agreement states that the excess of revenues over expenditures will be allocated to the Association for the first five years and will be allocated equally to the venturers after this time until certain related party debt repayment thresholds are met. Once the Joint Venture has repaid \$5 million of principal on the related party debt, for every \$1 million repayment thereafter, the Association's equity interest will increase by 2.857%, to a maximum of 70%, and the City's equity interest will decrease by 2.857%, to a minimum of 30%. Any deficiency of revenue over expenditures incurred by the Joint Venture accrues to the Association.

During the year, the related party debt repayment threshold was met resulting in the Association's equity interest increasing to 58.5711% (2016 - 55.714%) and the City's equity interest decreasing to 41.4289% (2016 - 44.286%). The venturers agreed to apply the change to the first day in the year that the threshold was met and to each year thereafter that subsequent repayment thresholds are met.

The terms of the Joint Venture Agreement stipulate that the excess of revenues over expenditures available for distribution to the venturers annually is determined as follows:

	2017	2016
Excess of revenues over expenditures	\$ 617,001	\$ 618,944
Amortization of capital assets	636,611	580,729
Amortization of deferred capital contributions	(132,627)	(132,626)
Loss on disposal of capital asset	4,256	-
Repayment of related party debt	(777,896)	(730,565)
Repayment of obligations under capital leases	(96,282)	(74,379)
	251,063	262,103
Allocation to internally restricted net assets	(241,520)	(173,860)
Employee future benefit remeasurements	(9,543)	(88,243)
Amounts available for distribution to the venturers	\$ -	\$ -

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2017

14. Related party transactions:

During the year, the Joint Venture entered into the following transactions, which are recorded at the exchange amount, with related parties:

- (a) During the year, the City, a related party, rented ice time from the Joint Venture in the amount of \$1,792,285 (2016 - \$1,767,126).
- (b) The Joint Venture also paid interest of \$278,328 (2016 - \$325,659) to the City on account of the related party debt (note 6).
- (c) There were no venturer distributions declared during the year and paid or payable to Western Fair Association and The City of London (2016 - nil and nil) respectively.
- (d) During the year, the Joint Venture paid management fees to the Association in the amount of \$242,479 (2016 - \$239,769).

Payable to Western Fair Association of \$145,824 (2016 - \$95,310) and Payable to The City of London of nil (2016 - nil) are unsecured and non-interest bearing with no specific repayment terms.

15. Financial risks and concentration of credit risk:

- (a) Liquidity risk:

Liquidity risk is the risk that the Joint Venture will be unable to fulfill its obligations in a timely basis or at a reasonable cost. The Joint Venture manages its liquidity risk by monitoring its operating requirements. There have been no changes to the risk exposures from 2016.

- (b) Credit risk:

Credit risk is the risk of financial loss to the Joint Venture if a counterparty to a financial instrument fails to meet its obligation. The Joint Venture is exposed to credit risks with respect to accounts receivable. The Joint Venture has established policies for extending credit to various businesses, groups and individuals who purchase goods and services from the Joint Venture in order to reduce incidents of non-payment. Management believes that the credit risk is minimized by dealing with creditworthy counterparties.

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2017

16. Contingencies:

From time-to-time the Joint Venture may have litigation pending or in progress. With respect to claims at June 30, 2017, management's position that the Joint Venture has valid defences and appropriate insurance coverage in place. In the opinion of management, the aggregate amount of any potential liability is not expected to have a material effect on the Joint Venture's financial position.

Financial Statements of

**HOUSING DEVELOPMENT CORPORATION,
LONDON**

Year ended December 31, 2017



KPMG LLP
140 Fullarton Street Suite 1400
London ON N6A 5P2
Canada
Tel 519 672-4800
Fax 519 672-5684

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Housing Development Corporation, London

We have audited the accompanying financial statements of Housing Development Corporation, London, which comprise the statement of financial position as at December 31, 2017, the statements of operations, 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 the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Housing Development Corporation, London as at December 31, 2017, and its results of operations, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slanted style and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

April 19, 2018

HOUSING DEVELOPMENT CORPORATION, LONDON

Statement of Financial Position

As at December 31, 2017, with comparative information for 2016

	2017	2016
Financial assets		
Due from the Corporation of the City of London (note 3)	\$ 5,926,529	\$ 2,306,000
Trade and other receivables	27,895	3,049
Total financial assets	5,954,424	2,309,049
Financial liabilities		
Accounts payable and accrued liabilities	27,739	21,700
Total financial liabilities	27,739	21,700
Net financial assets	5,926,685	2,287,349
Non-financial assets		
Tangible capital assets (note 4)	1,346	1,731
Prepaid expenses	63,975	3,942
Total non-financial assets	65,321	5,673
Accumulated surplus (note 5)	\$ 5,992,006	\$ 2,293,022

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

HOUSING DEVELOPMENT CORPORATION, LONDON

Statement of Operations

For the year ended December 31, 2017, with comparative information for the fifteen-month period ended December 31, 2016

	Budget	2017	2016
Revenues			
Transfer payments			
Municipal - the Corporation of the City of London	\$ 2,767,755	\$ 4,343,164	\$ 2,691,502
Federal	-	3,100	-
Interest income	-	54,933	13,140
Other	-	6,000	-
Total revenues	2,767,755	4,407,197	2,704,642
Expenses			
Salaries, wages and benefits	487,171	427,796	232,363
Materials and supplies	63,940	30,764	11,804
Contracted services	186,644	124,594	167,361
Office rental expense	30,000	24,674	-
External transfers	-	100,000	-
Amortization of tangible capital assets (note 4)	-	385	192
Total expenses	767,755	708,213	411,720
Annual surplus	2,000,000	3,698,984	2,292,922
Accumulated surplus, beginning of year (note 5)	2,293,022	2,293,022	-
Issuance of share capital (note 7)	-	-	100
Accumulated surplus, end of year (note 5)	\$ 4,293,022	\$ 5,992,006	\$ 2,293,022

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

HOUSING DEVELOPMENT CORPORATION, LONDON

Statement of Net Financial Assets

For the year ended December 31, 2017, with comparative information for the fifteen-month period ended December 31, 2016

	Budget	2017	2016
Annual surplus	\$ 2,000,000	\$ 3,698,984	\$ 2,292,922
Acquisition of tangible capital assets	(21,735)	-	(1,923)
Amortization of tangible capital assets	-	385	192
	1,978,265	3,699,369	2,291,191
Change in prepaid expenses	-	(60,033)	(3,942)
Change in net financial assets	1,978,265	3,639,336	2,287,249
Net financial assets, beginning of year	2,287,349	2,287,349	-
Issuance of share capital (note 7)	-	-	100
Net financial assets, end of year	\$ 4,265,614	\$ 5,926,685	\$ 2,287,349

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

HOUSING DEVELOPMENT CORPORATION, LONDON

Statement of Cash Flows

For the year ended December 31, 2017, with comparative information for the fifteen-month period ended December 31, 2016

	2017	2016
Cash provided by:		
Operating activities:		
Annual surplus	\$ 3,698,984	\$ 2,292,922
Items not involving cash:		
Amortization of tangible capital assets	385	192
Change in non-cash assets and liabilities:		
Due from the Corporation of the City of London	(3,620,529)	(2,306,000)
Prepaid expenses	(60,033)	(3,942)
Trade and other receivables	(24,846)	(3,049)
Accounts payable and accrued liabilities	6,039	21,700
Net change in cash from operating activities	-	1,823
Capital activities:		
Purchase of tangible capital assets	-	(1,923)
Cash used in capital activities	-	(1,923)
Financing activities:		
Issuance of share capital	-	100
Cash provided by financing activities	-	100
Net change in cash flows and cash, end of period	\$ -	\$ -

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

HOUSING DEVELOPMENT CORPORATION, LONDON

Notes to Financial Statements

Year ended December 31, 2017

1. Nature of reporting entity

Housing Development Corporation, London (the "Corporation") is a municipal services corporation with share capital incorporated under the *Business Corporations Act*, R.S.O. 1990, c.B.16 on October 26, 2015.

The Corporation is a wholly owned subsidiary company of The Corporation of the City of London (the "City") and is managed by a Board of Directors appointed by the City, as the sole shareholder.

2. Significant accounting policies

The financial statements of the Corporation are prepared by management, in accordance with Canadian generally accepted accounting principles as defined in the Chartered Professional Accountants (CPA) of Canada Public Sector Handbook – Accounting.

Significant accounting policies are as follows.

(a) Basis of accounting

Sources of financing and expenses are reported on the 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 receipt of goods or services and the creation of a legal obligation to pay.

(b) 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
Office equipment and furniture	5

Annual amortization is charged in the year of acquisition and in the year of disposal using the half year rule. Assets under construction are not amortized until the asset is available for productive use.

(c) Government transfers

Government transfer payments from the City are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

HOUSING DEVELOPMENT CORPORATION, LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2017

2. Significant accounting policies (continued)

(d) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the valuation allowances for receivables and useful lives assigned to tangible capital assets.

Actual results could differ from those estimates.

(e) Budget figures

Budget figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by the Public Sector Accounting Board ("PSAB"), certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

(f) Liability for contaminated sites

Under PS 3260, liability for contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. This Standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination.

3. Due from the Corporation of the City of London

In accordance with the City of London Council's direction of September 2, 2014, the Corporation has been extended shared services support from the City. The City's support services include office space, information technology, risk management, facility, finance, payroll, purchasing, legal and other administrative services to ensure operational efficiency. The Corporation incurred a charge of \$25,000 for these services and this expense has been included in the Statement of Operations.

The City maintains a separate general ledger on behalf of the Corporation. All funds are paid and received through the City's bank account and are held for use by the Corporation.

HOUSING DEVELOPMENT CORPORATION, LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2017

4. Tangible capital assets

Cost	Balance at December 31, 2016	Additions	Disposals	Balance at December 31, 2017
Office equipment and furniture	\$ 1,923	\$ -	\$ -	\$ 1,923
Total	\$ 1,923	\$ -	\$ -	\$ 1,923

Accumulated Amortization	Balance at December 31, 2016	Amortization Expense	Disposals	Balance at December 31, 2017
Office equipment and furniture	\$ 192	\$ 385	\$ -	\$ 577
Total	\$ 192	\$ 385	\$ -	\$ 577

	Net book value December 31, 2016	Net book value December 31, 2017
Office equipment and furniture	\$ 1,731	\$ 1,346
Total	\$ 1,731	\$ 1,346

5. Accumulated surplus

Accumulated surplus consists of individual fund surplus, reserve funds and share capital as follows:

	2017	2016
Surplus:		
Invested in tangible capital assets	\$ 1,346	\$ 1,731
Total surplus	1,346	1,731
Reserve funds set aside for specific purpose by the Board:		
Affordable Housing future operations	5,990,560	2,291,191
Total reserve funds (note 6)	5,990,560	2,291,191
Share capital:		
100 Class A common shares (note 7)	100	100
Total share capital	100	100
	\$ 5,992,006	\$ 2,293,022

HOUSING DEVELOPMENT CORPORATION, LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2017

6. Analysis of reserve fund

	2017	2016
Affordable Housing reserve fund:		
Balance, beginning of year	\$ 2,291,191	\$ -
Interest earned	54,933	13,140
Contributions from current operations:		
Annual	2,000,000	2,000,000
Additional one-time from City of London	1,600,000	-
Current year surplus	32,500	278,051
Current year surplus reserved for office leasehold improvements	111,936	-
Transfers to current operations	(100,000)	-
Balance, end of year	\$ 5,990,560	\$ 2,291,191

	2017	2016
Comprised of:		
Contributions from the City of London, stipulated for use in future affordable housing projects	\$ 5,568,073	\$ 2,013,140
Accumulated operating surpluses held for future administration expenses	422,487	278,051
Balance, end of year	\$ 5,990,560	\$ 2,291,191

7. Share capital

	2017	2016
Authorized:		
An unlimited number of Class A common shares		
An unlimited number of Class B common shares		
An unlimited number of Class C common shares		
An unlimited number of non-cumulative, redeemable, voting Class A Special shares		
An unlimited number of non-cumulative, redeemable, voting Class B Special shares		
An unlimited number of non-cumulative, redeemable, voting Class C Special shares		
An unlimited number of non-cumulative, redeemable, voting Class D Special shares		
An unlimited number of non-cumulative, redeemable, voting Class E Special shares		
Issued:		
100 Class A common shares	\$ 100	\$ 100

HOUSING DEVELOPMENT CORPORATION, LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2017

8. Budget data

Budget data presented in these financial statements are based upon the 2017 operating budget approved by the City and interim Board and then transferred to the Corporation. Adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. The chart below reconciles the approved budget with the budget figures as presented in these financial statements.

	Budget
Revenue:	
Municipal revenue – The Corporation of the City of London	\$ 743,792
Total revenue	743,792
Expenses:	
Personnel costs	167,792
Administrative expenses	88,405
Purchased services	482,725
Materials and supplies	2,330
Furniture and equipment	2,540
Total expenses	743,792
Net surplus as per Approved Budget	\$ -
Public Sector Accounting Board (PSAB) Reporting Requirements and Budget adjustments:	
Increase in government grants and subsidies	\$ 26,579
Increase in municipal revenue	1,997,384
Increase in personnel costs and furniture and equipment	(23,963)
Net PSAB Budget Surplus as per Financial Statements	\$ 2,000,000

9. Comparative information

Comparative information presented is for the fifteen-month period from October 26, 2015 to December 31, 2016.

Financial Statements of

**THE LONDON CONVENTION CENTRE
CORPORATION**

Year ended December 31, 2017



KPMG LLP
140 Fullarton Street Suite 1400
London ON N6A 5P2
Canada
Tel 519 672-4800
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INDEPENDENT AUDITORS' REPORT

To the Chair and Members of The London Convention Centre Corporation

We have audited the accompanying financial statements of The London Convention Centre Corporation which comprise the statement of financial position as at December 31, 2017 and the statements of operations, 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 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The London Convention Centre Corporation as at December 31, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slanted style and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

March 8, 2018

THE LONDON CONVENTION CENTRE CORPORATION

Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
Financial Assets		
Cash and cash equivalents	\$ 736,885	\$ 1,199,757
Accounts receivable	547,836	208,206
Other receivables	13,549	94,010
Receivable from The City of London	8,874	-
	<u>1,307,144</u>	<u>1,501,973</u>
Financial Liabilities		
Accounts payable and accrued liabilities	781,377	531,363
Payable to The City of London	-	96,121
Long-term debt (note 6)	1,787,991	1,965,000
Accrued sick and vacation	38,449	61,097
Advance deposits	481,843	567,741
	<u>3,089,660</u>	<u>3,221,322</u>
Net debt	(1,782,516)	(1,719,349)
Non-Financial Assets		
Tangible capital assets (note 4)	18,375,774	19,418,142
Prepaid expenses	26,765	26,559
Inventory (note 2)	66,992	53,021
	<u>18,469,531</u>	<u>19,497,722</u>
Accumulated surplus (note 7)	<u>\$ 16,687,015</u>	<u>\$ 17,778,373</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director _____ Director

THE LONDON CONVENTION CENTRE CORPORATION

Statement of Operations

Year ended December 31, 2017, with comparative information for 2016

	Budget 2017	2017	2016
Revenue:			
Food and beverage	\$ 3,910,000	\$ 3,745,057	\$ 4,003,431
Space rental	578,000	624,357	534,022
City capital appropriation	589,000	579,966	494,583
Parking	528,872	497,542	480,018
Technical	421,861	349,159	303,312
Capital reserve drawdown	204,152	300,969	3,009,333
Other	145,646	155,808	130,839
Federal grants	-	-	715,000
	6,377,531	6,252,858	9,670,538
Cost of goods sold:			
Food and beverage	1,026,998	963,883	1,029,628
Other	25,126	64,368	53,250
Technical	18,672	14,287	20,805
	1,070,796	1,042,538	1,103,683
	5,306,735	5,210,320	8,566,855
Expenditures:			
Event services and culinary	1,511,338	1,463,821	1,470,777
Amortization of tangible capital assets	1,213,288	1,331,377	1,213,288
Corporate services	1,091,465	854,184	951,012
Sales and catering	825,157	708,722	827,923
City appropriation	589,000	678,953	494,583
Energy	446,227	543,543	514,592
Facility services	430,793	438,582	468,092
Cleaning	128,195	110,479	119,494
Parking	43,891	58,208	42,964
Other	34,073	44,118	36,399
Technical	30,498	26,306	15,847
Interest and bank charges	-	43,385	18,945
	6,343,925	6,301,678	6,173,916
Annual surplus (deficit) (note 8)	(1,037,190)	(1,091,358)	2,392,939
Accumulated surplus, beginning of year	17,778,373	17,778,373	15,385,434
Accumulated surplus, end of year	\$ 16,741,183	\$ 16,687,015	\$ 17,778,373

See accompanying notes to financial statements.

THE LONDON CONVENTION CENTRE CORPORATION

Statement of Change in Net Financial Assets

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Annual surplus (deficit)	\$ (1,091,358)	\$ 2,392,939
Acquisition of tangible capital assets	(289,009)	(5,200,532)
Amortization of tangible capital assets	1,331,377	1,213,288
	(48,990)	(1,594,305)
Acquisition of inventories of supplies	(66,992)	(53,021)
Acquisition of prepaid expenses	(26,765)	(26,559)
Consumption of inventories of supplies	53,021	53,891
Use of prepaid expenses	26,559	32,603
	(14,177)	6,914
Decrease in net financial assets	(63,167)	(1,587,391)
Net financial debt, beginning of year	(1,719,349)	(131,958)
Net financial debt, end of year	\$ (1,782,516)	\$ (1,719,349)

See accompanying notes to financial statements.

THE LONDON CONVENTION CENTRE CORPORATION

Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ (1,091,358)	\$ 2,392,939
Item not involving cash:		
Amortization of tangible capital assets	1,331,377	1,213,288
Changes in non-cash operating working capital:		
Accounts receivable	(339,630)	72,695
Other receivables	80,461	(83,698)
Inventory	(13,971)	870
Accounts payable and accrued liabilities	250,014	(15,661)
Accrued sick and vacation	(22,648)	25,558
Receivable from/Payable to The City of London	(104,995)	(644,913)
Advance deposits	(85,898)	75,381
Prepaid expenses	(206)	6,044
	3,146	3,042,503
Financing activities:		
Proceeds on issuance of long-term debt	-	1,965,000
Repayment of long-term debt	(177,009)	-
	(177,009)	1,965,000
Capital activities:		
Acquisition of tangible capital assets	(289,009)	(5,200,532)
Net change in cash and cash equivalents	(462,872)	(193,029)
Cash and cash equivalents, beginning of year	1,199,757	1,392,786
Cash and cash equivalents, end of year	\$ 736,885	\$ 1,199,757
Cash and cash equivalents consist of:		
Cash	\$ 210,298	\$ 676,720
Investments held by the City of London with an average yield of 1.82%	526,587	523,037
	\$ 736,885	\$ 1,199,757

See accompanying notes to financial statements.

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements

Year ended December 31, 2017

1. Significant accounting policies:

The financial statements of The London Convention Centre Corporation are prepared in accordance with Canadian generally accepted accounting principles as defined in the Chartered Professional Accountants Canada Public Sector Accounting Handbook.

(a) Basis of accounting:

Sources of financing and expenditures are reported on the accrual basis of accounting.

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

(b) 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 are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Rate
Buildings and building improvements	5 - 40 years
Furniture and equipment	5 - 20 years
Infrastructure	3 - 10 years
Vehicles	10 - 20 years

(c) Revenue recognition:

Revenue from events is recorded in the statement of operations in the year in which the event is held, and the related receivable is considered collectible.

Government transfer payments are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(d) Inventory:

Inventory is valued at the lower of cost, being laid down cost, and net realizable value, using the specific item costing method.

(e) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Such estimates include valuation of accounts receivable, inventory, and tangible capital assets. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, and makes adjustments in the financial statements on a prospective basis. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates.

(f) Budget amounts:

Budget figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2017

2. Inventory:

At December 31, inventory consists of:

	2017	2016
Food	\$ 26,025	\$ 14,675
Beverages	40,967	38,346
	<u>\$ 66,992</u>	<u>\$ 53,021</u>

3. Capital reserve:

A capital reserve is managed by The City of London to finance future capital expenditures. The reserve has not been recognized in these financial statements and will be accounted for as the funds are received and expended.

	2017	2016
Opening balance	\$ 1,460,264	\$ 3,932,518
Contributions during the year	678,953	494,583
Interest	24,317	42,496
Capital expenditures	(300,969)	(3,009,333)
Closing balance	<u>\$ 1,862,565</u>	<u>\$ 1,460,264</u>

4. Tangible capital assets:

Cost	Balance at December 31, 2016	Additions	Disposals	Balance at December 31, 2017
Building	\$ 27,309,469	\$ -	\$ -	\$ 27,309,469
Building improvements	9,533,233	152,389	-	9,685,622
Equipment	1,471,914	118,492	-	1,590,406
Furniture	1,084,464	14,758	-	1,099,222
Infrastructure	654,250	3,370	-	657,620
Vehicles	41,217	-	-	41,217
	<u>\$ 40,094,547</u>	<u>\$ 289,009</u>	<u>\$ -</u>	<u>\$ 40,383,556</u>

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2017

4. Tangible capital assets (continued):

Accumulated amortization	Balance at December 31, 2016	Disposals	Amortization expense	Balance at December 31, 2017
Building	\$ 15,760,924	\$ -	\$ 692,495	\$ 16,453,419
Building improvements	2,485,767	-	466,715	2,952,482
Equipment	1,292,141	-	88,938	1,381,079
Furniture	478,118	-	71,081	549,199
Infrastructure	625,806	-	11,580	637,386
Vehicles	33,649	-	568	34,217
	\$ 20,676,405	\$ -	\$ 1,331,377	\$ 22,007,782

	Net book value December 31, 2016	Net book value December 31, 2017
Building	\$ 11,548,545	\$ 10,856,050
Building improvements	7,047,466	6,733,140
Equipment	179,773	209,327
Furniture	606,346	550,023
Infrastructure	28,444	20,234
Vehicles	7,568	7,000
	\$ 19,418,142	\$ 18,375,774

Ownership of capital assets is vested with the City of London. The London Convention Centre Corporation operates the facilities on behalf of the City of London. The fixed assets and the related amortization have been included in the financial statements of The London Convention Centre Corporation in order to reflect the assets over which it has stewardship.

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2017

5. Pension agreement:

The London Convention Centre Corporation contributes to the Ontario Municipal Employees Retirement Fund (OMERS) which is a multi-employer plan, on behalf of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 2017 was \$217,900 (2016 - \$200,486) for current service.

6. Long-term debt:

The note payable to the City of London, a related party, bears interest at a fixed rate of 2.3% per annum. The note is unsecured and due in blended annual payments of \$222,204 maturing August 1, 2026. Interest expense relating to the note was \$43,385 in the current year (2016 - \$18,945).

7. Accumulated surplus:

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

	2017	2016
Surplus:		
Invested in tangible capital assets	\$ 18,375,774	\$ 19,418,142
Unfunded:		
Payable to The City of London used to finance tangible capital assets	(1,787,991)	(1,965,000)
Reserves:		
Special projects	346,154	346,154
Operating	500,000	500,000
	846,154	846,154
Other	(746,922)	(520,923)
	\$ 16,687,015	\$ 17,778,373

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2017

8. Income (loss) from operations:

In order to assess the operations of The London Convention Centre Corporation, management removes the impact of capital items from the operating results included in the statement of operations. Accordingly, management defines income from operations as follows:

	2017	2016
Annual surplus (deficit)	\$ (1,091,358)	\$ 2,392,939
Add back:		
Amortization	1,331,377	1,213,288
City appropriation	678,953	494,583
Interest on long-term debt	43,385	18,945
	2,053,715	1,726,816
Deduct:		
City capital funding	(880,935)	(3,503,906)
Federal capital grants	-	(715,000)
	\$ 81,422	\$ (99,151)

In the current year, income from operations was designated to be transferred to the capital reserve. This designation has been reflected as an offset to the balance receivable from The City of London as at December 31, 2017.

9. Comparative figures:

Certain 2016 comparative figures have been reclassified to conform with the financial presentation adopted per the current year.

Combined Financial Statements of

**LONDON DOWNTOWN BUSINESS
ASSOCIATION**

Year ended December 31, 2017



KPMG LLP
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Canada
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of London Downtown Business Association

We have audited the accompanying combined financial statements of London Downtown Business Association, which comprise the combined statement of financial position as at December 31, 2017, the combined statements of operations, 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 Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the combined 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 combined 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 combined financial statements present fairly, in all material respects, the combined financial position of London Downtown Business Association as at December 31, 2017, and its results of combined operations and its combined cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

April 20, 2018

LONDON DOWNTOWN BUSINESS ASSOCIATION

Combined Statement of Financial Position

December 31, 2017, with comparative information for 2016

	LDBA 2017	Main Street 2017	Total 2017	Total 2016
Financial assets				
Cash and cash equivalents	\$ 334,850	\$ 439,443	\$ 774,293	\$ 697,217
Accounts receivable	95,326	2,646	97,972	94,452
Tenant improvement loans (note 2)	-	60,096	60,096	46,171
	430,176	502,185	932,361	837,840
Financial liabilities				
Accounts payable and accrued liabilities	146,398	6,853	153,251	207,713
Funds on deposit	-	117,004	117,004	98,966
	146,398	123,857	270,255	306,679
Net financial assets	283,778	378,328	662,106	531,161
Non-financial assets				
Tangible capital assets (note 3)	76,824	-	76,824	119,501
Commitments (note 5)				
Accumulated surplus (note 4)	\$ 360,602	\$ 378,328	\$ 738,930	\$ 650,662

See accompanying notes to combined financial statements.

On behalf of the Board:

_____ Director _____ Director

LONDON DOWNTOWN BUSINESS ASSOCIATION

Combined Statement of Operations

Year ended December 31, 2017, with comparative information for 2016

	LDBA 2017	Main Street 2017	Total 2017	Total 2016
Revenue:				
Municipal levy from the City of London	\$ 1,750,164	\$ -	\$ 1,750,164	\$ 1,639,439
Main Street London funding	(117,260)	117,260	-	-
Interest income	2,068	1,221	3,289	2,180
Miscellaneous income	-	109,083	109,083	195
Total revenue	1,634,972	227,564	1,862,536	1,641,814
Expenses:				
Salaries and wages	417,675	92,514	510,189	491,654
Business development	505,936	-	505,936	447,790
Member services	434,668	21,610	456,278	453,642
Administration	109,674	1,153	110,827	120,093
Programs	-	70,524	70,524	69,723
Rent	67,150	-	67,150	66,299
Amortization	42,677	-	42,677	52,000
Business retention	-	10,687	10,687	4,753
Total expenses	1,577,780	196,488	1,774,268	1,705,954
Annual surplus (deficit)	57,192	31,076	88,268	(64,140)
Accumulated surplus, beginning of year	303,410	347,252	650,662	714,802
Accumulated surplus, end of year	\$ 360,602	\$ 378,328	\$ 738,930	\$ 650,662

See accompanying notes to combined financial statements.

LONDON DOWNTOWN BUSINESS ASSOCIATION

Combined Statement of Change in Net Financial Assets

Year ended December 31, 2017, with comparative information for 2016

	LDBA 2017	Main Street 2017	Total 2017	Total 2016
Annual surplus (deficit)	\$ 57,192	\$ 31,076	\$ 88,268	\$ (64,140)
Amortization of tangible capital assets	42,677	-	42,677	52,000
Change in net financial assets	99,869	31,076	130,945	(12,140)
Net financial assets, beginning of year	183,909	347,252	531,161	543,301
Net financial assets, end of year	\$ 283,778	\$ 378,328	\$ 662,106	\$ 531,161

See accompanying notes to combined financial statements.

LONDON DOWNTOWN BUSINESS ASSOCIATION

Combined Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ 88,268	\$ (64,140)
Item not involving cash:		
Amortization	42,677	52,000
Changes in non-cash operating working capital:		
Investments	-	2,746
Accounts receivable	(3,520)	(12,611)
Tenant improvement loans	(13,925)	6,501
Accounts payable and accrued liabilities	(54,462)	88,912
	59,038	73,408
Financing activities:		
Funds on deposit	18,038	6,743
Increase in cash and cash equivalents	77,076	80,151
Cash and cash equivalents, beginning of year	697,217	617,066
Cash and cash equivalents, end of year	\$ 774,293	\$ 697,217
Supplemental cash flow information:		
Cash	\$ 715,316	\$ 639,051
Cash equivalents	58,977	58,166
	\$ 774,293	\$ 697,217

See accompanying notes to combined financial statements.

LONDON DOWNTOWN BUSINESS ASSOCIATION

Notes to Combined Financial Statements

Year ended December 31, 2017

1. Significant accounting policies:

The combined financial statements of the London Downtown Business Association (the "Association") are prepared in accordance with Canadian generally accepted accounting principles as defined in the Chartered Professional Accountants Canada Public Sector Handbook - Accounting..

(a) Basis of accounting:

Sources of financing and expenditures are reported on the accrual basis of accounting.

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

(b) Cash equivalents:

Cash equivalents consist of guaranteed investment certificates due on demand.

(c) Investments:

Investments consist of guaranteed investment certificates. Interest income is recognized as it is earned.

(d) Government transfers:

Government transfer payments from the City of London are recognized in the combined financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(e) Deferred revenue:

Funds received for expenses of future periods are deferred and recognized as income when the costs for which the revenue is received are incurred.

LONDON DOWNTOWN BUSINESS ASSOCIATION

Notes to Combined Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(f) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to the 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:

Asset	Rate
Furniture	5 years
Metal trees	10 years
Computer equipment	4 years
Solar chargers	3 years
Leasehold improvements	10 years

(g) Use of estimates:

The preparation of 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 date of the financial statements and the reported amounts of revenues and expenses during the year. Such estimates include valuation of accounts receivable, tenant improvement loans and other long-lived assets. Actual results could differ from those estimates.

LONDON DOWNTOWN BUSINESS ASSOCIATION

Notes to Combined Financial Statements (continued)

Year ended December 31, 2017

2. Tenant improvement loans:

As part of its mandate, the Association provides interest free tenant improvement loans to eligible downtown businesses. During the year, the Association recorded an allowance for doubtful accounts in the amount of nil (2016 - nil).

3. Tangible capital assets:

Cost	Balance at December 31, 2016	Additions	Disposals	Balance at December 31, 2017
Furniture	\$ 43,050	\$ -	\$ -	\$ 43,050
Metal trees	227,198	-	-	227,198
Computer equipment	29,426	-	-	29,426
Solar chargers	27,027	-	-	27,027
Leasehold improvements	124,272	-	-	124,272
Total	\$ 450,973	\$ -	\$ -	\$ 450,973

Accumulated amortization	Balance at December 31, 2016	Disposals	Amortization expense	Balance at December 31, 2017
Furniture	\$ 30,482	\$ -	\$ 7,495	\$ 37,977
Metal trees	210,983	-	13,746	224,729
Computer equipment	29,426	-	-	29,426
Solar chargers	15,015	-	9,009	24,024
Leasehold improvements	45,566	-	12,427	57,993
Total	\$ 331,472	\$ -	\$ 42,677	\$ 374,149

	Net book value December 31, 2016	Net book value December 31, 2017
Furniture	\$ 12,568	\$ 5,073
Metal trees	16,215	2,469
Solar chargers	12,012	3,003
Leasehold improvements	78,706	66,279
Total	\$ 119,501	\$ 76,824

LONDON DOWNTOWN BUSINESS ASSOCIATION

Notes to Combined Financial Statements (continued)

Year ended December 31, 2017

4. Accumulated surplus:

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

	2017	2016
Surplus:		
Invested in tangible capital assets	\$ 76,824	\$ 119,501
Operating surplus	603,129	472,995
	679,953	592,496
Contingency reserve	58,977	58,166
	\$ 738,930	\$ 650,662

5. Commitments:

The Association is committed to payments under operating leases for furniture and equipment as follows:

2018	\$ 15,190
2019	2,319
	\$ 17,509



London Hydro Inc.

Financial Statements

For the year ended December 31, 2017
with comparative amounts for 2016

London Hydro Inc.
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For the year ended December 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Shareholder of London Hydro Inc.

We have audited the accompanying financial statements of London Hydro Inc., which comprise the statement of financial position as at December 31, 2017, the statements of comprehensive income, changes in equity 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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of London Hydro Inc. as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slanted style. Below the signature is a long, horizontal, slightly curved line that tapers at both ends, serving as a decorative underline.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

March 22, 2018

London Hydro Inc.**Statement of Financial Position****December 31, 2017, with comparative amounts at December 31, 2016**

(in thousands of dollars)

	Note	2017	2016
ASSETS			
Current assets			
Cash	5	\$ 4,364	\$ 713
Accounts receivable	6	75,047	86,914
Materials and supplies	7	647	845
Prepaid expenses		2,461	1,896
Total current assets		82,519	90,368
Non-current assets			
Property, plant and equipment	8	286,584	268,702
Intangible assets	9	19,583	17,617
Total non-current assets		306,167	286,319
Total assets		388,686	376,687
Regulatory balances	11	5,832	6,550
Total assets and regulatory balances		\$ 394,518	\$ 383,237
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	12	\$ 48,304	\$ 56,257
Due to shareholder	21	8,724	8,671
Income tax payable		736	223
Current portion of long-term debt	14	2,304	2,304
Customer and other deposits		932	436
Deferred revenue	13	1,799	1,399
Total current liabilities		62,799	69,290
Non-current liabilities			
Long-term debt	14,23	116,522	108,826
Post-employment benefits	15	15,213	14,481
Customer and other deposits		5,896	5,600
Deferred revenue	13	21,328	16,309
Deferred tax liability	10	3,766	1,163
Unrealized loss on interest rate swap	14,23	887	4,406
Total non-current liabilities		163,612	150,785
Total liabilities		226,411	220,075
Equity			
Share capital	16	96,116	96,116
Retained earnings		64,887	55,251
Accumulated other comprehensive loss		(1,170)	(586)
Total equity		159,833	150,781
Total liabilities and equity		386,244	370,856
Regulatory balances	11	8,274	12,381
<i>Commitments and contingencies (Note 20), Subsequent events (Notes 14 and 24)</i>			
Total liabilities, equity and regulatory balances		\$ 394,518	\$ 383,237

On behalf of the Board:



Director



Director

London Hydro Inc.**Statement of Comprehensive Income**

For the year ended December 31, 2017, with comparative amounts for 2016

(in thousands of dollars)

	Note	2017	2016
Revenues			
Sale of energy		\$ 371,392	\$ 430,713
Distribution revenue		66,862	65,158
Other	17	10,504	10,690
		448,758	506,561
Operating expenses			
Cost of power purchased		373,466	423,092
Operating expenses	18	41,933	41,167
Depreciation and amortization		18,321	18,717
		433,720	482,976
Income from operating activities		15,038	23,585
Finance (income) / expense	19	(607)	1,228
Income before income taxes		15,645	22,357
Income tax expense	10	4,553	3,979
Net income for the year		11,092	18,378
Net movement in regulatory balances, net of tax	11	3,544	(5,911)
Net income for year and net movement in regulatory balances		14,636	12,467
Other comprehensive income / (loss)			
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefits	15	(584)	(294)
Tax on remeasurements	10	155	78
Net movement in regulatory balances, net of tax	11	(155)	(78)
Other comprehensive loss		(584)	(294)
Total comprehensive income for the year		\$ 14,052	\$ 12,173

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

London Hydro Inc.
Statement of Changes in Equity
For the year ended December 31, 2017, with comparative amounts for 2016
(in thousands of dollars)

	Note	Share Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at January 1, 2016		\$ 96,116	\$ 52,784	\$ (292)	\$ 148,608
Net income and net movement in regulatory balances		-	12,467	-	12,467
Other comprehensive loss		-	-	(294)	(294)
Dividends	16	-	(10,000)	-	(10,000)
Balance at December 31, 2016		\$ 96,116	\$ 55,251	\$ (586)	\$ 150,781
Balance at January 1, 2017		\$ 96,116	\$ 55,251	\$ (586)	\$ 150,781
Net income and net movement in regulatory balances		-	14,636	-	14,636
Other comprehensive loss		-	-	(584)	(584)
Dividends	16	-	(5,000)	-	(5,000)
Balance at December 31, 2017		\$ 96,116	\$ 64,887	\$ (1,170)	\$ 159,833

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

London Hydro Inc.**Statement of Cash Flows****For the year ended December 31, 2017, with comparative amounts for 2016**

(in thousands of dollars)

	Note	2017	2016
Operating activities			
Net income and net movement in regulatory balances		\$ 14,636	\$ 12,467
Adjustments for:			
Depreciation and amortization	8,9	18,321	18,717
Amortization of deferred revenue	17	(138)	(234)
Post-employment benefits	15	148	342
Gain on disposal of property, plant and equipment	17	(280)	(173)
Net finance expense / (income)	19	(607)	1,228
Income tax expense	10	4,553	3,979
		36,633	36,326
Change in non-cash working capital:			
Accounts receivable		11,867	(15,900)
Materials and supplies		198	(96)
Prepaid expenses		(565)	(70)
Accounts payable and accrued liabilities		(7,953)	2,187
Due to shareholder		53	1,243
Customer deposits		792	(221)
		4,392	(12,857)
Other:			
Regulatory balances	11	(3,544)	5,911
Income tax paid		(1,410)	(2,065)
Income tax received		128	706
Interest paid		(3,006)	(2,837)
Interest received		94	80
		(7,738)	1,795
Net cash from operating activities		33,287	25,264
Investing activities			
Purchase of property, plant and equipment	8	(31,331)	(31,110)
Purchase of intangible assets	9	(6,846)	(6,546)
Proceeds on disposal of property, plant and equipment		146	241
Contributions received from customers		5,699	3,739
Net cash used in investing activities		(32,332)	(33,676)
Financing activities			
Dividends paid	16	(5,000)	(10,000)
Proceeds from long-term debt	14	10,000	20,000
Repayment of long-term debt	14	(2,304)	(7,304)
Net cash from financing activities		2,696	2,696
Change in cash		3,651	(5,716)
Cash, beginning of year		713	6,429
Cash, end of year		\$ 4,364	\$ 713

The accompanying notes are an integral part of these financial statements

1. Reporting entity

London Hydro Inc. ("the Company") is a rate regulated, municipally-owned hydro distribution company located in the City of London. The Company is a wholly-owned subsidiary company of the Corporation of the City of London and was incorporated on April 26, 2000 under the laws of the Province of Ontario, Canada.

The Company delivers electricity and related energy services to inhabitants of the City of London. The address of the Company's registered office is 111 Horton Street, London, Ontario, Canada.

2. Basis of presentation

a) Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

b) Approval of financial statements

These financial statements were approved by the Board of Directors on March 22, 2018.

c) Basis of measurement

These financial statements have been prepared on the historical cost basis, unless otherwise stated.

d) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

e) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

2. Basis of presentation (continued)

e) Use of estimates and judgments (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment is included in the following notes:

- (i) 3(b) – measurement of unbilled revenue
- (ii) 3(d), 3(e), 8, 9 – estimation of useful lives of its property, plant and equipment and intangible assets
- (iii) 11 – recognition and measurement of regulatory balances
- (iv) 15 – measurement of defined benefit obligations: key actuarial assumptions
- (v) 20 – recognition and measurement of provisions and contingencies

f) Rate regulation

The Company is regulated by the Ontario Energy Board (“OEB”), under the authority granted by the *Ontario Energy Board Act, 1998*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies (“LDCs”), such as the Company, which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

The Company is required to bill customers for the debt retirement charge set by the province. The Company may file to recover uncollected debt retirement charges from Ontario Electricity Financial Corporation (“OEFC”).

Rate setting

Distribution revenue

For the distribution revenue, the Company files a “Cost of Service” (“COS”) rate application with the OEB where rates are determined through a review of the forecasted annual amount of operating and capital expenditures, debt and shareholder’s equity required to support the Company’s business. The COS is usually filed every five years. The Company estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and interveners and rates are approved based upon this review, including any revisions resulting from that review.

2. Basis of presentation (continued)

f) Rate regulation (continued)

Rate setting - Distribution revenue (continued)

In the intervening years an Incentive Regulation Mechanism (“IRM”) rate application is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year’s rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflation for Final Domestic Demand (“GDP IPI-FDD”) net of a productivity factor and a “stretch factor” determined by the relative efficiency of an electricity distributor.

The Company previously filed a COS application in September 2012 for rates effective May 1, 2013 to April 30, 2017. The GDP IPI-FDD for 2016 was 2.1%, the OEB applied productivity factor was 0.0% and the OEB determined stretch factor was (0.15)%, resulting in a net adjustment of 1.95% to the previous year’s rates effective May 1, 2016.

In August 2016, the Company filed a COS application which has been approved by the OEB. The rates approved in the application result in a decrease for the typical residential customer of \$1.40 per month compared to current rates. These new rates became effective May 1, 2017.

As a licensed distributor, the Company is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Company is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Company ultimately collects these amounts from customers.

Electricity rates

The OEB sets electricity prices for residential and small commercial consumers twice each year based on an estimate of how much it will cost to supply the province with electricity for the next year. All remaining consumers, other than consumers with retail contracts who pay a contracted rate plus a global adjustment rate adder, pay the market price for electricity. The Company is billed for the cost of the electricity that its customers use and passes this cost on to the customer at cost without a mark-up.

3. Significant accounting policies

The accounting policies set out below have been applied consistently in all years presented in these financial statements.

a) Financial instruments

Non-derivative

All financial assets are classified as loans and receivables and all financial liabilities are classified as other liabilities. These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 3(f).

Derivative

The Company holds derivative financial instruments to manage its interest rate risk exposures. Derivatives are initially recognized at fair value; any directly attributable transaction costs are recognized in the Statement of Comprehensive Income as incurred as a change in interest rate swap. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in the Statement of Comprehensive Income.

Hedge accounting has not been used in the preparation of these financial statements.

b) Revenue recognition

Sale and distribution of electricity

Revenue from the sale and distribution of electricity is recognized as the electricity is delivered to customers on the basis of cyclical meter readings and estimated customer usage since the last meter reading date to the end of the period. Revenue includes the cost of electricity supplied, distribution, and any other regulatory charges. The related cost of power is recorded on the basis of power used.

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Company has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

Customer billings for debt retirement charges are recorded on a net basis as the Company is acting as an agent for this billing stream.

3. Significant accounting policies (continued)

b) Revenue recognition (continued)

Other revenue

Revenue earned from the provision of services is recognized as the service is rendered.

Certain customers and developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. Cash contributions are recorded as deferred revenue. Where an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Company's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

Government grants and the related performance incentive payments under Conservation Demand Management ("CDM") programs are recognized as revenue in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received.

c) Materials and supplies

Materials and supplies, the majority of which are consumed by the Company in the provision of its services, are valued at the lower of cost and net realizable value, with cost being determined on a weighted average basis, and includes expenditures incurred in acquiring the materials and supplies and other costs incurred in bringing them to their existing location and condition.

d) Property, plant and equipment

Items of property, plant and equipment ("PP&E") used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost, less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes contracted services, materials and transportation costs, direct labour, overhead costs, borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the lower of OEB prescribed rates and the weighted average cost of debt incurred on the Company's borrowings. Qualifying assets are considered to be those that take in excess of 12 months to construct.

3. Significant accounting policies (continued)

d) Property, plant and equipment (continued)

When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

When items of PP&E are retired or otherwise disposed of, a gain or loss on disposal is determined by comparing the proceeds from disposal, if any, with the carrying amount of the item and is included in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in the Statement of Comprehensive Income. The costs of the day-to-day servicing of PP&E are recognized in the Statement of Comprehensive Income as incurred.

The need to estimate the decommissioning costs at the end of the useful lives of certain assets is reviewed periodically. The Company has concluded it does not have any legal or constructive obligation to remove PP&E.

Depreciation is calculated to write off the cost of items of PP&E using the straight-line method over their estimated useful lives, and is generally recognized in the Statement of Comprehensive Income. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and the asset is available for use.

The estimated useful lives are as follows:

	Years
Distribution system and equipment	25 - 60
Building structures and components	12 - 75
Substation equipment	15 - 45
Metering devices	15 - 30
System supervisory equipment	8 - 35
Automotive equipment	8 - 12
Equipment, tools and furniture	5 - 8
Computer hardware	3
Renewable generation assets	20

3. Significant accounting policies (continued)

e) Intangible assets

Intangible assets used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost, less accumulated amortization. All other intangible assets are measured at cost.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of intangible assets includes contracted services, materials and transportation costs, direct labour, overhead costs, borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the lower of OEB prescribed rates and the weighted average cost of debt incurred on the Company's borrowings. Qualifying assets are considered to be those that take in excess of 12 months to complete.

Computer software that is acquired or developed by the Company after January 1, 2014, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization.

Payments to obtain rights to access land ("land rights") are classified as intangible assets. These include payments made for easements, right of access and right of use over land for which the Company does not hold title. Land rights are measured at cost less accumulated amortization.

With the market opening in 2002, wholesale market participants, including the Company, were charged with the responsibility of upgrading all their wholesale meter points to "IESO" compliant standards. Since the Company does not hold title to these assets, these expenditures have been classified as intangible assets. Wholesale metering upgrades are measured at cost less accumulated amortization.

Intangible assets in progress consist of application software under development and capital contributions paid towards refurbishment of a transformer station that is not owned by the Company, which is scheduled to be energized during the year ending December 31, 2018.

Amortization is recognized in the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively if appropriate. The estimated useful lives are:

	Years
Computer software	3 - 5
Land rights	25
Wholesale metering	30

3. Significant accounting policies (continued)

f) Impairment

Financial assets measured at amortized cost

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows from that asset.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount. Losses are recognized in the Statement of Comprehensive Income. An impairment loss is reversed through the Statement of Comprehensive Income if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than materials and supplies and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the Statement of Comprehensive Income.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

g) Customer and other deposits

Customer and other deposits include cash deposits from electricity distribution customers and retailers to guarantee the payment of energy bills. Interest is paid on customer deposits at the rate of prime less 2% per annum.

Deposits from electricity distribution customers are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Company in accordance with policies set out by the OEB, or upon termination of their electricity distribution service.

3. Significant accounting policies (continued)

h) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

i) Regulatory balances

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Company.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in net movement in regulatory balances in the Statement of Comprehensive Income or Other Comprehensive Income ("OCI"). When the customer is billed at rates approved by the OEB for the recovery of the deferred costs, the customer billings are recognized in revenue. The regulatory debit balance is reduced by the amount of these customer billings with the offset to net movement in regulatory balances in the Statement of Comprehensive Income or OCI.

The probability of recovery of the regulatory deferral account debit balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover the balance. The assessment of likelihood of recovery is based upon previous decisions made by the OEB for similar circumstances, policies or guidelines issued by the OEB, etc. Any resulting impairment loss is recognized in the Statement of Comprehensive Income in the year incurred.

When the Company is required to refund amounts to ratepayers in the future, the Company recognizes a regulatory deferral account credit balance. The offsetting amount is recognized in net movement in regulatory balances in the Statement of Comprehensive Income or OCI. The amounts returned to the customers are recognized as a reduction of revenue. The credit balance is reduced by the amount of these customer repayments with the offset to net movement in regulatory balances in the Statement of Comprehensive Income or OCI.

3. Significant accounting policies (continued)

j) Post-employment benefits

Pension plan

The Company provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund ("the Fund"), and provides pensions for employees of Ontario municipalities, local boards and public utilities. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. To the extent that the Fund finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members.

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Company to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. The Company is not responsible for any other contractual obligations other than the contributions. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in the Statement of Comprehensive Income when they are due.

Post-employment benefits, other than pension

The Company provides some of its retired employees with life insurance and medical benefits beyond those provided by government sponsored plans.

The obligations for these post-employment benefit plans are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Remeasurements of the net defined benefit obligations, including actuarial gains and losses and the return on plan assets (excluding interest), are recognized immediately in OCI. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in the Statement of Comprehensive Income.

3. Significant accounting policies (continued)

k) Finance income and finance expenses

Finance income is recognized as it accrues in the Statement of Comprehensive Income. Finance income comprises interest earned on cash.

Finance expenses comprise interest expense on borrowings and customer deposits. Finance expenses are recognized in the Statement of Comprehensive Income unless they are capitalized as part of the cost of qualifying assets.

l) Income taxes

The income tax expense comprises current and deferred tax. Income tax expense is recognized in the Statement of Comprehensive Income except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

The Company is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the "Tax Acts"). Under the Electricity Act, 1998, the Company makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Tax Acts as modified by the Electricity Act, 1998, and related regulations. Prior to October 1, 2001, the Company was not subject to income or capital taxes. Payments in lieu of taxes ("PILs") are referred to as income taxes.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Deferred tax assets and liabilities are recognized for unused tax losses, unused tax credits and temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted, at the reporting date.

3. Significant accounting policies (continued)

m) Change in accounting policies

The Company has adopted the following amendments to standards, with a date of initial application of January 1, 2017:

- i. Disclosure Initiative (Amendments to IAS 7)
- ii. Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)
- iii. Annual Improvements to IFRS (2014-2016) cycle

i. Disclosure Initiative (Amendments to IAS 7)

On January 7, 2016 the IASB issued Disclosure Initiative (Amendments to IAS 7). The amendments apply prospectively for annual periods beginning on or after January 1, 2017.

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities from financing activities.

The amendments did not result in a material impact on the financial statements.

ii. Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)

On January 19, 2016 the IASB issued Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12). The amendments apply retrospectively for annual periods beginning on or after January 1, 2017.

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences.

The amendments did not result in a material impact on the financial statements.

3. Significant accounting policies (continued)

m) Change in accounting policies (continued)

iii. Annual Improvements to IFRS (2014-2016) cycle

On December 8, 2016 the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. Clarification that IFRS 12 Disclosures of Interests in Other Entities also applies to interests that are classified as held for sale, held for distribution, or discontinued operations became effective retrospectively for annual periods beginning on or after January 1, 2017. The remaining two amendments not yet effective relate to IFRS 1 and IAS 28 (note 4 iv).

The Company has adopted IFRS 12 disclosure amendments effective January 1, 2017. The amendment did not result in a material impact on the financial statements.

4. Standards issued not yet adopted

There are new standards, amendments to standards and interpretations which have not been applied in preparing these financial statements. These standards or amendments relate to the measurement and disclosure of financial assets and liabilities. The extent of the impact on adoption of these standards and amendments has not yet been determined.

- i. IFRS 15 Revenue from Contracts with Customers
- ii. IFRS 9 Financial Instruments
- iii. IFRS 16 Leases
- iv. Annual Improvements to IFRS (2014-2016) cycle
- v. Annual Improvements to IFRS (2015-2017) cycle

i. IFRS 15 Revenue from Contracts with Customers

On May 28, 2014 the IASB issued IFRS 15 Revenue from Contracts with Customers. The new standard is effective for annual periods beginning on or after January 1, 2018. IFRS 15 will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. On April 12, 2016, the IASB issued Clarifications to IFRS 15, Revenue from Contracts with Customers, which is effective at the same time as IFRS 15.

4. Standards not yet adopted (continued)

i. IFRS 15 Revenue from Contracts with Customers (continued)

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. The clarifications to IFRS 15 provide additional guidance with respect to the five-step analysis, transition, and the application of the Standard to licenses of intellectual property.

The Company will adopt IFRS 15 and the clarifications in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

ii. IFRS 9 Financial Instruments

On July 24, 2014 the IASB issued the complete IFRS 9 standard. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model.

The Company will adopt IFRS 9 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

4. Standards not yet adopted (continued)

iii. IFRS 16 Leases

On January 13, 2016 the IASB issued IFRS 16 Leases. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 Leases.

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

iv. Annual Improvements to IFRS (2014-2016) cycle

On December 8, 2016 the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. The amendment to IFRS 12 became effective from January 1, 2017 (note 3 (m) iii). Remaining amendments not yet effective relate to IFRS 1 and IAS 28:

- Removal of out-dated exemptions for first time adopters under IFRS 1 First-time Adoption of International Financial Reporting Standards, effective for annual periods beginning on or after January 1, 2018; and
- Clarification that the election to measure an associate or joint venture at fair value under IAS 28 Investments in Associates and Joint Ventures for investments held directly, or indirectly, through a venture capital or other qualifying entity can be made on an investment-by-investment basis. The amendments are effective retrospectively for annual periods beginning on or after January 1, 2018.

The Company will adopt the amendments to IFRS 1 and IAS 28 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

4. Standards not yet adopted (continued)

v. Annual Improvements to IFRS (2015-2017) cycle

On December 12, 2017 the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. The amendments are effective on or after January 1, 2019, with early application permitted. Each of the amendments has its own specific transition requirements. The amendments were made to the following standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements - to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business;
- IAS 12 Income Taxes – to clarify that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI, or equity; and
- IAS 23 Borrowing Costs – to clarify that specific borrowings – i.e. funds borrowed specifically to finance the construction of a qualifying asset – should be transferred to the general borrowings pool once the construction of the qualifying asset has been completed.

The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

London Hydro Inc.
Notes to the Financial Statements
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5. Cash

	2017	2016
Bank balances	\$ 4,364	\$ 713

6. Accounts receivable

	2017	2016
Trade receivables	\$ 33,256	\$ 40,993
Unbilled revenue	38,031	45,507
Other	6,476	2,969
Allowance for doubtful accounts	(2,716)	(2,555)
	\$ 75,047	\$ 86,914

Included in accounts receivable is approximately \$9.0 million (2016 - \$8.6 million) of customer receivables for water consumption that the Company bills and collects on behalf of the Corporation of the City of London. As the Company does not assume liability for collection of these amounts, any amount relating to water consumption that is determined to be uncollectible is charged to the Corporation of the City of London.

Also, included in the accounts receivable is \$1.4 million (2016 - \$1.8 million) of energy, water, and sundry receivables due from the Corporation of the City of London.

7. Materials and supplies

Amounts written down due to obsolescence during the year ended December 31, 2017 was \$0.1 million (2016 - \$0.1 million).

London Hydro Inc.
Notes to the Financial Statements
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8. Property, plant and equipment

a) Cost or deemed cost:

	Land and buildings	Distribution substation equipment	Other distribution equipment	Other fixed assets	Construction in progress	Total
Balance at January 1, 2016	\$ 14,311	\$ 9,725	\$ 219,990	\$ 19,727	\$ 10,300	\$ 274,053
Additions	1,450	191	25,840	3,297	332	31,110
Disposals / retirements	(742)	-	(444)	(1,455)	-	(2,641)
Balance at December 31, 2016	\$ 15,019	\$ 9,916	\$ 245,386	\$ 21,569	\$ 10,632	\$ 302,522
Balance at January 1, 2017	\$ 15,019	\$ 9,916	\$ 245,386	\$ 21,569	\$ 10,632	\$ 302,522
Additions	1,131	176	23,619	3,398	3,007	31,331
Disposals / retirements	(102)	-	(658)	(597)	-	(1,357)
Balance at December 31, 2017	\$ 16,048	\$ 10,092	\$ 268,347	\$ 24,370	\$ 13,639	\$ 332,496

b) Accumulated depreciation:

	Land and buildings	Distribution substation equipment	Other distribution equipment	Other fixed assets	Construction in progress	Total
Balance at January 1, 2016	\$ 1,817	\$ 553	\$ 16,561	\$ 4,383	\$ -	\$ 23,314
Depreciation	960	283	9,216	2,681	-	13,140
Disposals / retirements	(742)	-	(444)	(1,448)	-	(2,634)
Balance at December 31, 2016	\$ 2,035	\$ 836	\$ 25,333	\$ 5,616	\$ -	\$ 33,820
Balance at January 1, 2017	\$ 2,035	\$ 836	\$ 25,333	\$ 5,616	\$ -	\$ 33,820
Depreciation	775	289	9,746	2,631	-	13,441
Disposals / retirements	(102)	-	(650)	(597)	-	(1,349)
Balance at December 31, 2017	\$ 2,708	\$ 1,125	\$ 34,429	\$ 7,650	\$ -	\$ 45,912

c) Carrying amounts:

Balance at	Land and buildings	Distribution substation equipment	Other distribution equipment	Other fixed assets	Construction in progress	Total
December 31, 2016	\$ 12,984	\$ 9,080	\$ 220,053	\$ 15,953	\$ 10,632	\$ 268,702
December 31, 2017	\$ 13,340	\$ 8,967	\$ 233,918	\$ 16,720	\$ 13,639	\$ 286,584

London Hydro Inc.
Notes to the Financial Statements
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9. Intangible assets

a) Cost or deemed cost:

	Land rights	Wholesale metering	Computer software	Intangible work in progress	Total
Balance at January 1, 2016	\$ 233	\$ 1,085	\$ 21,712	\$ 2,011	\$ 25,041
Additions	14	-	4,821	1,711	6,546
Disposals / retirements	-	-	(4,032)	-	(4,032)
Balance at December 31, 2016	\$ 247	\$ 1,085	\$ 22,501	\$ 3,722	\$ 27,555
Balance at January 1, 2017	\$ 247	\$ 1,085	\$ 22,501	\$ 3,722	\$ 27,555
Additions	30	-	4,168	2,648	6,846
Disposals / retirements	-	-	(4,338)	-	(4,338)
Balance at December 31, 2017	\$ 277	\$ 1,085	\$ 22,331	\$ 6,370	\$ 30,063

b) Accumulated amortization:

	Land rights	Wholesale metering	Computer software	Intangible work in progress	Total
Balance at January 1, 2016	\$ 35	\$ 86	\$ 8,272	\$ -	\$ 8,393
Amortization	19	43	5,515	-	5,577
Disposals / retirements	-	-	(4,032)	-	(4,032)
Balance at December 31, 2016	\$ 54	\$ 129	\$ 9,755	\$ -	\$ 9,938
Balance at January 1, 2017	\$ 54	\$ 129	\$ 9,755	\$ -	\$ 9,938
Amortization	20	43	4,817	-	4,880
Disposals / retirements	-	-	(4,338)	-	(4,338)
Balance at December 31, 2017	\$ 74	\$ 172	\$ 10,234	\$ -	\$ 10,480

c) Carrying amounts:

Balance at	Land rights	Wholesale metering	Computer software	Intangible work in progress	Total
December 31, 2016	\$ 193	\$ 956	\$ 12,746	\$ 3,722	\$ 17,617
December 31, 2017	\$ 203	\$ 913	\$ 12,097	\$ 6,370	\$ 19,583

During the year ended December 31, 2017, borrowing costs of \$0.1 million (2016 - \$0.1 million) were capitalized as part of the cost of intangible assets. A capitalization rate of 2.62% (2016 – 2.60%) was used to determine the amount of borrowing costs to be capitalized.

London Hydro Inc.
Notes to the Financial Statements
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For the year ended December 31, 2017

10. Income tax expense

Income tax expense is comprised of:

	2017	2016
Current income tax		
Current year	\$ 2,115	\$ 2,261
Amendment for prior period income tax credits	(307)	(293)
Adjustment for prior period income tax expense	(13)	30
	1,795	1,998
Deferred tax		
Change in recognized deductible temporary differences:		
Gain on interest rate swap loss	933	405
Property, plant, equipment and intangible assets	2,016	1,768
Post-employment benefits	(39)	(91)
Deferred revenue	(152)	(101)
	2,758	1,981
Total current and deferred income tax in profit and loss, before movement of regulatory balance	4,553	3,979
Other comprehensive income		
Post-employment benefits	(155)	(78)
Total current and deferred income tax, before movement of regulatory balances	4,398	3,901
Net movement in regulatory balances	(1,670)	(1,498)
Income tax expense recognized in Statement of Comprehensive Income	\$ 2,728	\$ 2,403

Reconciliation of effective tax rate:

	2017	2016
Income before taxes	\$ 16,780	14,576
Canada and Ontario statutory income tax rates	26.5%	26.5%
Expected tax provision on income at statutory rates	4,447	3,863
Decrease in income taxes resulting from:		
Net movement in regulatory balances	(1,670)	(1,498)
Other items	(49)	38
	\$ 2,728	\$ 2,403

Significant components of the Company's deferred tax balances:

	2017	2016
Property, plant, equipment and intangible assets	\$ (8,357)	\$ (6,341)
Post-employment benefits	4,031	3,837
Deferred revenue	325	173
Future income taxes to be realized by customers	(4,001)	(2,331)
Loss on interest rate swap	235	1,168
	\$ (3,766)	\$ (1,163)

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Notes to the Financial Statements
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11. Regulatory balances

Reconciliation of the carrying amount for each class of regulatory balances:

Regulatory assets:

Regulatory deferral account debit balances	January 1, 2017	Changes	Recovery/ reversal	December 31, 2017	Remaining years
IFRS-CGAAP transitional PP&E recoveries	\$ 39	\$ -	\$ (39)	\$ -	
Regulatory settlement account	1,979	99	(2,078)	-	
Other regulatory accounts	2,201	(370)	-	1,831	
Income tax	2,331	1,670	-	4,001	
	\$ 6,550	\$ 1,399	\$ (2,117)	\$ 5,832	

Regulatory deferral account debit balances	January 1, 2016	Changes	Recovery/ reversal	December 31, 2016	Remaining years
IFRS-CGAAP transitional PP&E recoveries	\$ 157	\$ -	\$ (118)	\$ 39	0.3
Regulatory settlement account	-	5,434	(3,455)	1,979	0.3
Other regulatory accounts	1,906	295	-	2,201	
Income tax	833	1,498	-	2,331	
	\$ 2,896	\$ 7,227	\$ (3,573)	\$ 6,550	

Regulatory liabilities:

Regulatory deferral account credit balances	January 1, 2017	Changes	Recovery/ reversal	December 31, 2017	Remaining years
Group 1 deferred accounts	\$ (12,218)	\$ 7,001	\$ -	\$ (5,217)	
Regulatory settlement account	-	(7,085)	4,028	(3,057)	0.3
Other regulatory accounts	(163)	163	-	-	
	\$ (12,381)	\$ 79	\$ 4,028	\$ (8,274)	

Regulatory deferral account credit balances	January 1, 2016	Changes	Recovery/ reversal	December 31, 2016	Remaining years
Group 1 deferred accounts	\$ (2,577)	\$ (9,641)	\$ -	\$ (12,218)	
Other regulatory accounts	(161)	(2)	-	(163)	
	\$ (2,738)	\$ (9,643)	\$ -	\$ (12,381)	

The regulatory balances are recovered or settled through fixed and/or volumetric rate riders approved by the OEB. The volumetric rate riders are determined using estimates of future consumption of electricity by its customers. Future consumption is impacted by various factors including the economy and weather. The Company has received approval from the OEB to establish its regulatory balances. Regulatory balances attract interest at OEB prescribed rates, which are based on Bankers' Acceptances three-month rate plus a spread of 25 basis points. In the first three quarters of 2017 the rate was set at 1.10% and in the last quarter the rate was set at 1.50%.

11. Regulatory balances (continued)

a) Group 1 deferral accounts

The Group 1 deferral accounts consist of purchased power cost variances including the Smart Metering Entity Charge Variances. As a regulated distributor of electricity, the Company is obligated to provide energy supply to all consumers at regulated or spot rates unless they elect to purchase their energy from an energy retailer. The regulatory framework requires that all energy commodity and non-commodity costs be billed at regulated rates to consumers who are on the Regulated Price Plan.

Variances between purchase costs and amounts billed for electricity are required to be captured in the Retail Settlement Variance Accounts ("RSVA") for disposition through future rate riders. The variance accounts have been further defined by the regulator into commodity and non-commodity accounts. Those accounts defined as commodity accounts are eligible for regulatory review on a quarterly basis. All other accounts are defined as non-commodity and are currently eligible for review on an annual basis.

These variances were credit balances in 2016 and 2017. The 2016 IRM rate application was submitted to the OEB on October 19, 2015, which included a claim to recover the debit balances at December 31, 2014 via rate riders. The OEB issued its decision with respect to this Application which authorizes the recovery of these balances over a one-year period commencing May 1, 2016.

On August 26, 2016, the Company filed its 2017 COS rate application, in which it proposed the disposition of Group 1 account balances as at December 31, 2015 via rate riders. The OEB issued its decision with respect to this Application which authorizes the refund/recovery of these balances over a one-year period commencing May 1, 2017.

During 2017, the Company filed its 2018 IRM rate application in which it proposes the disposition of the Group 1 account balances as at December 31, 2016 via rate riders. Currently, the Company awaits the OEB's decision and rate order.

b) IFRS-CGAAP transitional PP&E recoveries

Compliant with OEB directives of the Accounting Procedures Handbook, the Company must use this account to record differences arising as a result of accounting policy changes caused by the transition from previous Canadian GAAP to Modified International Financial Reporting Standards ("MIFRS").

During 2012, the Company filed its 2013 Cost of Service Rate Application ("Application") which included a request for OEB approval for the recovery of certain authorized regulatory deferral accounts including these IFRS-CGAAP transitional PP&E differences. The OEB issued its decision with respect to this Application which authorizes amortization of the balance into rate base and revenue requirement amounts. Therefore, the approved distribution rates during the four year period commencing May 1, 2013, include the recovery of these IFRS-CGAAP transitional PP&E account differences.

11. Regulatory balances (continued)

c) Regulatory settlement account

During 2015, the Company filed its 2016 IRM rate application which included a request for OEB approval for the disposition of the RSVA relating to Power and Global Adjustment subaccounts. These accounts include amounts accumulated between January 1, 2013 and December 31, 2014. The non-commodity RSVA accounts include amounts accumulated between January 1, 2012 and December 31, 2014. The OEB issued its decision with respect to this Application which authorizes the disposition of these balances over a one-year period commencing May 1, 2016.

During 2016, the Company filed its 2017 COS rate application which included a request for OEB approval for the disposition of the RSVA account balances. These accounts included amounts accumulated between January 1, 2015 and December 31, 2015. The request for disposition also included other regulatory account balances such as Retail Cost Variance balances, the remaining IFRS transition expenditures, amounts resulting from the implementation of the Harmonized Sales Tax, the residual balance of Stranded Meter costs, LRAMVA balances and the recovery of Climate Change program costs as at December 31, 2015 with carrying charges. The OEB issued its decision with respect to this Application which authorizes the refund/recovery of these balances over a one-year period commencing May 1, 2017.

d) Other regulatory accounts

Other regulatory debit balances include various deferred costs in connection with LRAMVA, OEB Cost Assessment Variance non-cash OPEB adjustment and Retail Cost Variances.

During 2016, the Company filed its 2017 COS rate application which included a request for funding capital projects under the Advanced Capital Module and received an approval. During 2017, the Company filed its 2018 IRM rate application, which includes a request for the recovery of such costs via rate riders. Currently, the Company awaits the OEB's decision and rate order.

e) Income tax

As a result, the Company has recognized a regulatory deferral account for the amount of deferred taxes that will ultimately be recovered from/paid back to its customers. This balance will fluctuate as the Company's deferred tax balance fluctuates.

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12. Accounts payable and accrued liabilities

		2017		2016
Due to Independent Electricity System Operator	\$	34,839	\$	43,709
Debt retirement charge payable		988		1,023
Harmonized sales tax		350		788
Payroll and benefits payable		2,979		2,669
Other		9,148		8,068
	\$	48,304	\$	56,257

13. Deferred revenue

		2017		2016
Capital contributions for completed projects	\$	13,627	\$	8,700
Deposits held		9,500		9,008
		23,127		17,708
Less: Current portion		1,799		1,399
	\$	21,328	\$	16,309

Included in deposits held is \$3.7 million (2016 - \$3.8 million) received from the Corporation of the City of London as contributions for the construction of capital assets.

14. Long-term debt

		2017		2016
Unsecured, committed extendible revolving loan bearing interest at prime, minus 0.5%, interest only payments due March 2019	\$	30,000	\$	20,000
Unsecured, non-revolving term instalment loan bearing interest at the 7.6 year Bankers' Acceptance rate of 2.46% plus a stamping fee of 0.19%, interest only payments due June 2022		85,000		85,000
Unsecured, non-revolving term instalment loan bearing interest at the 7.8 year Bankers' Acceptance rate of 2.43% plus a stamping fee of 0.9%, payable in monthly instalments of \$192 principal plus interest due August 2019		3,826		6,130
		118,826		111,130
Less: Current portion		2,304		2,304
	\$	116,522	\$	108,826

14. Long-term debt (continued)

The unsecured, committed extendible revolving loan in the amount of \$30.0 million listed above was subsequently repaid with additional borrowing in the amount of \$40.0 million obtained from the Royal Bank of Canada on February 1, 2018. The principal is due at maturity. The agreement is a fixed rate swap and matures June 2022, which effectively converts variable interest rates on unsecured Bankers' Acceptances to an effective interest rate of 2.7%, plus a stamping fee of 0.28%, for an all-in rate of 2.98%.

The Company has an interest rate swap agreement with the Royal Bank of Canada for an unsecured loan in the amount of \$85 million. Interest only payments are due quarterly and commenced December 2014. The principal is due at maturity. The agreement is a fixed rate swap and matures June 2022, which effectively converts variable interest rates on unsecured Bankers' Acceptances to an effective interest rate of 2.46%, plus a stamping fee of 0.19%, for an all-in rate of 2.65%.

The Company has an interest rate swap agreement with the Royal Bank of Canada for an unsecured loan in the original amount of \$20.5 million to fund its Smart Meter capital expenditure program. Principal repayments on this loan commenced October 2010 and are being amortized over a 9 year period ending August 2019. The agreement is a fixed rate swap and matures August 2019 which effectively converts variable interest rates on unsecured Bankers' Acceptances to an effective interest rate of 2.43%, plus a stamping fee of 0.9%, for an all-in rate of 3.33%.

The swap agreements entered into with Royal Bank of Canada do not meet the standard to apply hedge accounting. Accordingly, the interest rate swap contracts are recorded at their fair value at the end of the period with the unrealized gain or loss recorded in the Statements of Comprehensive Income as finance expenses. The unrealized gain for the year ended December 31, 2017 was \$3.5 million (2016 – \$1.5 million).

At December 31, 2017, the Company would be required to pay \$0.9 million (2016 - \$4.4 million) if it wished to cancel the swap agreements.

Reconciliation of opening and closing balances for liabilities from financing activities:

	2017	2016
Balance, beginning of year	\$ 111,130	\$ 98,434
Add: Advances	10,000	20,000
Less: Repayments	2,304	7,304
	118,826	111,130
Less: Current portion	2,304	2,304
	\$ 116,522	\$ 108,826

During the year ended December 31, 2017, interest on long-term debt was incurred in the amount of \$3.0 million (2016 - \$2.8 million) of which \$0.1 million (2016 – \$0.1 million) was capitalized as part of the cost of intangible assets.

15. Post-employment benefits

a) OMERS pension plan

The Company provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. During the year ended December 31, 2017, the Company made employer contributions of \$2.9 million to OMERS (2016 - \$2.8 million), of which \$0.9 million (2016 - \$0.8 million) has been capitalized as part of PP&E and the remaining amount of \$2.0 million (2016 - \$2.0 million) has been recognized in the Statement of Comprehensive Income. The Corporation estimates that a contribution of \$3.2 million to OMERS will be made during the next fiscal year.

As at December 31, 2017, OMERS had approximately 482,000 members, of whom 334 are employees of the Company. The most recently available OMERS annual report is for the year ended December 31, 2017, which reported that the plan was 94% funded, with an unfunded liability of \$5.4 billion. This unfunded liability is likely to result in future payments by participating employers and members.

b) Post-employment benefits other than pension

The Company pays certain medical and life insurance benefits on behalf of some of its retired employees. The Company recognizes these post-employment benefits in the year in which employees' services were rendered. The Company is recovering its post-employment benefits in rates based on the expense and remeasurements recognized for post-employment benefit plans. Based on the most recent actuarial valuation as at December 31, 2017, the following information has been determined:

Reconciliation of the obligation:

	2017	2016
Defined benefit obligation, beginning of year	\$ 14,481	\$ 13,845
Included in profit or loss:		
Current service costs	432	392
Past service costs	-	180
Interest cost	539	529
Other benefits	(101)	26
	870	1,127
Benefits paid	(722)	(785)
	148	342
Actuarial (gains) / losses included in OCI:		
Changes in demographic assumptions	(902)	-
Changes in financial assumptions	1,193	183
Effect of experience adjustments	293	111
	584	294
Defined benefit obligation, end of year	\$ 15,213	\$ 14,481

15. Post-employment benefits (continued)

b) Post-employment benefits other than pension (continued)

Actuarial assumptions:

	2017	2016
Discount (interest) rate	3.4%	3.9%
Salary levels	4.0%	4.0%
Immediate medical costs	5.7%	6.0%
Ultimate medical costs	4.5%	4.5%
Dental cost rate	4.5%	4.5%
Year ultimate rate reached	2037	2028

A 1% increase in the assumed discount rate would result in the defined benefit obligation decreasing by \$2.0 million. A 1% decrease in the assumed discount rate would result in the defined benefits obligation increasing by \$2.2 million.

16. Share capital

	2017	2016
Authorized:		
An unlimited number of common shares		
An unlimited number of non-voting, non-cumulative preference shares, redeemable at the paid-up amount		
Issued:		
1,001 common shares	\$ 96,116	\$ 96,116

Dividends

The holders of the common shares are entitled to receive dividends as declared from time to time.

On March 30, 2017 the Board of Directors declared a \$5.0 million dividend payable to the sole shareholder, the Corporation of the City of London, in quarterly installments in 2017.

On April 19, 2016 the Board of Directors declared a \$5.0 million annual dividend and a \$5.0 million special dividend both payable to the sole shareholder, the Corporation of the City of London, in quarterly installments in 2016.

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17. Other revenue

	2017	2016
City of London services	\$ 4,009	\$ 4,009
Late payment charges	1,543	1,915
Other services, recoveries and sundry revenues	1,056	632
Occupancy charges	649	634
Customer billing service fees	647	587
Income tax incentive credits	493	462
Sale of scrap	488	588
Collection charges	443	687
Pole and other rental income	417	414
Renewable generation revenue	341	355
Amortization of deferred revenue	280	173
Gain on disposal of property, plant and equipment	138	234
	\$ 10,504	\$ 10,690

18. Operating expenses

	2017	2016
Labour and benefits	\$ 25,886	\$ 25,088
Professional services	5,359	5,884
Computer hardware and software	2,261	1,755
Rental, regulatory and other expenses	1,970	1,967
Facilities maintenance and repair	1,602	1,673
Postage	1,259	1,269
Property tax and insurance	1,182	1,173
Corporate training and employee expenses	1,182	1,140
Materials and supplies	1,001	1,049
Fleet operations and maintenance	872	904
Bad debts	840	700
Office equipment services and maintenance	463	526
Allocations to capital and billable activities	(1,944)	(1,961)
	\$ 41,933	\$ 41,167

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19. Finance (income) and expenses

	2017	2016
Finance income		
Interest income on bank deposits	\$ (94)	\$ (80)
Finance expenses		
Interest on long-term debt	2,985	2,813
Interest on short-term debt	49	28
Interest on funds used for construction project	(126)	(77)
Other	98	73
	3,006	2,837
Change in interest rate swap		
Unrealized gain on interest rate swap	(3,519)	(1,529)
Net finance (income) / expense	\$ (607)	\$ 1,228

20. Commitments and contingencies

General

From time to time, the Company is involved in various litigation matters arising in the ordinary course of its business. The Company has no reason to believe that the outcome of any of these matters could reasonably be expected to have a materially adverse impact on the Company's financial position, results of operations or its ability to carry on any of its business activities.

General Liability Insurance

The Company is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2017, no assessments have been made.

20. Commitments and contingencies (continued)

Letters of credit

At December 31, 2017, the Company had provided \$6.6 million (2016 – \$6.6 million) in bank standby letters of credit to the IESO.

Vendor commitments

The Company has commitments in connection with Information Systems projects of approximately \$1.9 million (2016 - \$2.3 million), Infrastructure projects of \$21.3 million (2016 – \$2.0 million) and new vehicle acquisitions of nil (2016 - \$0.3 million).

Operating leases

The Company is committed to lease agreements for various vehicles, equipment and property rights. The future minimum non-cancellable annual lease payments are as follows:

	2017	2016
Less than one year	\$ 303	\$ 299
Between one and five years	710	824
More than five years	113	191
	\$ 1,126	\$ 1,314

Operating lease expense incurred during the year ended December 31, 2017 was of \$0.3 million (2016 - \$0.3 million).

21. Due to shareholder

Trade balances due to shareholder

	2017	2016
Water consumption	\$ 8,688	\$ 8,405
Non-interest bearing trade balance due to shareholder, without stated repayment terms	36	266
	\$ 8,724	\$ 8,671

The Company delivers electricity to the City of London throughout the year for the electricity needs of the City of London and its related organizations. Electricity delivery charges are at prices and under terms approved by the OEB. The Company also provides additional services to the City of London, including water and waste water billing, customer care services and water meter replacement administrative services.

During the year ended December 31, 2017, the Company billed customers for water related service on behalf of the shareholder and remitted funds to the shareholder in the amount of \$163.9 million (2016 – \$158.7 million). The shareholder paid \$3.9 million (2016 - \$3.9 million) for this service.

During the year ended December 31, 2017, the Company performed water meter replacement administrative services on behalf of the shareholder. The shareholder paid \$0.1 million (2016 – \$0.1 million) for this service.

22. Joint venture agreement

On January 1, 2013, The Company entered into an agreement with London District Renewable Energy Co-Operative Inc. (“LDREC”) to create a joint venture with the legal name “London Renewable Energy Initiative” for the intention of identifying, applying for and constructing solar projects that have been approved under the Feed-in Tariff (“FIT”) government program. The Company has a 49% equity interest in LDREC while appointing 60% of the members of the Executive Committee resulting in controlling interest. To date no significant work has been completed and no amounts have been recorded in these financial statements in connection with this venture.

23. Financial instruments and risk management

Fair value disclosure

The carrying values of cash, accounts receivable, unbilled revenue, due to shareholder and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

The fair value of the long-term debt at December 31, 2017 is \$88 million (2016 - \$92 million). The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date. The interest rate used to calculate fair value at December 31, 2017 was 2.65% (2016 – 2.16%). The fair value of interest rate swaps is recorded based on valuation amounts as provided by RBC Capital Markets on a quarterly basis.

Financial risks

The Company understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Company's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies are discussed below.

a) Credit risk

Financial assets carry credit risk that a counter-party will fail to discharge an obligation which would result in a financial loss. Financial assets held by the Company, such as accounts receivable, expose it to credit risk. The Company primarily assesses credit risk exposure by customer segment. Concentrations of consumption by segment or individual customer, may impact risk due to varying energy consumption patterns and allowable security deposit requirements associated with each segment. The Company is not exposed to a significant concentration of credit risk within any customer segment or individual customer. No single customer accounts for revenue in excess of 10% of total revenue.

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in the Statement of Comprehensive Income as bad debt expense. Subsequent recoveries of receivables previously provisioned are credited to the Statement of Comprehensive Income. The balance of the allowance for impairment loss at December 31, 2017 is \$2.7 million (2016 - \$2.6 million). During the year ended December 31, 2017, bad debt expense was \$0.8 million (2016 - \$0.7 million).

23. Financial instruments and risk management (continued)

a) Credit risk (continued)

At December 31, 2017, approximately \$0.8 million (2016 - \$0.8 million) is included in the allowance for doubtful accounts for uncollectible amounts relating to water consumption. No bad debt expense has been realized in the Statement of Comprehensive Income in connection with water consumption as these amounts are fully recovered from the City of London.

The Company's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2017, approximately \$2.8 million (2016 - \$2.2 million) is considered 60 days past due. The Company has approximately 157 thousand customers, the majority of whom are residential.

By regulation, the Company is responsible for collecting both the distribution and energy portions of the electricity bill. On average, the Company earns 23% of amounts billed to customers with the remaining 77% being collected for other parties. The Company is therefore exposed to a credit risk substantially greater than the income that it regularly earns.

Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. At December 31, 2017, the Company held deposits in the amount of \$6.8 million (2016 - \$6.0 million). Additionally, if presented with substantial credit losses, the Company would make an application to the regulator for recovery of those losses through distribution rate adjustments in future years.

b) Market risk

Market risks primarily refer to the risk of loss that result from changes in commodity prices, foreign exchange rates, and interest rates. The Company currently does not have significant commodity or foreign exchange risk. The Company is exposed to fluctuations in interest rates as the regulated rate of return for the Company's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

A 1% increase in the interest rate at December 31, 2017 would have increased interest expense on the long-term debt by \$0.3 million (2016 - \$0.2 million), assuming all other variables remain constant. A 1% decrease in the interest rate would have an equal but opposite effect.

23. Financial instruments and risk management (continued)

c) Liquidity risk

The Company monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Company's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Company monitors cash balances to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due. The majority of accounts payable, as reported on the Statement of Financial Position, are due within 30 days.

The Company has an uncommitted operating revolving line of credit facility of \$40.0 million with the Toronto Dominion Bank. At December 31, 2017 the amount drawn by the Company under this line of credit was nil (2016 - nil). The line of credit is unsecured and interest is at bank prime rate on prime based borrowings minus 0.5%, or at Bankers' Acceptances ("B/A") rates plus a 0.75% stamping fee on B/A based borrowings.

At December 31, 2017 the Company had a committed 364 day extendable operating revolving loan facility of \$30.0 million with the Toronto Dominion Bank and the amount drawn by the Company under this loan facility was \$30.0 million (2016 - \$20.0 million). The \$30.0 million loan was repaid subsequent to year end. Under the terms of this agreement, the loan has a maturity date of March 31, 2019. The Company has a one year period from the loan maturity date to repay any outstanding balances in the event the lender elects not to extend the loan for an additional 364 day period. Interest is at bank prime rate on prime based borrowings minus 0.5%, or at B/A rates plus a 0.75% stamping fee on B/A based borrowings.

The Company also has a bilateral facility for \$6.6 million for the purpose of issuing letters of credit mainly to support the prudential requirements of the IESO, of which nil has been drawn and posted with the IESO (2016 - nil).

23. Financial instruments and risk management (continued)

d) Capital disclosures

The main objectives of the Company, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Corporation's definition of capital includes shareholder's equity and long-term debt.

		2017		2016
Long-term debt	\$	118,826	\$	111,130
Shareholder's equity		159,833		150,781
	\$	278,659	\$	261,911

24. Subsequent event

On March 22, 2018, the Board of Directors declared a \$5.0 million dividend payable to the sole shareholder, the Corporation of the City of London, in quarterly installments in 2018.

Financial Statements of

**LONDON & MIDDLESEX HOUSING
CORPORATION**

Year ended December 31, 2017

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of London & Middlesex Housing Corporation

We have audited the accompanying financial statements of London & Middlesex Housing Corporation, which comprise the statement of financial position as at December 31, 2017, the statements of operations, change in net financial debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of London & Middlesex Housing Corporation as at December 31, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

DATE

London, Canada

LONDON & MIDDLESEX HOUSING CORPORATION

Statement of Financial Position

As at December 31, 2017, with comparative information for 2016

	2017	2016
Financial Assets:		
Cash	\$ 1,501,897	\$ 1,110,798
Accounts receivable (note 3)	1,280,317	826,683
Due from The Corporation of the City of London	1,279,156	849,428
	<u>4,061,370</u>	<u>2,786,909</u>
Financial Liabilities:		
Accounts payable and accrued liabilities	3,851,506	2,667,306
Tenants advances	623,337	508,927
Unearned miscellaneous revenue	57,975	62,918
	<u>4,532,818</u>	<u>3,239,151</u>
Net debt	(471,448)	(452,242)
Non-financial Assets:		
Tangible capital assets (note 7)	51,957,297	50,871,208
Prepaid expenses	471,448	452,242
	<u>52,428,745</u>	<u>51,323,450</u>
Commitments (note 5)		
Accumulated surplus (note 8)	\$ 51,957,297	\$ 50,871,208

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

LONDON & MIDDLESEX HOUSING CORPORATION

Statement of Operations

Year ended December 31, 2017, with comparative information for 2016

	Budget	2017	2016
Revenue:			
Rental revenue	\$ 10,691,691	\$ 11,122,354	\$ 10,773,462
From The Corporation of the City of London:			
Rental subsidy	9,758,731	9,758,730	8,991,668
Funding adjustment	-	(4,506)	50,565
Capital funding	-	2,610,289	867,439
One time funding	-	-	115,000
Energy savings project rebates	-	74,100	790,097
Other	284,391	354,605	507,621
Total revenue	20,734,813	23,915,572	22,095,852
Expenses:			
Salaries, wages and employee benefits	4,574,078	4,790,722	4,465,301
Maintenance, materials and services:			
Building, general	3,061,350	3,506,268	2,941,295
Grounds	830,214	846,330	830,382
Painting	269,085	320,347	279,474
Other	190,434	152,118	124,767
	4,351,083	4,825,063	4,175,918
Utilities:			
Electricity	2,402,933	1,984,966	2,473,928
Water	1,049,085	1,116,774	1,070,922
Natural gas	1,124,614	929,885	780,453
	4,576,632	4,031,625	4,325,303
Amortization	-	1,529,531	1,516,718
Property:			
Insurance	652,194	630,535	605,526
Municipal taxes	5,331,347	5,289,982	5,137,198
Mortgage payments	45,938	46,871	46,871
	6,029,479	5,967,388	5,789,595
Administration	1,203,541	1,685,153	1,617,862
Total expenses	20,734,813	22,829,482	21,890,697
Annual surplus	-	1,086,089	205,155
Accumulated surplus, beginning of year	50,871,208	50,871,208	50,666,053
Accumulated surplus, end of year	\$ 50,871,208	\$ 51,957,297	\$ 50,871,208

See accompanying notes to financial statements.

LONDON & MIDDLESEX HOUSING CORPORATION

Statement of Change in Net Debt

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Annual surplus	\$ 1,086,089	\$ 205,155
Acquisition of tangible capital assets	(2,615,620)	(1,721,873)
Amortization of tangible capital assets	1,529,531	1,516,718
	(1,086,089)	(205,155)
Acquisition of prepaid expenses	(6,600,274)	(6,322,946)
Use of prepaid expenses	6,581,068	6,328,065
Change in net financial debt	(19,206)	5,119
Net debt, beginning of year	(452,242)	(457,361)
Net debt, end of year	\$ (471,448)	\$ (452,242)

See accompanying notes to financial statements.

LONDON & MIDDLESEX HOUSING CORPORATION

Statement of Cash Flows

December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 1,086,089	\$ 205,155
Item not involving cash:		
Amortization	1,529,531	1,516,718
Changes in non-cash items:		
Accounts receivable	(453,635)	(152,314)
Prepaid expenses	(19,206)	5,119
Due from The Corporation of the City of London	(429,727)	(250,618)
Accounts payable and accrued liabilities	1,184,200	(256,139)
Tenant advances	114,410	33,688
Unearned miscellaneous revenue	(4,943)	(7,382)
	3,006,719	1,094,227
Capital activities:		
Cash used to acquire tangible capital assets	(2,615,620)	(1,721,873)
Increase (decrease) in cash	391,099	(627,646)
Cash, beginning of year	1,110,798	1,738,444
Cash, end of year	\$ 1,501,897	\$ 1,110,798

See accompanying notes to financial statements.

LONDON & MIDDLESEX HOUSING CORPORATION

Notes to Financial Statements

December 31, 2017

1. Incorporation:

The London & Middlesex Housing Corporation (the "Corporation") operates housing accommodation primarily for persons of low and moderate income. The Corporation operates 3,282 units throughout the City of London and the County of Middlesex and is 100% owned by The Corporation of the City of London.

2. Significant accounting policies:

The financial statements of the Corporation are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the Corporation are as follows:

(a) Tangible capital assets:

- (i) 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
Site improvements	20-35
Buildings and improvements	15-40
Technology and communications	3
Vehicles	10
Furniture and fixtures	10
Machinery and equipment	25
Appliances	10

One half-year's amortization is charged in the year of acquisition.

(ii) Contributions of capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt.

LONDON & MIDDLESEX HOUSING CORPORATION

Notes to Financial Statements (continued)

December 31, 2017

2. Significant accounting policies (continued):

(b) Revenue recognition:

Rental revenue is recognized at the time the service is provided. Other revenues are recognized when earned.

Government transfer payments are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(c) 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 date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the carrying value of tangible capital assets and valuation allowances for receivables. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

(d) Budget data:

Budget figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

(e) Contaminated sites

Under PS 3260, contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. This Standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination.

LONDON & MIDDLESEX HOUSING CORPORATION

Notes to Financial Statements (continued)

December 31, 2016

3. Accounts receivable:

	2017	2016
Rent	\$ 402,188	\$ 266,279
Harmonized sales tax	477,735	271,085
Sundry	400,394	289,319
	<u>\$ 1,280,317</u>	<u>\$ 826,683</u>

4. Income producing properties:

The income producing properties held by London & Middlesex Housing Authority and passed through to the Corporation were originally financed by the Province of Ontario through general obligation provincial debentures. At the time of the transfer of ownership, the Province did not transfer the responsibility for repayment of these debentures. Accordingly, the value of the provincial debentures associated with them have not been recorded on the Corporation's financial statements.

5. Commitments:

(a) Debt service payment:

The Corporation is responsible for the debt service payments on one of its properties located on Bella Street in Strathroy, Ontario. These payments of both principal and interest are made directly to the mortgagee and are expensed when incurred. A total of \$46,871 was expensed and paid in 2017 (2016 - \$46,871). The Ontario government is considered to be the holder of this debt, thus no provision has been made in the Corporation's financial statements for the mortgage.

(b) Contractual obligations:

The Corporation is committed to the following minimum annual operating lease payments for premises and equipment as follows:

2018	\$ 312,299
2019	310,376
2020	303,186
2021	124,158

6. Pension agreement:

The Corporation makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), a multi-employer plan, on behalf of its employees. 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 2017 contribution rates are 9.0% for employee earnings below the year's maximum pensionable earnings and 14.6% thereafter. Employee contributions match these rates.

Contributions to OMERS by the Corporation are recognized as an expense in the period they are incurred. A total of \$312,640 (2016 - \$304,883) was incurred as a pension expense.

LONDON & MIDDLESEX HOUSING CORPORATION

Notes to Financial Statements (continued)

December 31, 2017

7. Tangible capital assets:

Cost	Balance at December 31, 2016	2017 Additions	2017 Disposals	Balance at December 31, 2017
Land	\$ 24,605,751	\$ -	\$ -	\$ 24,605,751
Site improvements	3,296,317	200,098	-	3,496,415
Buildings and improvements	82,450,379	1,974,403	-	84,424,782
Technology and communications	633,799	45,202	(50,531)	628,470
Vehicles	48,297	-	-	48,297
Furniture and fixtures	209,656	35,045	(10,720)	233,981
Machinery and equipment	3,130,027	267,852	-	3,397,879
Appliances	1,780,269	93,020	-	1,873,289
Total	\$ 116,154,495	\$ 2,615,620	\$ (61,251)	\$ 118,708,864

Accumulated amortization	Balance at December 31, 2016	2017 Disposals	2017 Amortization	Balance at December 31, 2017
Land	\$ -	\$ -	\$ -	\$ -
Site improvements	1,658,110	-	73,078	1,731,188
Buildings and improvements	60,105,649	-	1,228,290	61,333,939
Technology and communications	538,500	(50,531)	60,884	548,853
Vehicles	21,735	-	4,830	26,565
Furniture and fixtures	68,697	(10,720)	22,771	80,748
Machinery and equipment	1,365,086	-	99,527	1,464,613
Appliances	1,525,510	-	40,151	1,565,661
Total	\$ 65,283,287	\$ (61,251)	\$ 1,529,531	\$ 66,751,567

LONDON & MIDDLESEX HOUSING CORPORATION

Notes to Financial Statements (continued)

December 31, 2016

7. Tangible capital assets (continued):

	Net book value at December 31, 2016	Net book value at December 31, 2017
Land	\$ 24,605,751	\$ 24,605,751
Site improvements	1,638,207	1,765,227
Buildings and improvements	22,344,730	23,090,843
Technology and communications	95,299	79,617
Vehicles	26,562	21,732
Furniture and fixtures	140,959	153,233
Machinery and equipment	1,764,941	1,933,266
Appliances	254,759	307,628
	<u>\$ 50,871,208</u>	<u>\$ 51,957,297</u>

8. Accumulated surplus:

Accumulated surplus consists of surplus funds as follows:

	2017	2016
Surplus:		
Invested in tangible capital assets	\$ 51,957,297	\$ 50,871,208

Financial Statements of

**THE LONDON PUBLIC LIBRARY
BOARD**

Year ended December 31, 2017



KPMG LLP
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London ON N6A 5P2
Canada
Tel 519 672-4800
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INDEPENDENT AUDITORS' REPORT

To The London Public Library Board

We have audited the accompanying financial statements of The London Public Library Board, which comprise the statement of financial position as at December 31, 2017, the statements of operations, 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.

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 controls 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 control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The London Public Library Board as at December 31, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

April 26, 2018

THE LONDON PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
Financial assets:		
Cash	\$ 1,740,166	\$ 1,065,594
Accounts receivable:		
The Corporation of the City of London	2,924,888	689,808
Other	151,105	239,273
	<u>4,816,159</u>	<u>1,994,675</u>
Financial liabilities:		
Accounts payable and accrued liabilities	1,641,907	1,851,101
Deferred revenue	155,729	85,713
Payable to The Corporation of the City of London	20,273	6,631
Employee future benefits and other liabilities (note 2)	2,700,600	3,191,396
	<u>4,518,509</u>	<u>5,134,841</u>
Net financial assets (debt)	297,650	(3,140,166)
Non-financial assets:		
Tangible capital assets (note 6)	23,396,144	25,710,419
Prepaid expenses	149,159	301,649
	<u>23,545,303</u>	<u>26,012,068</u>
Commitments (note 4)		
Accumulated surplus (note 7)	<u>\$ 23,842,953</u>	<u>\$ 22,871,902</u>

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

THE LONDON PUBLIC LIBRARY BOARD

Statement of Operations

Year ended December 31, 2017, with comparative information for 2016

	Budget 2017 (note 8)	2017	2016
Revenue:			
User charges:			
Fines	\$ 337,000	\$ 286,720	\$ 336,514
Fee, rental, sundry	467,374	481,202	391,706
Grants:			
Federal	-	76,210	24,535
Ontario	598,829	653,910	644,302
The Corporation of the City of London:			
Current	19,835,207	19,835,207	19,518,426
Capital	1,078,873	1,078,873	2,574,400
Other	-	14,449	15,577
Investment income	10,440	19,811	15,549
Contributions from Trust Funds (note 3)	-	864,278	258,068
Total revenues	22,327,723	23,310,660	23,779,077
Expenses:			
Personnel	14,768,716	14,185,659	14,504,102
Amortization of tangible capital assets	-	3,279,580	3,284,522
Facility services	1,722,580	1,750,359	1,705,719
Utilities	1,060,000	930,293	977,129
Collections and lending services	2,217,200	900,781	796,477
Purchased services	584,049	616,552	674,518
Major repairs and maintenance	948,072	531,272	1,920,587
Technology	594,819	506,520	475,372
Trust fund expenditures (note 3)	-	445,336	235,488
Administrative	94,709	101,924	89,152
Contribution to self-insurance reserve	95,384	75,384	69,621
Program services	53,493	70,504	51,903
Equipment	51,900	9,292	5,908
General	6,000	6,855	60,908
New major facilities	130,801	-	136,218
Total expenses	22,327,723	23,410,311	24,987,624
Gain on disposal of tangible capital assets	-	1,070,702	-
Annual surplus (deficit)	-	971,051	(1,208,547)
Accumulated surplus, beginning of year	22,871,902	22,871,902	24,080,449
Accumulated surplus, end of year	\$ 22,871,902	\$ 23,842,953	\$ 22,871,902

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

THE LONDON PUBLIC LIBRARY BOARD

Statement of Change in Net Financial Assets

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Annual surplus (deficit)	\$ 971,051	\$ (1,208,547)
Acquisition of tangible capital assets	(2,533,583)	(2,027,930)
Amortization of tangible capital assets	3,279,580	3,284,522
Proceeds on disposal of tangible capital assets	2,638,980	-
Gain on disposal of tangible capital assets	(1,070,702)	-
	3,285,326	48,045
Change in prepaid expenses	152,490	(24,235)
Increase in net financial assets	3,437,816	23,810
Net financial debt, beginning of year	(3,140,166)	(3,163,976)
Net financial assets (debt), end of year	\$ 297,650	\$ (3,140,166)

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

THE LONDON PUBLIC LIBRARY BOARD

Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ 971,051	\$ (1,208,547)
Items not involving cash:		
Amortization of tangible capital assets	3,279,580	3,284,522
Change in employee future benefits and other liabilities	(490,796)	(190,388)
Gain on disposal of tangible capital assets	(1,070,702)	-
Changes in non-cash assets and liabilities:		
Receivable from The Corporation of the City of London	(2,235,080)	56,392
Accounts receivable	88,168	(61,943)
Accounts payable and accrued liabilities	(209,194)	6,446
Payable to The Corporation of the City of London	13,642	(12,277)
Deferred revenue	70,016	(1,111)
Prepaid expenses	152,490	(24,235)
	569,175	1,848,859
Capital activities:		
Proceeds on disposal of tangible capital assets	2,638,980	-
Cash used to acquire tangible capital assets	(2,533,583)	(2,027,930)
	105,397	(2,027,930)
Increase (decrease) in cash	674,572	(179,071)
Cash, beginning of year	1,065,594	1,244,665
Cash, end of year	\$ 1,740,166	\$ 1,065,594

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

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2017

1. Significant accounting policies:

The financial statements of The London Public Library Board (the "Board"), a registered charity and a local board of The Corporation of the City of London (the "City"), are prepared in accordance with Canadian generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants Canada. Significant accounting policies adopted by the Board are as follows:

(a) Basis of accounting:

The Board follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(b) Municipal funding:

The City provides funding to the Board for both operating and capital expenditures such as refurbishment, replacement and major repairs and maintenance to the Library buildings. Government transfer payments from the City are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(c) Deferred revenue:

Deferred revenues represent grants and other designated funding which has been received but for which the service has yet to be performed. These amounts will be recognized as revenues in the fiscal year in which the services are performed.

(d) Investment income:

Investment income is reported as revenue in the period earned.

(e) Employee future benefits:

The Board provides certain employee benefits which will require funding in future periods. These benefits include life insurance, extended health and dental benefits for early retirees.

The costs of life insurance, extended health and dental benefits are actuarially determined using management's best estimate of salary escalation, insurance and health care cost trends, long term inflation rates and discount rates.

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(f) Pension contributions:

The Board has a pension agreement with the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer defined contribution benefit plan. The Board's costs are the contributions due to the plan in the period.

(g) Non-financial assets:

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

(i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the assets. 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
Buildings	15 - 60 years
Collections	7 years
Shelving	40 years
Computers	3 years
Furniture and equipment	7 years

Leasehold improvements are amortized over the related lease term.

Annual amortization is 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

(ii) Works of art and cultural and historic assets:

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(g) Non-financial assets (continued):

(iii) Leased tangible capital assets:

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

(h) Budget data:

Budget figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

(i) Use of estimates:

The preparation of 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 date of the financial statements, and the reported amounts of revenue and expenses during the period. Significant estimates include the useful life of tangible capital assets and assumptions used in estimating provisions for accrued liabilities and in preparing actuarial valuations for employee future benefits.

Actual results could differ from those estimates.

(j) Contaminated sites:

Contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. This Standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination.

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2017

2. Employee future benefits and other liabilities:

Employee future benefits and other liabilities are comprised of the following:

	2017	2016
Liability for vested sick leave benefits	\$ 144,549	\$ 249,329
Vacation pay liability	491,051	878,067
Employee future benefits obligation	2,065,000	2,064,000
	<u>\$ 2,700,600</u>	<u>\$ 3,191,396</u>

(a) Liability for vested sick leave benefits:

Under the sick leave benefit plan, employees hired prior to May 1, 1985 can accumulate unused sick leave and may become entitled to a cash payment when they leave the employment of the Board.

The liability of these accumulated days, to the extent that they have vested and could be taken in cash by an employee upon ceasing employment with the Board as at December 31, 2017, amounts to \$144,549 (2016 - \$249,329). This amount is fully funded by a reserve held by The City of London in the amount of \$157,727 (2016 - \$259,773).

(b) Retiree benefits:

The Board provides certain post-employment and post-retirement employee benefits which will require funding in future periods.

The Board pays certain life insurance benefits on behalf of the retired employees as well as extended health and dental benefits for early retirees to age sixty-five. The Board 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, 2015.

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2017

2. Employee future benefits and other liabilities (continued):

(b) Retiree benefits (continued):

Detailed information about retiree benefits is as follows:

	2017	2016
Accrued employee future benefit obligation:		
Balance, beginning of year	\$ 1,392,000	\$ 1,339,000
Current period benefit cost	71,000	68,000
Interest	46,000	45,000
Benefits paid	(74,000)	(60,000)
Balance, end of year	1,435,000	1,392,000
Unamortized actuarial gain	630,000	672,000
Employee future benefits obligation	\$ 2,065,000	\$ 2,064,000

Post-employment and post-retirement benefit expenses included in total expenditures consist of the following:

	2017	2016
Current year benefit cost	\$ 71,000	\$ 68,000
Interest on accrued benefit obligation	46,000	45,000
Amortization of net actuarial gain	42,000	42,000
Total payments made during the year	\$ 159,000	\$ 155,000

Significant assumptions used in the actuarial valuation are as follows:

Discount rate	3.25%
Rate of compensation increase	1.90%
Healthcare cost increases	4.50%

The actuarial gain is amortized over the expected average remaining service life of the related employee group of thirteen years.

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2017

3. Trust funds:

Trust funds administered by the Board amounting to \$3,379,747 (2016 - \$3,510,114) have not been included in the statement of financial position nor have their operations been included in the statement of operations. They are reported separately on The London Public Library Board Trust Funds ("Trust Funds") statement of fund equity.

During the year, the Trust Funds transferred \$864,278 (2016 - \$258,068) to the Board for capital and operating expenses. This amount and the related expenditures have been included in the statement of operations. Included in accounts payable is \$40,379 (2016 - accounts receivable \$78,932) due to the Trust Funds.

4. Commitments:

The Board is committed under operating leases for the rental of premises and equipment. The minimum annual payments under these leases are as follows:

2018	\$	682,980
2019		601,828
2020		277,968
2021		209,933
	\$	1,772,709

5. Pension agreement:

The Board has a pension agreement with OMERS, which is a multi-employer plan, on behalf of its full and part-time staff. The plan is a contributory defined benefit plan which specifies the amount of retirement benefit to be received by the employees based on the length of service and rates of pay. The amount contributed to OMERS for 2017 is \$1,018,213 (2016 - \$1,028,904) for current service and is included as an expenditure in the statement of operations.

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2017

6. Tangible capital assets:

Cost	Balance at December 31, 2016	Additions	Disposals	Balance at December 31, 2017
Land	\$ 4,611,030	\$ -	\$ 706,865	\$ 3,904,165
Buildings	40,351,569	416,800	2,663,624	38,104,745
Leasehold improvements	349,083	-	-	349,083
Collections	10,214,562	1,275,970	1,869,133	9,621,399
Shelving	1,328,976	15,862	1,988	1,342,850
Computers	458,775	436,072	154,326	740,521
Computers under capital lease	615,244	-	-	615,244
Furniture and equipment	583,961	388,879	124,094	848,746
Total	\$ 58,513,200	\$ 2,533,583	\$ 5,520,030	\$ 55,526,753

Accumulated amortization	Balance at December 31, 2016	Additions	Disposals	Balance at December 31, 2017
Land	\$ -	\$ -	\$ -	\$ -
Buildings	25,301,871	1,524,453	1,802,211	25,024,113
Leasehold improvements	300,953	16,987	-	317,940
Collections	5,388,824	1,416,855	1,869,133	4,936,546
Shelving	690,445	33,334	1,988	721,791
Computers	211,631	191,590	154,326	248,895
Computers under capital lease	615,244	-	-	615,244
Furniture and equipment	293,813	96,361	124,094	266,080
Total	\$ 32,802,781	\$ 3,279,580	\$ 3,951,752	\$ 32,130,609

	Net book value December 31, 2016	Net book value December 31, 2017
Land	\$ 4,611,030	\$ 3,904,165
Buildings	15,049,698	13,080,632
Leasehold improvements	48,130	31,143
Collections	4,825,738	4,684,853
Shelving	638,531	621,059
Computers	247,144	491,626
Computers under capital lease	-	-
Furniture and equipment	290,148	582,666
Total	\$ 25,710,419	\$ 23,396,144

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2017

7. Accumulated surplus:

Accumulated surplus consists of surplus and reserve funds as follows:

	2017	2016
Surplus:		
Invested in tangible capital assets	\$ 23,396,144	\$ 25,710,419
Unfunded:		
Employee benefits, accrued sick and vacation	(635,600)	(1,127,396)
Employee benefits, future benefit liability	(2,065,000)	(2,064,000)
Other	(42,460)	(42,460)
Total surplus	20,653,084	22,476,563
Reserves set aside by the Board:		
Stabilization fund	340,442	102,044
Collections encumbrance fund	52,720	33,523
Total reserves	393,162	135,567
Reserve held by the City on behalf of the Board:		
Sick leave reserve	157,727	259,772
Facilities reserve (re SW)	2,638,980	-
	\$ 23,842,953	\$ 22,871,902

8. Budget data:

Budget figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

	Budget amount
Revenues:	
Operating budget	\$ 21,248,850
Expenses:	
Operating budget	21,248,850
Annual surplus, per approved budgeted	\$ -
Capital funding from The City of London	\$ 1,078,873
New major facilities expense	(130,801)
Major repairs and maintenance	(948,072)
Annual surplus, revised	\$ -

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2017

9. Comparative information:

Certain comparative information has been reclassified to adjust for a change in accounting for contributions from the Trust Funds and related expenditures. This change did not have a material impact on the financial statements.

Financial Statements of

LONDON TRANSIT COMMISSION

Year ended December 31, 2017



KPMG LLP
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Canada
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INDEPENDENT AUDITORS' REPORT

To the Commissioners, Members of Council, Inhabitants and Ratepayers of the Corporation of the City of London

We have audited the accompanying financial statements of the London Transit Commission ("the Entity"), which comprise the statement of financial position as at December 31, 2017 and the statements of operations, 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.

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 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 the auditor's 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, 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

In our opinion, the financial statements present fairly, in all material respects, the financial position of the London Transit Commission as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slanted style. Below the signature is a long, horizontal, slightly curved line that tapers at both ends, serving as a decorative underline.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

May 2, 2018

LONDON TRANSIT COMMISSION

Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
Financial Assets		
Cash and cash equivalents	\$ 30,543,394	\$ 34,277,491
Investments	11,912,292	20,002,746
Accounts receivable	5,908,019	626,617
Due from The City of London	431,154	404,964
	<u>48,794,859</u>	<u>55,311,818</u>
Financial Liabilities		
Accounts payable and accrued liabilities	10,753,030	9,908,118
Due to The City of London	128,712	92,924
Accrued liability insurance claims (note 8)	2,413,646	2,283,373
Employee future benefits (note 7)	3,978,000	3,954,000
Deferred fare media	4,088,635	4,236,616
Deferred revenue (note 4 and note 11)	22,538,650	28,889,732
	<u>43,900,673</u>	<u>49,364,763</u>
Net financial assets	4,894,186	5,947,055
Non - Financial Assets		
Inventories (note 2)	2,237,572	2,126,207
Tangible capital assets (note 10)	98,243,186	86,591,763
Prepays	948,823	765,265
	<u>101,429,581</u>	<u>89,483,235</u>
Commitments (note 9)		
Accumulated surplus (note 3)	<u>\$ 106,323,767</u>	<u>\$ 95,430,290</u>

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Statement of Operations

Year ended December 31, 2017, with comparative information for 2016

	Budget	2017	2016
Revenue:			
Grants:			
The City of London (note 5)	\$ 37,948,700	\$ 40,156,975	\$ 34,664,236
Province of Ontario (note 5)	16,534,600	15,707,974	9,283,552
Government of Canada (note 5)	-	5,033,446	-
	<u>54,483,300</u>	<u>60,898,395</u>	<u>43,947,788</u>
User charges, conventional transit:			
Cash fares	4,105,100	3,671,615	3,973,362
Ticket fares	10,023,800	9,614,287	9,837,169
Pass fares	17,724,600	18,014,822	17,123,947
Contract service	30,000	1,973	440
Other transportation revenue	1,234,300	431,711	356,113
	<u>33,117,800</u>	<u>31,734,408</u>	<u>31,291,031</u>
Other revenue, conventional transit:			
Advertising	592,400	595,255	634,076
Interest and discounts	760,000	708,852	681,911
Rent	2,500	2,676	2,818
Gain on disposal of capital assets	48,000	94,930	12,465
Miscellaneous	50,800	20,521	22,805
	<u>1,453,700</u>	<u>1,422,234</u>	<u>1,354,075</u>
User charges, specialized transit:			
Cash fares	18,700	13,452	14,427
Ticket fares	402,600	329,427	315,556
Pass fares	197,300	193,772	177,641
	<u>618,600</u>	<u>536,651</u>	<u>507,624</u>
Total revenue	\$ 89,673,400	\$ 94,591,688	\$ 77,100,518

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Statement of Operations (Continued)

Year ended December 31, 2017, with comparative information for 2016

	Budget	2017	2016
Expenses:			
Salaries, wages and benefits:			
Transportation	\$ 33,590,921	\$ 33,668,268	\$ 31,943,713
Vehicle maintenance	8,641,941	8,490,540	8,091,793
Facility	468,635	481,790	476,484
Planning, marketing and general administration	3,049,603	3,237,130	2,958,041
	<u>45,751,100</u>	<u>45,877,728</u>	<u>43,470,031</u>
Materials, supplies, utilities and services:			
Transportation	2,491,200	2,560,463	3,069,592
Vehicle maintenance	5,630,400	5,780,794	5,195,628
Facility	3,165,000	2,863,096	2,789,582
Planning, marketing and general administration	1,500,000	1,509,299	1,643,844
Fuel	6,577,700	6,141,449	5,270,393
Amortization	-	12,130,730	10,554,169
	<u>19,364,300</u>	<u>30,985,831</u>	<u>28,523,208</u>
Current operations, specialized transit:			
Administration:			
Salaries and benefits	866,700	948,032	923,494
Materials and supplies	125,800	136,646	114,280
	<u>992,500</u>	<u>1,084,678</u>	<u>1,037,774</u>
Contracted service delivery	6,027,600	5,749,974	5,148,420
	<u>7,020,100</u>	<u>6,834,652</u>	<u>6,186,194</u>
Total expenses	<u>72,135,500</u>	<u>83,698,211</u>	<u>78,179,433</u>
Annual surplus (deficit) (note 12)	\$ 17,537,900	10,893,477	(1,078,915)
Accumulated surplus, beginning of year		95,430,290	96,509,205
Accumulated surplus, end of year		<u>\$ 106,323,767</u>	<u>\$ 95,430,290</u>

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Statement of Change in Net Financial Assets

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Annual surplus (deficit)	\$ 10,893,477	\$ (1,078,915)
Acquisition of tangible capital assets	(23,782,153)	(9,757,441)
Amortization of tangible capital assets	12,130,730	10,554,169
Gain on disposal of tangible capital assets	(94,930)	(12,465)
Proceeds on sale of tangible capital assets	94,930	12,465
	(757,946)	(282,187)
Inventories	(111,365)	(27,819)
Prepaid expenses	(183,558)	(30,729)
	(294,923)	(58,548)
Change in net financial assets	(1,052,869)	(340,735)
Net financial assets, beginning of year	5,947,055	6,287,790
Net financial assets, end of year	\$ 4,894,186	\$ 5,947,055

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ 10,893,477	\$ (1,078,915)
Items not involving cash:		
Amortization	12,130,730	10,554,169
Gain on disposal of tangible capital assets	(94,930)	(12,465)
Change in employee future benefit liability	24,000	(123,000)
Changes in non-cash assets and liabilities:		
Accounts receivable	(5,281,402)	257,562
Due from The City of London	(26,190)	(52,808)
Inventories	(111,365)	(27,819)
Prepays	(183,558)	(30,729)
Investments	8,090,454	(1,000,532)
Accounts payable and accrued liabilities	844,912	1,311,487
Due to The City of London	35,788	76,973
Accrued liability insurance claims	130,273	612,829
Deferred fare media	(147,981)	241,621
Deferred revenue	(6,351,082)	410,930
Net change in cash from operating activities	19,953,126	11,139,303
Capital activities:		
Proceeds on sale of tangible capital assets	94,930	12,465
Cash used to acquire tangible capital assets	(23,782,153)	(9,757,441)
Net change in cash from capital activities	(23,687,223)	(9,744,976)
Net change in cash and cash equivalents	(3,734,097)	1,394,327
Cash and cash equivalents, beginning of year	34,277,491	32,883,164
Cash and cash equivalents, end of year	\$ 30,543,394	\$ 34,277,491

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Notes to Financial Statements

Year ended December 31, 2017

1. Significant accounting policies:

The financial statements of the London Transit Commission (the "Commission") are the representation of management prepared in accordance with Canadian generally accepted accounting principles as defined in the CPA Canada Public Sector Accounting Handbook.

(a) Basis of accounting:

The Commission follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(b) Cash and cash equivalents:

The balances reported for cash and cash equivalents in these financial statements include both funds for current purposes and balances held for reserve funds.

Cash and cash equivalents include amounts held in banks and highly liquid investments with maturities at time of purchase of three months or less.

(c) Deferred fare media and revenue:

The Commission receives contributions pursuant to legislation, regulations or agreement that may be only used for certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or the services performed.

Government transfer payments from the City of London are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If the funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as deferred revenue at year end.

(d) Post-employment benefits liability:

The Commission provides defined retirement and other future benefits to specified employee groups. These benefits include pension, health, dental, life insurance, compensated absences, and workers' compensation benefits. The Commission has adopted the following policies with respect to accounting for these benefits:

- (i) The cost of employee future benefit plans are actuarially determined using management's best estimate of salary escalation, insurance and health care cost trends, long-term inflation rates and discount rates.
- (ii) The cost of multi-employer defined benefit pension plan, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions, are the employer's contributions to the plan in the period. OMERS provides benefits for employees of Ontario municipalities, local boards, public utilities and school boards. As this is a multi-employer plan, no liability is recorded on the Commission's books.

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(e) 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
Site work	25
Buildings	10 - 60
Shelters, pads, and terminals	10
Rolling stock	12
Fare and data collection equipment	15
Radio/communication equipment	15
Bike racks on buses	5
Service fleet	3
Shop equipment	5
Small tools	3
Computer hardware	3
Computer software	3

Tangible capital assets which are under construction are not amortized until the tangible capital assets are ready for productive use.

(f) Use of estimates:

The preparation of 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 date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2017

2. Inventories:

	2017	2016
Spare parts	\$ 2,237,572	\$ 2,126,207

3. Accumulated surplus:

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

	2017	2016
Surplus:		
Invested in tangible capital assets	\$ 98,243,186	\$ 86,591,763
To be recovered from public liability insurance reserve fund	(2,413,646)	(2,283,373)
Unfunded:		
Employee future benefits liability	(3,978,000)	(3,954,000)
Vacation pay earned and accrued payroll	(2,717,998)	(2,831,048)
Total surplus	89,133,542	77,523,342
Reserves set aside for specific purposes of the Commission (note 11):		
Energy management reserve	3,203,250	3,203,250
General operating reserve	3,444,665	3,282,165
Health care management reserve	2,594,716	2,668,735
Total reserves	9,242,631	9,154,150
Reserve funds set aside for specific purposes by the Commission (note 11):		
Capital program reserve fund	4,548,809	5,154,473
Public liability insurance reserve fund	3,398,785	3,598,325
Total reserve funds	7,947,594	8,752,798
	\$ 106,323,767	\$ 95,430,290

4. Deferred revenue:

	2017	2016
Provincial gas tax	\$ 22,538,650	\$ 28,889,732

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2017

5. Grants:

(a) The City of London:

Grants from The City of London for current and capital operations for conventional transit and specialized transit are as follows:

	2017	2016
Operating grants:		
Specialized transit	\$ 5,061,700	\$ 4,676,300
Conventional transit	24,737,575	23,613,600
	29,799,275	28,289,900
Capital grants:		
Capital levy and debentures	10,357,700	6,374,336
Total grants received from The City of London	\$ 40,156,975	\$ 34,664,236

In addition, The City of London sponsors certain groups using both conventional and specialized public transit. These groups receive reduced fares or free fares. The Commission receives grants, on behalf of the respective groups, as fare offsets and are shown as such on the Statement of Operations as part of the ticket and pass fares. Particulars of the grants are as follows:

	2017	2016
Equalization grant, seniors (reduced fares)	\$ 376,048	\$ 376,391
Free transportation, blind	164,871	163,105
	\$ 540,919	\$ 539,496

(b) Province of Ontario:

Provincial grants recognized as revenue during the year ended December 31, for capital and operating programs are as follows:

	2017	2016
Capital grants:		
Gas tax program	\$ 7,135,751	\$ 2,674,152
Operating grants:		
Gas tax program	8,572,223	6,609,400
	\$ 15,707,974	\$ 9,283,552

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2017

5. Grants (continued)

(c) Government of Canada:

	2017	2016
Capital grants:		
Public transit Infrastructure Funding	\$ 5,033,446	\$ -
Total Government of Canada grants	\$ 5,033,446	\$ -

6. Pension agreement:

Effective February 1, 1989, the London Transit Commission commenced participation in the Ontario Municipal Employees Retirement System (OMERS) which is a multi-employer plan, for all active employees at that date as well as for all new employees. As of December 31, 2017 there were 540 (517 for 2016) active employees. The plan is a contributory defined benefit plan which specifies the amount of retirement benefit to be received by the employees based on their length of service and rates of pay. Changes by OMERS to the plan, since February 1, 1989, apply to service after February 1, 1989. For pre-February 1, 1989 service, the Commission provides pension benefits, as determined by the pension plan document.

Employer contributions to OMERS for 2017 were \$2,842,229 (2016 - \$2,773,485).

The London Transit Commission continues to sponsor a pre-February 1, 1989, contributory defined benefit pension plan for employees on long-term disability at February 1, 1989 that are not likely to return to active employment.

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2017

7. Employee future benefits:

The Commission provides benefits to retirees until they reach sixty-five years of age and provides certain benefits to employees on long-term disability. The employee future benefit liability has been estimated based on an actuarial valuation which was completed at December 31, 2015.

	2017	2016
Employee future benefits liability as of December 31	\$ 3,978,000	\$ 3,954,000

Retirement and other future benefit expenses included in total expenditures consist of the following:

	2017	2016
Current year benefit cost	\$ 224,000	\$ 214,000
Interest on accrued benefit obligation	100,000	97,000
Amortized gain	(80,000)	(228,000)
Benefits paid	(220,000)	(206,000)
	\$ 24,000	\$ (123,000)

Significant assumptions are as follows:

Discount rate	3.25%
Rate of compensation increase	1.90%
Healthcare cost current	5.93%
Healthcare cost ultimate	4.50%

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2017

8. Public liability insurance:

At December 31, 2017, there were 148 liability claims and 12 accident benefits claims outstanding that may result in payment under the insurance deductible provisions. The estimated cost to the Commission is \$2,249,111 and \$164,535 (2016 - \$2,137,895 and \$145,478) respectively for a total of \$2,413,646 (2016 - \$2,283,373) to be funded from the public liability reserve fund.

9. Commitments:

(a) Lease obligation:

The Commission rents a portion of a property located at 150 Dundas Street for an information office and sales outlet. The lease expires August 31, 2018. The annual base lease amount is \$19,189 plus an approximate additional amount of \$8,400 for taxes and common area maintenance. Lease payments until the expiry of the lease total \$18,361.

(b) Bus procurement:

The Commission has approved the awarding of contracts with New Flyer Industries for the purchase of nineteen buses (\$10.4 million). All buses are anticipated to be on site between August and December 2018.

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2017

10. Tangible capital assets:

The historical cost, accumulated amortization and net book value of tangible capital assets employed by the Commission at December 31 is as follows:

Cost	Balance		Disposals	Balance	
	December 31, 2016	Additions		December 31, 2017	2017
Land	\$ 2,804,632	\$ -	\$ -	\$ 2,804,632	
Site work	2,703,791	269,233	-	2,973,024	
Buildings	43,613,465	1,757,347	-	45,370,812	
Shelters, pads, and terminals	1,101,216	1,173,094	-	2,274,310	
Rolling stock	109,590,537	17,512,181	(13,409,335)	113,693,383	
Fare and data collection equipment	5,534,160	797,006	-	6,331,166	
Radio/communication equipment	8,259,511	704,743	-	8,964,254	
Bike racks on buses	158,878	-	-	158,878	
Service fleet	416,551	37,314	(102,368)	351,497	
Shop equipment	3,033,180	655,004	(35,830)	3,652,354	
Small tools	173,220	114,309	(58,450)	229,079	
Computer hardware	594,785	74,722	-	669,507	
Computer software	1,172,168	687,200	-	1,859,368	
	\$ 179,156,094	\$ 23,782,153	\$ (13,605,983)	\$ 189,332,264	

Accumulated amortization	Balance		Disposals	Amortization	Balance	
	December 31, 2016				December 31, 2017	2017
Land	\$ -	\$ -	\$ -	\$ -	\$ -	
Site work	1,106,586	-	-	118,921	1,225,507	
Buildings	13,912,434	-	-	1,439,836	15,352,270	
Shelters, pads, and terminals	842,822	-	-	173,884	1,016,706	
Rolling stock	65,130,028	(13,409,335)	-	8,641,422	60,362,115	
Fare and data collection equipment	2,294,612	-	-	414,086	2,708,698	
Radio/communication equipment	4,525,436	-	-	597,617	5,123,053	
Bike racks on buses	158,878	-	-	-	158,878	
Service fleet	356,861	(102,368)	-	47,522	302,015	
Shop equipment	2,766,190	(35,830)	-	232,973	2,963,333	
Small tools	113,989	(58,450)	-	76,360	131,899	
Computer hardware	564,934	-	-	35,312	600,246	
Computer software	791,561	-	-	352,797	1,144,358	
	\$ 92,564,331	\$ (13,605,983)	\$ 12,130,730	\$ 91,089,078		

Net book value	Balance		Balance	
	December 31, 2016		December 31, 2017	2017
Land	\$ 2,804,632		\$ 2,804,632	
Site work	1,597,205		1,747,517	
Buildings	29,701,031		30,018,542	
Shelters, pads, and terminals	258,394		1,257,604	
Rolling stock	44,460,509		53,331,268	
Fare and data collection equipment	3,239,548		3,622,468	
Radio/communication equipment	3,734,075		3,841,201	
Bike racks on buses	-		-	
Service fleet	59,690		49,482	
Shop equipment	266,990		689,021	
Small tools	59,231		97,180	
Computer hardware	29,851		69,261	
Computer software	380,607		715,010	
	\$ 86,591,763		\$ 98,243,186	

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2017

11. Analysis of reserves, reserve funds, and deferred revenues:

	Energy Management Reserve	General operating reserve	Health care management reserve	2017 Total	2016 Total
Reserves:					
Balance, beginning of year	\$ 3,203,250	\$ 3,282,165	\$ 2,668,735	\$ 9,154,150	\$ 9,126,503
Contributions from current operations	-	-	375,776	375,776	393,835
Appropriations to current operations	-	162,500	(449,795)	(287,295)	(366,188)
	\$ 3,203,250	\$ 3,444,665	\$ 2,594,716	\$ 9,242,631	\$ 9,154,150

	Capital Program	Public liability insurance	2017 Total	2016 Total
Reserve funds:				
Balance, beginning of year	\$ 5,154,473	\$ 3,598,325	\$ 8,752,798	\$ 8,547,724
Interest earned	57,814	44,978	102,792	78,832
Contributions from current operations	319,930	400,000	719,930	1,119,457
	5,532,217	4,043,303	9,575,520	9,746,013
Expenditures:				
Appropriations to current operations	-	(644,518)	(644,518)	(726,911)
Appropriations to capital LTC	(983,408)	-	(983,408)	(266,304)
	(983,408)	(644,518)	(1,627,926)	(993,215)
Balance, end of year	\$ 4,548,809	\$ 3,398,785	\$ 7,947,594	\$ 8,752,798

	Provincial gas tax program	2017 Total	2016 Total
Deferred revenues:			
Balance, beginning of year	\$ 28,889,732	\$ 28,889,732	\$ 28,478,802
Interest earned	442,590	442,590	442,648
Contributions	9,356,892	9,356,892	9,701,719
	38,689,214	38,689,214	38,623,169
Expenditures:			
Appropriations to current operations	(8,572,223)	(8,572,223)	(6,609,400)
Appropriations to capital LTC	(7,578,341)	(7,578,341)	(3,124,037)
	(16,150,564)	(16,150,564)	(9,733,437)
Balance, end of year	\$ 22,538,650	\$ 22,538,650	\$ 28,889,732

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2017

12. Reconciliation of annual surplus to Commission approved operating surplus:

The Commission's annual operating and capital budget programs are fully funded with actual to budget performance expected to be in a balanced position, that is the Commission does not budget for a surplus or deficit.

PSAB requirements impact how and where revenue and expenditure items are reported and on what financial statement. This results in the reporting of a 2017 paper budget surplus, a 2017 actual surplus and a 2016 actual deficit.

These reported surplus and deficits, budgeted and actual, are reconciled to the balanced position in the following table:

	Budget	2017	2016
Annual surplus	\$ 17,537,900	\$ 10,893,477	\$ (1,078,915)
Capital expenditures	(17,752,500)	(23,782,153)	(9,757,441)
Transfers from reserves and reserve funds	1,735,000	2,077,721	1,359,404
Contributions to reserves and reserve funds	(1,520,400)	(1,198,498)	(1,585,725)
Amortization of tangible capital assets	-	12,130,730	10,554,169
Other	-	(121,277)	508,508
Commission approved surplus	\$ -	\$ -	\$ -

Financial Statements of

MIDDLESEX-LONDON HEALTH UNIT

Year ended December 31, 2017



MIDDLESEX-LONDON HEALTH UNIT

Financial Statements

Year ended December 31, 2017

Financial Statements

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MIDDLESEX-LONDON HEALTH UNIT

Financial Statements

Year ended December 31, 2017

Management's Responsibility for the Financial Statements

The accompanying financial statements of the Middlesex-London Health Unit ("Health Unit") are the responsibility of the Health Unit's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is described in Note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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

The Finance & Facilities Committee meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by KPMG LLP, independent external auditors appointed by The Corporation of the City of London. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Health Unit's financial statements.

Christopher Mackie, MD, MHSc, CCFP, FRCPC
Medical Officer of Health / CEO

Brian Glasspoole, CPA, CA
Manager, Finance

Joanne Vanderheyden, Chair
Board of Health

INDEPENDENT AUDITORS' REPORT

To the Chair and Members, Middlesex-London Board of Health

We have audited the accompanying financial statements of Middlesex-London Health Unit, which comprise the statement of financial position as at December 31, 2017, the statements of operations and accumulated surplus, change in net debt, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the 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 Middlesex-London Health Unit as at December 31, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

"DRAFT"

Chartered Professional Accountants, Licensed Public Accountants

June 2018

London, Canada

MIDDLESEX-LONDON HEALTH UNIT

Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
Financial Assets		
Cash	\$ 4,916,671	\$ 4,064,906
Accounts receivable	420,057	382,687
Grants receivable	198,750	296,040
	<u>5,535,478</u>	<u>4,743,633</u>
Financial Liabilities		
Province of Ontario	229,506	424,192
Government of Canada	11,510	62,999
The Corporation of the City of London	494,391	165,108
The Corporation of the County of Middlesex	94,167	31,447
Accounts payable and accrued liabilities	1,917,268	1,437,193
Accrued wages and benefits	838,160	879,974
Vested sick leave liability (note 2(a))	-	52,209
Post-employment benefits liability (note 2(b))	2,372,400	2,183,200
	<u>5,957,402</u>	<u>5,236,322</u>
Net Debt	(421,924)	(492,689)
Non-Financial Assets		
Tangible capital assets (note 4)	1,173,526	1,421,408
Prepaid expenses	207,725	218,051
	<u>1,381,251</u>	<u>1,639,459</u>
Commitments (note 5)		
Contingencies (note 6)		
Accumulated surplus (note 7)	\$ 959,327	\$ 1,146,770

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

MIDDLESEX-LONDON HEALTH UNIT

Statement of Operations and Accumulated Surplus

Year ended December 31, 2017, with comparative information for 2016

	2017 Budget	2017	2016
Revenue:			
Grants:			
Ministry of Health and Long-Term Care	\$ 21,127,930	\$ 21,368,809	\$ 21,159,277
The Corporation of the City of London	6,095,059	5,600,668	5,929,950
Ministry of Children and Youth Services	5,296,275	5,567,899	5,333,109
The Corporation of the County of Middlesex	1,160,961	1,066,794	1,129,515
Government of Canada	312,860	384,914	290,318
	33,993,085	33,989,084	33,842,119
Other:			
Property search fees	3,750	3,100	2,099
Family planning	285,000	222,240	221,849
Dental service fees	245,200	177,494	190,943
Investment income	20,000	16,377	7,869
Prenatal class income	8,140	11,990	13,890
Other income (note 8)	850,451	1,115,742	1,167,232
	1,412,541	1,546,943	1,603,882
Total Revenue	35,405,626	35,536,027	35,446,001
Expenditures:			
Salaries:			
Public Health Nurses	9,721,936	9,274,226	9,395,102
Other salaries	3,523,523	4,254,821	4,041,711
Administrative staff	3,481,344	3,525,999	3,578,692
Public Health Inspectors	2,442,629	2,385,304	2,475,321
Dental staff	970,837	859,102	891,434
Medical Officers of Health	520,750	511,349	529,401
	20,661,019	20,810,801	20,911,661
Other Operating:			
Benefits	5,908,263	5,914,269	5,833,725
Professional services	3,638,362	3,573,595	3,639,207
Rent and maintenance	1,651,071	1,705,699	1,643,440
Other expenses (note 9)	1,550,472	1,451,027	1,492,305
Materials and supplies	1,116,859	1,275,140	1,256,066
Amortization expense	442,485	660,835	645,575
Travel	437,095	332,104	334,097
	14,744,607	14,912,669	14,844,415
Total Expenditures	35,405,626	35,723,470	35,756,076
Annual surplus (deficit)	-	(187,443)	(310,075)
Accumulated surplus, beginning of year	1,146,770	1,146,770	1,456,845
Accumulated surplus, end of year	\$ 1,147,770	\$ 959,327	\$ 1,146,770

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

MIDDLESEX-LONDON HEALTH UNIT

Statement of Change in Net Debt

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Annual deficit	\$ (187,443)	\$ (310,075)
Acquisition of tangible capital assets, net	(412,953)	(272,964)
Amortization of tangible capital assets	660,835	645,575
	60,439	62,536
Acquisition of prepaid expenses	(207,725)	(218,051)
Use of prepaid expenses	218,051	253,981
	10,326	35,930
Change in net debt	70,765	98,466
Net debt, beginning of year	(492,689)	(591,155)
Net debt, end of year	\$ (421,924)	\$ (492,689)

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

MIDDLESEX-LONDON HEALTH UNIT

Statement of Cash Flows

December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Annual deficit	\$ (187,443)	\$ (310,075)
Items not involving cash:		
Amortization	660,835	645,575
Change in employee benefits and other liabilities	136,991	131,550
Changes in non-cash assets and liabilities:		
Accounts receivable	(37,370)	(54,294)
Grants receivable	97,290	49,259
Prepaid expenses	10,326	35,930
Province of Ontario	(194,686)	49,849
Government of Canada	(51,489)	(2,108)
The Corporation of the City of London	329,283	121,069
The Corporation of the County of Middlesex	62,720	23,061
Accounts payable and accrued liabilities	480,075	(253,579)
Accrued wages and benefits	(41,814)	434,964
Net change in cash from operating activities	1,264,718	871,201
Capital activities:		
Cash used to acquire tangible capital assets	(412,953)	(272,964)
Net change in cash from capital activities	(412,953)	(272,964)
Net change in cash	851,765	598,237
Cash and cash equivalents, beginning of year	4,064,906	3,466,669
Cash and cash equivalents, end of year	\$ 4,916,671	\$ 4,064,906

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

MIDDLESEX-LONDON HEALTH UNIT

Notes to Financial Statements
Year ended December 31, 2017

The Middlesex-London Health Unit is a joint local board of the municipalities of The Corporation of the City of London and The Corporation of the County of Middlesex that was created on January 1, 1972. The Middlesex-London Health Unit provides programs which promote healthy and active living throughout the participating municipalities.

1. Significant accounting policies:

The financial statements of the Middlesex-London Health Unit are prepared by management in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the Middlesex-London Health Unit are as follows:

(a) Basis of presentation:

The financial statements reflect the assets, liabilities, revenue and expenditures of the reporting entity. The reporting entity is comprised of all programs funded by the Province of Ontario, The Corporation of the City of London, and The Corporation of the County of Middlesex. It also includes other programs that the Board of Health may offer from time to time with special grants and/or donations from other sources.

Inter-departmental transactions and balances have been eliminated.

(b) Basis of accounting:

Sources of financing and expenditures are reported on the accrual basis of accounting with the exception of donations, which are included in the statement of operations as received.

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

The operations of the Middlesex-London Health Unit are funded by government transfers from the Province of Ontario, The Corporation of the City of London and The Corporation of the County of Middlesex. Government transfers are recognized in the financial statements as revenue 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. Government transfers not received at year end are recorded as grants receivable due from the related funding organization in the statement of financial position.

Funding amounts in excess of actual expenditures incurred during the year are either contributed to reserves or reserve funds, when permitted, or are repayable and are reflected as liabilities due to the related funding organization in the statement of financial position.

MIDDLESEX-LONDON HEALTH UNIT

Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(c) Employee future benefits:

- (i) The Middlesex-London Health Unit provides certain employee benefits which will require funding in future periods. These benefits include sick leave, life insurance, extended health and dental benefits for early retirees.

The cost of sick leave, life insurance, extended health and dental benefits are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care cost trends, long term inflation rates and discount rates.

- (ii) The cost of multi-employer defined benefit pension plan, namely the Ontario Municipal Employees Retirement System (OMERS) pensions, are the employer's contributions due to the plan in the period. As this is a multi-employer plan, no liability is recorded on the Middlesex-London Health Unit's general ledger.

(d) 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 that extend 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 attributed 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 the estimated useful lives as follows:

Asset	Useful Life - Years
Leasehold Improvements	5 - 15
Computer Systems	4
Motor Vehicles	5
Furniture & Equipment	7

Assets under construction are not amortized until the asset is available for productive use.

MIDDLESEX-LONDON HEALTH UNIT

Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(d) Non-financial assets (continued):

(ii) Contributions of tangible capital assets

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

(iii) Leased tangible capital assets

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payment are charged to expense as incurred.

(e) Use of estimates:

The preparation of the Middlesex-London Health Unit's financial statements requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, and in performing actuarial valuations of employee future benefits.

In addition, the Middlesex-London Health Unit's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of the useful lives of tangible capital assets.

Actual results could differ from these estimates.

MIDDLESEX-LONDON HEALTH UNIT

Financial Statements (continued)

Year ended December 31, 2017

2. Employee future benefits:

The Middlesex-London Health Unit provides certain employee benefits which will require funding in future periods, as follows:

(a) Vested sick leave liability:

Under the sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Middlesex-London Health Unit's employment. This plan applies to employees hired prior to January 1, 1982.

The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on termination, amounted to \$nil (2016 - \$52,209) at the end of the year.

A reserve of \$29,462 has been established to meet future commitments for this liability.

(b) Post-retirement benefits liability:

The Middlesex-London Health Unit pays certain life insurance benefits on behalf of the retired employees as well as extended health and dental benefits for early retirees to age sixty-five. The Middlesex-London Health Unit recognizes these post-retirement costs in the period in which the employees render services. The most recent actuarial valuation was performed as at December 31, 2017.

	2017	2016
Accrued employee future benefit obligations	\$ 2,846,600	\$ 2,644,600
Unamortized net actuarial loss	(474,200)	(461,400)
Employee future benefits liability as of December 31	\$ 2,372,400	\$ 2,183,200

Retirement and other employee future benefit expenses included in the benefits in the statement of operations consist of the following:

	2017	2016
Current year benefit cost	\$ 180,500	\$ 174,800
Interest on accrued benefit obligation	89,800	85,100
Amortization of net actuarial loss	44,600	44,600
Total benefit cost	\$ 314,900	\$ 304,500

Benefits paid during the year were \$125,700 (2016 - \$118,300).

MIDDLESEX-LONDON HEALTH UNIT

Financial Statements (continued)

Year ended December 31, 2017

2. Employee future benefits (continued):

(b) Post-retirement benefits liability (continued):

The main actuarial assumptions employed for the valuation are as follows:

(i) Discount rate:

The obligation as at December 31, 2017, of the present value of future liabilities and the expense for the year ended December 31, 2017, are determined using a discount rate of 3.25% (2016 – 3.25%).

(ii) Medical costs:

Prescription drug costs are assumed to increase at the rate of 7% per year (2016 - 8%) declining to 4% per year over 20 years. Other Medical and Vision costs are assumed to increase at a rate of 4% per year, and 0% per year respectively.

(iii) Dental costs:

Dental costs are assumed to increase at the rate of 4% per year (2016 - 4%).

3. Pension agreement:

The Middlesex-London Health Unit contributes to the OMERS which is a multi-employer plan, on behalf of 323 members. 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.

During 2017, the plan required employers to contribute 9.0% of employee earnings up to the year's maximum pensionable earnings and 14.6% thereafter. The Middlesex-London Health Unit contributed \$1,960,653 (2016 - \$1,974,638) to the OMERS pension plan on behalf of its employees during the year ended December 31, 2017.

MIDDLESEX-LONDON HEALTH UNIT

Financial Statements (continued)

Year ended December 31, 2017

4. Tangible Capital Assets:

Cost	Balance at December 31, 2016	Additions	Disposals / Transfers	Balance at December 31, 2017
Leasehold Improvements – 15 years	\$ 2,660,874	\$ 39,266	\$ -	\$ 2,700,140
Leasehold Improvements – 5 years	33,850	9,382	(21,452)	21,780
Computer Systems	1,309,479	77,030	(144,122)	1,242,387
Motor Vehicle	5,385	-	-	5,385
Furniture & Equipment	1,509,281	287,275	(232,149)	1,564,407
Total	\$ 5,518,869	\$ 412,953	\$ (397,723)	\$ 5,534,099

Accumulated amortization	Balance at December 31, 2016	Amortization expense	Disposals / Transfers	Balance at December 31, 2017
Leasehold Improvements – 15 years	\$ 2,334,049	\$ 183,045	\$ -	\$ 2,517,094
Leasehold Improvements – 5 years	26,142	8,545	(21,452)	13,235
Computer Systems	721,420	267,295	(144,122)	844,593
Motor Vehicle	2,019	1,346	-	3,365
Furniture & Equipment	1,013,831	200,604	(232,149)	982,286
Total	\$ 4,097,461	\$ 660,835	\$ (397,723)	\$ 4,360,573

	Net book value December 31, 2016	Net book value December 31, 2017
Leasehold Improvements – 15 years	\$ 326,825	\$ 183,046
Leasehold Improvements – 5 years	7,708	8,545
Computer Systems	588,059	397,794
Motor Vehicle	3,366	2,020
Furniture & Equipment	495,450	582,121
Total	\$ 1,421,408	\$ 1,173,526

During the year, the Middlesex-London Health Unit deemed to have disposed of fully amortized assets with a cost basis of \$397,723 (2016 - \$1,240,106).

MIDDLESEX-LONDON HEALTH UNIT

Financial Statements (continued)

Year ended December 31, 2017

4. Tangible Capital Assets (continued):

Cost	Balance at December 31, 2015	Additions	Disposals / Transfers	Balance at December 31, 2016
Leasehold Improvements – 15 years	\$ 2,672,872	\$ -	\$ (11,998)	\$ 2,660,874
Leasehold Improvements – 5 years	181,668	3,609	(151,427)	33,850
Computer Systems	1,634,727	244,575	(569,823)	1,309,479
Motor Vehicle	5,385	-	-	5,385
Furniture & Equipment	1,991,359	36,778	(518,856)	1,509,281
Total	\$ 6,486,011	\$ 284,962	\$ (1,252,104)	\$ 5,518,869

Accumulated amortization	Balance at December 31, 2015	Amortization expense	Disposals / Transfers	Balance at December 31, 2016
Leasehold Improvements – 15 years	\$ 2,170,637	\$ 163,412	\$ -	\$ 2,334,049
Leasehold Improvements – 5 years	171,936	5,633	(151,427)	26,142
Computer Systems	1,012,461	278,782	(569,823)	721,420
Motor Vehicle	673	1,346	-	2,019
Furniture & Equipment	1,336,285	196,402	(518,856)	1,013,831
Total	\$ 4,691,992	\$ 645,575	\$ (1,240,106)	\$ 4,097,461

	Net book value December 31, 2015	Net book value December 31, 2016
Leasehold Improvements – 15 years	\$ 502,235	\$ 326,825
Leasehold Improvements – 5 years	9,732	7,708
Computer Systems	622,266	588,059
Motor Vehicle	4,712	3,366
Furniture & Equipment	655,074	495,450
Total	\$ 1,794,019	\$ 1,421,408

MIDDLESEX-LONDON HEALTH UNIT

Financial Statements (continued)

Year ended December 31, 2017

5. Commitments:

The Middlesex-London Health Unit is committed under operating leases for office equipment and rental property.

Future minimum payments to expiry are as follows:

2018	\$ 911,800
2019	846,097
2020	780,394
2021	780,394

6. Contingencies:

From time to time, the Middlesex-London Health Unit is subject to claims and other lawsuits that arise in the ordinary course of business, some of which may seek damages in substantial amounts. These claims may be covered by the Middlesex-London Health Unit's insurance. Liability for these claims and lawsuits are recorded to the extent that the probability of a loss is likely and it is estimable.

7. Accumulated Surplus:

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

	2017	2016
Surpluses:		
Invested in tangible capital assets	\$ 1,173,526	\$ 1,421,408
Unfunded:		
Sick leave benefits	-	(52,209)
Post-employment benefits	(2,372,400)	(2,183,200)
Total deficit	(1,198,874)	(814,001)
Reserves set aside by the Board:		
Accumulated sick leave	29,462	82,032
Funding stabilization	818,258	818,258
Employment costs	176,077	176,077
Technology and infrastructure	1,000,000	750,000
Environmental – septic tank	6,044	6,044
Dental treatment	128,360	128,360
Total reserves	2,158,201	1,960,771
Accumulated surplus	\$ 959,327	\$ 1,146,770

MIDDLESEX-LONDON HEALTH UNIT

Financial Statements (continued)

Year ended December 31, 2017

8. Other income:

The following revenues are presented as other income in the statement of operations:

	2017 Budget	2017 Actual	2016 Actual
Collaborative project	\$ 161,187	\$ 349,045	\$ 372,520
Food handler training	20,000	25,250	27,343
Public Fit-testing	15,000	10,621	16,528
Miscellaneous	208,439	341,588	246,305
OHIP	233,900	230,488	237,420
Vaccines	211,925	155,370	266,345
Workshops	-	3,380	771
	<u>\$ 850,451</u>	<u>\$ 1,115,742</u>	<u>\$ 1,167,232</u>

9. Other expenses:

The following expenditures are presented as other expenses in the statement of operations:

	2017 Budget	2017 Actual	2016 Actual
Communications	\$ 191,646	\$ 158,498	\$ 221,283
Health promotion/advertising	371,422	405,425	308,295
Miscellaneous	557,146	420,034	457,211
Postage and courier	67,500	62,127	61,477
Printing	160,561	138,635	164,168
Staff development	202,197	266,308	279,901
	<u>\$ 1,550,472</u>	<u>\$ 1,451,027</u>	<u>\$ 1,492,305</u>

Financial Statements of

MUSEUM LONDON

Year ended December 31, 2017



KPMG LLP
140 Fullarton Street Suite 1400
London ON N6A 5P2
Canada
Tel 519 672-4800
Fax 519 672-5684

INDEPENDENT AUDITORS' REPORT

To the Chair and Members, Museum London

We have audited the accompanying financial statements of Museum London, which comprise the statement of financial position as at December 31, 2017 and the statements of operations, 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 the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. 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 Museum London as at December 31, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly wavy line that serves as a signature line.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

March 29, 2018

MUSEUM LONDON

Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
Financial assets:		
Cash and cash equivalents	\$ 605,365	\$ 241,220
Accounts receivable	270,956	168,090
Investments (note 2)	5,984,824	6,324,098
	<u>6,861,145</u>	<u>6,733,408</u>
Financial liabilities:		
Accounts payable and accrued liabilities	478,360	350,126
Deferred revenue	263,205	153,404
Employee future benefits (note 3)	81,723	91,371
	<u>823,288</u>	<u>594,901</u>
Net financial assets	6,037,857	6,138,507
Non-financial assets:		
Tangible capital assets (note 4)	10,048,108	9,081,791
Prepaid expenses	102,618	91,496
	<u>10,150,726</u>	<u>9,173,287</u>
Accumulated surplus (note 6)	\$ 16,188,583	\$ 15,311,794

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

_____ Director

_____ Directo

MUSEUM LONDON

Statement of Operations

Year ended December 31, 2017, with comparative information for 2016

	Budget	2017	2016
Revenue:			
Federal	\$ 1,212,000	\$ 1,368,325	\$ 193,975
Provincial	206,929	204,453	222,508
Municipal:			
Operating	1,659,000	1,675,757	1,634,784
Capital	350,000	282,563	381,826
Community:			
Donations	575,800	565,741	293,333
Public programs	112,350	88,562	101,532
Ancillary services:			
Catering and rentals	158,750	131,616	120,931
Fundraising events	-	8,000	43,272
Public program and exhibition sponsorship	3,500	63,912	60,077
Donation of art and artifacts	300,165	443,903	598,205
Investment income	200,000	289,375	266,979
Other	388,209	362,590	338,172
Total revenue	5,166,703	5,484,797	4,255,594
Expenses			
Operating:			
Operations	976,841	992,956	956,164
General and administration	882,560	869,287	881,944
Public programs	173,514	280,497	366,193
Publicity	164,656	183,137	171,873
Curatorial and collections management	545,090	565,692	545,261
Amortization of tangible capital assets	624,070	624,069	602,140
Ancillary services:			
Catering and rentals	97,436	97,194	86,589
Fundraising events	-	665	26,959
Public programs and exhibitions	200,000	190,728	159,035
Donation of art and artifacts	300,165	443,903	598,205
Purchase of art and artifacts	60,000	156,327	75,278
Collection expense	24,700	14,326	21,299
Investment expense	27,000	31,002	30,704
Total expenditures	4,076,032	4,449,783	4,521,644
Annual surplus (deficit)	1,090,671	1,035,014	(266,050)
Accumulated surplus, beginning of year	15,311,794	15,311,794	15,577,844
Transfer of restricted funds		(158,225)	-
Accumulated surplus, end of year	\$ 16,402,465	\$ 16,188,583	\$ 15,311,794

The accompanying notes are an integral part of these financial statements

MUSEUM LONDON

Statement of Change in Net Financial Assets

Year ended December 31, 2017, with comparative information for 2016

	Budget	2017	2016
Annual surplus (deficit)	\$ 1,090,671	\$ 1,035,014	\$ (266,050)
Acquisition of tangible capital assets	(350,000)	(1,590,386)	(556,514)
Amortization of tangible capital assets	624,070	624,069	602,140
	1,364,741	68,697	(220,424)
Change in prepaid expenses	-	(11,122)	4,441
Change in net financial assets	1,364,741	57,575	(215,983)
Transfer of Restricted Funds		(158,225)	-
Net financial assets, beginning of year	6,138,507	6,138,507	6,354,490
Net financial assets, end of year	\$ 7,503,248	\$ 6,037,857	\$ 6,138,507

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

MUSEUM LONDON

Statement of Cash Flows

Year ended December 31, 2017 with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ 1,035,014	\$ (266,050)
Items not involving cash:		
Amortization of tangible capital assets	624,069	602,140
Change in employee benefits	(9,648)	1,017
Changes in non-cash assets and liabilities:		
Accounts receivable	(102,866)	239,760
Accounts payable and accrued liabilities	128,234	(12,389)
Deferred revenue	109,801	(20,245)
Prepaid expenses	(11,122)	4,441
Net change in cash and cash equivalents from operating activities	1,773,482	548,674
Capital activities:		
Acquisition of tangible capital assets	(1,590,386)	(556,514)
Investing activities:		
Change in investments, net	339,274	191,110
Transfer of restricted funds	(158,225)	-
	181,049	191,110
Increase in cash and cash equivalents	364,145	183,270
Cash and cash equivalents, beginning of year	241,220	57,950
Cash and cash equivalents, end of year	\$ 605,365	\$ 241,220

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

MUSEUM LONDON

Notes to Financial Statements

Year ended December 31, 2017

1. Significant accounting policies:

The financial statements of Museum London, a registered charity and a local board of the Corporation of the City of London (the "City") are prepared by management in accordance with Canadian generally accepted accounting principles as defined in the Chartered Professional Accountants Canada Public Sector Accounting Handbook.

The statement of operations combines financial transactions of the operating, tangible capital asset, and reserve and restricted funds.

- (a) Operating funds are available for financing expenditures for the day to day operations of Museum London;
- (b) Tangible capital asset funds are available for financing expansion, replacement and major repairs and maintenance of Museum London facilities; and
- (c) Reserves and Restricted funds are designated for specific purposes and are either not available for day to day operations or require special approval in accordance with Museum London Board policy.

Note 8 provides a summary of the financial activities of each fund. Transfers between the funds are made as approved by the Board.

- (a) Basis of accounting:

Museum London follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

- (b) Government transfers:

Government transfer payments are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expense have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(c) Deferred revenue:

Deferred revenue represent grants, sponsorships and other designated funding which has been received but for which the related exhibitions, programs or other services have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed.

(d) Investment income:

Investment income is reported as revenue in the period earned. Income earned on restricted and unrestricted investment funds becomes part of the investment funds and are not available for operating purposes.

(e) Investments:

Investments are recorded at cost. If the market value of investments becomes lower than cost and this decline is considered to be other than temporary, the investments are written down to market value.

(f) Employee future benefits:

The Museum provides certain employee benefits which will require funding in future periods. These benefits include amounts for vacation for current employees. These future liabilities are recognized at current cost.

(g) Pension contributions:

The costs of defined contribution pension plan benefits to the Ontario Municipal Employees Retirement Fund (OMERS) are the employer's contributions due to the plan in the period.

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(h) 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 of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful life
Building and building improvements:	
Building structure and initial site-works	60 years
Building shell (cladding, roofing, windows)	20 years
Building services (heating, electrical, mechanical)	5-15 years
Site-work betterments and interior refurbishing	5-7 years
Furniture and equipment:	
Heavy equipment	10 years
Furniture and small equipment	5 years

Annual amortization is 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.

(ii) Works of art and cultural and historic assets:

Works of art and material cultural and historic assets are not recorded as assets in these financial statements.

(i) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(j) Budget figures:

Budget figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

2. Investments:

At December 31, 2017, investments at cost were comprised of the following:

	2017	2016
Canadian bond	\$ 3,217,196	\$ 3,422,377
Canadian equity	1,371,380	1,474,920
US equity	532,943	521,196
International equity	863,305	905,605
	<u>\$ 5,984,824</u>	<u>\$ 6,324,098</u>

At December 31, 2017 the approximate market value of the pooled fund investments amounted to \$6,570,814 (2016 - \$6,753,768).

3. Employee future benefits:

Employee future benefits, reported on the statement of financial position, are comprised of the following:

	2017	2016
Vacation pay earned but not taken	\$ 81,723	\$ 91,371

Under the provision of certain employee vacation plans, some vacation credits are earned as at December 31, but are generally unavailable for use until a later date. The approximate value of these credits as at December 31, 2017 is \$81,723 (2016 - \$91,371).

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2017

4. Tangible capital assets:

	Balance December 31, 2016	Additions	Disposal	Write-offs	Balance December 31, 2017
Cost:					
Land	\$ 1,175,120	\$ -	\$ -	\$ -	\$ 1,175,120
Building and building improvements	13,397,473	1,572,395	-	82,695	14,887,173
Furniture and equipment	135,394	17,991	-	1,399	151,986
	<u>\$14,707,987</u>	<u>\$ 1,590,386</u>	<u>\$ -</u>	<u>\$ 84,094</u>	<u>\$16,214,279</u>
Accumulated amortization:					
Building and building improvements	\$ 5,598,111	\$ 607,152	\$ -	\$ 82,695	\$ 6,122,568
Furniture and equipment	28,085	16,917	-	1,399	43,603
	<u>\$ 5,626,196</u>	<u>\$ 624,069</u>	<u>\$ -</u>	<u>\$ 84,094</u>	<u>\$ 6,166,171</u>
Net book value:					
Land	\$ 1,175,120				\$ 1,175,120
Building and building improvements	7,799,362				8,764,605
Furniture and equipment	107,309				108,383
	<u>\$ 9,081,791</u>				<u>\$10,048,108</u>

5. Insurance:

Museum London has accumulated works of art with an insured value of \$47,589,345 (2016 - \$46,505,465). These works of art are not recorded as tangible capital assets in the financial statements.

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2017

6. Accumulated surplus:

The accumulated surplus consists of the following:

	2017	2016
Surplus:		
Operating fund	\$ 58,130	\$ 24,257
Investment in tangible capital assets	10,048,108	9,081,791
Unfunded employee benefits	(81,723)	(91,371)
Total surplus	10,024,515	9,014,677
Reserve funds set aside for specific purposes by Museum London:		
Operating endowment	2,564,624	2,745,991
Restricted funds held by Museum London include the following:		
Moore acquisitions fund	2,754,078	2,716,373
Moore collection management fund	285,704	274,327
Amelia Lucy Ronalds Little fund	-	148,037
Nancy Geddes Poole fund	104,783	101,486
Volunteer committee general fund	-	26,784
Volunteer committee acquisitions fund	199,628	285,664
Centre at the Forks	245,904	(25,036)
Cohen Innovations in Culture fund	25,953	25,714
Wolf fund	384	384
Satellite Gallery	(16,990)	(2,607)
	3,599,444	3,551,126
	\$ 16,188,583	\$ 15,311,794

The Amelia Lucy Ronalds Little Fund represents restricted funds to be used for the improvement, redecoration, refurbishing, restoration and enhancement of Eldon House and the artifacts contained therein. The contract for the management of Eldon House was transferred by the owner, The Corporation of the City of London effective January 1, 2013. During 2017, legal approvals were obtained and the Amelia Lucy Ronalds Little Fund was transferred from Museum London to The Corporation of the City of London.

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2017

7. Pension plan:

Museum London makes contributions to the Ontario Municipal Employees Retirement Fund (“OMERS”) on behalf of twenty members of its staff. The plan is a contributory defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay.

Contributions for employees with a normal retirement age of sixty-five were made at the rate of 9.0% for earnings up to the yearly maximum pensionable earnings of \$55,300 and at a rate of 14.60% for earnings greater than the yearly maximum pensionable earnings.

The amount contributed to OMERS for 2017 was \$104,572 (2016 - \$109,566) and is included as an expense in the statement of operations. Employees' contributions to OMERS in 2017 was \$104,572 (2016 - \$109,566).

8. Annual surplus:

The annual surplus in the statement of operations includes the net change of the balance of each of the three funds: operating, investment in tangible capital asset, and reserve and restricted funds along with the change in unfunded employee future benefits as follows:

	2017	2016
Operating fund	\$ 33,873	\$ 7,045
Investment in tangible capital assets	966,317	(45,626)
Reserve and restricted funds	25,176	(226,452)
Change in unfunded employee benefits	9,648	(1,017)
Annual surplus (deficit)	\$ 1,035,014	\$ (266,050)

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2017

8. Annual surplus (continued):

Statements of financial activities for the three funds follow:

(i) Operating Fund:

	2017 Budget	2017 Total	2016 Total
Revenue:			
Federal:			
Canada Council for the Arts:			
Operating	\$ 132,000	\$ 228,000	\$ 132,000
Acquisitions	30,000	-	30,000
Programs	-	14,975	4,290
Canadian Heritage	-	73,594	20,744
Other	-	5,406	6,941
Provincial:			
Ontario Arts Council:			
Operating grant	143,500	143,500	151,050
Ministry of Tourism and Culture	51,954	51,954	51,954
Other	11,475	8,999	19,504
Municipal	1,659,000	1,669,257	1,634,784
Community:			
Donations	75,800	60,648	163,410
Public programs	112,350	88,562	101,532
Ancillary services:			
Catering and rentals	158,750	131,616	120,931
Fundraising events	-	8,000	43,272
Public program and exhibition sponsorship	3,500	39,912	30,077
Investment income	3,000	6,164	2,751
Other	388,209	360,096	338,088
	\$ 2,769,538	\$ 2,890,683	\$ 2,851,328

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2017

8. Annual surplus (continued):

(i) Operating Fund (continued):

	2017 Budget	2017 Total	2016 Total
Expenses:			
Operating:			
Operations	\$ 976,841	\$ 992,956	\$ 956,164
General and administration	882,560	869,287	864,847
Public programs	173,514	233,120	207,706
Publicity	164,656	183,137	171,873
Curatorial and collections management	545,090	565,692	545,261
Ancillary services:			
Catering and rentals	97,436	97,194	86,589
Fundraising events	-	665	26,959
Exhibitions	200,000	190,728	159,035
Purchase of art and artifacts	60,000	156,327	75,278
Collection expense	24,700	14,326	21,299
	<u>3,124,797</u>	<u>3,303,432</u>	<u>3,115,011</u>
Net expenditures	(355,259)	(412,749)	(263,683)
Financing and transfers:			
Transfer from reserve and restricted funds	355,259	456,270	269,711
Employee benefits	-	(9,648)	1,017
Net financing and transfers	<u>355,259</u>	<u>446,622</u>	<u>270,728</u>
Change in fund balance	-	33,873	7,045
Surplus, beginning of year	24,257	24,257	17,212
Surplus, end of year	<u>\$ 24,257</u>	<u>\$ 58,130</u>	<u>\$ 24,257</u>

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2017

8. Annual surplus (continued):

(ii) Investment in tangible capital assets:

	2017	2016
Revenue:		
Municipal	\$ 132,312	\$ 381,826
Learning Centre Restricted Fund	1,458,074	174,688
Amortization of tangible capital assets	(624,069)	(602,140)
Net revenue	\$ 966,317	\$ (45,626)
Change in fund balance	\$ 966,317	\$ (45,626)
Opening balance	9,081,791	9,127,417
Ending balance	\$ 10,048,108	\$ 9,081,791

(iii) Reserve and Restricted Funds:

(a) Reserve Funds:

	2017	2016
Transfers to reserves:		
Net investment revenue	\$ 118,892	\$ 94,076
Expenditure:		
Transfer to operating fund	300,259	208,934
Change in reserve funds	(181,367)	(114,858)
Opening balance	2,745,991	2,860,849
Closing balance	\$ 2,564,624	\$ 2,745,991

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2017

8. Annual surplus (continued):

(iii) Reserve and Restricted Funds:

(b) Restricted Funds:

	2017	2016
Transfer to restricted funds:		
Net investment revenue	\$ 133,317	\$ 139,445
Donations:		
Learning centre	505,093	129,923
Federal cultural spaces grant	1,046,350	-
Municipal	156,751	-
Partnership contributions	24,000	30,000
Miscellaneous	2,494	84
	<u>1,868,005</u>	<u>299,452</u>
Expenditures:		
Transfer to operating fund, acquisition of artwork	156,011	40,777
Transfer to operations, exhibitions	-	20,000
Eldon House furnishings and web-site	-	17,093
Learning Centre expenditures	-	120,262
Learning Centre tangible capital assets	1,458,074	174,688
Satellite Centre expenditures	47,377	38,226
	<u>1,661,462</u>	<u>411,046</u>
Change in restricted funds	206,543	(111,594)
Opening balance	3,551,126	3,662,720
Transfer of restricted funds	(158,225)	-
Closing balance	<u>\$ 3,599,444</u>	<u>\$ 3,551,126</u>

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2017

9. Budget data:

Budget figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

	Budget amount
Revenue:	
Operating budget	\$ 2,769,538
Expense:	
Operating budget	2,769,538
Annual operating surplus, as budgeted	-
Federal cultural spaces grant	1,050,000
Learning Centre donations	500,000
Capital funding	350,000
Donation of art and artifacts	300,165
Investment income	197,000
Investment expense	(27,000)
Donation of art and artifacts	(300,165)
Transfers from reserve and restricted funds	(355,259)
Amortization of tangible assets	(624,070)
Annual surplus (deficit), revised	\$ 1,090,671

DRAFT Financial Statements of

**OLD EAST VILLAGE BUSINESS
IMPROVEMENT AREA**

Year ended December 31, 2017

INDEPENDENT AUDITORS' REPORT

To the Chair and Members, Old East Village Business Improvement Area

We have audited the accompanying financial statements of Old East Village Business Improvement Area, which comprise the statement of financial position as at December 31, 2017, the statements of earnings, 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 the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Old East Village Business Improvement Area as at December 31, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

Month DD, YYYY

London, Canada

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA

Statement of Financial Position

DRAFT

December 31, 2017, with comparative information for 2016

	2017	2016
Financial assets		
Cash and short-term investments (note 2)	\$ 93,046	\$ 74,221
Accounts receivable	1,672	1,258
	<u>94,718</u>	<u>75,479</u>
Financial liabilities		
Accounts payable and accrued liabilities	1,584	1,588
Deferred revenue	4,340	5,632
	<u>5,924</u>	<u>7,220</u>
Net financial assets	88,794	68,259
Non-financial assets		
Tangible capital assets (note 4)	6,102	3,264
Prepaid expenses and deposits	1,804	3,851
	<u>7,906</u>	<u>7,115</u>
Accumulated surplus (note 3)	<u>\$ 96,700</u>	<u>\$ 75,374</u>

See accompanying notes to financial statements.

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA

Statement of Earnings and Fund Balances

DRAFT

Year ended December 31, 2017, with comparative information for 2016

	Budget		
	2017	2017	2016
Revenue:			
Requisition:			
Municipal levy - The Corporation of the City of London	\$ 14,781	\$ 14,917	\$ 14,781
Other:			
The Corporation of the City of London	141,102	141,202	141,102
Miscellaneous	61,605	2,172	28,999
	<u>217,488</u>	<u>158,291</u>	<u>184,882</u>
Expenditures:			
Wages and salaries	155,538	98,058	130,746
Office rental	12,661	12,661	12,661
Payroll deductions	-	6,483	9,068
Administration	6,300	5,292	4,740
Community initiatives and appreciation	4,200	4,204	4,018
Purchased services	15,860	1,560	8,603
Telephone and internet service	1,950	1,427	2,064
Advertising, marketing and promotion	1,600	1,375	2,781
Financial audit	1,469	1,300	1,400
Beautification	5,000	1,144	598
Amortization	-	941	916
HST expense	-	730	1,137
Operating supplies and costs	800	517	575
Special projects	3,000	420	2,756
Travel and transportation costs	660	335	625
Printing and communications	710	316	631
Equipment and building maintenance	5,500	202	-
Reserve Fund Contribution	2,000	-	-
Training, education and development	240	-	-
	<u>217,488</u>	<u>136,965</u>	<u>183,319</u>
Annual surplus (deficit)	-	21,326	1,563
Accumulated surplus, beginning of year	75,374	75,374	73,811
Accumulated surplus, end of year	<u>\$ 75,374</u>	<u>\$ 96,700</u>	<u>\$ 75,374</u>

See accompanying notes to financial statements.

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA

Statement of Change in Net Financial Assets

DRAFT

December 31, 2017, with comparative information for 2016

	2017	2016
Annual surplus	\$ 21,326	\$ 1,563
Acquisition of tangible capital assets	(3,779)	-
Amortization of tangible capital assets	941	916
	18,488	2,479
Acquisition of prepaid expenses	(1,927)	(3,975)
Use of prepaid expenses	3,974	7,612
	2,047	3,637
	20,535	6,116
Net financial assets, beginning of year	68,259	62,143
Net financial assets, end of year	\$ 88,794	\$ 68,259

See accompanying notes to financial statements.

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA

Statement of Cash Flows

DRAFT

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 21,326	\$ 1,563
Item not involving cash:		
Amortization of tangible capital assets	941	916
Changes in non-cash operating working capital:		
Accounts receivable	(414)	739
Accounts payable and accrued liabilities	(4)	(885)
Deferred revenue	(1,292)	(28,234)
Prepaid expenses and deposits	2,047	3,637
Investing activities:		
Purchase of tangible capital assets	(3,779)	-
Increase (decrease) in cash and short-term investments	18,825	(22,264)
Cash and short-term investments, beginning of year	74,221	96,485
Cash and short-term investments, end of year	\$ 93,046	\$ 74,221

See accompanying notes to financial statements.

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA

DRAFT Notes to Financial Statements

Year ended December 31, 2017

1. Significant accounting policies:

The financial statements of the Old East Village Business Improvement Area are prepared in accordance with Canadian generally accepted accounting principles as defined in the Chartered Professional Accountants of Canada Public Sector Accounting Handbook.

(a) Basis of accounting:

Sources of financing and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Tangible capital assets:

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

Asset	Rate
Furniture and fixtures	20%
Computer hardware	30-45%
Computer software	45%

(c) Government transfers:

Government transfer payments from The Corporation of the City of London are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(d) Deferred revenue:

Contributions received for expenses of future periods are recorded as deferred revenue and recognized as revenue in the fiscal period the expenses are incurred.

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(e) Donations in kind:

The Old East Village Business Improvement Area recognizes revenues and expenses for services which are donated which can be reasonably valued and are services which otherwise would have been purchased.

(f) 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 date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(g) Budget figures:

Budget figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

2. Cash and short-term investments:

	2017	2016
Cash and short-term investments consist of:		
Cash	\$ 87,007	\$ 68,182
Guaranteed investment certificates	6,039	6,039
	<u>\$ 93,046</u>	<u>\$ 74,221</u>

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2017

3. Accumulated surplus:

The balance of accumulated surplus is comprised of the following:

	2017	2016
Invested in tangible capital assets	\$ 6,102	\$ 3,264
Reserves:		
Contingencies	3,733	3,733
Pole decorations	2,728	5,000
Mural maintenance	1,936	1,936
	8,397	10,669
Operating fund	82,201	61,441
	\$ 96,700	\$ 75,374

4. Tangible capital assets:

Cost	December 31, 2016	Additions	Disposals	December 31, 2017
Furniture and fixtures	\$ 18,697	\$ 3,779	\$ -	\$ 22,476
Computer hardware	11,018	-	-	11,018
Computer software	3,609	-	-	3,609
Total	\$ 33,324	\$ 3,779	\$ -	\$ 37,103

Accumulated amortization	December 31, 2016	Disposals	Amortization expense	December 31, 2017
Furniture and fixtures	\$ 15,601	\$ -	\$ 857	\$ 16,458
Computer hardware	10,877	-	69	10,946
Computer software	3,582	-	15	3,597
Total	\$ 30,060	\$ -	\$ 941	\$ 31,001

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2017

4. Tangible capital assets (continued):

	Net book value December 31, 2016	Net book value December 31, 2017
Furniture and fixtures	\$ 3,096	\$ 6,018
Computer hardware	141	72
Computer software	27	12
Total	\$ 3,264	\$ 6,102

Financial Statements of

**THE PUBLIC UTILITY COMMISSION
OF THE CITY OF LONDON**

December 31, 2017



KPMG LLP
140 Fullarton Street Suite 1400
London ON N6A 5P2
Canada
Tel 519 672-4800
Fax 519 672-5684

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Public Utility Commission of The City of London

We have audited the accompanying financial statements of the Public Utility Commission of The City of London, which comprise the statement of financial position as at December 31, 2017, the statements of operations, 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 the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Public Utility Commission of The City of London as at December 31, 2017, and its results of operations, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

June 7, 2018

THE PUBLIC UTILITY COMMISSION OF THE CITY OF LONDON
Statement of Financial Position
As at December 31, 2017, with comparative information for 2016

	2017	2016
Financial Assets:		
Cash	\$ 1,874,183	\$ 1,849,225
Due from City of London (Note 4)	276,889	185,636
	2,151,072	2,034,861
Net financial assets	2,151,072	2,034,861
Non-Financial Assets:		
Tangible capital assets (Note 5)	3,144,224	3,331,998
	3,144,224	3,331,998
Accumulated surplus (Note 6)	\$ 5,295,296	\$ 5,366,859
Contingent liability (Note 3)		

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

THE PUBLIC UTILITY COMMISSION OF THE CITY OF LONDON

Statement of Operations

For the year ended December 31, 2017, with comparative information for 2016

	Budget	2017	2016
Revenue:			
User charges	\$ 260,000	\$ 247,451	\$ 243,724
Rents (Note 4)	100,000	100,000	100,000
Investment income	20,000	24,958	21,134
Total Revenue	380,000	372,409	364,858
Expenses:			
General government	510,500	443,972	480,893
	510,500	443,972	480,893
Annual deficit	(130,500)	(71,563)	(116,035)
Accumulated surplus, beginning of year	5,366,859	5,366,859	5,482,894
Accumulated surplus, end of year	\$ 5,236,359	\$ 5,295,296	\$ 5,366,859

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

THE PUBLIC UTILITY COMMISSION OF THE CITY OF LONDON
Statement of Change in Net Financial Assets
For the year ended December 31, 2017, with comparative information for 2016

	Budget	2017	2016
Annual deficit	\$ (130,500)	\$ (71,563)	\$ (116,035)
Amortization of tangible capital assets	187,774	187,774	187,774
Change in net financial assets	57,274	116,211	71,739
Net financial assets, beginning of year	2,034,861	2,034,861	1,963,122
Net financial assets, end of year	\$ 2,092,135	\$ 2,151,072	\$ 2,034,861

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

THE PUBLIC UTILITY COMMISSION OF THE CITY OF LONDON

Statement of Cash Flows

For the year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating Activities:		
Annual deficit	\$ (71,563)	\$ (116,035)
Items not involving cash:		
Amortization	187,774	187,774
Change in non-cash assets and liabilities:		
Due from City of London	(91,253)	(50,605)
Net change in cash from operating activities	24,958	21,134
Cash and cash equivalents, beginning of year	1,849,225	1,828,091
Cash and cash equivalents, end of year	\$ 1,874,183	\$ 1,849,225

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

THE PUBLIC UTILITY COMMISSION OF THE CITY OF LONDON

Notes to the Financial Statements

For the year ended December 31, 2017

1. Significant accounting policies:

The financial statements of The Public Utility Commission of the City of London (the "Commission") are the representation of management prepared in accordance with Canadian generally accepted accounting principles as defined in the CPA Canada Public Sector Accounting Handbook. Significant accounting policies are as follows:

(a) Basis of accounting:

The Commission follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or 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 business.

(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 costs, 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 improvements	15

One half of the annual amortization is 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.

(ii) Contributions of tangible capital assets

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

(c) Use of estimates:

The preparation of 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 date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates of historical costs and useful lives of tangible capital assets were required in the implementation of Public Sector Accounting Handbook PS3150.

Actual results could differ from these estimates.

THE PUBLIC UTILITY COMMISSION OF THE CITY OF LONDON

Notes to the Financial Statements (continued)

For the year ended December 31, 2017

1. Significant accounting policies (continued):

(d) Liability for contaminated sites

Under PS 3260, contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. This Standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination.

2. Commission restructuring:

Pursuant to the *Electricity Act, 1998* (Ontario), the various undertakings and activities of The Hydro-Electric Commission of the City of London were segregated and a substantial portion transferred on November 1, 2000 to separate companies incorporated under the *Business Corporations Act* (Ontario) with The Corporation of the City of London as the sole shareholder. The name of the Commission was changed to The Public Utility Commission of the City of London effective November 1, 2000, and the Commission has been at all material times and continues to be one and the same corporate and legal entity with the status of a municipal service board under subsection 195(1) of the *Municipal Act, 2001*. The composition of the Commission has previously been in accordance with section 22 of the *London-Middlesex Act 1992*, was re-established effective December 9, 2003 pursuant to subsection 195(9) of the *Municipal Act, 2001*. Members of the Commission are such persons who have been appointed by the Municipal Council of the Corporation of the City of London.

Certain property containing historic coal tar deposits was excluded from the transfer on November 1, 2000 and has been retained since then by the Commission.

3. Environmental remediation:

The coal tar material is attributable to coal gasification works existing at this location between approximately 1850 and 1930 and identified in a 1987 inventory of coal gasification sites in Ontario by the provincial Ministry of the Environment (MOE).

The Commission is engaged in an ongoing environmental remediation program and related risk management strategy that addresses the presence of historic coal tar in a section of the bed and bank of the south branch of the Thames River and in two adjacent parcels of Commission-owned land. In this context:

- A collection system was completed in November 2000 to intercept coal tar- impacted ground water for treatment by an on-site facility which is situated on the smaller parcel.
- A hard-surfaced parking lot was constructed on the larger of the two parcels and is being operated as a municipal parking lot.
- Coal tar removal and river bed rehabilitation has been satisfactorily completed and a monitoring program which started in 2004 is in place.

Future costs for the remediation include operations of the coal tar treatment system, which will carry an ongoing monthly cost for an indeterminate time.

THE PUBLIC UTILITY COMMISSION OF THE CITY OF LONDON

Notes to the Financial Statements (continued)

For the year ended December 31, 2017

4. Related party transactions:

- (a) The Commission has an annual rental of land to London Hydro Inc. at \$100,000 per annum.
- (b) The Commission incurs an annual administrative services expense in the amount of \$75,000 (2016 - \$75,000). This service is provided by The Corporation of the City of London and has been included in expenses in the Statement of Operations.
- (c) The Commission has contracted with The Corporation of the City of London for the operation of the Commission's public parking lot whereby the Commission receives a percentage of net revenue.

As at December 31 the following amounts were receivable from related parties:

	2017	2016
Due from Corporation of the City of London	\$ 276,889	\$ 185,636

- (d) A promissory note from London Hydro Inc. to the City of London for \$70 million was assigned to the Commission subject to several conditions. On November 28, 2014, the promissory note was extinguished through payment by London Hydro to the City of London.

As part of the transaction, the City and the Commission entered into a Funding Agreement. The agreement ensures that the \$70 million will be held by the City on terms consistent with the earlier pledge of undertaking/assignment of the promissory note from the City to the Commission.

The agreement acknowledges that the Commission has retained ownership of and responsibility for lands contaminated by prior owners with coal tar and that the full \$70 million payment received by the City from London Hydro under the promissory note will be held by the City for the Commission for the following purposes:

- (i) The investigation, remediation and restoration of the affected lands;
- (ii) Any related legal proceedings, including proceedings before any court or administrative tribunal; and
- (iii) The Commission's actual and reasonable administrative and incidental costs related thereto.

The Funding Agreement provides that the City will maintain the principal amount of the \$70 million in a properly managed portfolio in compliance with the City's Investment Policy and the *Municipal Act 2001*. The City will be entitled to use the interest on the funds for its own purposes. The Fund Agreement provides the mechanism where the Commission may request and the City will provide to it funds for the remediation works.

THE PUBLIC UTILITY COMMISSION OF THE CITY OF LONDON

Notes to the Financial Statements (continued)

For the year ended December 31, 2017

5. Tangible capital assets:

Cost	Balance at December 31, 2016	Additions	Disposals	Balance at December 31, 2017
Land	\$ 2,921,000	\$ -	\$ -	\$ 2,921,000
Land improvements	2,816,604	-	-	2,816,604
Total	\$ 5,737,604	\$ -	\$ -	\$ 5,737,604

Accumulated Amortization	Balance at December 31, 2016	Disposals	Amortization expense	Balance at December 31, 2017
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	2,405,606	-	187,774	2,593,380
Total	\$ 2,405,606	\$ -	\$ 187,774	\$ 2,593,380

	Net book value December 31, 2016	Net book value December 31, 2017
Land	\$ 2,921,000	\$ 2,921,000
Land improvements	410,998	223,224
Total	\$ 3,331,998	\$ 3,144,224

6. Accumulated surplus:

	2017	2016
Surplus:		
Invested in tangible capital assets	\$ 3,144,224	\$ 3,331,998
Total invested in tangible capital assets	3,144,224	3,331,998
Reserves set aside by Commission:		
Contingency reserve	2,151,072	2,034,861
Total reserves	2,151,072	2,034,861
Total surplus	\$ 5,295,296	\$ 5,366,859

7. Comparative figures:

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2017 financial statements.

Financial Statements of

**ELGIN AREA PRIMARY WATER
SUPPLY SYSTEM**

December 31, 2017

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Elgin Area Primary Water Supply System

We have audited the accompanying financial statements of Elgin Area Primary Water Supply System, which comprise the statement of financial position as at December 31, 2017, the statements of operations, change of net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Elgin Area Primary Water Supply System as at December 31, 2017 and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

DRAFT

London, Canada

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM
Statement of Financial Position
December 31, 2017, with comparative information for 2016

	2017	2016
Financial assets		
Due from the Corporation of the City of London (note 3)	\$ 9,429,037	\$ 4,729,597
Trade and other receivables	1,043,074	2,677,923
Total financial assets	10,472,111	7,407,520
Financial liabilities		
Accounts payable and accrued liabilities	1,745,577	4,010,631
Deferred revenue (note 4)	860,379	1,514,691
Accrued interest on long-term debt	134,922	133,604
Long-term debt (note 5)	17,265,612	15,229,131
Other liability (note 6)	-	15,351
Total financial liabilities	20,006,490	20,903,408
Net debt	(9,534,379)	(13,495,888)
Non-financial assets		
Tangible capital assets (note 7)	69,506,456	71,124,936
Prepaid expenses	92,629	67,108
Total non-financial assets	69,599,085	71,192,044
Accumulated surplus (note 8)	\$ 60,064,706	\$ 57,696,156

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ELGIN AREA PRIMARY WATER SUPPLY SYSTEM
Statement of Operations
Year ended December 31, 2017, with comparative information for 2016

	Budget	2017	2016
Revenues			
User charges	\$ 11,419,318	\$ 11,663,959	\$ 11,041,458
Investment income	6,000	122,513	141,903
Transfer payments			
Provincial	-	654,312	1,150,710
Federal	-	649,048	1,144,491
Other	4,000	154,814	1,162,751
Total revenues	11,429,318	13,244,646	14,641,313
Expenses			
Salaries, wages and benefits	560,929	509,572	558,851
Materials and supplies	5,407,000	5,389,531	5,092,429
Contracted services	111,344	705,777	434,588
Rents and financial expenses	52,500	43,890	50,376
Interest on long-term debt (note 5)	562,017	489,942	458,547
Amortization of tangible capital assets (note 7)	-	3,534,210	2,857,751
Administrative charges	203,173	203,174	198,217
Total expenses	6,896,963	10,876,096	9,650,759
Annual surplus	4,532,355	2,368,550	4,990,554
Accumulated surplus, beginning of year (note 8)	57,696,156	57,696,156	52,705,602
Accumulated surplus, end of year (note 8)	\$ 62,228,511	\$ 60,064,706	\$ 57,696,156

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ELGIN AREA PRIMARY WATER SUPPLY SYSTEM**Statement of Net Debt**

Year ended December 31, 2017, with comparative information for 2016

	Budget	2017	2016
Annual surplus	\$ 4,532,355	\$ 2,368,550	\$ 4,990,554
Acquisition of tangible capital assets	(373,787)	(1,915,730)	(5,426,172)
Amortization of tangible capital assets	-	3,534,210	2,857,751
	4,158,568	3,987,030	2,422,133
Change in prepaid expenses	-	(25,521)	(3,523)
Change in net debt	4,158,568	3,961,509	2,418,610
Net debt, beginning of year	(13,495,888)	(13,495,888)	(15,914,498)
Net debt, end of year	\$ (9,337,320)	\$ (9,534,379)	\$ (13,495,888)

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ELGIN AREA PRIMARY WATER SUPPLY SYSTEM
Statement of Cash Flows
Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by:		
Operating activities:		
Annual surplus	\$ 2,368,550	\$ 4,990,554
Items not involving cash:		
Amortization of tangible capital assets	3,534,210	2,857,751
Amortization of debenture discount	24,496	19,135
Changes in non-cash assets and liabilities:		
Due from (due to) the Corporation of the City of London	(4,699,440)	(5,035,819)
Prepaid expenses	(25,521)	(3,523)
Trade and other receivables	1,634,850	467,383
Accounts payable and accrued liabilities	(2,265,054)	(1,873,890)
Deferred revenue	(654,312)	(1,150,710)
Accrued interest on long-term debt	1,318	18,520
Net change in cash from operating activities	(80,903)	289,401
Capital activities:		
Purchase of tangible capital assets	(1,915,730)	(5,426,172)
Cash used in capital activities	(1,915,730)	(5,426,172)
Financing activities:		
Proceeds from issuance of long-term debt	4,527,312	6,952,127
Long-term debt repayments	(2,515,328)	(1,807,350)
Decrease in other liability	(15,351)	(8,006)
Cash provided by financing activities	1,996,633	5,136,771
Net change in cash flows	\$ -	\$ -

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ELGIN AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements
Year ended December 31, 2017

1. Nature of reporting entity

The Ontario Water Resources Commission (the "Commission") of the Province of Ontario constructed, owned and operated a water treatment plant on Lake Erie and pipeline to the City of St. Thomas and the Ford Talbotville Assembly Plant on or about 1967. The Ministry of the Environment (the "Ministry") was created in about 1973 and assumed all operations and activities of the Commission. In or about 1991, operational related activities (water and wastewater systems) of the Ministry were transferred to the Ontario Clean Water Agency, a Crown corporation of the Province of Ontario. In accordance with agreements with the associated municipalities, the Ministry extended pipelines to the present communities of Port Burwell, Port Stanley, and Southwold, and in 1996 to the City of London and the Town of Aylmer.

In accordance with the *Municipal Water and Sewage Systems Transfer Act, 1997*, the final Transfer Order for Elgin Area Primary Water Supply System (the "Entity") was effective on November 29, 2000.

Under the transfer order, the works, properties and all assets, liabilities, rights and obligations of the system were transferred jointly to The Corporation of the City of London, The Corporation of the Town of Aylmer, The Corporation of the Municipality of Bayham, The Corporation of the Municipality of Central Elgin, The Corporation of the Township of Malahide, The Corporation of the Township of Southwold and The Corporation of the City of St. Thomas. The Corporation of the City of London (the "Corporation") was named as the administering municipality.

The transfer order established a joint board of management to govern the management of the water supply system. The joint board of management is comprised of seven members appointed by the respective councils of participating municipalities. The Board composition is as follows:

Municipality	Members	Votes
• The Corporation of the City of London	3	3
• The Corporation of the City of St. Thomas	2	2
• The Corporations of the Township of Southwold and the Municipality of Central Elgin	1	1
• The Corporations of the Municipality of Bayham, Township of Malahide and Town of Aylmer	1	1

2. Significant accounting policies

The financial statements of the Entity are prepared by management in accordance with Canadian generally accepted accounting principles as defined in the CPA Canada Public Sector Handbook - Accounting. Significant accounting policies are as follows:

(a) Accrual accounting

Sources of financing and expenses are reported on the accrual basis of accounting.

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements (continued)

Year ended December 31, 2017

2. Significant accounting policies (continued)

(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
Buildings and building improvements	15 – 40
Vehicles	5 – 15
Machinery and equipment	7 – 20
Water infrastructure	10 – 60

Annual amortization is charged in the year of acquisition and in the year of disposal using the half year rule. Assets under construction are not amortized until the asset is available for productive use.

ii) Interest capitalization

The interest costs associated with the acquisition or construction of a tangible capital asset are not capitalized.

(c) Revenue recognition

The Entity recognizes revenue when water is drawn by each customer, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

(d) Government transfers

Government transfer payments from the Corporation are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performance. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements (continued)

Year ended December 31, 2017

2. Significant accounting policies (continued)

(e) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the valuation allowances for receivables and useful lives assigned to tangible capital assets.

Actual results could differ from those estimates.

(f) Budget figures

Budget figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by the Public Sector Accounting Board ("PSAB"), certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

(g) Liability for contaminated sites

Under PS 3260, contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. This Standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination.

3. Due from (due to) the Corporation of the City of London

As the Administering Municipality, the Corporation manages the daily operations of the Entity. The Corporation maintains a separate general ledger on behalf of the Entity. All funds are paid and received through the Corporation's bank account and held for use by the Entity or payable to the Corporation for expenses paid on behalf of the Entity.

4. Deferred revenue

Deferred revenue is comprised of the following:

	2017	2016
Provincial HELP Funding	\$ 860,379	\$ 1,514,691

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements (continued)

Year ended December 31, 2017

5. Long-term debt

(a) Long-term debt is stated as follows:

	2017	2016
Long-term debt assumed by The Corporation of the City of London, as administering municipality, on behalf of the Elgin Area Primary Water Supply System, with semi-annual interest payments:		
(a) at rates of 5.875%, maturing August 2018,	\$ 891,000	\$ 1,734,000
(b) at rates ranging from 2.05% to 3.20%, maturing September 2022.	5,573,700	6,608,250
(c) at rates ranging from 1.20% to 2.70%, maturing March 2026.	6,362,222	7,000,000
(d) at rates ranging from 1.15% to 2.85%, maturing March 2027.	4,557,542	-
Total long-term debt	\$ 17,384,464	\$ 15,342,250
Less: Unamortized debenture discount	(118,852)	(113,119)
Net long-term debt	\$ 17,265,612	\$ 15,229,131

(b) The long-term debt repayment schedule is as follows:

2018	\$ 3,023,719
2019	2,177,530
2020	2,223,979
2021	2,272,512
2022	2,323,163
2023 and beyond	5,363,561

(c) Total interest charges for the year for long-term debt which are reported on the Statement of Operations are as follows:

	2017	2016
Interest	\$ 465,446	\$ 439,412
Amortization of debenture discount	24,496	19,135
	\$ 489,942	\$ 458,547

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements (continued)

Year ended December 31, 2017

6. Other liability

The Entity has entered into a long-term contract for landowner compensation. The liability as at December 31, 2017 is nil (2016 - \$15,351).

7. Tangible capital assets

Cost	Balance at December 31, 2016	Additions	Disposals	Balance at December 31, 2017
Land	\$ 1,251,559	\$ -	\$ -	\$ 1,251,559
Buildings and building improvements	28,539,229	624,536	50,397	29,113,368
Vehicles, machinery and equipment	33,537,854	1,635,150	462,598	34,710,406
Water infrastructure	25,699,668	-	-	25,699,668
Assets under construction	538,901	177,628	521,584	194,945
Total	\$ 89,567,211	\$ 2,437,314	\$ 1,034,579	\$ 90,969,946
Accumulated Amortization	Balance at December 31, 2016	Amortization expense	Disposals	Balance at December 31, 2017
Land	\$ -	\$ -	\$ -	\$ -
Buildings and building improvements	5,175,068	866,993	50,397	5,991,664
Vehicles, machinery and equipment	10,325,804	2,140,040	462,598	12,003,246
Water infrastructure	2,941,403	527,177	-	3,468,580
Assets under construction	-	-	-	-
Total	\$ 18,442,275	\$ 3,534,210	\$ 512,995	\$ 21,463,490
	Net book value December 31, 2016			Net book value December 31, 2017
Land	\$ 1,251,559			\$ 1,251,559
Buildings and building improvements	23,364,161			23,121,704
Vehicles, machinery and equipment	23,212,050			22,707,160
Water infrastructure	22,758,265			22,231,088
Assets under construction	538,901			194,945
Total	\$ 71,124,936			\$ 69,506,456

(a) Assets under construction

Assets under construction with a net book value of \$194,945 (2016 - \$538,901) have not been amortized. Amortization of these assets will commence when the asset is available for productive use.

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements (continued)

Year ended December 31, 2017

(b) Tangible capital assets disclosed at nominal values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

(c) Write-down of tangible capital assets

There were no write-downs in tangible capital assets during the year.

8. Accumulated surplus

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

	2017	2016
Surplus:		
Invested in tangible capital assets	\$ 50,212,366	\$ 48,679,722
Total surplus	50,212,366	48,679,722
Reserve funds set aside for specific purpose by the Board:		
Infrastructure renewal - water operations	9,852,340	9,016,434
Total reserve funds	9,852,340	9,016,434
	\$ 60,064,706	\$ 57,696,156

9. Financial instruments

- (a) The carrying values of due from (to) the Corporation, trade accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of the instruments.

The fair value of long-term debt approximates its carrying value as interest rates are similar to current market rates of interest available to the Entity.

- (b) Financial risks:

The Entity is not exposed to any significant interest, foreign currency or credit risks arising from its financial instruments.

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements (continued)

Year ended December 31, 2017

10. Budget data

Budget data presented in these financial statements are based upon the 2017 operating budget approved by the joint board of management. Adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. The chart below reconciles the approved budget with the budget figures as presented in these financial statements.

	Budget
Revenues:	
User Charges	\$ 11,419,318
Municipal Revenue - Other	10,000
Total Revenues	11,429,318
Expenses:	
Personnel Costs	519,429
Administrative Expenses	62,150
Financial Expenses – Other	160,000
Financial Expenses – Interest & Discount on Long-term Debt	562,017
Financial Expenses – Debt Principal Repayments	2,515,328
Financial Expenses – Transfers to Reserves and Reserve Funds	2,017,027
Purchased Services	390,344
Materials & Supplies	4,978,350
Furniture & Equipment	21,500
Other Expenses	203,173
Recovered Expenses	-
Total Expenses	11,429,318
Annual Surplus (Deficit) as per Budget	\$ -
PSAB Reporting Requirements:	
Transfers to Reserves and Reserve Funds	\$ 2,017,027
Debt Principal Repayments	2,515,328
Net PSAB Budget Surplus as per Financial Statements	\$ 4,532,355

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Financial Statements of

**LAKE HURON AREA PRIMARY WATER
SUPPLY SYSTEM**

December 31, 2017

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Lake Huron Area Primary Water Supply System

We have audited the accompanying financial statements of Lake Huron Area Primary Water Supply System, which comprise the statement of financial position as at December 31, 2017, the statements of operations, 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 the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lake Huron Area Primary Water Supply System as at December 31, 2017 and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

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London, Canada

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM
Statement of Financial Position
December 31, 2017, with comparative information for 2016

	2017	2016
Financial assets		
Due from the Corporation of the City of London (note 3)	\$ 23,505,532	\$ 20,700,907
Trade and other receivables	627,445	1,053,164
Total financial assets	24,132,978	21,754,071
Financial liabilities		
Accounts payable and accrued liabilities	2,260,810	2,874,777
Deferred revenue (note 4)	674,777	711,077
Accrued interest on long-term debt	54,196	55,884
Long-term debt (note 5)	9,254,783	9,982,226
Total financial liabilities	12,244,566	13,623,964
Net financial assets	11,888,411	8,130,107
Non-financial assets		
Tangible capital assets (note 6)	157,682,748	158,395,013
Prepaid expenses	206,664	163,296
Total non-financial assets	157,889,412	158,558,309
Accumulated surplus (note 7)	\$ 169,777,823	\$ 166,688,416

Commitments (note 9)
Contingent liabilities (note 10)

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LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM
Statement of Operations
Year ended December 31, 2017, with comparative information for 2016

	Budget	2017	2016
Revenues			
User charges	\$ 19,680,947	\$ 21,583,674	\$ 20,726,432
Investment income	15,000	297,350	346,936
Transfer payments	-	-	
Provincial	-	36,300	65,864
Federal	-	35,845	161,614
Other	5,000	5,313	7,576
Total revenues	19,700,947	21,958,483	21,308,422
Expenses			
Salaries, wages and benefits	580,930	520,347	577,186
Materials and supplies	10,347,800	10,396,226	10,903,505
Contracted services	151,344	441,603	611,183
Rents and financial expenses	52,500	47,174	44,716
Interest on long-term debt (note 5)	228,994	195,819	202,864
Amortization of tangible capital assets (note 6)	-	7,064,735	6,973,943
Administrative charges	203,173	203,173	198,218
Total expenses	11,564,741	18,869,076	19,511,616
Annual surplus	8,136,206	3,089,407	1,796,806
Accumulated surplus, beginning of year (note 7)	166,688,416	166,688,416	164,891,610
Accumulated surplus, end of year (note 7)	\$ 174,824,622	\$ 169,777,823	\$ 166,688,416

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LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM
Statement of Change in Net Financial Assets
Year ended December 31, 2017, with comparative information for 2016

	Budget	2017	2016
Annual surplus	\$ 8,136,206	\$ 3,089,407	\$ 1,796,806
Acquisition of tangible capital assets	(505,399)	(6,352,470)	(2,928,186)
Amortization of tangible capital assets	-	7,064,735	6,973,943
	<u>7,630,807</u>	<u>3,801,672</u>	<u>5,842,563</u>
Change in prepaid expenses	-	(43,368)	(1,801)
Change in net financial assets	7,630,807	3,758,304	5,840,762
Net financial assets (debt), beginning of year	8,130,107	8,130,107	2,289,345
Net financial assets, end of year	<u>\$ 15,760,914</u>	<u>\$ 11,888,411</u>	<u>\$ 8,130,107</u>

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LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM
Statement of Cash Flows
Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by:		
Operating activities:		
Annual surplus	\$ 3,089,407	\$ 1,796,806
Items not involving cash:		
Amortization of tangible capital assets	7,064,735	6,973,943
Amortization of debenture discount	8,066	7,932
Changes in non-cash assets and liabilities:		
Due from the Corporation of the City of London	(2,804,625)	(5,636,939)
Prepaid expenses	(43,368)	(1,801)
Trade and other receivables	425,718	780,232
Accounts payable and accrued liabilities	(613,967)	197,367
Deferred revenue	(36,300)	(65,864)
Accrued interest on long-term debt	(1,688)	(3,406)
Net change in cash from operating activities	7,087,979	4,048,270
Capital activities:		
Purchase of tangible capital assets	(6,352,470)	(2,928,186)
Cash used in capital activities	(6,352,470)	(2,928,186)
Financing activities:		
Proceeds from issuance of long term debt	404,232	-
Long-term debt repayments	(1,139,741)	(1,120,084)
Cash used in financing activities	(735,509)	(1,120,084)
Net change in cash flows	\$ -	\$ -

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LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements

Year ended December 31, 2017

1. Nature of reporting entity

The final transfer order for Lake Huron Area Primary Water Supply System (the "Entity") was effective September 15, 2000, transferring assets along with any other real property to The Corporation of the City of London (the "Corporation") in trust to act as the Administering Municipality on behalf of the participating municipalities.

Under the transfer order, the works, properties and all assets, liabilities, rights and obligations of the system are conveyed, assigned and transferred to the Corporation as Trustee. Each of the benefitting municipalities, for so long as the municipality is serviced by the works has an undivided beneficial ownership interest in the works as tenant in common with all other municipalities jointly. The proportion that each municipality's interest bears to the total of all municipalities' interests shall be in the same ratio that the quantity of water supplied from the works to the municipalities at any time and from time to time bears to the total quantity of water supplied to all municipalities at such time. At present, the benefitting municipalities are The City of London, the Municipalities of Bluewater, South Huron, Lambton Shores, North Middlesex, Lucan-Biddulph, Middlesex Centre and Strathroy-Caradoc.

The transfer order established a joint board of management to govern the management of the water supply system. The joint board of management is comprised of eleven members appointed by the respective councils of participating municipalities. The Board composition is as follows:

Municipality	Members	Votes
The City of London	4	17
Bluewater	1	1
South Huron	1	1
Lucan-Biddulph	1	1
Lambton Shores	1	1
North Middlesex	1	3
Middlesex Centre	1	1
Strathroy-Caradoc	1	3

2. Significant accounting policies

The financial statements of the Entity are prepared by management, in accordance with Canadian generally accepted accounting principles as defined in the CPA Canada Public Sector Handbook – Accounting. Significant accounting policies are as follows.

(a) Accrual accounting

Sources of financing and expenses are reported on the accrual basis of accounting.

(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.

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements (continued)

Year ended December 31, 2017

2. Significant accounting policies (continued)

(b) Non-financial assets (continued)

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
Buildings and building improvements	15 – 40
Vehicles	5 – 15
Machinery and equipment	7 – 20
Water infrastructure	10 – 60

Annual amortization is charged in the year of acquisition and in the year of disposal using the half year rule. Assets under construction are not amortized until the asset is available for productive use.

ii) Interest capitalization

The interest costs associated with the acquisition or construction of a tangible capital asset are not capitalized.

(c) Revenue recognition

The Entity recognizes revenue when water is drawn by each customer, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

(d) Government transfers

Government transfer payments from the Corporation are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(e) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the valuation allowances for receivables and useful lives assigned to tangible capital assets.

Actual results could differ from those estimates.

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements (continued)

Year ended December 31, 2017

2. Significant accounting policies (continued)

(f) Budget figures

Budget figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by the Public Sector Accounting Board ("PSAB"), certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

(g) Liability for contaminated sites

Under PS 3260, liability for contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. This Standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination.

3. Due from the Corporation of the City of London

As the Administering Municipality, the Corporation manages the daily operations of the Entity. The Corporation maintains a separate general ledger on behalf of the Entity. All funds are paid and received through the Corporation's bank account and are held for use by the Entity.

4. Deferred revenue

Deferred revenue is comprised of the following:

	2017	2016
Provincial HELP Funding	\$ 674,777	\$ 711,077

5. Long-term debt

(a) Long-term debt is stated as follows:

	2017	2016
Long-term debt assumed by The Corporation of the City of London, as administering municipality, on behalf of the Lake Huron Area Primary Water Supply System, with semi-annual interest payments:		
(a) at rates ranging from 2.05% to 3.20%, maturing September 2022.	\$ 928,950	\$ 1,101,375
(b) at rates ranging from 1.95% to 3.80%, maturing September 2023.	946,560	1,090,380
(c) at rates ranging from 0.80% to 2.25%, maturing March 2025	7,029,775	7,853,271
(d) at rates ranging from 1.15% to 2.85%, maturing March 2027	406,931	-
Total long-term debt	9,312,216	10,045,026
Less: Unamortized debenture discount	(57,433)	(62,800)
Net long-term debt	\$ 9,254,783	\$ 9,982,226

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements (continued)

Year ended December 31, 2017

5. Long-term debt (continued)

(b) The long-term debt repayment schedule is as follows:

2018	\$	1,197,478
2019		1,218,241
2020		1,239,448
2021		1,261,262
2022		1,283,326
2023 & Beyond		3,112,461

(c) Total charges for the year for long-term debt which are reported on the Statement of Operations are as follows:

	2017	2016
Interest	\$ 187,752	\$ 194,932
Amortization of debenture discount	8,066	7,932
	\$ 195,819	\$ 202,864

6. Tangible capital assets

Cost	Balance at December 31, 2016	Additions	Disposals	Balance at December 31, 2017
Land	\$ 1,843,513	\$ -	\$ -	\$ 1,843,513
Buildings and building improvements	48,838,423	6,373,733	131,349	55,080,808
Vehicles, machinery and equipment	39,815,696	2,680,224	801,183	41,694,738
Water infrastructure	117,350,378	318,842	677	117,668,542
Assets under construction	3,216,457	115,300	3,135,467	196,290
Total	\$ 211,064,467	\$ 9,488,099	\$ 4,068,675	\$ 216,483,891

Accumulated Amortization	Balance at December 31, 2016	Amortization expense	Disposals	Balance at December 31, 2017
Land	\$ -	\$ -	\$ -	\$ -
Buildings and building improvements	11,909,222	1,954,911	131,349	13,732,784
Vehicles, machinery and equipment	15,922,499	2,907,505	801,183	18,028,821
Water infrastructure	24,837,734	2,202,320	515	27,039,538
Assets under construction	-	-	-	-
Total	\$ 52,669,454	\$ 7,064,735	\$ 933,047	\$ 58,801,143

	Net book value December 31, 2016	Net book value December 31, 2017
Land	\$ 1,843,513	\$ 1,843,513
Buildings and building improvements	36,929,201	41,348,024
Vehicles, machinery and equipment	23,893,197	23,665,916
Water infrastructure	92,512,644	90,629,004
Assets under construction	3,216,458	196,290
Total	\$ 158,395,013	\$ 157,682,748

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements (continued)

Year ended December 31, 2017

6. Tangible capital assets (continued)

(a) Assets under construction

Assets under construction with a net book value of \$196,290 (2016 - \$3,216,458) have not been amortized. Amortization of these assets will commence when the asset is available for productive use.

(b) Tangible capital assets disclosed at nominal values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

(c) Write-down of tangible capital assets

There were no write-downs in tangible capital assets during the year (2016 – nil).

7. Accumulated surplus

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

	2017	2016
Surplus:		
Invested in tangible capital assets	\$143,711,822	\$144,102,760
Total surplus	143,711,822	144,102,760
Reserve funds set aside for specific purpose by the Board:		
Infrastructure renewal - water operations	\$ 26,066,000	\$ 22,585,656
Total reserve funds	26,066,000	22,585,656
	\$169,777,823	\$166,688,416

8. Financial instruments

(a) The carrying values of due from the Corporation of the City of London, trade and other receivables and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of the instruments.

The fair value of long-term debt approximates its carrying value as interest rates are similar to current market rates of interest available to the Entity.

(b) Financial risks

The Entity is not exposed to any significant interest, foreign currency or credit risks arising from its financial instruments.

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements (continued)

Year ended December 31, 2017

9. Commitments

Derivatives

The Entity has the following derivative:

- Contract with one block negotiated October 22, 2015, with a daily electricity purchase of 24 megawatt hours. Covering the period of November 1, 2015 until October 31, 2018, remaining contract cost of \$219,938 (2016 - \$484,008).

This derivative contract was purchased to price certainty for 15% of the Entity's electricity needs over the term of the contract. The value of the contract is not reflected as an asset or liability in these financial statements.

10. Contingent liabilities

There are certain claims pending against the Entity as at December 31, 2017. The final outcome of these claims cannot be determined at this time, however management believes that settlement of these matters will not materially exceed amounts recorded in these financial statements.

11. Budget Data

Budget data presented in these consolidated financial statements are based upon 2017 operating budget approved by the joint board of management. Adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. The chart below reconciles the approved budget with the budget figures as presented in these financial statements.

	Budget
Revenues	
User charges	\$ 19,680,947
Municipal Revenues - Other	20,000
Total revenues	19,700,947
Expenses	
Personnel Costs	519,430
Administrative Expenses	82,150
Financial Expenses - Other	272,500
Financial Expenses - Interest & Discount on LTD	228,994
Financial Expenses - Debt Principal Repayments	1,139,741
Financial Expenses - Transfers to Reserves and Reserve Funds	6,996,465
Purchased Services	684,344
Materials & Supplies	9,552,650
Furniture & Equipment	21,500
Other Expenses	203,173
Recovered Expenses	
Total expenses	19,700,947
Net surplus (deficit) as per Budget	\$ -
PSAB Reporting Requirements:	
Transfers to Reserves and Reserve Funds	\$ 6,996,465
Debt principal repayments	1,139,741
Net PSAB Budget surplus as per Financial Statements	\$ 8,136,206

2017 FINANCIAL INFORMATION RETURN

Municipality: **London C**
Tier: **Single-Tier**
Area: **Middlesex Co**

MSO Office: **Western Ontario**
Asmt Code: **3936**
MAH Code: **59101**

Submitting: **FIR Schedules Only**
Version: **2017.01001**

DECLARATION OF THE MUNICIPAL TREASURER

Pursuant to the information required by the Province of Ontario under the Municipal Affairs Act, the following schedules are attached:

Schedule	Title	Completion
10	CONSOLIDATED STATEMENT OF OPERATIONS: REVENUE	
12	GRANTS, USER FEES AND SERVICE CHARGES	
20	TAXATION INFORMATION	
22	MUNICIPAL AND SCHOOL BOARD TAXATION	
24	PAYMENTS-IN-LIEU OF TAXATION	
26	TAXATION AND PAYMENTS-IN-LIEU SUMMARY	
28	UPPER-TIER ENTITLEMENTS	UPPER-TIER ONLY
40	CONSOLIDATED STATEMENT OF OPERATIONS: EXPENSES	
42	ADDITIONAL INFORMATION	
51	SCHEDULE OF TANGIBLE CAPITAL ASSETS	
53	CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (NET DEBT) AND TANGIBLE CAPITAL ASSET ACQUISITION FINANCING/DONATIONS	
54	CONSOLIDATED STATEMENT OF CASH FLOW (SELECT DIRECT OR INDIRECT METHOD)	
60	CONTINUITY OF RESERVES AND RESERVE FUNDS	
61	DEVELOPMENT CHARGES RESERVE FUNDS	
62	DEVELOPMENT CHARGES RATES (INCLUDING SPECIAL AREAS)	
70	CONSOLIDATED STATEMENT OF FINANCIAL POSITION	
72	CONTINUITY OF TAXES RECEIVABLE	SINGLE/LOWER-TIER ONLY
74	LONG TERM LIABILITIES AND COMMITMENTS	
76	GOVERNMENT BUSINESS ENTERPRISES (GBE)	
77	OTHER ENTITIES (DSSAB, HEALTH UNIT, OTHER AND TOTAL ALL)	
79	COMMUNITY IMPROVEMENT PLANS	
80	STATISTICAL INFORMATION	
81	ANNUAL DEBT REPAYMENT LIMIT	
83	NOTES	

For the purposes of this Financial Information Return, the amounts disclosed on the attached schedules are in agreement with the books and records of the municipality and its consolidated entities.

This Financial Information Return has been prepared in accordance with the Financial Information Return instructions.

Questions regarding the information contained in the Schedules should be addressed to:

0020	Name	Sharon Swance
0022	Telephone	519-661-2489 ext 0146
0024	Fax	519-661-5932
0028	Email (Required)	sswance@london.ca
0030	Website address of Municipality	www.london.ca
0091	Municipal Auditor	Katie denBok
0092	Municipal Audit Firm	KPMG LLP
0095	Municipal Auditor's Email (Required)	kdenbok@kpmg.ca
0090	Municipal Treasurer	Alma Lisa Barbon
0093	Municipal Treasurer's Email (Required)	abarbon@london.ca
0094	Date	6/10/2018

Signature of Municipal Treasurer

Signature _____ Date _____

0070 Outstanding In-Year Critical Errors: 0

0075 Schedule 54: Cashflow - Direct or Indirect Method Chosen: INDIRECT

0077 Method used to allocate Program Support to other functions in Schedule 40: OMBI Method

0078 If "Other Method" is selected in line 0077, please describe method of allocating Program Support:

Municipal Data	Municipal Data 1 (#)	Data Source 2 (List)
0040 Households	176,859	MPAC
0041 Population	387,275	Municipal
0042 Youth Population	26,029	Municipal

2017.01001

FIR2017: London C

Schedule 10

Asmt Code: 3936

CONSOLIDATED STATEMENT OF OPERATIONS: REVENUE

MAH Code: 59101

for the year ended December 31, 2017

STATEMENT OF OPERATIONS: REVENUE		Own Purposes Revenue
		1
		\$
Property Taxation		
0299	Taxation - Own Purposes (SLC 26 9199 04 - 72 2899 07) For UT (SLC 28 0299 12 - 28 0299 08)	572,395,318
0499	Payments-In-Lieu of Taxation (SLC 26 9599 08) For UT (SLC 28 0299 08)	9,085,291
9940	Subtotal	581,480,609
0510	Estimated tax revenue	
0620	Ontario Municipal Partnership Fund (OMPF)	0
0695	Other	0
0696	Other	0
0697	Other	0
0698	Other	0
0699	Subtotal	0
Conditional Grants		
0810	Ontario conditional grants (SLC 12 9910 01)	222,755,887
0815	Ontario Grants for Tangible Capital Assets (SLC 12 9910 05)	6,418,416
0820	Canada conditional grants (SLC 12 9910 02)	8,003,434
0825	Canada Grants for Tangible Capital Assets (SLC 12 9910 06)	20,018,854
0830	Deferred revenue earned (Provincial Gas Tax) (SLC 60 1042 01 + SLC 60 1045 01)	16,150,564
0831	Deferred revenue earned (Canada Gas Tax) (SLC 60 1047 01)	2,942,832
0899	Subtotal	276,289,987
1098	Revenue from other municipalities for Tangible Capital Assets (SLC 12 9910 07)	0
1099	Revenue from other municipalities (SLC 12 9910 03)	5,316,953
1299	Total User Fees and Service Charges (SLC 12 9910 04)	242,967,369
Licences, permits, rents, etc.		
1410	Trailer revenue and permits	0
1420	Licences and permits	10,056,524
1430	Rents, concessions and franchises	22,682,815
1431	Royalties	0
1432	Green Energy	0
1498	Other Other	240,797
1499	Subtotal	32,980,136
Fines and penalties		
1605	Provincial Offences Act (POA) <i>Municipality which administers POA only</i>	5,513,558
1610	Other fines	3,695,895
1620	Penalties and interest on taxes	4,529,584
1698	Other	
1699	Subtotal	13,739,037
Other revenue		
1805	Investment income	3,658,916
1806	Interest earned on reserves and reserve funds	8,508,017
1811	Gain/Loss on sale of land & capital assets	1,165,632
1812	Deferred revenue earned (Development Charges) (SLC 60 1025 01 + SLC 60 1026 01)	12,645,144
1813	Deferred revenue earned (Recreational land (The Planning Act)) (SLC 60 1032 01 + SLC 60 1035 01)	1,102,071
1814	Other Deferred revenue earned	0
1830	Donations	1,387,051
1831	Donated Tangible Capital Assets (SLC 53 0610 01)	36,758,961
1840	Sale of publications, equipment, etc.	5,376,805
1850	Contributions from non-consolidated entities	0
1865	Other Revenues from Government Business Enterprise (ie. Dividends, etc.)	0
1870	Gaming and Casino Revenues	4,810,830
1890	Other	
1891	Other	
1892	Other	
1893	Other	
1894	Other	
1895	Other Other	19,439
1896	Other Other	1,172,735
1897	Other Other	7,965,352
1898	Other	0
1899	Subtotal	84,570,953
1880	Municipal Land Transfer Tax (City of Toronto Act, 2006)	
1905	Increase/Decrease in Government Business Enterprise equity	12,883,130
9910	TOTAL Revenues	1,250,228,174

2017.01001

FIR2017: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 10

CONSOLIDATED STATEMENT OF OPERATIONS: REVENUE

for the year ended December 31, 2017

Continuity of Accumulated Surplus/(Deficit)		1
		\$
2010	PLUS: Total Revenues (SLC 10 9910 01)	1,250,228,174
2020	LESS: Total Expenses (SLC 40 9910 11)	1,083,869,517
2030	PLUS:	
2040	PLUS:	
2045	PLUS: PSAB Adjustments	
2099	Annual Surplus/(Deficit)	166,358,657
2060	Accumulated surplus/(deficit) at the beginning of year	3,877,996,315
2061	Prior period adjustments	0
2062	Restated accumulated surplus/(deficit) at the beginning of year	3,877,996,315
9950	Accumulated surplus/(deficit) at the end of year (SLC 10 2099 01 + SLC 10 2062 01).	4,044,354,972

Continuity of Government Business Enterprise Equity		1
		\$
6010	Government Business Enterprise Equity, beginning of year	173,093,774
6020	PLUS: Net Income for Government Business Enterprise for year	12,883,130
6060	PLUS: Other	-5,000,000
6090	Government Business Enterprise Equity, end of year	180,976,904

Total of line 0899 includes:		1
Provincial Gas Tax Funding		\$
4018	Provincial Gas Tax for Transit operating expenses	8,572,223
4019	Provincial Gas Tax for Transit capital expenses	7,578,341
4020	Provincial Gas Tax	16,150,564

Total of line 0899 includes:		1
Canada Gas Tax Funding		\$
4025	General Government	34,123
Transportation Services:		
4030	Roads - Paved	5,793,750
4031	Roads - Unpaved	
4032	Roads - Bridges and Culverts	807,778
4033	Roadways - Traffic Operations & Roadside	
4040	Transit - Conventional	1,500,000
4041	Transit - Disabled & special needs	
4045	Air transportation	
4046	Other	
Environmental Services:		
4060	Wastewater collection/conveyance	2,514,171
4061	Wastewater treatment & disposal	5,881,823
4062	Urban storm sewer system	2,832,148
4063	Rural storm sewer system	
4064	Water treatment	
4065	Water distribution/transmission	203,020
4066	Solid waste collection	
4067	Solid waste disposal	333,606
4068	Waste diversion	
4069	Other	
4075	Recreation Facilities - All Other	134,834
4076	Cultural services	
4080	Commercial and industrial	169,500
4099	Canada Gas Tax	20,204,753

2017 01001

FIR2017: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 12

GRANTS, USER FEES AND SERVICE CHARGES

for the year ended December 31, 2017

	Ontario Conditional Grants 1 \$	Canada Conditional Grants 2 \$	Other Municipalities 3 \$	User Fees and Service Charges 4 \$	Ontario Grants - Tangible Capital Assets 5 \$	Canada Grants - Tangible Capital Assets 6 \$	Other Municipalities - Tangible Capital Assets 7 \$
0299 General government	917,976	0	29,900	2,333,552			
Protection services							
0410 Fire	0	0		245,212			
0420 Police	5,686,324	6,020		2,063,018			
0421 Court Security							
0422 Prisoner Transportation							
0430 Conservation authority							
0440 Protective inspection and control				891,319			
0445 Building permit and inspection services				80,595			
0450 Emergency measures							
0460 Provincial Offences Act (POA)	12,509						
0498 Other							
0499 Subtotal	5,698,833	6,020	0	3,280,144	0	0	0
Transportation services							
0611 Roads - Paved				235,389		5,422,660	
0612 Roads - Unpaved				11,941			
0613 Roads - Bridges and Culverts				13,768			
0614 Roads - Traffic Operations & Roadside				53,844			
0621 Winter Control - Except sidewalks, Parking Lots				391,038			
0622 Winter Control - Sidewalks, Parking Lots Only				63,475			
0631 Transit - Conventional		5,033,446		31,196,165		1,500,000	
0632 Transit - Disabled & special needs				536,651			
0640 Parking				3,204,100			
0650 Street lighting							
0660 Air transportation							
0698 Other							
0699 Subtotal	0	5,033,446	0	35,706,371	0	6,922,660	0
Environmental services							
0811 Wastewater collection/conveyance	12,539		14,497	28,965,400	21,519	2,293,037	
0812 Wastewater treatment & disposal	12,539		14,497	28,965,400	2,717,605	5,435,211	
0821 Urban storm sewer system	13,504		15,612	31,193,508	220,505	2,611,014	
0822 Rural storm sewer system			0	0	0	0	
0831 Water treatment			109,164	38,668,634	381,749	378,453	
0832 Water distribution/transmission			284,096	38,668,634	1,599,006	1,873,160	
0840 Solid waste collection			0	633,182			
0850 Solid waste disposal			48,126	4,310,008			
0860 Waste diversion			575,057	4,011,461			
0898 Other	12,500		26,953	163,551			
0899 Subtotal	51,082	0	1,088,002	175,579,778	4,940,384	12,590,875	0
Health services							
1010 Public health services	4,438,589	63,426	175,785				
1020 Hospitals							
1030 Ambulance services							
1035 Ambulance dispatch							
1040 Cemeteries							
1098 Other							
1099 Subtotal	4,438,589	63,426	175,785	0	0	0	0
Social and family services							
1210 General assistance	143,267,380	1,129,422		8,665	602,690		
1220 Assistance to aged persons	12,231,135			6,028,702			
1230 Child care	36,678,697	241,002					
1298 Other	0	0		114,748			
1299 Subtotal	192,177,212	1,370,424	0	6,152,115	602,690	0	0
Social Housing							
1410 Public Housing	583,688			295,408			
1420 Non - Profit/Cooperative Housing	10,479,146		4,023,266				
1430 Rent Supplement Programs	6,652,781						
1497 Other							
1498 Other	710,928	3,100					
1499 Subtotal	18,426,543	3,100	4,023,266	295,408	0	0	0
Recreation and cultural services							
1610 Parks	0			0	691,149	420,546	
1620 Recreation programs	59,189	36,409		6,819,343	0		
1631 Recreation facilities - Golf Course, Marina, Ski Hill				2,600,520	0		
1634 Recreation facilities - All Other	128,100			976,657	114,193		
1640 Libraries	653,910	76,210		481,202			
1645 Museums	0	36,081		0			
1650 Cultural services	204,453	1,368,325		547,038	70,000		
1698 Other						84,773	
1699 Subtotal	1,045,652	1,517,025	0	11,424,760	875,342	505,319	0
Planning and development							
1810 Planning and zoning				1,308,838			
1820 Commercial and industrial		9,993		6,886,403			
1830 Residential development							
1840 Agriculture and reforestation							
1850 Tile drainage/shoreline assistance							
1898 Other							
1899 Subtotal	0	9,993	0	8,195,241	0	0	0
1910 Other							
9910 TOTAL	222,755,887	8,003,434	5,316,953	242,967,369	6,418,416	20,018,854	0

2017/01001

FIR2017: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 20

TAXATION INFORMATION

for the year ended December 31, 2017

General Information

1. Optional Property Classes in Effect

		2 Y or N
0202	N New Multi-Residential	N
0205	G Parking Lot (Includes CJ, CR, CX, CY, CZ)	N
0210	D Office Building	N
0215	S Shopping Centre	N
0220	L Large Industrial	N
0225	Other <input type="text"/>	N

2. Capping Parameters and Results

	Exit capping immediately 1 Y or N	Decrease - Percentage Retained 2 %	Tax Adjustment - Increases 3 \$	Net Class Impact 4 \$	Annualized Tax Limit 5 %	CVA Tax Limit 6 %	CVA Threshold Value for Protected Properties 7 \$	CVA Threshold Value for Clawed Back Properties 8 \$	Exclude Properties Previously at CVA Tax 9 Y or N	Exclude Properties that go from Capped to Clawed Back 10 Y or N	Exclude Properties that go from Clawed Back to Capped 11 Y or N
0320	M Multi-Residential	Y							Y	Y	Y
0330	C Commercial	N	91.5%	-59,141	0	10.0%	10.0%	500	0	Y	Y
0340	I Industrial	Y							Y	Y	Y

3. Graduated Taxation (Tax Bands)

	Grad. Tax Rates in Effect? 2 Y or N	Number of Tax Ranges 3 #	Low Band		Middle Band	
			CVA Boundary 4 \$	% of Highest Band Rate 5 %	CVA Boundary 6 \$	% of Highest Band Rate 7 %
0610	C Commercial	N				
0611	G Parking Lot	N				
0612	D Office Building	N				
0613	S Shopping Centre	N				
0620	I Industrial	N				
0621	L Large Industrial	N				

4. Phase-In Program in Effect (Most recent Phase-In only)

	Phase-In Program in Effect? 2 Y or N	Year Current Phase-In Initiated 3 Year	Term of Current Phase-In 4 # of Yrs
0805	R Residential	N	
0810	M Multi-Residential	N	
0815	N New Multi-Residential	N	
0820	C Commercial (Includes G, D, S)	N	
0840	I Industrial (Includes L)	N	
0850	F Farmland	N	
0855	T Managed Forest	N	
0860	P Pipeline	N	

5. Rebates for Eligible Charities

	2 %
1010	Rebate Percentage for Eligible Charities (SLC 72 2099 xx)
	40.0%

**6. Property Tax Due Dates for Current Year
To be completed by Single/Lower-tier Municipalities Only**

	INTERIM Billing Installments			FINAL Billing Installments		
	Installments 2 #	First Due Date 3 YYYYMMDD	Last Due Date 4 YYYYMMDD	Installments 5 #	First Due Date 6 YYYYMMDD	Last Due Date 7 YYYYMMDD
1210	R Residential	2	20170228	20170331	3	20170630
1220	M Multi-Residential	2	20170228	20170331	3	20170630
1230	F Farmland	2	20170228	20170331	3	20170630
1240	T Managed Forest	2	20170228	20170331	3	20170630
1250	C Commercial	2	20170228	20170331	3	20170630
1260	I Industrial	2	20170228	20170331	3	20170630
1270	P Pipeline	2	20170228	20170331	3	20170630
1298	Other <input type="text"/>					

FIR2017: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 22 MUNICIPAL and SCHOOL BOARD TAXATION for the year ended December 31, 2017

1. GENERAL PURPOSE LEVY INFORMATION

9299 TOTAL						Phase-In Taxable Assessment 40,965,105.615	LT/ST Taxes 556,980.186	UT Taxes 0	Education Taxes 137,762.324	TOTAL 694,742.510
------------	--	--	--	--	--	---	----------------------------	---------------	--------------------------------	----------------------

RTC RTO 1 LIST	Tax Rand 2 LIST	Property Class 3	Tax Rate Description 4	Tax Ratio 5	Percent of Full Rate 6 %	CVA Assessment 7 \$	Phase-In Taxable Assessment 16 \$	Tax Rates				Municipal Taxes		Education Taxes 14 \$	TOTAL 15 \$
								LT / ST 8 0.000000%	UT 9 0.000000%	EDUC 10 0.000000%	TOTAL 11 0.000000%	LT / ST 12 \$	UT 13 \$		
0 London C															
0010	RT 0	Residential	Full Occupied	1.000000	100%	35,585,014,036	33,524,878,967	1.181444%		0.179000%	1.360444%	396,077.671	0	60,009,533	456,087,204
0031	R1 0	Residential	Farm. Awaiting Devel. - Ph I	1.000000	75%	9,580,800	6,382,350	0.886083%		0.134250%	1.020333%	56,553	0	8,568	65,121
0050	MT 0	Multi-Residential	Full Occupied	1.847000	100%	1,765,467,284	1,542,324,090	2.182127%		0.179000%	2.361127%	33,655,470	0	2,760,760	36,416,230
0061	M1 0	Multi-Residential	Farm. Awaiting Devel. - Ph I	1.847000	75%	9,848,000	6,135,500	0.886083%		0.134250%	1.020333%	54,366	0	8,237	62,603
0110	FT 0	Farmland	Full Occupied	0.139500	100%	527,808,000	321,075,000	0.164811%		0.044750%	0.209561%	529,167	0	143,681	672,848
0140	TT 0	Managed Forest	Full Occupied	0.250000	100%	815,100	633,225	0.295361%		0.044750%	0.340111%	1,870	0	283	2,153
0210	CT 0	Commercial	Full Occupied	1.950000	100%	3,176,914,496	2,655,571,659	2.303816%		1.390000%	3.693816%	61,179,485	0	36,912,446	98,091,931
0215	CH 0	Commercial	Full Occupied, Shared PIL	1.950000	100%	17,258,464	14,526,226	2.303816%		1.390000%	3.693816%	334,658	0	201,915	536,573
0231	C1 0	Commercial	Farm. Awaiting Devel. - Ph I	1.950000	75%	1,754,600	1,397,900	0.886083%		0.134250%	1.020333%	12,387	0	1,877	14,264
0240	CU 0	Commercial	Excess Land	1.950000	70%	48,340,880	38,920,825	1.612671%		0.973000%	2.585671%	627,665	0	378,700	1,006,365
0245	CK 0	Commercial	Excess Land, Shared PIL	1.950000	70%	630,300	482,325	1.612671%		0.973000%	2.585671%	7,778	0	4,693	12,471
0270	CX 0	Commercial	Vacant Land	1.950000	70%	118,633,100	79,786,550	1.612671%		0.973000%	2.585671%	1,286,695	0	776,323	2,063,018
0275	CJ 0	Commercial	Vacant Land, Shared PIL	1.950000	70%	592,000	451,000	1.612671%		0.973000%	2.585671%	7,273	0	4,388	11,661
0310	GT 0	Parking Lot	Full Occupied	1.950000	100%	136,821,800	85,416,050	2.303816%		1.390000%	3.693816%	1,967,829	0	1,187,283	3,155,112
0320	DT 0	Office Building	Full Occupied	1.950000	100%	375,212,980	335,801,560	2.303816%		1.390000%	3.693816%	7,736,250	0	4,667,642	12,403,892
0330	DU 0	Office Building	Excess Land	1.950000	70%	2,159,380	1,754,493	1.612671%		0.973000%	2.585671%	28,294	0	17,071	45,365
0340	ST 0	Shopping Centre	Full Occupied	1.950000	100%	1,515,738,260	1,151,226,625	2.303816%		1.390000%	3.693816%	26,522,189	0	16,002,078	42,524,267
0350	SU 0	Shopping Centre	Excess Land	1.950000	70%	3,302,000	2,239,600	1.612671%		0.973000%	2.585671%	36,117	0	21,791	57,908
0510	IT 0	Industrial	Full Occupied	1.950000	100%	240,833,300	222,364,903	2.303816%		1.390000%	3.693816%	5,122,878	0	3,090,872	8,213,750
0515	IH 0	Industrial	Full Occupied, Shared PIL	1.950000	100%	7,040,000	5,879,375	2.303816%		1.390000%	3.693816%	135,450	0	81,723	217,173
0531	I1 0	Industrial	Farm. Awaiting Devel. - Ph I	1.950000	75%	1,021,600	739,150	0.886083%		0.134250%	1.020333%	6,549	0	992	7,541
0534	I4 0	Industrial	Farm. Awaiting Devel. - Ph II	1.950000	100%	112,200	88,050	2.303816%		1.390000%	3.693816%	2,029	0	1,224	3,253
0540	IU 0	Industrial	Excess Land	1.950000	70%	6,912,700	6,150,400	1.612671%		0.973000%	2.585671%	99,186	0	59,843	159,029
0570	IX 0	Industrial	Vacant Land	1.950000	70%	50,024,400	37,287,900	1.612671%		0.973000%	2.585671%	601,331	0	362,811	964,142
0610	LT 0	Large Industrial	Full Occupied	1.950000	100%	136,939,400	131,844,306	2.303816%		1.390000%	3.693816%	3,037,450	0	1,832,636	4,870,086
0620	LU 0	Large Industrial	Excess Land	1.950000	70%	5,734,100	5,309,630	1.612671%		0.973000%	2.585671%	85,627	0	51,663	137,290
0710	PT 0	Pipeline	Full Occupied	1.713000	100%	104,541,500	98,093,375	2.023814%		1.390000%	3.413814%	1,985,227	0	1,363,498	3,348,725
2140	JT 0	Industrial, NConstr.	Full Occupied	1.950000	100%	45,505,200	39,970,163	2.303816%		1.140000%	3.443816%	920,839	0	455,660	1,376,499
2145	JU 0	Industrial, NConstr.	Excess Land	1.950000	70%	488,400	429,225	1.612671%		0.798000%	2.410671%	6,922	0	3,425	10,347
2235	KT 0	Large Ind., NConstr.	Full Occupied	1.950000	100%	57,796,700	51,770,975	2.303816%		1.140000%	3.443816%	1,192,708	0	590,189	1,782,897
2240	KU 0	Large Ind., NConstr.	Excess Land	1.950000	70%	1,924,600	1,608,850	1.612671%		0.798000%	2.410671%	25,945	0	12,839	38,784
2440	XT 0	Commercial, NConstr.	Full Occupied	1.950000	100%	439,159,750	382,578,864	2.303816%		1.140000%	3.443816%	8,813,913	0	4,361,399	13,175,312
2445	XU 0	Commercial, NConstr.	Excess Land	1.950000	70%	10,775,200	8,461,447	1.612671%		0.798000%	2.410671%	136,455	0	67,522	203,977
2635	YT 0	Office Build., NConstr.	Full Occupied	1.950000	100%	8,838,460	7,789,533	2.303816%		1.140000%	3.443816%	179,457	0	88,801	268,258
2835	ZT 0	Shopp. Centre, NConstr.	Full Occupied	1.950000	100%	229,702,990	195,322,926	2.303816%		1.140000%	3.443816%	4,499,881	0	2,226,681	6,726,562
2840	ZU 0	Shopp. Centre, NConstr.	Excess Land	1.950000	70%	562,900	410,598	1.612671%		0.798000%	2.410671%	6,622	0	3,277	9,899
9201						44,643,804,880	40,965,105,615				556,980.186	0	137,762.324	694,742.510	

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MAH Code: 59101

Schedule 22

MUNICIPAL and SCHOOL BOARD TAXATION

for the year ended December 31, 2017

		Municipal Taxes		Education Taxes	TOTAL
		LT / ST	UT	14	15
		12	13	\$	\$
		\$	\$		
4. ADJUSTMENTS TO TAXATION					
7010	Adjustments for properties, shared as if Payment-In-Lieu (Hydro properties RTQ = H, J, K)	292,719		-292,719	0
5. SUPPLEMENTARY TAXES					
9799	Total of all supplementary taxes (Supps, Omits, Section 359)	9,119,410		2,269,672	11,389,082
6. AMOUNT LEVIED BY TAX RATE					
9910	TOTAL Levied by Tax Rate	566,392,315	0	139,739,277	706,131,592
7. AMOUNTS ADDED TO TAX BILL					
8005	Local improvements	642,813			642,813
8010	Sewer and water service charges	5,653,517			5,653,517
8015	Sewer and water connection charges				0
8020	Fire service charges				0
8025	Minimum tax (differential only)				0
8030	Municipal drainage charges				0
8035	Waste management collection charges				0
8040	Business improvement area	2,039,889			2,039,889
8097	Other <input type="text"/>				0
9890	Subtotal	8,336,219	0	0	8,336,219
8. OTHER TAXATION AMOUNTS					
8045	Railway rights-of-way (RTC = W)	46,011		57,767	103,778
8050	Utility transmission and utility corridors (RTC = U)				0
8098	Other <input type="text"/>				0
9892	Subtotal	46,011	0	57,767	103,778
9. TOTAL AMOUNT LEVIED					
9990	TOTAL Levies	574,774,545	0	139,797,044	714,571,589



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MAH Code: 59101

Schedule 24 PAYMENTS-IN-LIEU of TAXATION for the year ended December 31, 2017

1. GENERAL PURPOSE PAYMENTS-IN-LIEU

9299	TOTAL	PIL Phased-In Assessment 173,080,078	LT/ST PILS 3,983,635	UT PILS 0	Education PILS 1,513,747	TOTAL 5,497,382
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RUC DTN 1 LIST	Tax Rate 2 LIST	Property Class 3	Tax Rate Description 4	Tax Ratio 5	Percent of Full Rate 6 %	PIL CVA Assessment 7 \$	PIL Phased-In Assessment 16 \$	Tax Rates				Municipal PILS		Education	TOTAL 15 \$
								LT / ST 8 0.xxxxxx%	UT 9 0.xxxxxx%	EDUC 10 0.xxxxxx%	TOTAL 11 0.xxxxxx%	LT / ST 12 \$	UT 13 \$	PILS 14 \$	
2001	0	London C													
1010	RF 0	Residential	PIL: Full Occupied	1.000000	100%	1,674,000	1,239,000	1.181444%		0.179000%	1.360444%	14,638	0	2,218	16,856
1028	RG 0	Residential	PIL: 'General' Only (No Educ.)	1.000000	100%	288,900	224,475	1.181444%		0.000000%	1.181444%	2,652	0	0	2,652
1210	CF 0	Commercial	PIL: Full Occupied	1.950000	100%	79,888,600	67,414,953	2.303816%		1.390000%	3.693816%	1,553,116	0	937,068	2,490,184
1220	CG 0	Commercial	PIL: 'General' Only (No Educ.)	1.950000	100%	42,541,900	36,593,775	2.303816%		0.000000%	2.303816%	843,053	0	0	843,053
1260	CW 0	Commercial	PIL: Excess Land, 'General' Only	1.950000	70%	140,800	126,700	1.612671%		0.000000%	1.612671%	2,043	0	0	2,043
1280	CY 0	Commercial	PIL: Vacant Land	1.950000	70%	1,292,700	978,675	1.612671%		0.973000%	2.585671%	15,783	0	9,523	25,306
1290	CZ 0	Commercial	PIL: Vacant Land, 'General' Only	1.950000	70%	4,507,000	2,093,500	1.612671%		0.000000%	1.612671%	33,761	0	0	33,761
1320	DF 0	Office Building	PIL: Full Occupied	1.950000	100%	25,310,000	21,406,400	2.303816%		1.390000%	3.693816%	493,164	0	297,549	790,713
1328	DG 0	Office Building	PIL: 'General' Only (No Educ.)	1.950000	100%	21,203,000	21,203,000	2.303816%		0.000000%	2.303816%	488,478	0	0	488,478
1590	IZ 0	Industrial	PIL: Vacant Land, 'General' Only	1.950000	70%	432,600	336,600	1.612671%		0.000000%	1.612671%	5,428	0	0	5,428
4410	XF 0	Commercial, NConstr.	PIL: Full Occupied	1.950000	100%	12,379,000	12,379,000	2.303816%		1.140000%	3.443816%	285,189	0	141,121	426,310
5010	HF 0	Landfill	PIL: Full Occupied	2.295230	100%	9,084,000	9,084,000	2.711686%		1.390000%	4.101686%	246,330	0	126,268	372,598
											0	0	0	0	
											0	0	0	0	
											0	0	0	0	
											0	0	0	0	
											0	0	0	0	
											0	0	0	0	
											0	0	0	0	
											0	0	0	0	
9201			Subtotal			198,742,500	173,080,078					3,983,635	0	1,513,747	5,497,382

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MAH Code: 59101

Schedule 24 PAYMENTS-IN-LIEU of TAXATION for the year ended December 31, 2017

		Municipal PILS		Education	TOTAL
		LT / ST	UT	PILS	15
		12	13	14	15
		\$	\$	\$	\$
9799	4. SUPPLEMENTARY PAYMENTS-IN-LIEU Total of all supplementary PILS (Supps, Omits, Section 444)				0
9910	5. PAYMENTS-IN-LIEU LEVIED BY TAX RATE TOTAL PILS Levied by Tax Rate	3,983,635	0	1,513,747	5,497,382
8005	6. AMOUNTS ADDED TO PAYMENTS-IN-LIEU Local improvements				0
8010	Sewer and water service charges				0
8015	Sewer and water connection charges				0
8020	Fire service charges				0
8030	Municipal drainage charges				0
8035	Waste management collection charges				0
8040	Business improvement area				0
8097	Other <input type="text" value="Airport"/>	797,556			797,556
9890	Subtotal	797,556	0	0	797,556
8045	7. OTHER PAYMENTS-IN-LIEU AMOUNTS Railway rights-of-way (RTC = W) - from Ontario Enterprises				0
8046	Railway rights-of-way (RTC = W) - from Province				0
8050	Utility transmission and utility corridors (RTC = U) - from Ontario Enterprises	37,390		52,926	90,316
8051	Utility transmission and utility corridors (RTC = U) - from Province				0
8055	Institutional Payments - Heads and Beds (Mun. Act 323, 324)	3,955,425			3,955,425
8060	Hydro-electric Power Dams - from Province				0
8098	Other <input type="text"/>				0
9892	Subtotal	3,992,815	0	52,926	4,045,741
9990	8. TOTAL PAYMENTS-IN-LIEU LEVIED TOTAL PILS Levied	8,774,006	0	1,566,673	10,340,679

FIR2017: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 26
TAXATION and PAYMENTS-IN-LIEU SUMMARY
for the year ended December 31, 2017

						TOTAL			ENG - Public	FRE - Public	ENG - Separate	FRE - Separate	Other
9010	Legislated Percentage of Education Taxes distributed to each School Board (Applic. to Com, Ind, Pipelines)					100.000%			77.694%	0.728%	19.852%	1.726%	0.000%
Property Class Group	Taxable Asmt. (CVA)	Taxable Asmt. (Wtd & Disc CVA)	Phase-In Taxable Asmt. (CVA)	Phase-In Taxable Asmt. (Wtd & Disc CVA)	TOTAL Taxes	Municipal Taxes			Distribution of Education Taxes in column 6 by School Board				
	16	2	18	17	3	LT / ST	UT	6	ENG - Public	FRE - Public	ENG - Separate	FRE - Separate	Other
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
0010 Residential	35,594,594,836	35,592,199,636	33,531,261,317	33,529,665,730	456,152,325	396,134,224	0	60,018,101	50,177,644	189,650	9,389,954	260,853	0
0050 Multi-residential	1,775,315,284	3,274,460,016	1,548,459,590	2,857,171,796	36,478,833	33,709,836	0	2,768,997	2,592,514	4,256	167,561	4,666	0
0110 Farmland	527,808,000	73,629,216	321,075,000	44,789,963	672,848	529,167	0	143,681	136,879	3	6,792	7	0
0140 Managed Forests	815,100	203,775	633,225	158,306	2,153	1,870	0	283	276	0	6	1	0
9110 Subtotal	37,898,533,220	38,940,492,643	35,401,429,132	36,431,785,794	493,306,159	430,375,097	0	62,931,062	52,907,313	193,909	9,564,313	265,527	0
0210 Commercial	3,364,123,840	6,460,791,297	2,791,136,485	5,372,044,860	101,736,283	63,455,941	0	38,280,342	29,741,529	278,681	7,599,413	660,719	0
0215 Commercial New Construction	449,934,950	871,069,661	391,040,311	757,578,660	13,379,289	8,950,368	0	4,428,921	3,441,006	32,243	879,229	76,443	0
0310 Parking Lot	136,821,800	266,802,510	85,416,050	166,561,298	3,155,112	1,967,829	0	1,187,283	922,448	8,643	235,699	20,493	0
0320 Office Building	377,372,360	734,612,865	337,556,053	657,207,925	12,449,257	7,764,544	0	4,684,713	3,639,741	34,105	930,009	80,858	0
0325 Office Building New Construct	8,838,460	17,234,997	7,789,533	15,189,589	268,258	179,457	0	88,801	68,993	646	17,629	1,533	0
0340 Shopping Centre	1,519,040,260	2,960,196,837	1,153,468,225	2,247,952,873	42,582,175	26,558,306	0	16,023,869	12,449,585	116,654	3,181,058	276,572	0
0345 Shopping Centre New Constr	230,265,890	448,689,189	195,733,524	381,440,172	6,736,461	4,506,503	0	2,229,958	1,732,544	16,234	442,691	38,489	0
9120 Subtotal	6,086,397,560	11,759,397,355	4,962,140,181	9,597,975,376	180,306,835	113,382,948	0	66,923,887	51,995,845	487,206	13,285,730	1,155,106	0
0510 Industrial	305,944,200	562,784,957	272,509,778	505,622,326	9,564,888	5,967,423	0	3,597,465	2,795,014	26,190	714,169	62,092	0
0515 Industrial New Construction	45,993,600	89,401,806	40,399,388	78,527,710	1,386,846	927,761	0	459,085	356,681	3,342	91,138	7,924	0
0610 Large Industrial	142,673,500	274,858,877	137,153,936	264,344,042	5,007,376	3,123,077	0	1,884,299	1,463,987	13,718	374,071	32,523	0
0615 Large Industrial New Constr	59,721,300	115,330,644	53,379,825	103,149,482	1,821,681	1,218,653	0	603,028	468,517	4,390	119,713	10,408	0
9130 Subtotal	554,332,600	1,042,376,283	503,442,927	951,643,559	17,780,791	11,236,914	0	6,543,877	5,084,200	47,639	1,299,090	112,947	0
0705 Landfill	0	0	0	0	0	0	0	0	0	0	0	0	0
0710 Pipelines	104,541,500	179,079,590	98,093,375	168,033,951	3,348,725	1,985,227	0	1,363,498	1,059,356	9,926	270,682	23,534	0
0810 Other Property Classes	0	0	0	0	0	0	0	0	0	0	0	0	0
9160 Adj. for shared PIL properties	0	0	0	0	0	292,719	0	-292,719	-227,425	-2,311	-58,111	-5,052	0
9170 Supplementary Taxes	0	0	0	0	11,389,082	9,119,410	0	2,269,672	1,933,231	9,136	303,562	23,563	0
9180 Total Levied by Rate	706,131,592	1,386,846	566,392,315	1,397,739,277	112,752,520	745,866	24,665,266	1,575,626	0	0	0	0	0
9190 Amts Added to Tax Bill	8,336,219	8,336,219	8,336,219	8,336,219	8,336,219	8,336,219	0	0	0	0	0	0	0
9192 Other Taxation Amounts	103,778	103,778	103,778	103,778	103,778	46,011	0	57,767	44,881	421	11,468	997	0
9199 TOTAL before Adj.	44,643,804,880	51,921,345,870	40,965,105,615	47,149,438,681	714,571,589	574,774,545	0	139,797,044	112,797,401	746,287	24,676,734	1,576,623	0

2. Payments-In-Lieu of Taxation

Property Class Group	PIL Asmt. (CVA)	PIL Asmt. (Wtd & Disc CVA)	Phase-In PIL Asmt. (CVA)	Phase-In PIL Asmt. (Wtd & Disc CVA)	Total PILS Levied	Municipal PILS			Education PILS
	16	2	18	17	3	LT / ST	UT	6	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
1010 Residential	1,962,900	1,962,900	1,463,475	1,463,475	19,508	17,290	0	2,218	0
1050 Multi-residential	0	0	0	0	0	0	0	0	0
1110 Farmland	0	0	0	0	0	0	0	0	0
1140 Managed Forests	0	0	0	0	0	0	0	0	0
9210 Subtotal	1,962,900	1,962,900	1,463,475	1,463,475	19,508	17,290	0	2,218	0
1210 Commercial	128,371,000	246,848,258	107,207,603	207,183,484	3,394,347	2,447,756	0	946,591	0
1215 Commercial New Construction	12,379,000	24,139,050	12,379,000	24,139,050	426,310	285,189	0	141,121	0
1310 Parking Lot	0	0	0	0	0	0	0	0	0
1320 Office Building	46,513,000	90,700,350	42,609,400	83,088,330	1,279,191	981,642	0	297,549	0
1325 Office Building New Construct	0	0	0	0	0	0	0	0	0
1340 Shopping Centre	0	0	0	0	0	0	0	0	0
1345 Shopping Centre New Constr	0	0	0	0	0	0	0	0	0
9220 Subtotal	187,263,000	361,687,658	162,196,003	314,410,864	5,099,848	3,714,587	0	1,385,261	0
1510 Industrial	432,600	590,499	336,600	459,459	5,428	5,428	0	0	0
1515 Industrial New Construction	0	0	0	0	0	0	0	0	0
1610 Large Industrial	0	0	0	0	0	0	0	0	0
1615 Large Industrial New Constr	0	0	0	0	0	0	0	0	0
9230 Subtotal	432,600	590,499	336,600	459,459	5,428	5,428	0	0	0
1705 Landfill	9,084,000	20,849,869	9,084,000	20,849,869	372,598	246,330	0	126,268	0
1718 Pipelines	0	0	0	0	0	0	0	0	0
1810 Other Property Classes	0	0	0	0	0	0	0	0	0
9270 Supplementary PILS	0	0	0	0	0	0	0	0	0
9280 Total Levied by Rate	5,497,382	3,983,635	5,497,382	5,497,382	1,513,747	1,513,747	0	0	0
9290 Amts Added to PILs	797,556	797,556	797,556	797,556	797,556	797,556	0	0	0
9292 Other PIL Amounts	4,045,741	4,045,741	4,045,741	4,045,741	4,045,741	3,992,815	0	52,926	0
9299 TOTAL before Adj.	198,742,500	385,090,926	173,080,078	337,183,667	10,340,679	8,774,006	0	1,566,673	0

Part 3 contains Distribution of PILS by School Boards

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MAH Code: 59101

Schedule 26

TAXATION and PAYMENTS-IN-LIEU SUMMARY

for the year ended December 31, 2017

3. Payments-In-Lieu of Taxation: Distribution of Entitlements

Source of PILS	PILS Levied			TOTAL PILS Levied	Adjustment to PILS Levied	TOTAL PIL Entitlement	Distib. of PIL Entitlement in Col. 7			Distribution of Education PILS in column 10 by School Board									
	LT / ST	UT	Education				LT / ST	UT	Education	English - Public	French - Public	English - Senarate	French - Senarate	Other					
	3	4	5				8	9	10	11	12	13	14	15					
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
5010 Canada	1,290,600		772,065	2,062,665	-90,856	1,971,809	1,971,809												
5020 Canada Enterprises	134,658		81,245	215,903		215,903	215,903												
Ontario																			
Municipal Tax Assist. Act																			
5210 Prev. Exempt Properties				0		0													
5220 Other Mun. Tax Asst. Act				0		0													
5230 Inst. Payments - Heads and Beds	3,955,425	0	0	3,955,425		3,955,425	3,955,425												
5232 Railway Rights-of-way	0	0	0	0		0													
5234 Utility Corridors/Transmission	0	0	0	0		0													
5236 Hydro-Electric Power Dams	0	0	0	0		0													
5240 Other PIL's	1,035,449			1,035,449	-6,787	1,028,662	1,028,662												
Ontario Enterprises																			
5410 Ontario Mortgage and Housing Corporation				0		0													
5430 Liquor Control Board of Ont.	339,721			339,721		339,721	339,721												
5432 Railway Rights-of-way	0	0	0	0		0													
5434 Utility Corridors/Transmission	37,390	0	52,926	90,316		90,316	90,316												
5437 Ontario Lottery and Gaming Corp.				0		0													
5460 Other				0		0													
5610 Municipal Enterprises	447,094		238,805	685,899		685,899	685,899												
5910 Other Muns and Enterprises	736,113		421,631	1,157,744	-1,157,744	0													
5950 Amounts Added to PIL	797,556	0	0	797,556		797,556	797,556												
9599 TOTAL	8,774,006	0	1,566,672	10,340,678	-1,255,387	9,085,291	9,085,291	0	0	0	0	0	0	0	0	0	0	0	

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Schedule 40 CONSOLIDATED STATEMENT OF OPERATIONS: EXPENSES

for the year ended December 31, 2017

	Salaries, Wages and Employee Benefits	Interest on Long Term Debt	Materials	Contracted Services	Rents and Financial Expenses	External Transfers	Amortization	Total Expenses Before Adjustments	Inter-Functional Adjustments	Allocation of Program Support *	Total Expenses After Adjustments
	1	2	3	4	5	6	16	7	12	13	11
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
General government											
0240	Governance	2,497,607	0	299,240	49,973	0	4,000	39,549		994,772	3,885,141
0250	Corporate Management	13,377,105	737,083	10,538,256	6,433,654	10,293,542	250	67,552	-29,000	1,305,533	42,723,975
0260	Program Support	30,679,915	18,332	2,378,640	4,072,799	1,348,550		10,859,885	-354,425	-38,125,479	10,878,217
0299	Subtotal	46,554,627	755,415	13,216,136	10,556,426	11,642,092	4,250	10,966,986	-383,425	-35,825,174	57,487,333
Protection services											
0410	Fire	59,060,858	123,089	2,050,553	511,124	300,994		3,149,046		3,482,963	68,678,627
0420	Police	96,643,732	510,885	6,150,432	1,545,474	1,557		4,632,740		5,677,697	115,162,517
0421	Court Security	3,747,116		25,896	3,575			18,935		0	3,795,522
0422	Prisoner Transportation	212,517		33,924	179			30,192		0	276,812
0430	Conservation authority	0		0			3,862,626	0		6,015	3,868,641
0440	Protective inspection and control	4,081,817		2,804,086	482,134	100,064		54,085		562,537	8,084,723
0445	Building permit and inspection services	4,382,761		189,971	90,859	10,162		9,091		590,904	5,273,748
0450	Emergency measures	342,477		6,730	94,065	0		61,774		39,753	544,799
0460	Provincial Offences Act (POA)	1,654,477		432,523	945,807	303,352	294,163	110,611	383,425	287,000	4,411,448
0498	Other	0		0	0	0		0		0	0
0499	Subtotal	170,125,755	633,974	11,694,415	3,673,217	716,129	4,156,789	8,066,474	383,425	10,646,959	210,096,837
Transportation services											
0611	Roads - Paved	8,870,481	2,101,173	5,092,518	4,170,429	2,551,658		30,361,901		1,088,645	54,236,805
0612	Roads - Unpaved	161,484		137,738	7,840	37,459		0		26,541	371,162
0613	Roads - Bridges and Culverts	1,154,343		307,768	202,826	49,462		3,079,858		118,394	4,912,651
0614	Roads - Traffic Operations & Roadside	5,361,738		2,210,876	2,616,288	217,353		3,493,527		488,012	14,387,794
0621	Winter Control - Except sidewalks, Parking Lots	3,948,025		4,603,726	95,225	3,478,659		252		380,798	12,506,686
0622	Winter Control - Sidewalks, Parking Lots Only	570,818		727,677	13,747	562,603		0		64,368	1,939,213
0631	Transit - Conventional	45,861,938	651,382	7,634,457	0	10,357,700		12,130,730		106,092	76,742,299
0632	Transit - Disabled & special needs	948,032		136,646	5,749,974	156,380		0		8,496	6,999,528
0640	Parking	966,817		469,775	1,443,459	61,887	3,266	235,499		211,299	3,412,002
0650	Street lighting	150,175	18,435	6,394,979	229,658			5,496,880		68,588	12,358,715
0660	Air transportation	0		0	0	0		0		0	0
0698	Other	0		0	0	0		0		386	386
0699	Subtotal	68,013,851	2,770,990	27,716,160	14,529,447	6,959,081	10,517,346	54,798,647	0	2,561,719	187,867,241
Environmental services											
0811	Wastewater collection/conveyance	3,861,603	939,470	1,564,789	1,618,224	927,137		12,026,618		430,158	21,367,999
0812	Wastewater treatment & disposal	8,728,284	599,249	9,890,090	1,396,608	448,606		15,834,348		1,096,487	37,993,672
0821	Urban storm sewer system	2,233,439	911,585	1,302,198	3,266,235	777,786		14,434,105		422,835	23,348,183
0822	Rural storm sewer system	96,648	0	2,520	608	0		0		20,499	120,275
0831	Water treatment	964,829	233,480	6,080,102	752,680	32,075	9,130	4,426,438		316,782	12,815,516
0832	Water distribution/transmission	8,003,060	249,276	10,066,613	6,971,470	9,416,288	9,130	19,223,674		887,813	54,827,324
0840	Solid waste collection	5,273,194		2,795,137	534,406	0	0	49,471		250,698	8,902,906
0850	Solid waste disposal	1,538,239		3,454,717	795,237	1,444,943	72,200	1,612,672		198,978	9,116,986
0860	Waste diversion	1,344,162		413,030	11,147,241	0	1,797,713	887,082		177,189	15,766,417
0898	Other	648,158		134,320	117,157	16,405		187,774		78,499	1,182,313
0899	Subtotal	32,691,616	2,933,060	35,703,516	26,599,866	13,063,240	1,888,173	68,682,182	0	3,879,938	185,441,591
Health services											
1010	Public health services	4,458,439		454,099	588,651	281,062	4,733,723	108,892		5,980	10,631,046
1020	Hospitals				0						0
1030	Ambulance services				14,412,272					6,364	14,418,636
1035	Ambulance dispatch				0						0
1040	Cemeteries				0						0
1098	Other				0						0
1099	Subtotal	4,458,439	0	454,099	15,001,123	281,062	4,733,723	108,892	0	12,344	25,049,682
Social and family services											
1210	General assistance	22,374,293	0	632,127	6,963,062	2,669,268	131,492,791	438,623	-5,952	3,539,629	168,103,841
1220	Assistance to aged persons	18,993,441	879,096	2,806,759	981,366	0	211,803	1,322,508		1,363,172	26,558,145
1230	Child care	1,665,019	0	815,459	23,815,638	146,119	17,878,964	4,303	5,952	322,455	44,653,909
1298	Other	295,262		138,699	8,561	1,135	0	592		70,796	515,045
1299	Subtotal	43,328,015	879,096	4,393,044	31,768,627	2,816,522	149,583,558	1,766,026	0	5,296,052	239,830,940

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Schedule 40

CONSOLIDATED STATEMENT OF OPERATIONS: EXPENSES

for the year ended December 31, 2017

	Salaries, Wages and Employee Benefits	Interest on Long Term Debt	Materials	Contracted Services	Rents and Financial Expenses	External Transfers	Amortization	Total Expenses Before Adjustments	Inter-Functional Adjustments	Allocation of Program Support *	Total Expenses After Adjustments
	1	2	3	4	5	6	16	7	12	13	11
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Social Housing											
1410	4,790,722		1,578,726	8,115,466	480,274		1,529,531	16,494,719		24,003	16,518,722
1420	0			3,715,685		19,048,368		22,764,053		20,486	22,784,539
1430	0					2,687,543		2,687,543		13,357	2,700,900
1497	1,211,205		84,353	90,714	85,160	40,461	5,936	1,517,829		183,459	1,701,288
1498	427,796		30,764	99,594	24,674	6,417,240	710	7,000,778		52,768	7,053,546
1499	Subtotal	0	1,693,843	12,021,459	590,108	28,193,612	1,536,177	50,464,922	0	294,071	50,758,993
Recreation and cultural services											
1610	6,646,749	187,791	2,590,535	1,462,445	381,400	0	4,292,606	15,561,526		2,164,038	17,725,564
1620	9,338,760	0	2,584,214	548,942	609,008	32,800	25,407	13,139,131		1,805,818	14,944,949
1631	1,744,667	0	1,350,683	238,292	18,018		253,690	3,605,350		198,411	3,803,761
1634	5,931,602	703,977	1,187,395	2,606,058	18,747	400,000	5,521,700	16,369,479		7,029,301	23,398,780
1640	14,187,713	408,880	4,426,571	861,563	613,184		3,281,193	23,779,104		26,567	23,805,671
1645	266,965	0	38,932	13,652	43,023		8,667	371,239		29,994	401,233
1650	1,954,237	0	2,711,684	1,312,987	0	1,633,271	1,229,528	8,841,707		386,528	9,228,235
1698	Other	0	0	70,409	0	0	1,017	71,426		1,720	73,146
1699	Subtotal	1,300,648	14,890,014	7,114,348	1,683,390	2,066,071	14,613,808	81,738,962	0	11,642,377	93,381,339
Planning and development											
1810	7,558,685	0	156,602	635,196	294,690	0	29,438	8,674,611		821,433	9,496,044
1820	4,430,638	414,951	8,246,704	3,484,851	497,270	3,064,472	2,056,033	22,194,919		588,652	22,783,571
1830	2,398	9,608	26,051	246,523			108,734	393,314		13,304	406,618
1840	491,113	0	27,398	548,783			94,614	1,161,908		68,255	1,230,163
1850		0						0			0
1898	Other	0	0	39,095			0	39,095		70	39,165
1899	Subtotal	424,559	8,456,755	4,954,448	791,960	3,064,472	2,288,819	32,463,847	0	1,491,714	33,955,561
1910	Other	0	0					0			0
9910	TOTAL	9,697,742	118,217,682	126,218,961	38,543,574	204,207,994	162,828,011	1,083,869,517	0	0	1,083,869,517

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Schedule 42 ADDITIONAL INFORMATION for the year ended December 31, 2017

Additional information contained in Schedule 40

Total of column 1 includes:		1
		\$
5010	Salaries and wages	321,642,310
5020	Employee benefits	102,513,243
5099	Total Salaries, Wages and Employee benefits (Not including line 5050)	424,155,553
5050	Salaries, Wages and Employee benefits capitalized on Schedule 51	0
5098	Total Salaries, Wages and Employee benefits (including capitalized wages)	424,155,553
Total of column 3 includes:		
5110	Amounts for tax write-offs reported in SLC 40 0250 03	2,275,271
Total of column 4 includes:		
5210	Municipal Property Assessment Corporation (MPAC)	4,666,798
Total of column 5 includes:		
5610	Short term interest costs	0
Total of column 6 includes:		
5810	Grants to charitable and non-profit organizations	4,773,493
5820	Grants to universities and colleges	81,786
Contributions to UNCONSOLIDATED joint local boards		
5840	Health unit	
5850	District Social Services Administration Board (DSSAB)	
5860	Consolidated Municipal Service Manager (CMSM)	
5870	Homes for the aged	
5880	Recreation boards	
5890	Fire area boards	
5895	Other	
5896	Other	
5897	Other	1,997,611
5898	Other	3,862,626
Total of column 11 includes:		
6010	Payments for long term commitments and liabilities financed from the consolidated statement of operations	

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Schedule 51 SCHEDULE OF TANGIBLE CAPITAL ASSETS for the year ended December 31, 2017

ANALYSIS BY FUNCTIONAL CLASSIFICATION

	COST						AMORTIZATION				2017 Closing Net Book Value
	2017 Opening Net Book Value	2017 Opening Cost Balance	Additions and Betterments	Disposals	Write Downs	2017 Closing Cost Balance	2017 Opening Amortization Balance	Annual Amortization	Amortization Disposal	2017 Closing Amortization Balance	
	1 \$	2 \$	3 \$	4 \$	5 \$	6 \$	7 \$	8 \$	9 \$	10 \$	
0299 General government	89,272,082	148,274,028	12,827,316	7,912,454		153,188,890	59,001,946	10,966,986	7,836,370	62,132,562	91,056,328
Protection services											
0410 Fire	31,926,283	57,800,123	5,022,749	2,503,832		60,319,040	25,873,840	3,149,046	2,169,804	26,853,082	33,465,968
0420 Police	40,153,517	66,089,112	4,657,694	1,153,236		69,593,570	25,935,595	4,681,868	1,070,857	29,546,606	40,046,964
0421 Court Security	0	0	0	0		0	0	0	0	0	0
0422 Prisoner Transportation	0	0	0	0		0	0	0	0	0	0
0430 Conservation authority	0	0	0	0		0	0	0	0	0	0
0440 Protective inspection and control	346,989	508,343	559,380	16,048		1,051,675	161,354	54,084	16,048	199,390	852,285
0445 Building permit and inspection services	25,851	32,261	31,622			63,883	6,410	9,091		15,501	48,382
0450 Emergency measures	426,229	761,654	0			761,654	335,425	61,774		397,199	364,455
0460 Provincial Offences Act (POA)	2,518,702	3,727,630	33,707			3,761,337	1,208,928	110,611		1,319,539	2,441,798
0498 Other	0	0	0	0		0	0	0	0	0	0
0499 Subtotal	75,397,571	128,919,123	10,305,152	3,673,116	0	135,551,159	53,521,552	8,066,474	3,256,709	58,331,317	77,219,842
Transportation services											
0611 Roads - Paved	686,329,008	992,746,398	47,838,801	23,202,020		1,017,383,179	306,417,390	30,361,901	21,420,013	315,359,278	702,023,901
0612 Roads - Unpaved	0	0	0	0		0	0	0	0	0	0
0613 Roads - Bridges and Culverts	81,813,616	116,577,038	1,981,570	0		118,558,608	34,763,422	3,079,858		37,843,280	80,715,328
0614 Roads - Traffic Operations & Roadside	62,640,065	99,087,730	8,319,096	697,678		106,709,148	36,447,665	3,493,527	693,162	39,248,030	67,461,118
0621 Winter Control - Except sidewalks, Parking Lots	1,136	2,525	0			2,525	1,389	252		1,641	884
0622 Winter Control - Sidewalks, Parking Lots Only	0	0	0	0		0	0	0	0	0	0
0631 Transit - Conventional	84,771,836	177,336,167	23,782,153	13,605,983		187,512,337	92,564,331	12,130,730	13,605,983	91,089,078	96,423,259
0632 Transit - Disabled & special needs	0	0	0	0		0	0	0	0	0	0
0640 Parking	893,490	1,474,943	1,410,502	1,200		2,884,245	581,453	235,499	1,201	815,751	2,068,494
0650 Street lighting	73,196,432	157,317,008	7,395,935	2,830,546		161,882,397	84,120,576	5,496,880	2,830,546	86,786,910	75,095,487
0660 Air transportation	0	0	0	0		0	0	0	0	0	0
0698 Other	0	0	0	0		0	0	0	0	0	0
0699 Subtotal	989,645,583	1,544,541,809	90,728,057	40,337,427	0	1,594,932,439	554,896,226	54,798,647	38,550,905	571,143,968	1,023,788,471
Environmental services											
0811 Wastewater collection/conveyance	351,986,750	538,719,732	21,493,691	3,012,797		557,200,626	186,732,982	12,026,618	2,785,974	195,973,626	361,227,000
0812 Wastewater treatment & disposal	197,309,046	424,370,747	13,165,775	187,075		437,349,447	227,061,701	15,834,348	187,075	242,708,974	194,640,473
0821 Urban storm sewer system	615,869,389	875,595,101	51,258,694	1,503,595		925,350,200	259,725,712	14,434,105	1,091,060	273,068,757	652,281,443
0822 Rural storm sewer system	0	0	0	0		0	0	0	0	0	0
0831 Water treatment	65,239,592	91,121,939	8,849,965	1,038,521		98,933,403	25,882,347	4,446,907	811,498	29,517,756	69,415,647
0832 Water distribution/transmission	523,380,736	774,771,094	75,002,567	4,360,918		845,412,743	251,390,358	19,203,204	-4,503,301	275,096,863	570,315,880
0840 Solid waste collection	228,452	475,994	85,656	47,660		513,990	247,542	49,471	47,660	249,353	264,637
0850 Solid waste disposal	44,059,114	57,223,214	488,261	437,152		57,274,323	13,164,100	1,612,672	19,353	14,757,419	42,516,904
0860 Waste diversion	18,267,083	22,882,329	302,885	6,011		23,179,203	4,615,246	887,082	6,011	5,496,317	17,682,886
0898 Other	3,331,996	5,737,604	0	0		5,737,604	2,405,608	187,774		2,593,382	3,144,222
0899 Subtotal	1,819,672,158	2,790,897,754	170,647,514	10,593,729	0	2,950,951,539	971,225,596	68,682,181	445,330	1,039,462,447	1,911,489,092
Health services											
1010 Public health services	253,885	985,754	48,377	-73,418		1,107,549	731,869	108,891	-73,417	914,177	193,372
1020 Hospitals	0	0	0	0		0	0	0	0	0	0
1030 Ambulance services	0	0	0	0		0	0	0	0	0	0
1035 Ambulance dispatch	0	0	0	0		0	0	0	0	0	0
1040 Cemeteries	0	0	0	0		0	0	0	0	0	0
1098 Other	0	0	0	0		0	0	0	0	0	0
1099 Subtotal	253,885	985,754	48,377	-73,418	0	1,107,549	731,869	108,891	-73,417	914,177	193,372
Social and family services											
1210 General assistance	7,947,122	8,976,443	558,102	234,779		9,299,766	1,029,321	438,623	234,779	1,233,165	8,066,601
1220 Assistance to aged persons	24,757,698	39,909,099	898,608	2,381,832		38,425,875	15,151,401	1,322,508	2,381,832	14,092,077	24,333,798
1230 Child care	18,242	72,219	0	46,348		25,871	53,977	4,895	46,348	12,524	13,347
1298 Other	0	0	0	0		0	0	0	0	0	0
1299 Subtotal	32,723,062	48,957,761	1,456,710	2,662,959	0	47,751,512	16,234,699	1,766,026	2,662,959	15,337,766	32,413,746

2017.01001

FIR2017: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 51 SCHEDULE OF TANGIBLE CAPITAL ASSETS for the year ended December 31, 2017

ANALYSIS BY FUNCTIONAL CLASSIFICATION

	2017 Opening Net Book Value	COST					AMORTIZATION				2017 Closing Net Book Value	
		2017 Opening Cost Balance	Additions and Betterments	Disposals	Write Downs	2017 Closing Cost Balance	2017 Opening Amortization Balance	Annual Amortization	Amortization Disposal	2017 Closing Amortization Balance		
		1 \$	2 \$	3 \$	4 \$	5 \$	6 \$	7 \$	8 \$	9 \$		10 \$
Social Housing												
1410	Public Housing	50,871,208	116,154,495	2,615,620	61,251		118,708,864	65,283,287	1,529,531	61,251	66,751,567	51,957,297
1420	Non-Profit/Cooperative Housing	0	0				0	0			0	0
1430	Rent Supplement Programs	0	0				0	0			0	0
1497	Other Affordable Housing	30,994	52,553	13,080	6,522		59,111	21,559	6,646	6,522	21,683	37,428
1498	Other	0	0				0	0			0	0
1499	Subtotal	50,902,202	116,207,048	2,628,700	67,773	0	118,767,975	65,304,846	1,536,177	67,773	66,773,250	51,994,725
Recreation and cultural services												
1610	Parks	194,541,226	235,220,701	11,223,764	2,255,533		244,188,932	40,679,475	4,292,606	2,255,533	42,716,548	201,472,384
1620	Recreation programs	134,022	221,725	36,348	4,867		253,206	87,703	25,407	4,867	108,243	144,963
1631	Rec. Fac. - Golf Crs, Marina, Ski Hill	2,338,103	6,135,189	46,819	185,648		5,996,360	3,797,086	253,690	185,648	3,865,128	2,131,232
1634	Rec. Fac. - All Other	75,397,598	143,952,573	3,395,239	2,631,027		144,716,785	68,554,975	5,521,700	2,631,027	71,445,648	73,271,137
1640	Libraries	25,689,452	58,490,620	2,556,163	5,520,030		55,526,753	32,801,168	3,281,193	3,951,752	32,130,609	23,396,144
1645	Museums	15,868	51,561	953,884	0		1,005,445	35,693	45,383	0	81,076	924,369
1650	Cultural services	13,547,442	25,904,550	1,635,172	304,859		27,234,863	12,357,108	1,192,813	304,859	13,245,062	13,989,801
1698	Other other	5,595	10,176	0			10,176	4,581	1,017	0	5,598	4,578
1699	Subtotal	311,669,306	469,987,095	19,847,389	10,901,964	0	478,932,520	158,317,789	14,613,809	9,333,686	163,597,912	315,334,608
Planning and development												
1810	Planning and zoning	93,303	276,633	37,215	85,841		228,007	183,330	29,438	85,841	126,927	101,080
1820	Commercial and Industrial	43,166,204	70,954,520	539,768	1,072,997		70,421,291	27,788,316	2,056,034	535,733	29,308,617	41,112,674
1830	Residential development	1,308,663	2,183,139		13,891		2,169,248	874,476	108,734	13,891	969,319	1,199,929
1840	Agriculture and reforestation	1,274,561	1,886,276				1,886,276	611,715	94,614	0	706,329	1,179,947
1850	Tile drainage/shoreline assistance	0	0				0	0			0	0
1898	Other	0	0				0	0			0	0
1899	Subtotal	45,842,731	75,300,568	576,983	1,172,729	0	74,704,822	29,457,837	2,288,820	635,465	31,111,192	43,593,630
1910	Other	0	0				0	0			0	0
9910	Total Tangible Capital Assets	3,415,378,580	5,324,070,940	309,066,198	77,248,733	0	5,555,888,405	1,908,692,360	162,828,011	62,715,780	2,008,804,591	3,547,083,814

2017.01001

FIR2017: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 51

SCHEDULE OF TANGIBLE CAPITAL ASSETS

for the year ended December 31, 2017

SEGMENTED BY ASSET CLASS

		2017 Opening Net Book Value (NBV) 1 \$	2017 Closing Net Book Value (NBV) 11 \$
General Capital Assets			
2005	Land	416,153,866	427,042,748
2010	Land Improvements	72,722,378	72,379,173
2020	Buildings	334,135,253	336,440,989
2030	Machinery & Equipment	89,504,913	91,192,983
2040	Vehicles	5,846,901	7,144,229
2097	Other <input type="text"/>	0	0
2098	Other <input type="text" value="Other"/>	13,883,481	16,534,865
2099	Total General Capital Assets	932,246,792	950,734,987
Infrastructure Assets			
2205	Land	0	0
2210	Land Improvements	0	0
2220	Buildings	182,035,206	218,875,918
2230	Machinery & Equipment	67,421,121	66,654,886
2240	Vehicles	44,460,509	53,331,268
2250	Linear Assets	2,189,214,952	2,257,486,755
2297	Other <input type="text"/>	0	0
2298	Other <input type="text"/>	0	0
2299	Total Infrastructure Assets	2,483,131,788	2,596,348,827
9920	Total Tangible Capital Assets	3,415,378,580	3,547,083,814
2405	Construction-in-progress	198,662,494	202,632,855
9921	Total Tangible Capital Assets and Construction-in-progress	3,614,041,074	3,749,716,669

2017.01001

FIR2017: London C

Schedule 51

Asmt Code: 3936

SCHEDULE OF TANGIBLE CAPITAL ASSET: CONSTRUCTION-IN-PROGRESS

MAH Code: 59101

for the year ended December 31, 2017

ANALYSIS BY FUNCTIONAL CLASSIFICATION

		COST			
		2017 Opening Balance	Expenditures in 2017	Less Assets Capitalized	2017 Closing Balance
		1	2	3	4
		\$	\$	\$	\$
0299	General government	4,708,731	2,084,093	4,654,718	2,138,106
	Protection services				
0410	Fire	2,142,934	228,985	2,142,934	228,985
0420	Police	586,122	709,701	504,767	791,056
0421	Court Security	0			0
0422	Prisoner Transportation	0			0
0430	Conservation authority	0			0
0440	Protective inspection and control	80,958	0	80,958	0
0445	Building permit and inspection services	0			0
0450	Emergency measures	0			0
0460	Provincial Offences Act (POA)	0			0
0498	Other	0			0
0499	Subtotal	2,810,014	938,686	2,728,659	1,020,041
	Transportation services				
0611	Roads - Paved	27,358,924	33,704,588	22,472,694	38,590,818
0612	Roads - Unpaved	0			0
0613	Roads - Bridges and Culverts	489,517	2,172,225	63,921	2,597,821
0614	Roadways - Traffic Operations & Roadside	534,993	4,819,081	385,950	4,968,124
0621	Winter Control - Except sidewalks, Parking Lots	0			0
0622	Winter Control - Sidewalks, Parking Lots Only	0			0
0631	Transit - Conventional	0			0
0632	Transit - Disabled & special needs	0			0
0640	Parking	60,102	0	60,102	0
0650	Street lighting	349,384	551,024	281,115	619,293
0660	Air transportation	0			0
0698	Other	0			0
0699	Subtotal	28,792,920	41,246,918	23,263,782	46,776,056
	Environmental services				
0811	Wastewater collection/conveyance	14,691,010	11,155,063	13,955,873	11,890,200
0812	Wastewater treatment & disposal	36,198,694	33,053,533	12,770,084	56,482,143
0821	Urban storm sewer system	24,287,930	12,514,583	13,433,058	23,369,455
0822	Rural storm sewer system	0			0
0831	Water treatment	2,695,459	242,909	2,938,368	0
0832	Water distribution/transmission	72,122,115	17,090,509	69,232,121	19,980,503
0840	Solid waste collection	0			0
0850	Solid waste disposal	56,530	62,679	45,796	73,413
0860	Waste diversion	0			0
0898	Other	0			0
0899	Subtotal	150,051,738	74,119,276	112,375,300	111,795,714
	Health services				
1010	Public health services	0			0
1020	Hospitals	0			0
1030	Ambulance services	0			0
1035	Ambulance dispatch	0			0
1040	Cemeteries	0			0
1098	Other	0			0
1099	Subtotal	0	0	0	0
	Social and family services				
1210	General assistance	12,817		12,817	0
1220	Assistance to aged persons	292,953	238,443	268,590	262,806
1230	Child care	0			0
1298	Other	0			0
1299	Subtotal	305,770	238,443	281,407	262,806
	Social Housing				
1410	Public Housing	0			0
1420	Non-Profit/Cooperative Housing	0			0
1430	Rent Supplement Programs	0			0
1497	Other	0			0
1498	Other	0			0
1499	Subtotal	0	0	0	0
	Recreation and cultural services				
1610	Parks	817,607	4,838,686	267,268	5,389,025
1620	Recreation programs	0			0
1631	Rec. Fac. - Golf Crs, Marina, Ski Hill	0	7,293		7,293
1634	Rec. Fac. - All Other	10,751,658	25,244,137	1,041,280	34,954,515
1640	Libraries	0			0
1645	Museums	0			0
1650	Cultural services	337,973	260,400	309,074	289,299
1698	Other	0			0
1699	Subtotal	11,907,238	30,350,516	1,617,622	40,640,132
	Planning and development				
1810	Planning and zoning	0			0
1820	Commercial and Industrial	4,299		4,299	0
1830	Residential development	81,784		81,784	0
1840	Agriculture and reforestation	0			0
1850	Tile drainage/shoreline assistance	0			0
1898	Other	0			0
1899	Subtotal	86,083	0	86,083	0
1910	Other	0			0
9910	Total Construction-In-Progress	198,662,494	148,977,932	145,007,571	202,632,855

2017.01001

FIR2017: London C

Schedule 53

Asmt Code: 3936

**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
(NET DEBT) AND TANGIBLE CAPITAL ASSET ACQUISITION FINANCING/DONATIONS**

MAH Code: 59101

for the year ended December 31, 2017

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (NET DEBT)

		1
		\$
1010	Annual Surplus/(Deficit) (SLC 10 2099 01)	166,358,657
1020	Acquisition of tangible capital assets	-276,037,327
1030	Amortization of tangible capital assets (SLC 51 9910 08)	162,828,011
1031	Contributed (Donated) tangible capital assets	-36,758,961
1032	Change in construction-in-progress	
1040	(Gain)/Loss on sale of tangible capital assets	-1,165,632
1050	Proceeds on sale of tangible capital assets	15,458,314
1060	Write-downs of tangible capital assets	
1070	Other <input type="text"/>	
1071	Other <input type="text"/>	
1099	Subtotal	-135,675,595
1210	Change in supplies inventories	-368,725
1220	Change in prepaid expenses	6,946,571
1230	Other <input type="text"/>	
1299	Subtotal	6,577,846
1410	(Increase)/decrease in net financial assets/net debt	37,260,908
1420	Net financial assets (net debt), beginning of year	235,194,891
9910	Net financial assets (net debt), end of year	272,455,799

SOURCES OF FINANCING FOR TCA ACQUISITIONS / DONATIONS

		1
		\$
Long Term Liabilities Incurred		
0205	Canada Mortgage and Housing Corporation (CMHC)	
0210	Ontario Financing Authority	
0215	Commercial Area Improvement Program	
0220	Other Ontario housing programs	
0235	Serial debentures	
0240	Sinking fund debentures	
0245	Long term bank loans	
0250	Long term reserve fund loans	
0255	Lease purchase agreements (Tangible capital leases)	1,636,400
0260	Construction Financing Debentures	
0265	Infrastructure Ontario	
0297	Other <input type="text"/>	
0298	Other <input type="text"/>	
0299	Subtotal	1,636,400
Financing from Dedicated Revenue		
0405	Municipal Property Tax by Levy	12,500
0406	Reserves and Reserve funds (SLC 60 1012 01 + SLC 60 1012 02 + SLC 60 1012 03)	64,528,372
0410	Municipal User Fees & Service Charges	
0415	Development Charges (SLC 61 0299 08)	12,645,144
0416	Recreation land (The Planning Act) (SLC 60 1032 01)	1,102,071
0419	Donations	
0420	Other <input type="text"/>	
0446	Proceeds from the sale of Tangible Capital Assets, etc	
0447	Investment income	
0448	Prepaid special charges	
0495	Other <input type="text"/>	
0496	Other <input type="text"/>	
0497	Other <input type="text"/>	
0498	Other <input type="text"/>	
0501	Subtotal	78,288,087
Government Transfers		
0425	Capital Grants: Federal (SLC 12 9910 06 - (SLC 10 4099 01 - SLC 60 1047 01)	2,756,933
0430	Capital Grants: Provincial (SLC 12 9910 05 - (SLC 10 4019 01 - SLC 60 1045 01)	6,418,416
0435	Capital Grants: Other Municipalities (SLC 12 9910 07)	0
0440	Canada Gas Tax (SLC 10 4099 01)	20,204,753
0445	Provincial Gas Tax (SLC 10 4019 01)	7,578,341
0502	Subtotal	36,958,443
0499	Subtotal	115,246,530
0610	Contributed (Donated) tangible capital assets	36,758,961
9920	Total Capital Financing	153,641,891
0810	Unexpended Capital Financing or (Unfinanced Capital Outlay)	-159,154,397

2017.01001

FIR2017: London C

Schedule 54

Asmt Code: 3936

CONSOLIDATED STATEMENT OF CASH FLOW - INDIRECT METHOD

MAH Code: 59101

for the year ended December 31, 2017

* Municipalities must choose either the direct or indirect method. If direct method is chosen, please use Schedule 54A.

CONSOLIDATED STATEMENT OF CASH FLOW - INDIRECT METHOD

		2017 Actual 1 \$
Operating Transactions		
2010	Annual Surplus/(Deficit) (SLC 10 2099 01)	166,358,656
2020	Non-cash items including amortization	155,818,280
2021	Contributed (Donated) tangible capital assets	-36,758,961
2022	Change in non-cash assets and liabilities	-19,112,776
2030	Prepaid expenses	7,071,674
2040	Change in deferred revenue	58,287,677
2096	Other <input type="text"/>	
2097	Other <input type="text"/>	
2098	Other <input type="text"/>	
2099	Cash provided by operating transactions	331,664,550
Capital Transactions		
0610	Proceeds on sale of tangible capital assets	15,458,314
0620	Cash used to acquire tangible capital assets	-125,297,699
0630	Change in construction-in-progress	-149,103,228
0698	Other <input type="text"/>	0
0699	Cash applied to capital transactions	-258,942,613
Investing Transactions		
0810	Proceeds from portfolio investments	0
0820	Portfolio investments	5,649,696
0898	Other <input type="text"/> other <input type="text"/>	6,288,711
0899	Cash provided by / (applied to) investing transactions	11,938,407
Financing Transactions		
1010	Proceeds from long term debt issues	38,914,905
1020	Principal long term debt repayment	-53,344,560
1030	Temporary loans	
1031	Repayment of temporary loans	
1096	Other <input type="text"/>	
1097	Other <input type="text"/>	
1098	Other <input type="text"/>	
1099	Cash applied to financing transactions	-14,429,655
1210	Increase in cash and cash equivalents	70,230,689
1220	Cash and cash equivalents, beginning of year	330,272,981
9920	Cash and cash equivalents, end of year	400,503,670

		2017 Actual 1 \$
Cash and cash equivalents represented by:		
1401	Cash	400,458,322
1402	Temporary borrowings	
1403	Short term investments	45,348
1404	Other <input type="text"/>	
9940	Cash and cash equivalents, end of year	400,503,670

		1 \$
Cash:		
1501	Unrestricted	104,159,321
1502	Restricted	296,344,349
1503	Unallocated	
9950	Cash and cash equivalents, end of year	400,503,670

2017.01001

FIR2017: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 60

CONTINUITY OF RESERVES AND RESERVE FUNDS

for the year ended December 31, 2017

	Obligatory Res. Funds, Deferred Rev.	Discretionary Res. Funds	Reserves
	1	2	3
	\$	\$	\$
0299 Balance, beginning of year	230,394,048	467,057,486	139,772,124
0310 Allocation of Surplus		114,143,038	27,019,772
0315 Allocation of Surplus : for operating		98,458,295	24,441,133
0320 Allocation of Surplus : for capital		15,684,743	2,578,639
Development Charges Act			
0610 Non-discounted services	61,002,675		
0620 Discounted services	4,895,510		
0630 Credits utilized (Development Charges Act) (SLC 61 0299 05)	0		
0699 Subtotal Development Charges Act	65,898,185		
0810 Lot levies			
0820 Subdivider contributions	0		
0830 Recreational land (the Planning Act)	869,485		
0841 Investment Income	3,323,878	7,716,696	894,112
0860 Gasoline Tax - Province	9,356,892		
0861 Building Code Act, 1992 (Section 1.9.1.1 (d))	0		
0862 Gasoline Tax - Federal	11,125,076		
0864 Building Canada Fund (BCF)			
0870 Inter - Reserve Fund / Reserves Transfer		2,291,191	
0895 Other			
0896 Other			
0897 Other			
0898 Other			
9940 TOTAL Revenues & Surplus	90,573,516	124,150,925	27,913,884
Less: Utilization of reserve funds and reserves (transfers)			
1012 For acquisition of tangible capital asset		61,360,630	3,167,742
1015 For current operations	1,172,735	9,002,743	2,043,903
1025 Development Charges earned to tangible capital asset acquisition (SLC 61 0299 08)	12,645,144		
1026 Development Charges earned to operations (SLC 61 0299 07)	0		
1032 Recreational land (the Planning Act) earned to tangible capital asset acquisition	1,102,071		
1035 Recreational land (the Planning Act) earned to operations			
1042 Deferred revenue earned (Provincial Gas Tax) for Transit (Operations)	8,572,223		
1045 Deferred revenue earned (Provincial Gas Tax) for Transit (Capital)	7,578,341		
1047 Deferred revenue earned (Canada Gas Tax)	2,942,832		
1055 Development Charges Act - Credits Provided (SLC 61 0299 10)	19,440		
1070 Inter - Reserve Fund / Reserves Transfer			2,291,191
0910 Less: Utilization (deferred revenue recognized)	34,032,786	70,363,373	7,502,836
2099 Balance, end of year	286,934,778	520,845,038	160,183,172

2017.01001

FIR2017: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 60

CONTINUITY OF RESERVES AND RESERVE FUNDS

for the year ended December 31, 2017

Totals in line 2099 are analysed as follows:

	Obligatory Res. Funds, Deferred Revenue	Discretionary Res. Funds	Reserves
	1	2	3
	\$	\$	\$
5010 Working funds		0	13,854,143
5020 Contingencies		671,791	131,732,244
Asset Replacement funds for: Sewer & Water			
5030 Sewer		0	
5040 Water		0	
5050 Replacement of equipment		21,753,186	164,778
5060 Sick leave		2,546,473	4,855
5070 Insurance		13,927,375	
5080 Workplace Safety and Insurance Board (WSIB)		13,359,993	
5090 Post-employment benefits		3,599,444	
5091 Tax rate stabilization			
5630 Lot levies			
5660 Parking revenues		540,751	
5670 Debenture repayment			
5680 Exchange rate stabilization			

Per Service Purpose:

5205 General government		37,198,531	2,397,716
5210 Protection services		6,571,084	393,319
Transportation services:			
5215 Roadways		0	
5216 Winter Control		0	
5220 Transit		4,548,809	9,242,631
5221 Parking		0	
5222 Street lighting		0	
5223 Air transportation		0	
Environmental services:			
5225 Wastewater system		91,811,775	
5230 Storm water system		3,967,413	
5235 Waterworks system		76,067,441	
5240 Solid waste collection		0	
5245 Solid waste disposal		14,792,143	
5246 Waste diversion		1,723,044	
5250 Health services		0	22,147
5255 Social and family services		12,226,908	459,077
5260 Social housing		23,118,020	
Recreation and cultural services:			
5265 Parks		3,315,313	
5266 Recreation programs		0	
5271 Recreation facilities - Golf Course, Marina, Ski Hill		382,294	
5274 Recreation facilities - All Other		0	
5275 Libraries		2,119,759	393,162
5276 Museums		0	
5277 Cultural services		3,615,124	
5280 Planning and development		158,389,325	1,172,946
5290 Other <input type="text"/>		24,599,042	346,154

Obligatory Deferred Revenue:

5610 Development Charges Act - Non-discounted services		149,630,309	
5620 Development Charges Act - Discounted services		75,618,451	
5640 Subdivider contributions		0	
5650 Recreational land (the Planning Act)		2,600,208	
5661 Building Code Act, 1992 (Section 1.9.1.1 (d))		0	
5690 Gasoline Tax - Province		22,538,650	
5691 Gasoline Tax - Federal		36,547,160	
5692 Canada Transit Funding (Bill C-48)			
5693 Building Canada Fund (BCF)			
5695 Other <input type="text"/>			
5696 Other <input type="text"/>			
5697 Other <input type="text"/>			
5698 Other <input type="text"/>			
5699 Other <input type="text"/>			
9930 TOTAL		286,934,778	160,183,172

FIR2017: London C

Asmt Code: 3936

MAH Code: 59101

**Schedule 61
DEVELOPMENT CHARGES RESERVE FUNDS**

for the year ended December 31, 2017

		Development Charges Proceeds				Development Charges Disbursements						
		Balance January 1	Development Charges Collected	Interest and Investment Income	Credits Utilized	Total	To: Consolidated Statement of Operations	To: Tangible Capital Asset Acquisition	Other Disbursements	Credits Provided	Total	Balance December 31
		1	2	3	5	6	7	8	9	10	11	12
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Development Charges												
0205	General Government	1,403,312	1,134,946	25,241		1,160,187		551,569	0	407	551,976	2,011,523
0210	Fire Protection	1,858,704	178,892	19,290		198,182		1,062,673	0	84	1,062,757	994,129
0215	Police Protection	4,120,494	674,091	8,626		682,717		-13,349	186,432	24	173,107	4,630,104
0220	Roads and Structures	55,831,790	30,918,340	979,805		31,898,145		5,806,931	251,122	11,066	6,069,119	81,660,816
0225	Transit	4,128,478	728,854	63,823		792,677		-81,238	0	0	-81,238	5,002,393
0230	Wastewater	25,318,448	7,606,243	245,981		7,852,224		632,995	254,613	1,237	888,845	32,281,827
0235	Stormwater	42,316,966	14,474,334	579,093		15,053,427		3,943,836	420,609	4,493	4,368,938	53,001,455
0240	Water	16,426,679	2,556,532	250,273		2,806,805		142,330	0	540	142,870	19,090,614
0245	Emergency Medical Services	0	0	0		0		0	0	0	0	0
0250	Homes for the Aged	0	0	0		0		0	0	0	0	0
0255	Daycare	0	0	0		0		0	0	0	0	0
0260	Housing	0	0	0		0		0	0	0	0	0
0265	Parkland Development	0	0	0		0		0	0	0	0	0
0270	GO Transit	0	0	0		0		0	0	0	0	0
0275	Library	3,761,071	17,216	52,826		70,042		0	0	210	210	3,830,903
0280	Recreation	14,402,104	4,149,441	218,583		4,368,024		239,907	59,959	0	299,866	18,470,262
0285	Development Studies	0	0	0		0		0	0	0	0	0
0286	Parking	0	0	0		0		0	0	0	0	0
0287	Animal Control	0	0	0		0		0	0	0	0	0
0288	Municipal Cemeteries	0	0	0		0		0	0	0	0	0
0290	Other	1,135,793	3,459,296	40,515		3,499,811		359,490	0	1,379	360,869	4,274,735
0295	Other	0	0	0		0		0	0	0	0	0
0296	Other	0	0	0		0		0	0	0	0	0
0297	Other	0	0	0		0		0	0	0	0	0
0299	TOTAL	170,703,839	65,898,185	2,484,056	0	68,382,241	0	12,645,144	1,172,735	19,440	13,837,319	225,248,760

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FIR2017: London C

Schedule 70

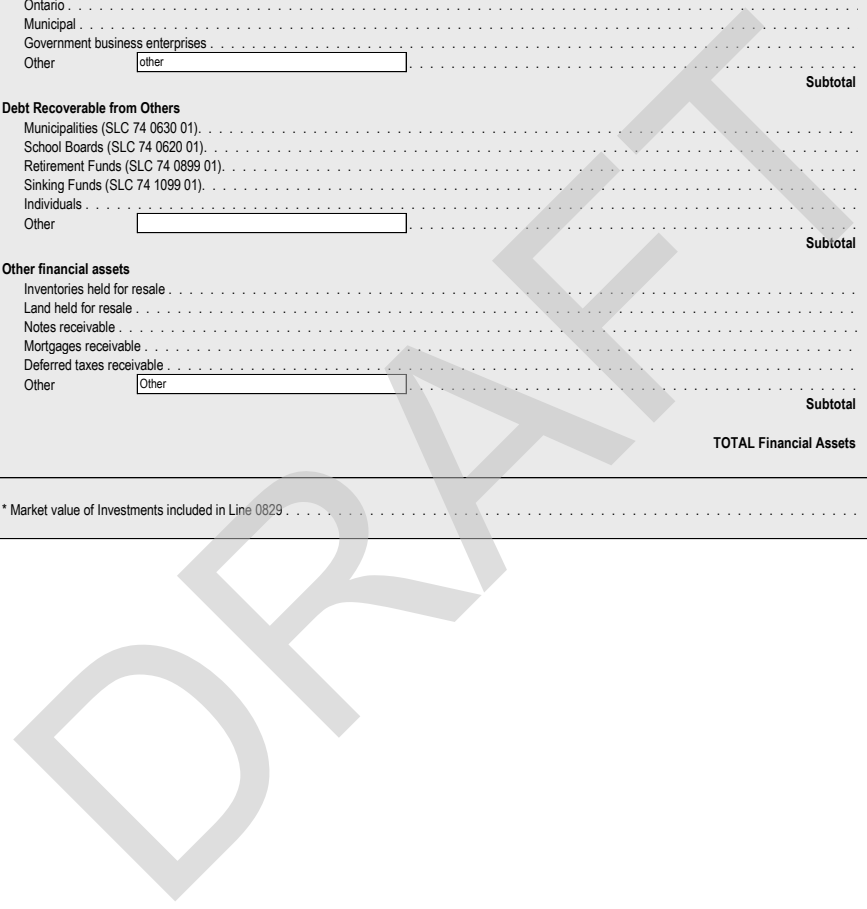
Asmt Code: 3936

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MAH Code: 59101

for the year ended December 31, 2017

Financial Assets		1
		\$
0299	Cash and cash equivalents	400,503,263
Accounts receivable		
0410	Canada	24,958,191
0420	Ontario	5,054,705
0430	Upper-tier	0
0440	Other municipalities	1,412,118
0450	School boards	4,120,737
0490	Other receivables	30,613,354
0499	Subtotal	66,159,105
Taxes receivable		
0610	Current year's levies	12,995,343
0620	Previous year's levies	5,796,892
0630	Prior year's levies	418,661
0640	Penalties and interest	1,560,302
0690	LESS: Allowance for uncollectables	6,563,125
0699	Subtotal	14,208,073
Investments *		
0805	Canada	139,265,860
0810	Ontario	60,116,230
0815	Municipal	-1
0820	Government business enterprises	180,976,903
0828	Other <input type="text" value="other"/>	360,063,182
0829	Subtotal	740,422,174
Debt Recoverable from Others		
0861	Municipalities (SLC 74 0630 01)	9,207,443
0862	School Boards (SLC 74 0620 01)	0
0863	Retirement Funds (SLC 74 0899 01)	0
0864	Sinking Funds (SLC 74 1099 01)	0
0865	Individuals	0
0868	Other <input type="text"/>	0
0845	Subtotal	9,207,443
Other financial assets		
0830	Inventories held for resale	153,916
0831	Land held for resale	32,928,112
0835	Notes receivable	2,185,370
0840	Mortgages receivable	0
0850	Deferred taxes receivable	8,359
0890	Other <input type="text" value="Other"/>	8,087,773
0898	Subtotal	43,363,530
9930	TOTAL Financial Assets	1,273,863,588
8010	* Market value of Investments included in Line 0829	751,279,290



FIR2017: London C

Schedule 70

Asmt Code: 3936

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MAH Code: 59101

for the year ended December 31, 2017

Liabilities		1
		\$
Temporary loans		
2010	Operating purposes	0
Tangible Capital Assets:		
2020	Canada	0
2030	Ontario	0
2040	Other	0
2099	Subtotal	0
Accounts Payable		
2210	Canada	584,994
2220	Ontario	939,431
2230	Upper-tier	0
2240	Other municipalities	4,816,046
2250	School boards	124,318
2260	Interest on debt	2,305,266
2270	Trade accounts payable	118,068,931
2290	Other	39,238,408
2299	Subtotal	166,077,394
2301	Estimated Tax Liabilities (PS3510)	0
Deferred revenue		
2410	Obligatory reserve funds (SLC 60 2099 01)	286,934,778
2490	Other	30,108,636
2499	Subtotal	317,043,414
Long term liabilities		
2610	Debt issued	309,721,987
2620	Debt payable to others	13,925,636
2630	Lease purchase agreements (Tangible capital leases)	1,834,689
2640	Other	0
2650	Other	0
2660	LESS: Debt issued on behalf of Government Business Enterprise	0
2699	Subtotal	325,482,312
Solid Waste Management Facility Liabilities		
2799	Solid waste landfill closure and post-closure	36,692,000
Post employment benefits		
2810	Accumulated sick leave	2,212,796
2820	Accrued vacation pay	16,187,374
2830	Accrued pensions payable	0
2840	Accrued Workplace Safety and Insurance Board claims (WSIB)	46,710,044
2898	Other	89,763,920
2899	Subtotal post employment benefits	154,874,134
Liability for contaminated sites		
2910	Remediation costs of contaminated sites	1,238,535
9940	TOTAL Liabilities	1,001,407,789
9945	Net Financial Assets / Net Debt (Total Financial Assets LESS Total Liabilities)	272,455,799
Non-Financial Assets		
		1
		\$
6210	Tangible Capital Assets (SLC 51 9921 11)	3,749,716,669
6250	Inventories of Supplies	4,543,258
6260	Prepaid Expenses	17,639,246
6299	Total Non-Financial Assets	3,771,899,173
9970	Total Accumulated Surplus/(Deficit)	4,044,354,972
Analysis of the Accumulated Surplus/(Deficit)		
		1
		\$
6410	Equity in Tangible Capital Assets	3,783,449,071
6420	Reserves and Reserve Funds (SLC 60 2099 02 + SLC 60 2099 03)	681,028,210
6430	General Surplus/ (Deficit)	0
6431	Unexpended capital financing	-70,696,033
Local boards		
5030	Transit operations	
5035	Water operations	
5040	Wastewater operations	
5041	Solid waste operations	
5045	Libraries	
5050	Cemeteries	
5055	Recreation, community centres and arenas	
5060	Business Improvement Area	20,732
5076	Other	
5077	Other	1,946,036
5078	Other	
5079	Other	76,831
5098	Total Local Boards	2,043,599
5080	Equity in Government Business Enterprises (SLC 10 6090 01)	180,976,904
6601	Unfunded Employee Benefits	-157,249,331
6602	Unfunded Landfill closure costs	-36,692,000
6603	Unfunded Remediation costs of contaminated sites	-850,000
6610	Other	-281,602,280
6620	Other	0
6630	Other	-56,053,168
6640	Other	0
6699	Total Other	-532,446,779
9971	Total Accumulated Surplus/(Deficit)	4,044,354,972

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FIR2017: London C

Asmt Code: 3936

MAH Code: 59101

Single/Lower-Tier ONLY Schedule 72

CONTINUITY OF TAXES RECEIVABLE

for the year ended December 31, 2017

Continuity of Taxes Receivable		9
		\$
0210	Taxes receivable, beginning of year	18,210,067
0215	PLUS: Amounts added to tax bills for collection purposes only	2,031,029
0220	PLUS: Tax amounts levied in the year (SLC 26 9199 03)	714,571,589
0225	PLUS: Current Year Penalties and Interest	4,988,549
0240	LESS: Total cash collections (SLC 72 0699 09)	715,484,724
0250	LESS: Tax adjustments before allowances (SLC 72 2899 09)	8,754,977
0260	LESS: Tax adjustments not applied to taxation (SLC 72 4999 09)	1,346,897
0280	PLUS: <input type="text" value="Allowance for Uncollectible"/>	-6,563
0290	Taxes receivable, end of year	14,208,073
Cash Collections		9
		\$
0610	Current year's tax	687,923,426
0620	Previous year's tax	20,082,617
0630	Penalties and interest	4,841,523
0640	Amounts added to tax bills for collection purposes only	2,637,158
0690	Other <input type="text"/>	
0699	TOTAL Cash Collections	715,484,724

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FIR2017: London C

Asmt Code: 3936

MAH Code: 59101

Single/Lower-Tier ONLY Schedule 72 CONTINUITY OF TAXES RECEIVABLE

for the year ended December 31, 2017

		SCHOOL BOARDS					TOTAL Education 6	Lower-Tier (Single-Tier) 7	Upper-Tier 8	TOTAL Tax Adjustment 9
		English - Public 1	French - Public 2	English - Separate 3	French - Separate 4	Other 5				
		\$	\$	\$	\$	\$	\$	\$	\$	
Tax Adjustments Applied to Taxation										
1099	Municipal Act (353, 354, 357, 358, RfR)	4,076,990	26,997	1,052,326	71,340	5,227,653	11,048,426		16,276,079	
1299	Discounts for Advance Payments (Mun. Act 345(10))								0	
1499	Tax Credit (Mun. Act 474.3)								0	
1699	Tax Cancellation - Low income seniors and Disabled persons (M					0			0	
1810	Rebates to Commercial properties (Mun. Act 362)					0			0	
1820	Rebates to Industrial properties (Mun. Act 362)					0			0	
1899	Subtotal	0	0	0	0	0	0	0	0	
2099	Rebates for Charities (Mun. Act 361)	168,124	1,451	43,856	3,584	217,015	355,627		572,642	
2299	Vacant Unit Rebates (Mun. Act 364)	721,155	5,924	188,869	15,134	931,082	1,556,969		2,488,051	
2399	Reduction for Heritage Property (Mun. Act 365.2)					0			0	
2890	Other LEGIONS					0	43,343		43,343	
2891	Other MUNICIPAL HOUSING					0	303,872		303,872	
2892	Other Less: Prior Yr. Tax Adj Allowance					0	-10,929,010		-10,929,010	
2893	Other					0			0	
2899	Tax adjustments before allowances	4,966,269	34,372	1,285,051	90,058	6,375,750	2,379,227	0	8,754,977	

		SCHOOL BOARDS					TOTAL Education 6	Lower-Tier (Single-Tier) 7	Upper-Tier 8	TOTAL Tax Adjustment 9
		English - Public 1	French - Public 2	English - Separate 3	French - Separate 4	Other 5				
		\$	\$	\$	\$	\$	\$	\$	\$	
Tax Adjustments Not Applied to Taxation										
4010	Tax sale, Tax registration accounts						1,346,248		1,346,248	
4210	Tax Deferral - Low income seniors and Disabled persons (Mun. A	76				76	573		649	
4420	Net Impact of 5% Capping Limit Program					0			0	
4890	Other					0			0	
4891	Other					0			0	
4999	Tax Adjustments Not Applied to Taxation	76	0	0	0	76	1,346,821	0	1,346,897	

Additional Information									
6010	Recovery of Tax Deferrals	133				133	601		734
7010	Entitlement of School Boards	107,831,189	711,915	23,391,683	1,486,565	0	133,421,351		

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FIR2017: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 74 LONG TERM LIABILITIES AND COMMITMENTS

for the year ended December 31, 2017

1. Debt burden of the municipality

All outstanding debt issued by the municipality, predecessor municipalities and consolidated entities		1
		\$
0210	To Ontario and agencies	63,532,570
0220	To Canada and agencies	11,117,465
0230	To Others	250,832,277
0297	Other <input type="text"/>	0
0298	Other <input type="text"/>	
0299	Subtotal	325,482,312
0499	PLUS: All debt assumed by the municipality from others	
LESS: All debt assumed by others		
0610	Ontario	
0620	School boards	
0630	Other Municipalities	9,207,443
0640	Government Business Enterprises	0
0697	Other <input type="text"/>	
0698	Other <input type="text"/>	
0699	Subtotal	9,207,443
LESS: Debt retirement funds		
0810	Sewer	
0820	Water	
0896	Other <input type="text"/>	
0897	Other <input type="text"/>	
0898	Other <input type="text"/>	
0899	Subtotal	0
LESS: Own sinking funds (Actual balances)		
1010	General municipal	
1020	Enterprises and others	
1096	Other <input type="text"/>	
1097	Other <input type="text"/>	
1098	Other <input type="text"/>	
1099	Subtotal	0
9910	TOTAL Net Long Term Liabilities of the Municipality	316,274,869

2. Debt burden of the municipality: Analysed by debt instrument

1210	Sinking fund debentures	
1220	Installment (serial) debentures	300,514,545
1230	Long term bank loans	
1240	Lease purchase agreements (Tangible capital leases)	1,834,689
1250	Mortgages	
1280	Construction Financing Debentures	
1297	Other <input type="text" value="OMEX & Capital Grants"/>	10,100,000
1298	Other <input type="text" value="Urban Works"/>	3,825,635
9920	TOTAL Net Long Term Liabilities of the Municipality	316,274,869

3. Debt burden of the municipality: Analysed by function

1405	General government	7,002,675
1410	Protection services	15,572,111
Transportation services:		
1415	Roadways	78,486,286
1416	Winter Control	
1420	Transit	22,444,333
1421	Parking	
1422	Street Lighting	501,157
1423	Air Transportation	
Environmental services:		
1425	Wastewater system	46,846,061
1430	Storm water system	32,456,267
1435	Waterworks system	18,809,659
1440	Solid Waste collection	
1445	Solid Waste disposal	
1446	Waste diversion	
1450	Health services	
1455	Social and family services	14,339,744
1460	Social housing	
Recreation and cultural services:		
1465	Parks	3,322,411
1466	Recreation programs	
1471	Recreation facilities - Golf Course, Marina, Ski Hill	
1474	Recreation facilities - All Other	35,432,548
1475	Libraries	9,498,122
1476	Museums	
1477	Cultural services	
1480	Planning and development	17,937,860
1490	Other long term liabilities	13,625,635
9930	TOTAL Net Long Term Liabilities of the Municipality	316,274,869

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FIR2017: London C

Schedule 74

Asmt Code: 3936

LONG TERM LIABILITIES AND COMMITMENTS

MAH Code: 59101

for the year ended December 31, 2017

4. Debt payable in foreign currencies (net of sinking fund holdings)

		1
		\$
1610	US Dollars:	
	Canadian dollar equivalent included in SLC 74 9910 01	
1620	Par value in 'U.S. Dollars'	
	Other currency:	
1630	Canadian dollar equivalent included in SLC 74 9910 01	
1640	Par value in <input type="text"/>	
1650	Canadian dollar equivalent included in SLC 74 9910 01	
1660	Par value in <input type="text"/>	

5. Interest earned on sinking funds and on debt retirement funds during the year

1810	Own funds	<input type="text"/>
------	---------------------	----------------------

6. Details of sinking fund balance

2010	Value of own sinking fund debentures issued and outstanding at year end	<input type="text"/>
	Balance of own sinking funds at year end	
2110	Total contributions to own sinking funds	<input type="text"/>
2120	Total income earned from investments of sinking funds' monies	<input type="text"/>
2199	Subtotal	0
2210	Estimated total future contributions from this municipality required to meet obligations in line 2010 above	<input type="text"/>
2220	Estimated total future income earned from investments in lines 2199 and 2210 above	<input type="text"/>

7. Long term commitments at year end

2410	Hospital support	<input type="text"/>
2420	University support	<input type="text"/>
2430	Leases and other agreements	<input type="text"/>
2440	Capital equipment, land acquisition	<input type="text"/>
2496	Other <input type="text"/>	<input type="text"/>
2497	Other <input type="text"/>	<input type="text"/>
2498	Other <input type="text"/>	<input type="text"/>
2499	TOTAL	0

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FIR2017: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 74

LONG TERM LIABILITIES AND COMMITMENTS

for the year ended December 31, 2017

12. Future principal and Interest payments on EXISTING debt

		RECOVERABLE FROM:							
		Consolidated Statement of Operations		Reserve Funds		Unconsolidated Entities		All Others	
		Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
		1	2	3	4	5	6	7	8
		\$	\$	\$	\$	\$	\$	\$	\$
3210	Year 2018	48,244,035	7,421,672	4,174,456	602,546			5,772,450	1,066,431
3220	Year 2019	41,686,272	5,830,612	4,294,147	481,518			5,870,465	945,060
3230	Year 2020	40,126,969	4,684,454	4,424,921	346,618			5,975,500	811,968
3240	Year 2021	36,926,944	3,568,072	2,020,748	198,564			6,088,751	664,666
3250	Year 2022	26,154,370	2,512,079	2,082,454	127,960			4,932,853	508,313
3260	Years 2023 to 2027	58,450,530	3,684,719	1,645,996	60,379			14,564,558	931,366
3270	Years 2028 onwards	2,400,950	66,196	0	0			437,500	29,164
3280	Int. to be earned on sink. funds .								
3299	TOTAL	253,990,070	27,767,804	18,642,722	1,817,585	0	0	43,642,077	4,956,968

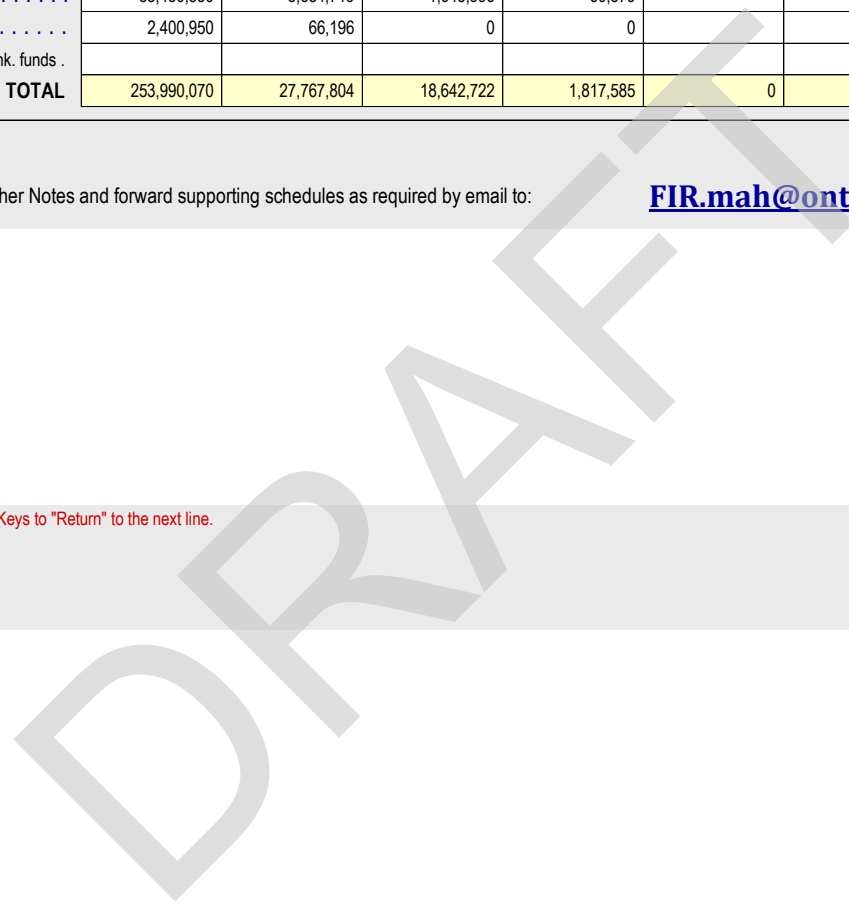
13. Other notes

Please list all Other Notes and forward supporting schedules as required by email to:

FIR.mah@ontario.ca

3601

* Use ALT + ENTER Keys to "Return" to the next line.



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FIR2017: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 76 GOVERNMENT BUSINESS ENTERPRISES

for the year ended December 31, 2017

GOVERNMENT BUSINESS ENTERPRISES

STATEMENT OF FINANCIAL POSITION		Please Specify GBE					Total
		Investment in London Hyrdo Inc.	Fair-City Joint Venture Partnership	City-YMCA Joint Venture Partnership			
		1	2	3	4	5	
Assets		\$	\$	\$	\$	\$	\$
0210	Current	82,519,000	1,828,998				84,347,998
0220	Capital	306,167,000	11,755,263	21,717,356			339,639,619
0297	Other						0
0298	Other <input type="text" value="Other"/>	5,832,000					5,832,000
0299	Total Assets	394,518,000	13,584,261	21,717,356	0	0	429,819,617
Liabilities							
0410	Current	62,417,000	2,035,690				64,452,690
0420	Long-term	118,826,000	4,517,768				123,343,768
0497	Other	45,168,000	3,151,886				48,319,886
0498	Other <input type="text" value="Other"/>	8,274,000					8,274,000
0499	Total Liabilities	234,685,000	9,705,344	0	0	0	244,390,344
9910	Net Equity	159,833,000	3,878,917	21,717,356	0	0	185,429,273
0610	Municipality's Share	100	41	73			214
STATEMENT OF OPERATIONS							
0810	Revenues	448,758,000	3,883,772				452,641,772
0820	Expenses	434,706,000	3,325,474	-678,680			437,352,794
9920	Net Income (Loss)	14,052,000	558,298	678,680	0	0	15,288,978
1010	Municipality's Share	100	41	73			214
1020	Dividends paid	5,000,000					5,000,000

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FIR2017: London C

Schedule 79

Asmt Code: 3936

COMMUNITY IMPROVEMENT PLANS

MAH Code: 59101

for the year ended December 31, 2017

Community Improvement Plans (Section 28 of the Planning Act)

Grants

2010	Environment Site Assessment/Remediation
2020	Development/Redevelopment of Land/Buildings

Total Value of all approved Grants, Loans & Tax Assistance	Number of Approved Grants/Loans/Tax Assistance Applications
1 \$	2 #
189,500	3
0	0

Loans

2210	Loans issued in current year (2017)
2220	Outstanding Loans as of 2017

133,972	7
2,375,675	146

Tax Assistance (per Municipal Act 365.1 ss21)

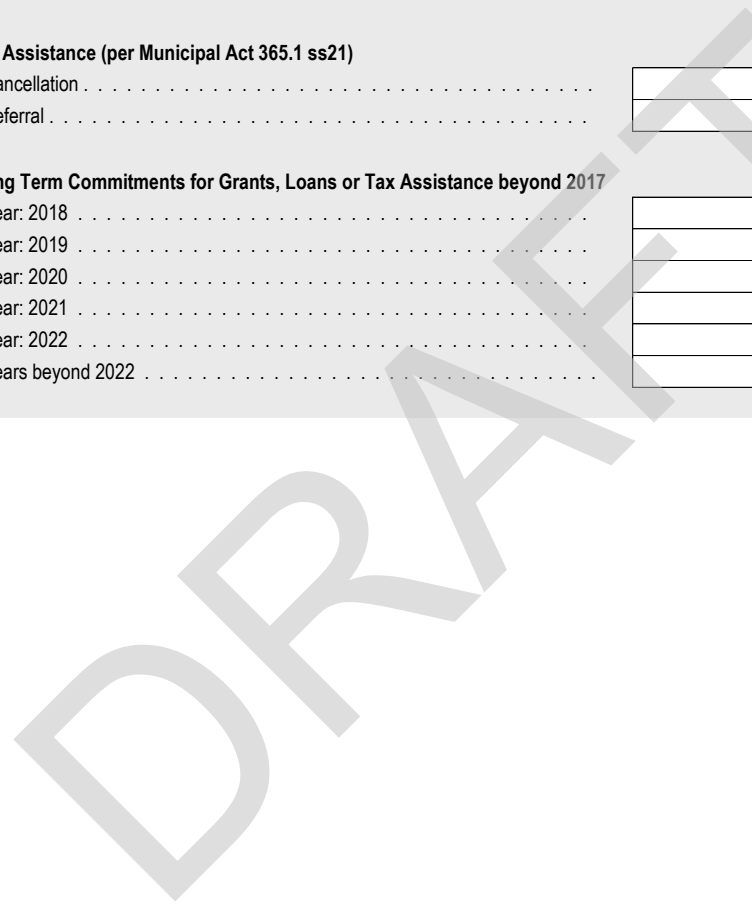
2410	Cancellation
2420	Deferral

0	0
0	0

Long Term Commitments for Grants, Loans or Tax Assistance beyond 2017

2610	Year: 2018
2620	Year: 2019
2630	Year: 2020
2640	Year: 2021
2650	Year: 2022
2660	Years beyond 2022

1,994,425
706,983
1,085,427
985,522
791,552
1,720,729



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FIR2017: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 80

STATISTICAL INFORMATION

for the year ended December 31, 2017

1. Municipal workforce profile

Employees of the Municipality

	Full-Time Funded Positions 1 #	Part-Time Funded Positions 2 #	Seasonal Employees 3 #
0205 Administration	206.00	1.00	11.00
0210 Fire	393.00	0.00	1.00
0211 Uniform	336.00	0.00	0.00
0212 Civilian	57.00	0.00	1.00
0215 Police	827.00	12.00	15.00
0216 Uniform	637.00	2.00	0.00
0217 Civilian	190.00	10.00	15.00
0260 Court Security	0.00	0.00	0.00
0261 Uniform			
0262 Civilian			
0263 Prisoner Transportation	0.00	0.00	0.00
0264 Uniform			
0265 Civilian			
0220 Transit			
0225 Public Works	800.00	5.00	177.00
0227 Ambulance	0.00	0.00	0.00
0228 Uniform			
0229 Civilian			
0230 Health Services			
0235 Homes for the Aged	152.00	197.00	0.00
0240 Other Social Services	345.00	5.00	11.00
0245 Parks and Recreation	108.00	0.00	1,536.00
0250 Libraries			
0255 Planning	50.00	0.00	2.00
0290 Other	228.00	1.00	13.00
0298 Subtotal	3,109.00	221.00	1,766.00

0300 Proportion of Munic. Empl. covered by 'Collective Agreements' (%)

Employees of Joint Local Boards

0305 Administration			
0310 Fire	0.00	0.00	0.00
0311 Uniform			
0312 Civilian			
0315 Police	0.00	0.00	0.00
0316 Uniform			
0317 Civilian			
0360 Court Security	0.00	0.00	0.00
0361 Uniform			
0362 Civilian			
0363 Prisoner Transportation	0.00	0.00	0.00
0364 Uniform			
0365 Civilian			
0320 Transit	554.00		
0325 Public Works			
0327 Ambulance	0.00	0.00	0.00
0328 Uniform			
0329 Civilian			
0330 Health Services	338.00		
0335 Homes for the Aged			
0340 Other Social Services			
0345 Parks and Recreation			
0350 Libraries	170.00		
0355 Planning			
0390 Other	428.00		
0398 Subtotal	1,490.00	0.00	0.00
0399 TOTAL	4,599.00	221.00	1,766.00

2017.01001

FIR2017: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 80

STATISTICAL INFORMATION

for the year ended December 31, 2017

		Own Municipality 1 \$	Other Munic., School Permits 2 \$	Provincial 3 \$	Federal 4 \$
2. Selected investments of own sinking funds as at Dec. 31					
0610	Own sinking funds				
3. Municipal procurement this year					
		Number of Contracts		Value of Contracts	
		1	2		
		#	\$		
1010	Total construction contracts awarded				
1020	Construction contracts awarded at \$100,000 or greater				
4. Building permit information					
		Number of Building Permits		Total Value of Building Permits	
		1	2		
		#	\$		
1210	Residential properties	3,243	497,129,067		
1220	Multi-Residential properties	263	329,447,443		
1230	All other property classes	1,508	297,228,968		
1299	Subtotal	5,014	1,123,805,478		
5. Insured value of physical assets					
		1			
		\$			
1410	Buildings	1,047,026,953			
1420	Machinery and equipment	27,708,097			
1430	Vehicles	59,227,243			
1497	Other <input type="text" value="Contents"/>	930,668,655			
1498	Other <input type="text"/>				
1499	Subtotal	2,064,630,948			
6. Total Dollar Losses due to Structural Fires					
		1			
		\$			
1510	Losses due to structural fires, averaged over 3 yrs (2015 - 2017)	11,044,574			



2017.01001

FIR2017: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 80 STATISTICAL INFORMATION for the year ended December 31, 2017

7. Alternate service delivery arrangements

Municipal services which the municipality currently provides through some form of alternate service delivery: (Top 10 by Operating Expenses)

	Municipal service 1	S40 Functional Heading 3 LIST	S40 Line Number 2	Statement of Operations: Expenses 4 \$	Comments 5
1601	Land Ambulance	Ambulance services	1030	14,412,272	
1602	Recycling	Waste diversion	0860	11,147,241	
1603	Animal Control Services	Protective inspection and control	0440	482,134	
1604	Ontario Works Employment Services	General assistance	1210	6,963,062	
1605					
1606					
1607					
1608					
1609					
1610					

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2017.01001

FIR2017: London C

Schedule 80

Asmt Code: 3936

STATISTICAL INFORMATION

MAH Code: 59101

for the year ended December 31, 2017

8. Consolidated Local boards including Joint local boards and all local entities set up by the municipality

(I) PROPORTIONALLY CONSOLIDATED joint local boards

	Name of Board or Entity	Board Description	Board Code	Proportion of Total Munic. Contributions Consolidated	Municipality's Share of Total Contributions	Municipality's Share of Total Fee Revenues
	1	3 LIST	2	4 %	5 \$	6 \$
0801	Lake Huron Water Supply System	Water Board	0802	85%		
0802	Elgin Water Supply System	Water Board	0802	55%		
0803						
0804						
0805						
0806						
0807						
0808						
0809						
0810						
0811						
0812						
0813						
0814						
0815						
0816						
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0820						
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0839						
0840						
0841						
0842						
0843						
0844						
0845						
0846						
0847						
0848						
0849						

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FIR2017: London C

Schedule 80

Asmt Code: 3936

STATISTICAL INFORMATION

MAH Code: 59101

for the year ended December 31, 2017

(II) FULLY CONSOLIDATED local boards and any local entities set up by the municipality

	Name of Board or Entity 1	Board Description 3 LIST	Board Code 2	Proportion of Total Munic. Contributions Consolidated 4 %	Municipality's Share of Total Contributions 5 \$	Municipality's Share of Total Fee Revenues 6 \$
0851	London Police Services Board	Police Board	0402	100%		
0852	London Transit Commission	Transit Commission	0602	100%		
0853	London Public Library Board	Library Board	1604	100%		
0854	Old East Village Business Improvement Area	Business Improvement Area	1805	100%		
0855	London Downtown Business Association	Business Improvement Area	1805	100%		
0856	Argyle Business Improvement Area Board of Management	Business Improvement Area	1805	100%		
0857	London Convention Centre Corporation	Other	9001	100%		
0858	Covent Garden Market Corporation	Other	9001	100%		
0859	Museum London	Museum	1605	100%		
0860	Eidon House	Museum	1605	100%		
0861	Middlesex-London Health Unit	Health Board (Unit), Medical Centre	1001	100%		
0862	Public Utility Commission of the City of London	Other	9001	100%		
0863	London & Middlesex Housing Corporation	Housing Authority	1401	100%		
0864	Housing Development Corporation	Housing Authority	1401	100%		
0865				100%		
0866				100%		
0867				100%		
0868				100%		
0869				100%		
0870				100%		
0871				100%		
0872				100%		
0873				100%		
0874				100%		
0875				100%		
0876				100%		
0877				100%		
0878				100%		
0879				100%		
0880				100%		
0881				100%		
0882				100%		
0883				100%		
0884				100%		
0885				100%		
0886				100%		
0887				100%		
0888				100%		
0889				100%		
0890				100%		
0891				100%		
0892				100%		
0893				100%		
0894				100%		
0895				100%		
0896				100%		
0897				100%		
0898				100%		
0899				100%		

FIR2017: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 80
STATISTICAL INFORMATION
for the year ended December 31, 2017

9. Building Permit Information (Performance Measures)

1300 What method does your municipality use to determine total construction value?
1302 If "Other Method" is selected in line 1300, please describe the method used to determine total construction value

Column 1 #	Column 2 #	Column 3 #	Description 4 LIST
			TACBOC Construction Value Standard

Total Value of Construction Activity
1304 Total Value of Construction Activity for 2017 based on permits issued.

1
\$
1,123,805,478

Review of Complete Building Permit Applications: Median number of working days to review a complete building permit application and issue a permit or not issue a permit, and provide all reasons for refusal (by Category):

Median Number of Working Days
1
#
11

1306 **Category 1 : Houses (houses not exceeding 3 storeys/600 square metres)**
Reference : provincial standard is 10 working days

18

1308 **Category 2 : Small Buildings (small commercial/industrial not exceeding 3 storeys/600 square metres)**
Reference : provincial standard is 15 working days

21

1310 **Category 3 : Large Buildings (large residential/commercial/industrial/institutional)**
Reference : provincial standard is 20 working days

32

1312 **Category 4 : Complex Buildings (post disaster buildings, including hospitals, power/water, fire/police/EMS), communications**

Note : If no complete applications were submitted and accepted for a Category on lines 1306 to 1312, please leave the cell blank and do not enter zero.

Number Of Building Permit Applications
1314 **Category 1 : Houses (houses not exceeding 3 storeys/600 square metres)**

Number of Complete Applications 1 #	Number of Incomplete Applications 2 #	Total Number of Complete and Incomplete Applications 3 #
3,093	204	3,297

1316 **Category 2 : Small Buildings (small commercial/industrial not exceeding 3 storeys/600 square metres)**

130	19	149
-----	----	-----

1318 **Category 3 : Large Buildings (large residential/ commercial/ industrial/ institutional)**

567	38	605
-----	----	-----

1320 **Category 4 : Complex Buildings (post disaster buildings, including hospitals, power/water, fire/police/EMS), communications**

10	3	13
----	---	----

1322 **Subtotal**

3,800	264	4,064
-------	-----	-------

Note: Zero should be entered on lines 1314 to 1320 in column 1 if no complete applications were submitted and accepted for a category.
Zero should be entered in column 2 if no incomplete applications were submitted and accepted for a category.

10. Planning and Development

Land Use Planning (using building permit information)

1350 Number of residential units in new detached houses
1352 Number of residential units in new semi-detached houses
1354 Number of residential units in new row houses
1356 Number of residential units in new apartments/condo apartments
1358 **Subtotal**

Residential Units within Settlement Areas 1 #	Total Residential Units 2 #	Total Secondary Units 3 #
0	0	0

Land Designated for Agricultural Purposes
1370 Hectares of land designated for agricultural purposes in the Official Plan as of December 31, 2017.

Hectares
1
#

FIR2017: London C

Asmt Code: 3936

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Schedule 80

STATISTICAL INFORMATION

for the year ended December 31, 2017

11. Transportation Services				
		1		
	#			
1710	Roads : Total Paved Lane Km	3,661		
1720	Condition of Roads : Number of paved lane kilometres where the condition is rated as good to very good.	2,002		
		Column 1	Column 2	Column 3
		#	#	#
				Description 4
				LIST
1722	Has the entire municipal road system been rated?			Y
1725	Indicate the rating system used and the year the rating was conducted			2017 PQI
1730	Roads : Total UnPaved Lane Km	25		
1740	Winter Control : Total Lane Km maintained in winter	3,686		
1750	Transit : Total Number of Regular Service Passenger Trips on Conventional Transit in Service Area	22,918,096		
1755	Transit : Population of Service Area	389,000		
1760	Bridges and Culverts : Total Square Metres of Surface Area on Bridges and Culverts	92,233		
		Number of structures where the condition of primary components is rated as good to very	Total Number	
		1	2	
	#	#	#	
1765	Bridges	78	131	
1766	Culverts	29	56	
1767	Subtotal	107	187	
		Column 1	Column 2	Column 3
		#	#	#
				Description 4
				LIST
1768	Have all bridges and culverts in the municipal system been rated?			Y
1769	Indicate the rating system used and the year the rating was conducted.			2017 City of London BMS
12. Environmental Services				
		1		
	#			
1810	Wastewater Main Backups : Total number of backed up wastewater mains	7		
1815	Wastewater Collection/Conveyance : Total KM of Wastewater Mains	1,379		
1820	Wastewater Treatment and Disposal : Total Megalitres of Wastewater Treated.	72,425,309		
1825	Wastewater Bypasses Treatment : Estimated megalitres of untreated wastewater.	40,831		
1835	Urban Storm Water Management : Total KM of Urban Drainage System plus (0.005 KM times No. of Catch basins)	1,524		
1840	Rural Storm Water Management : Total KM of Rural Drainage System plus (0.005 KM times No. of Catch basins).	348		
1845	Water Treatment : Total Megalitres of Drinking Water Treated.	47,111,242,000		
1850	Water Main Breaks : Number of water main breaks in a year.	86		
1855	Water Distribution/Transmission : Total kilometres of Water Distribution / Transmission Pipe.	1,604		
1860	Solid Waste Collection : Total tonnes collected from all property classes.	92,600		
1865	Solid Waste Disposal : Total tonnes disposed of from all property classes.	277,400		
1870	Waste Diversion : Total tonnes diverted from all property classes.	71,900		
13. Recreation Services				
		1		
	#			
1910	Trails : Total kilometres of trails (owned by municipality and third parties).	235		
1920	Indoor recreation facility space : Square metres of indoor recreation facilities (municipally owned).	89,719		
1930	Outdoor recreation facility space : Square metres of outdoor recreation facility space (municipally owned).	70,152		
		1		
	\$			
14. Other Revenue (Used for the calculation of Operating Cost)				
2310	Fire Services: Other revenue.			
2320	Paved Roads : Other revenue.	334,523		
2330	Solid Waste Disposal : Other revenue.			
2340	Waste Diversion : Other Revenue.	6,956,908		
2370	Assessment on Exempt Properties (Enter data from returned roll)	3,568,027,750		

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FIR2017: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 81

ANNUAL DEBT REPAYMENT LIMIT

based on the information reported for the year ended December 31, 2017

NOTE: THE ESTIMATED ANNUAL REPAYMENT LIMIT IS EFFECTIVE JANUARY 01, 2019

Please note that fees and revenues for Homes for the Aged are not reflected in this estimate.

DETERMINATION OF ANNUAL DEBT REPAYMENT LIMIT

		1
		\$
Debt Charges for the Current Year		
0210	Principal (SLC 74 3099 01)	53,344,560
0220	Interest (SLC 74 3099 02)	9,697,742
0299	Subtotal	63,042,302
0610	Payments for Long Term Commitments and Liabilities financed from the consolidated statement of operations (SLC 42 6010 01)	0
9910	Total Debt Charges	63,042,302

		1
		\$
Excluded Debt Charges		
1010	Electricity - Principal (SLC 74 3030 01)	0
1020	Electricity - Interest (SLC 74 3030 02)	0
1030	Gas - Principal (SLC 74 3040 01)	0
1040	Gas - Interest (SLC 74 3040 02)	0
1050	Telephone - Principal (SLC 74 3050 01)	0
1060	Telephone - Interest (SLC 74 3050 02)	0
1099	Subtotal	0
1410	Debt Charges for Tile Drainage/Shoreline Assistance (SLC 74 3015 01 + SLC 74 3015 02)	0
1411	Provincial Grant funding for repayment of long term debt (SLC 74 3120 01 + SLC 74 3120 02)	0
1412	Lump sum (balloon) repayments of long term debt (SLC 74 3110 01 + SLC 74 3110 02)	0
1420	Total Debt Charges to be Excluded	0
9920	Net Debt Charges	63,042,302

		1
		\$
1610	Total Revenues (* Sale of Hydro Utilities Removed) (SLC 10 9910 01)	1,250,228,174
Excluded Revenue Amounts		
2010	Fees for Tile Drainage / Shoreline Assistance (SLC 12 1850 04)	0
2210	Ontario Grants, including Grants for Tangible Capital Assets (SLC 10 0699 01 + SLC 10 0810 01 + SLC10 0815 01)	229,174,303
2220	Canada Grants, including Grants for Tangible Capital Assets (SLC 10 0820 01 + SLC 10 0825 01)	28,022,288
2225	Deferred revenue earned (Provincial Gas Tax) (SLC 10 0830 01)	16,150,564
2226	Deferred revenue earned (Canada Gas Tax) (SLC 10 0831 01)	2,942,832
2230	Revenue from other municipalities, including Revenue for Tangible Capital Assets (SLC 10 1099 01 + SLC 10 1098 01)	5,316,953
2240	Gain/Loss on sale of land & capital assets (SLC 10 1811 01)	1,165,632
2250	Deferred revenue earned (Development Charges) (SLC 10 1812 01)	12,645,144
2251	Deferred revenue earned (Recreation Land (The Planning Act)) (SLC 10 1813 01)	1,102,071
2253	Other Deferred revenue earned (SLC 10 1814 01)	0
2252	Donated Tangible Capital Assets (SLC 53 0610 01)	36,758,961
2254	Increase / Decrease in Government Business Enterprise equity (SLC 10 1905 01)	12,883,130
2299	Subtotal	346,161,878
2410	Fees and Revenue for Joint Local Boards for Homes for the Aged	0
2610	Net Revenues	904,066,296
2620	25% of Net Revenues	226,016,574
9930	ESTIMATED ANNUAL REPAYMENT LIMIT	162,974,272

For Illustration Purposes Only

Annual Interest Rate @ Term years =

Financial Indicators

CAPITAL ADDITIONS AS A PERCENTAGE OF AMORTIZATION EXPENSE

This financial indicator provides an assessment of the City's solvency by assessing the extent to which it is sustaining its tangible capital assets. In the absence of meaningful reinvestment in tangible capital assets, the City's ability to continue to deliver services at the current levels may be compromised.

TYPE OF INDICATOR

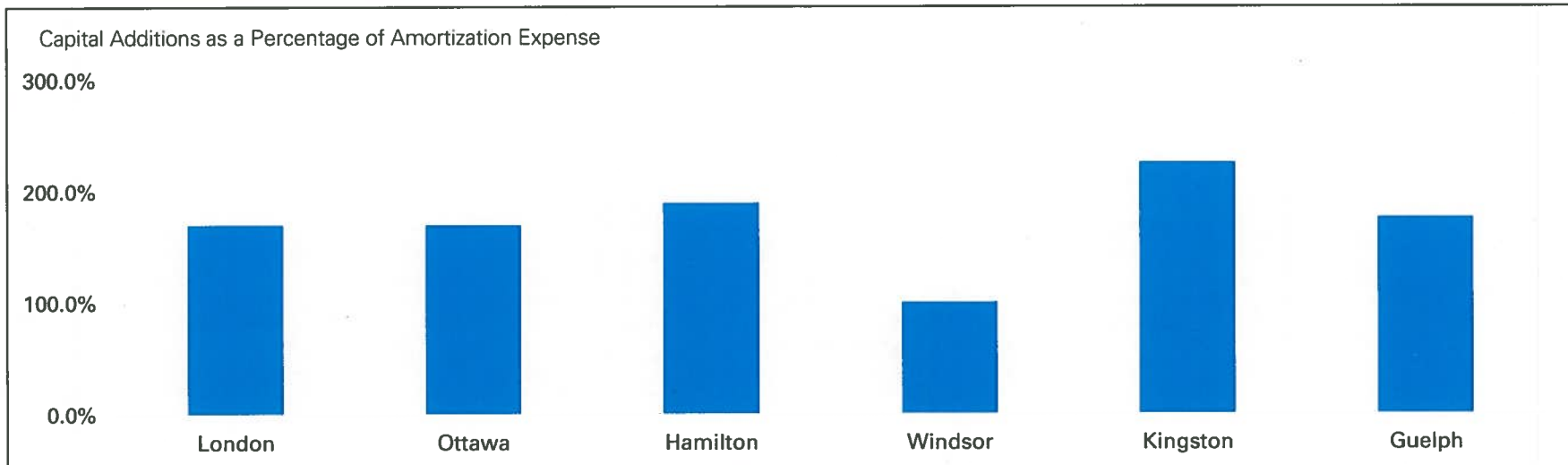
Sustainability ✓
 Flexibility
 Vulnerability

FORMULA

FIR Schedule 51, Line 9910,
 Column 3 divided by FIR
 Schedule 40, Line 9910,
 Column 16

POTENTIAL LIMITATIONS

- This indicator considers amortization expense, which is based on historical as opposed to replacement cost. As a result, the City's capital reinvestment requirement will be higher than its reported amortization expense due to the effects of inflation.
- This indicator is calculated on a corporate-level basis and as such, will not identify potential concerns at the departmental level.





2017 Consolidated Financial Statements



**Audit Committee
June 20, 2018**



Statement of Financial Position

- The City has **improved** its **net financial asset** position to \$272.5 million
 - An **improvement** of **\$37.4** million from 2016.
 - Strengthens our future liquidity in paying our liabilities and future expenses because our financial assets are higher than our financial liabilities.
- Overall financial assets have increased \$81.8 million
 - Cash and cash equivalents** (Note 2) have **increased** \$70.2 million
 - Investments** (Note 4) have **decreased** \$5.7 million
 - Investments in government business enterprises and partnerships** (Note 6) have **increased** \$7.9 million
- Overall financial liabilities have increased \$44.4 million
 - Deferred Revenue** (Note 7) has **increased** \$58.3 million – increase in obligatory reserve funds
 - Employee benefits** (Note 12) payable **increased** by \$5.7 million
 - Accounts Payable** and accrued liabilities have **decreased** approximately \$10 million
 - Decrease in Long Term Debt** of \$10.5 million



Purpose of Financial Statements

Section 294.1 of the **Municipal Act, 2001** indicates that for each fiscal year, a municipality **shall** prepare annual financial statements in accordance with **generally accepted accounting principles**.

Name	Purpose
Consolidated Statement of Financial Position	<ul style="list-style-type: none"> Provides a summary of the City's assets (financial and non financial) and liabilities, both present and future, at a point in time.
Consolidated Statement of Operations	<ul style="list-style-type: none"> Summarizes revenues, expenses, surplus for the year and calculation of the City's accumulated surplus at year end.
Consolidated Statement of Net Financial Assets	<ul style="list-style-type: none"> Shows the changes in net financial assets as a result of annual operations, tangible capital asset transactions, as well as changes in other non-financial assets.
Consolidated Statement of Cash Flows	<ul style="list-style-type: none"> Summarizes the City's cash position and changes during the year. <ul style="list-style-type: none"> Shows all the sources and uses of cash.



Statement of Financial Position Continued

Non Financial Assets:

- Tangible capital assets (Note 14) are **not liquid** or readily available for sale
 - Places more emphasis on the net debt or net financial asset position of a municipality.
 - Net Book Value **increased** by **\$135.7 million**, due to the ongoing investment in the City's infrastructure.
 - Note: **Land** which is specifically held for resale is recorded as an **inventoried item** in our financial assets

Accumulated surplus:

- The total of the City's financial assets, liabilities and non financial assets.
 - Increase** over 2016 by annual surplus of **\$166.4 million**.
 - Accumulated surplus **includes** the balances of the City's consolidated **reserves** and **reserve funds**.
 - Indicates a governments ability to provide future services.



Net Book Value of Assets – December 31, 2017 (in millions)

Tangible Capital Assets (Note 14)	Historical Cost 2017	Accumulated Amortization 2017	Net Book Value 2017
Land	\$ 427	\$ -	\$ 427
Landfill and Land Improvements	151	79	72
Buildings and Building Improvements	1,007	454	553
Leasehold Improvements	3	1	2
Machinery, Equipment and Furniture	402	238	165
Vehicles	127	68	59
Water Infrastructure	748	241	507
Wastewater Infrastructure	1,396	442	954
Roads Infrastructure	1,274	476	797
Computers and Computers under lease	21	10	11
Assets under Construction	203	-	203
Totals	\$ 5,759	\$ 2,009	\$ 3,750

2017 Financial Statements

5



What Do We Have in Capital Assets

	Replacement Cost (in Billions)	Historical Costs (in Billions)
Land, Landfills & Land Improvements	\$1.17	\$0.578
Building and Building Improvements	\$1.95	\$1.01
Fleet & Equipment & Furniture	\$0.72	\$0.529
Water Infrastructure	\$1.77	\$0.748
Wastewater Infrastructure	\$3.79	\$1.396
Roads Infrastructure	\$2.71	\$1.274
Computers	\$0.02	\$0.021
Assets Under Construction	\$0.22	\$0.203
Total	\$12.35	\$5.759

These estimates are based upon various inflation factors.

2017 Financial Statements

6



Statement of Operations - Revenues

- Overall, 2017 **revenues increased** \$63.2 million compared to 2016.
 - a **5.3% increase** over 2016
- There were increases both in **tax revenue and user charges** for a total **increase of \$28.8 million**.
- **Provincial Government transfers increased** \$30.9 million
 - This is mainly due to additional funding for social assistance, housing, and water & wastewater.
- Developer Contributions of Tangible Capital Assets totaled \$36.8 million, a **decrease of \$0.7 million** over 2016.

2017 Financial Statements

7



Statement of Operations - Expenses

- Overall, **expenses increased** by **\$63.8 million** in 2017
 - a **6.3% increase** over 2016
- The largest expenditure increases over the prior year were realized in:
 - **Environmental Services** \$17.0 million; Water and Wastewater.
 - **Protection Services** \$14.3 million; Police and Fire Services
 - **Social and Family Services** \$11.0 million
- **Key items different than budget:**
 - **Amortization** is recorded as an **expense** on the Statement of Operations
 - **Debt principal** repayments are **not expensed**.
 - **Contributions to reserve funds** are also **not expensed**.

2017 Financial Statements

8



Simple Example of City Budget vs. PSAB Accounting

Statement of Operations	City Budget	PSAB Accounting
Taxation	500,000	500,000
Developer Contributions	0	50,000
Total Revenue	500,000	550,000
Operating Expenses	350,000	350,000
Capital Expenditures	150,000	0
Amortization	0	75,000
Debt Principal Repayments	25,000	0
Transfer to Reserve & Reserve Funds	25,000	0
Total Expenses	500,000	425,000
Annual Surplus	0	125,000



City Budget vs. PSAB Accounting (000's)

Statement of Operations - Revenues	City Budget 2017 (Unconsolidated)	PSAB Accounting 2017 Actuals
Net Municipal Taxation	572,439	581,481
Grants, User Fees and Other Revenue	461,919	494,334
Transfers from Capital and Reserve Funds	6,406	-
Capital Funding Earned	-	32,706
Developer Contributions	-	36,759
Reserve Fund Deferred Revenue Earned	-	20,603
Government Business Enterprise Adjustments	-	7,883
Boards and Commissions Surplus	-	20,661
Total Revenues	1,040,764	1,194,427



City Budget vs. PSAB Accounting (000's) continued

Statement of Operations - Expenses	City Budget 2017 (Unconsolidated)	PSAB Accounting 2017 Actuals
Operating Expenses	837,079	841,443
Debt Principal Repayments	40,034	-
Transfer to Reserve & Reserve Funds	84,829	-
Capital Expenditures (pay as you go financing)	78,822	-
Capital Expenses not capitalized	-	39,887
Amortization	-	135,288
Loss on Disposal of Capital Assets	-	2,949
Landfill, Contaminated Sites, and Employee future benefits Liability	-	8,501
Total Expenses	1,040,764	1,028,068
Annual Surplus	0	166,359




Comparing the Budget Surplus to Financial Statement Surplus (in millions)

2017 Operating Budget Surplus per the Year-End Monitoring Report to Corporate Services Committee on April 17, 2018	\$ millions
Property Tax Supported Budget Surplus	6.9
Water Rate Supported Budget Surplus	2.2
Wastewater & Treatment Rate Supported Budget Surplus	3.3
2017 Operating Budget Surplus	12.4
Transfers to Reserve and Reserve Funds in accordance with the Council approved Surplus/Deficit Policy and resolution	(12.4)
Operating Fund Surplus per 2017 Approved Budget (Cash Format)	0.0
Financial Statement adjustments:	
Plus: Transfers to (from) Capital and Reserves and Reserve Funds	196.9
Plus: Debt Principal Repayments	37.4
Plus: Capital program funding earned in year	32.7
Less: Capital expenses not capitalized (Non-TCA)	(39.9)
Less: Amortization of Tangible Capital Assets (TCA)	(135.3)
Plus: Developer contributions of assumed TCA	36.8
Less: Loss on disposal of TCA	(2.9)
Plus: Reserves and reserve fund net revenues earned in year	20.7
Plus: Government Business Enterprises adjustments	7.9
Less: Change in landfill liability, contaminated site liability and employee future benefit liability	(8.5)
Plus: Boards' and Commission's Surpluses	20.6
2017 Consolidated Surplus per Financial Statements (PSAB Format)	166.4



Public Sector Accounting Board (PSAB) Landscape

- Public Sector Accounting Standards **continue** to develop; improving **transparency**, and **disclosure**.
- Significant changes have **already occurred** and reporting requirements have been **achieved**:
 - PS 3150 - Tangible Capital Assets
 - PS 3410 - Government Transfers
 - PS 3510 - Tax Revenue
 - PS 3260 - Liability for Contaminated Sites
- Exciting times though are ahead, attention will be required for them all, but the **Asset Retirement Obligation** standard is of particular interest. 
- Finance has **already started** discussions with KPMG and **looking at existing processes** to assess requirements and impact, even with some standards still in draft.



Internal Controls

- KPMG has identified areas where our internal controls can continue to be **strengthened**.
- Further work is required **to build** on existing processes and awareness.
- Opportunities to leverage existing city initiatives to increase **communication** and **coordination**.



Where do we go from here?

- KPMG will present their **Audit Findings Report**
- Questions?

Indicators of Financial Performance



Financial Indicators

A. Reporting on financial condition

In Canada, the development and maintenance of principles for financial reporting fall under the responsibility of the Accounting Standards Oversight Council ('AcSOC'), a volunteer body established by the Canadian Institute of Chartered Accountants in 2000. In this role, AcSOC provides input to and monitors and evaluates the performance of the two boards that are tasked with establishing accounting standards for the private and public sector:

- The Public Sector Accounting Board ('PSAB') establishes accounting standards for the public sector, which includes municipal governments; and
- The Accounting Standards Board ('AcSB'), which is responsible for the establishment of accounting standards for Canadian entities outside of the public sector.

In May 2009, PSAB released a Statement of Recommended Practice that provided guidance on how public sector bodies should report on indicators of financial condition. As defined in the statement, financial condition is 'a government's financial health as assessed by its ability to meet its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others'. In reporting on financial condition, PSAB also recommended that three factors, at a minimum, need to be considered:

- **Sustainability.** Sustainability is the degree to which the City can deliver services and meet its financial commitments without increasing its debt or tax burden relative to the economy in which it operates. To the extent that the level of debt or tax burden grows at a rate that exceeds the growth in the City's assessment base, there is an increased risk that the City's current spending levels (and by association, its services, service levels and ability to meet creditor obligations) cannot be maintained.
- **Flexibility.** Flexibility reflects the City's ability to increase its available sources of funding (debt, taxes or user fees) to meet increasing costs. Municipalities with relatively high flexibility have the potential to absorb cost increases without adversely impacting affordability for local residents and other ratepayers. On the other hand, municipalities with low levels of flexibility have limited options with respect to generating new revenues, requiring an increased focus on expenditure reduction strategies.
- **Vulnerability.** Vulnerability represents the extent to which the City is dependent on sources of revenues, predominantly grants from senior levels of government, over which it has no discretion or control. The determination of vulnerability considers (i) unconditional operating grants such as OMPF; (ii) conditional operating grants such as Provincial Gas Tax for transit operations; and (iii) capital grant programs. Municipalities with relatively high indicators of vulnerability are at risk of expenditure reductions or taxation and user fee increases in the event that senior levels of funding are reduced. This is particularly relevant for municipalities that are vulnerable with respect to operating grants from senior levels of government, as the Municipal Act does not allow municipalities to issue long-term debt for operating purposes (Section 408(2.1)).

Financial Indicators

B. Selected financial indicators

As a means of reporting the City's financial condition, we have considered the following financial indicators (*denotes PSAB recommended financial indicator).

Financial Condition Category	Financial Indicators
Sustainability	<ol style="list-style-type: none"> 1. Financial assets to financial liabilities* 2. Total reserves and reserve funds per household 3. Total operating expenses as a percentage of taxable assessment* 4. Capital additions as a percentage of amortization expense
Flexibility	<ol style="list-style-type: none"> 5. Residential taxes per household 6. Total long-term debt per household 7. Residential taxation as a percentage of average household income 8. Total taxation as a percentage of total assessment* 9. Debt servicing costs (interest and principal) as a percentage of total revenues* 10. Net book value of tangible capital assets as a percentage of historical cost of tangible capital assets*
Vulnerability	<ol style="list-style-type: none"> 11. Operating grants as a percentage of total revenues* 12. Capital grants as a percentage of total capital expenditures*

A detailed description of these financial indicators, as well as comparisons to selected municipalities, is included on the following pages.

Our analysis is based on Financial Information Return data. Given the timing of financial reporting for municipalities, the analysis is based on 2016 FIR data as 2017 FIRs are not available at the time of this report.

Financial Indicators

C. Selecting Comparator Municipalities

There are a number of factors that will influence the financial performance and position of municipalities, including but not limited to geographic size, number of households, delegation of responsibilities between upper and lower tier levels of government and services and service levels. Accordingly, there is no 'perfect' comparative municipality for the City. However, in order to provide some perspective as to the City's financial indicators, we have selected comparator municipalities that have comparable:

- Governance structures (i.e. single-tier municipality);
- Household levels; and
- Geographic size.

Based on these considerations, the selected comparator municipalities are as follows:

Municipality	Population	Households	Area (square km)
London	383,822	175,342	420.35
Ottawa	968,580	409,643	2790.3
Hamilton	558,397	222,918	1117.29
Windsor	217,188	99,233	146.38
Kingston	123,798	53,518	451.19
Guelph	131,794	54,881	87.22

Financial Indicators

FINANCIAL ASSETS TO FINANCIAL LIABILITIES

This financial indicator provides an assessment of the City's solvency by comparing financial assets (including cash, investments and accounts receivable) to financial liabilities (accounts payable, deferred revenue and long-term debt). Low levels of financial assets to financial liabilities are indicative of limited financial resources available to meet cost increases or revenue losses.

TYPE OF INDICATOR

Sustainability ✓
Flexibility
Vulnerability

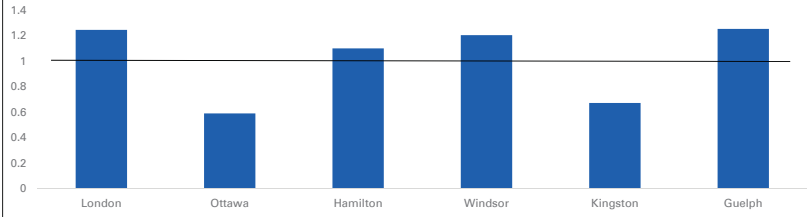
FORMULA

FIR Schedule 70, Line 9930, Column 1 divided by FIR Schedule 70, Line 9940, Column 1

POTENTIAL LIMITATIONS

- Financial assets may include investments in government business enterprises, which may not necessarily be converted to cash or yield cash dividends
- Financial liabilities may include liabilities for employee future benefits and future landfill closure and post-closure costs, which may (i) not be realized for a number of years; and/or (ii) may not be realized at once but rather over a number of years

Financial Assets to Financial Liabilities



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Financial Indicators

TOTAL RESERVES AND RESERVE FUNDS PER HOUSEHOLD

This financial indicator provides an assessment of the City's ability to absorb incremental expenses or revenue losses through the use of reserves and reserve funds as opposed to taxes, user fees or debt. Low reserve levels are indicative of limited capacity to deal with cost increases or revenue losses, requiring the City to revert to taxation or user fee increases or the issuance of debt.

TYPE OF INDICATOR

Sustainability ✓
Flexibility
Vulnerability

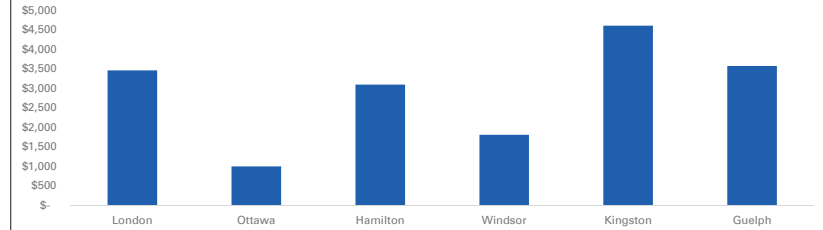
FORMULA

FIR Schedule 70, Line 6420, Column 1 divided by FIR Schedule 2, Line 40, Column 1

POTENTIAL LIMITATIONS

- Reserves and reserve funds are often committed to specific projects or purposes and as such, may not necessarily be available to fund incremental costs or revenue losses
- As reserves are not funded, the City may not actually have access to financial assets to finance additional expenses or revenue losses

Reserve and Reserve Funds per Household



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Financial Indicators

TOTAL OPERATING EXPENSES AS A PERCENTAGE OF TAXABLE ASSESSMENT

This financial indicator provides an assessment of the City's solvency by determining the extent to which increases in operating expenses correspond with increases in taxable assessment. If increases correspond, the City can fund any increases in operating costs without raising taxation rates.

TYPE OF INDICATOR

Sustainability ✓
Flexibility
Vulnerability

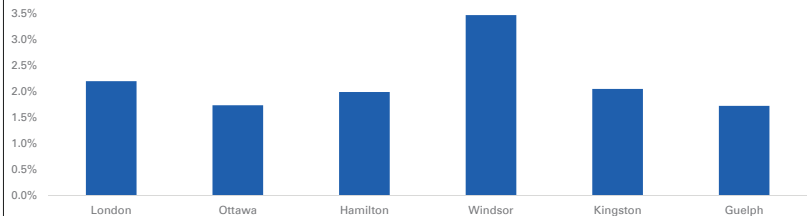
FORMULA

FIR Schedule 40, Line 9910, Column 7 less FIR Schedule 40, Line 9910, Column 16 divided by FIR Schedule 26, Column 17, Line 9199

POTENTIAL LIMITATIONS

- As operating expenses are funded by a variety of sources, the City's sustainability may be impacted by reductions in other funding sources that would not be identified by this indicator.

Operating Expenses as a Percentage of Taxable Assessment



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Financial Indicators

CAPITAL ADDITIONS AS A PERCENTAGE OF AMORTIZATION EXPENSE

This financial indicator provides an assessment of the City's solvency by assessing the extent to which it is sustaining its tangible capital assets. In the absence of meaningful reinvestment in tangible capital assets, the City's ability to continue to deliver services at the current levels may be compromised.

TYPE OF INDICATOR

Sustainability ✓
Flexibility
Vulnerability

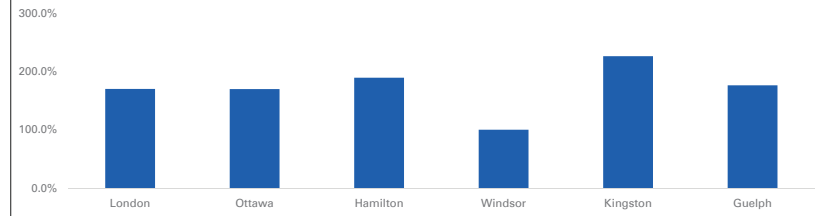
FORMULA

FIR Schedule 51, Line 9910, Column 3 divided by FIR Schedule 40, Line 9910, Column 16

POTENTIAL LIMITATIONS

- This indicator considers amortization expense, which is based on historical as opposed to replacement cost. As a result, the City's capital reinvestment requirement will be higher than its reported amortization expense due to the effects of inflation.
- This indicator is calculated on a corporate-level basis and as such, will not identify potential concerns at the departmental level.

Capital Additions as a Percentage of Amortization Expense



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Financial Indicators

RESIDENTIAL TAXES PER HOUSEHOLD

This financial indicator provides an assessment of the City's ability to increase taxes as a means of funding incremental operating and capital expenditures.

TYPE OF INDICATOR

Sustainability
Flexibility ✓
Vulnerability

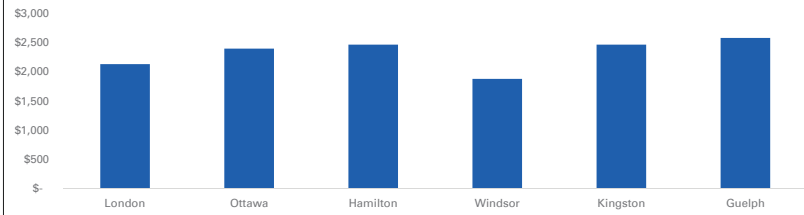
FORMULA

FIR Schedule 26, Line 0010 and Line 1010, Column 4 divided by FIR Schedule 2, Line 0040, Column 1

POTENTIAL LIMITATIONS

- This indicator does not incorporate income levels for residents and as such, does not fully address affordability concerns.
- This indicator is calculated based on lower-tier taxation only and does not consider upper tier or education taxes.
- This indicator does not consider the level of service provided by each municipality

Residential Taxes per Household



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Financial Indicators

TOTAL LONG-TERM DEBT PER HOUSEHOLD

This financial indicator provides an assessment of the City's ability to issue more debt by considering the existing debt load on a per household basis. High debt levels per household may preclude the issuance of additional debt.

TYPE OF INDICATOR

Sustainability
Flexibility ✓
Vulnerability

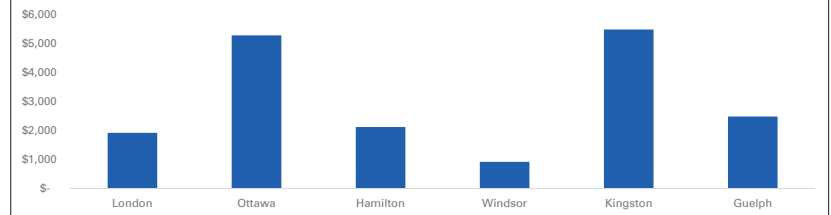
FORMULA

FIR Schedule 70, Line 2699, Column 1 divided by FIR Schedule 1, Line 0040, Column 1

POTENTIAL LIMITATIONS

- This indicator does not consider the Provincial limitations on debt servicing cost, which cannot exceed 25% of own-source revenues unless approved by the Ontario Municipal Board

Long-Term Debt per Household



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Financial Indicators

RESIDENTIAL TAXATION AS A PERCENTAGE OF HOUSEHOLD INCOME

This financial indicator provides an indication of potential affordability concerns by calculating the percentage of total household income used to pay municipal property taxes.

TYPE OF INDICATOR

Sustainability
Flexibility ✓
Vulnerability

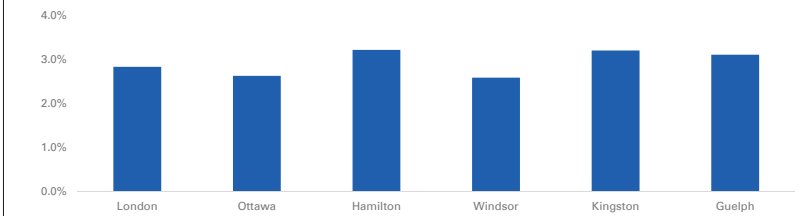
FORMULA

FIR Schedule 26, Line 0010 and Line 1010, Column 4 divided by FIR Schedule 2, Line 0040, Column 1 (to arrive at average residential tax per household). Average household income is derived from the National Housing Survey.

POTENTIAL LIMITATIONS

- This indicator considers residential affordability only and does not address commercial or industrial affordability concerns.
- This indicator is calculated on an average household basis and does not provide an indication of affordability concerns for low income or fixed income households.

Residential Taxation as a Percentage of Household Income



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Financial Indicators

TOTAL TAXATION AS A PERCENTAGE OF TOTAL ASSESSMENT

This financial indicator provides an indication of potential affordability concerns by calculating the City's overall rate of taxation. Relatively high tax rate percentages may limit the City's ability to generate incremental revenues in the future.

TYPE OF INDICATOR

Sustainability
Flexibility ✓
Vulnerability

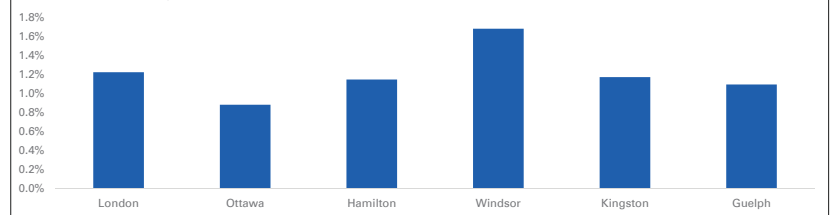
FORMULA

FIR Schedule 26, Line 9199 and Line 9299, Column 4 divided by FIR Schedule 26, Line 9199 and 9299, Column 17.

POTENTIAL LIMITATIONS

- This indicator considers the City's overall tax rate and will not address affordability issues that may apply to individual property classes (e.g. commercial).

Total Taxation as a Percentage of Total Assessment



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Financial Indicators

DEBT SERVICING COSTS (INTEREST AND PRINCIPAL) AS A PERCENTAGE OF TOTAL REVENUES

This financial indicator provides an indication as to the City's overall indebtedness by calculating the percentage of revenues used to fund long-term debt servicing costs. The City's ability to issue additional debt may be limited if debt servicing costs on existing debt are excessively high.

TYPE OF INDICATOR

Sustainability
Flexibility ✓
Vulnerability

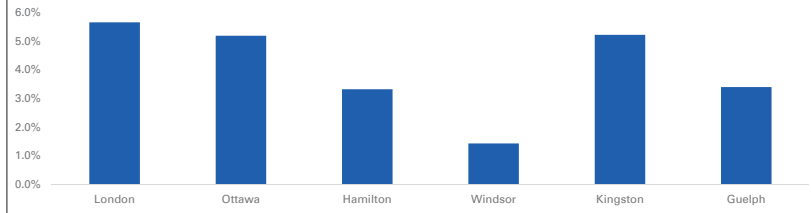
FORMULA

FIR Schedule 74C, Line 3099, Column 1 and Column 2 divided by FIR Schedule 10, Line 9910, Column 1.

POTENTIAL LIMITATIONS

- No significant limitations have been identified in connection with this indicator

Debt Servicing Costs as a Percentage of Total Revenues



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Financial Indicators

NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS AS A PERCENTAGE OF HISTORICAL COST OF TANGIBLE CAPITAL ASSETS

This financial indicator provides an indication as to the extent to which the City is reinvesting in its capital assets as they reach the end of their useful lives. An indicator of 50% indicates that the City is, on average, investing in capital assets as they reach the end of useful life, with indicators of less than 50% indicating that the City's reinvestment is not keeping pace with the aging of its assets.

TYPE OF INDICATOR

Sustainability
Flexibility ✓
Vulnerability

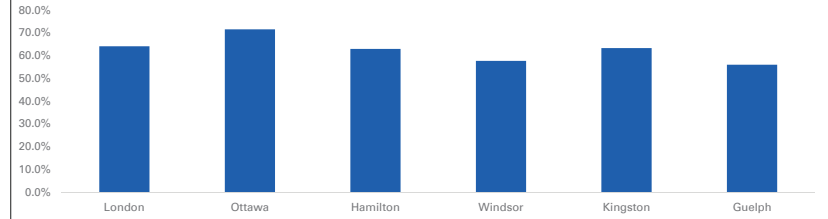
FORMULA

FIR Schedule 51A, Line 9910, Column 11 divided by FIR Schedule 51A, Line 9910, Column 6.

POTENTIAL LIMITATIONS

- This indicator is based on the historical cost of the City's tangible capital assets, as opposed to replacement cost. As a result, the City's pace of reinvestment is likely lower than calculated by this indicator as replacement cost will exceed historical cost.
- This indicator is calculated on a corporate-level basis and as such, will not identify potential concerns at the departmental level.

Net Book Value of Tangible Capital Assets to Historical Cost of Tangible Capital Assets



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Financial Indicators

OPERATING GRANTS AS A PERCENTAGE OF TOTAL REVENUES

This financial indicator provides an indication as to the City's degree of reliance on senior government grants for the purposes of funding operating expenses. The level of operating grants as a percentage of total revenues is directly proportionate with the severity of the impact of a decrease in operating grants.

TYPE OF INDICATOR

Sustainability
Flexibility
Vulnerability ✓

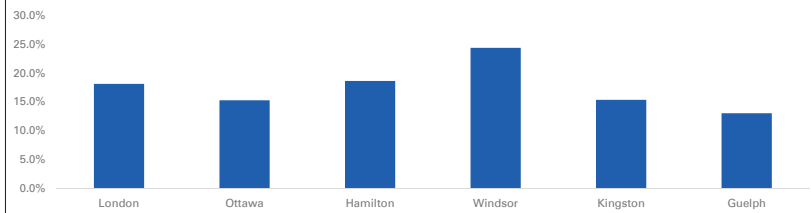
FORMULA

FIR Schedule 10, Line 0699, Line 0810, Line 0820, Line 0830, Column 1 divided by FIR Schedule 10, Line 9910, Column 1.

POTENTIAL LIMITATIONS

- To the extent possible, the City should maximize its operating grant revenue. As such, there is arguably no maximum level associated with this financial indicator.

Operating Grants as a Percentage of Total Revenues



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Financial Indicators

CAPITAL GRANTS AS A PERCENTAGE OF TOTAL CAPITAL EXPENDITURES

This financial indicator provides an indication as to the City's degree of reliance on senior government grants for the purposes of funding capital expenditures. The level of capital grants as a percentage of total capital expenditures is directly proportionate with the severity of the impact of a decrease in capital grants.

TYPE OF INDICATOR

Sustainability
Flexibility
Vulnerability ✓

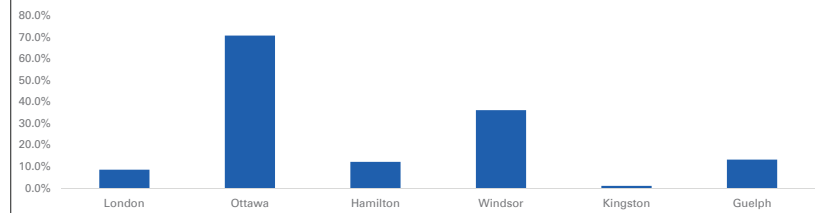
FORMULA

FIR Schedule 10, Line 0815, Line 0825, Line 0831, Column 1 divided by FIR Schedule 51, Line 9910, Column 3.

POTENTIAL LIMITATIONS

- To the extent possible, the City should maximize its capital grant revenue. As such, there is arguably no maximum level associated with this financial indicator.

Capital Grants as a Percentage of Total Capital Expenditures



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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.



The Corporation of The City of London

**Audit Findings Report
For the year ended December 31, 2017**

KPMG LLP

Licensed Public Accountants

Prepared as of June 4, 2018 for presentation on June 20, 2018

kpmg.ca/audit



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Executive summary

Purpose of this report

The purpose of this Audit Findings Report is to assist you, as a member of the Audit Committee, in your review of the results of our audit of the consolidated financial statements of The Corporation of the City of London (the “Corporation”) as at and for the year ended December 31, 2017.

This Audit Findings Report builds on the Audit Plan we presented to the Audit Committee on February 7, 2018.

Changes from the Audit Plan

There have been no significant changes regarding our audit from the Audit Planning Report previously presented to you.

Audit risks and results

A number of **significant financial reporting risks** were presented to you in our Audit Planning Report. These included the presumed risk of management override of controls as well as the risk over the completeness of accruals, which was noted as a significant estimate. These risks have been addressed in our audit.

We also discussed with you some **other areas of audit focus**. We have identified matters to report to the Audit Committee in respect of them.

See pages 6 – 7.

*This Audit Findings Report should not be used for any other purpose or by anyone other than the Audit Committee. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Executive summary (continued)

Finalizing the audit

As of June 4, 2018 we have completed the audit of the consolidated financial statements, with the exception of certain remaining procedures, which include:

- completion of our legal testing procedures, including obtaining responses to our external legal letters;
- tie-out of the consolidation workbook and financial statements, including notes;
- obtaining the signed management representation letter;
- completing our discussions with the Audit Committee;
- obtaining evidence of Council's approval of the financial statements.

We will update the Audit Committee, and not solely the Chair (as required by professional standards), on significant matters, *if any*, arising from the completion of the audit, including the completion of the above procedures. Our auditors' report will be dated upon the completion of any remaining procedures.

Control and other observations

We did not identify any control deficiencies that we determined to be significant deficiencies in ICFR.

We have identified other observations with respect to the following:

- Non-capitalization of certain HST amounts related to the purchase of TCA
- processing of payroll for casual employees
- monitoring of WIP balances
- confirmation of unrestricted deposit balances at year-end

See pages 14 - 16.

Critical accounting estimates

Overall, we are satisfied with the reasonability of critical accounting estimates.

The critical areas of estimates relate to: employee future benefits, liabilities for contaminated sites, landfill closure and post-closure liability, legal and other accruals.

See pages 8-9.

Independence

We have included a copy of our independence letter, which notes that we are independent with respect to the Corporation, within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any other standards or applicable legislation or regulation.

Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

Audit risks and results

Inherent risk of material misstatement is the susceptibility of a balance or assertion to misstatement which could be material, individually or when aggregated with other misstatements, assuming that there are no related controls. We highlight our significant findings in respect of significant financial reporting risks as identified in our discussion with you in the Audit Plan.

Significant financial reporting risks	Our response and significant findings
<p>Completeness of accruals</p>	<p><i>Audit Approach</i></p> <ul style="list-style-type: none"> • We obtained an understanding of management’s process and calculations. • We obtained corroborative evidence to support management’s assumptions and reviewed subsequent payments, where possible. • We sent legal letters to internal and external legal counsel and risk management, reviewed Council minutes, severance agreements, reports prepared by external consultants etc. to identify any potential unrecorded liabilities. <p><i>Findings</i></p> <p>No significant issues were noted.</p>
<p>Fraud risk from management override of controls</p>	<p>This is a presumed risk. We have not identified any specific additional risks of management override relating to this audit.</p> <p><i>Audit Approach</i></p> <p>As this risk is non-rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:</p> <ul style="list-style-type: none"> • testing of journal entries and other adjustments; • retrospective review of estimates; • evaluating the business rationale of significant unusual transactions. <p><i>Findings</i></p> <p>No significant issues were noted.</p>

Audit risks and results (continued)

We identified other areas of focus for our audit in our discussion with you in the Audit Plan.

Significant findings from the audit regarding other areas of focus are as follows:

Other areas of focus	Our response and significant findings
Capital projects and acquisitions	<p><i>Audit Approach</i></p> <ul style="list-style-type: none"> • KPMG performed substantive testing over capital additions and disposals, including the determination of when capital expenditures are transferred from assets under construction and amortization begins. • KPMG reviewed management's determination of the useful lives of capital assets and the related amortization rates. KPMG also recalculated amortization expense. • KPMG used data and analytics to perform specific tests regarding WIP transfers, holdbacks and disposals of tangible capital assets. <p><i>Findings</i></p> <ul style="list-style-type: none"> • No reportable differences were identified as a result of procedures performed. KPMG has identified a process improvement observation related to the monitoring of WIP accounts. The observation is described on page 16. • There have been no changes to the amortization rates used in the prior year which are reasonable given the nature of assets and their useful lives. <p>See page 10 for further details on the data and analytics performed.</p>
Payroll and employee future benefits	<ul style="list-style-type: none"> • The balance of employee future benefits is comprised of the following: <ul style="list-style-type: none"> ○ Post-employment and post-retirement benefits of \$89.8 million (2016 - \$86 million) - includes health, dental, life insurance and long-term disability, which are provided to retirees until they reach 65 years; ○ WSIB accrual of \$46.7 million (2016 - \$43.3 million) – as a Schedule 2 Employer, the Corporation must finance its own costs related to WSIB; ○ Vacation liability of \$16.2 million (2016 - \$16.3 million) – relates to vacation credits earned but not taken by employees as at December 31; and ○ Unused sick leave liability of \$2.2 million (2016 - \$3.2 million) – represents the liability for accumulated vested sick days that can be taken in cash by an employee on termination. • The calculation of employee benefits payable requires Management to make certain estimates, including estimates of discount rate, salary escalation, retirement age, expected health care and dental costs, and estimated claim costs. • The liability for the post-employment and post-retirement benefits is determined through an actuarial valuation which was prepared by Mercer as of December 31, 2015 and extrapolated for fiscal 2017. • The liability for workplace safety and insurance costs is determined by WSIB. The vacation and unused sick leave liabilities are accrued in the financial statements when they are earned by employees.

Other areas of focus	Our response and significant findings
Payroll and employee future benefits (continued)	<p><i>Audit Approach</i></p> <ul style="list-style-type: none"> • KPMG obtained corroborative evidence to support the reasonableness of assumptions provided by management to the actuaries that are used in developing the valuation and calculating the liability. • In a prior year, KPMG performed testing over the employee attributes provided to Mercer to perform the valuation. • KPMG agreed the WSIB accrual to the statement received from the WSIB. • KPMG took a combined approach to testing payroll expense, which included both substantive and control testing. <p><i>Findings</i></p> <ul style="list-style-type: none"> • Based on work performed over assumptions used in the actuarial valuation, KPMG concurs with Management that these amounts are fairly stated as at December 31, 2017 • A control observation has been identified as a result of our procedures. The control observation has been summarized on page 15.
Taxation, user charges, and transfer payments revenue	<p><i>Audit Approach</i></p> <ul style="list-style-type: none"> • KPMG performed substantive procedures over these revenue streams by inspecting the supporting billings and tracing to cash receipt in the bank. • KPMG ensured revenue was recorded in the correct fiscal period by reviewing a sample of revenue transactions prior and subsequent to year-end and ensuring appropriate cut-off was achieved. • KPMG assessed the reasonability of property tax revenues based on the assessed values of properties provided by the Municipal Property Assessment Corporation and Council-approved tax rates. <p><i>Findings</i></p> <p>No issues were noted in the testing performed.</p>

Critical accounting estimates

In accordance with Canadian public sector accounting standards, management is required to disclose information in the financial statements about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities within the next financial year. Generally, these are considered to be “critical accounting estimates.”

We consider the landfill closure liabilities and accrued legal liabilities to be critical accounting estimates.

Asset / liability	KPMG comment
Landfill closure and post-closure liability	<ul style="list-style-type: none"> • The Corporation is required to accrue anticipated closure and post-closure costs for existing and closed landfill sites in accordance with the Ontario Environmental Protections Act and PS 3270. • The liability is the estimated cost to date, based on a volumetric basis, of the expenditures relating to those activities required when the site stops accepting waste. • Determination of this liability is dependent upon significant Management estimates including expected and remaining capacity of the landfill, expected closing costs and estimated time needed for post-closure care. • The estimated liability for the landfill sites is calculated as the present value of anticipated future cash flows associated with closure and post-closure costs. • At December 31, 2017, the landfill accrual amounted to \$36.7.0 million (2016 - \$34.4 million), \$27.4 million of which related to the future closure of the active landfill and \$9.7 million relating to monitoring of closed landfills. • We obtained an understanding of the calculation through discussions with the Corporation’s Solid Waste Management Division Manager. We reviewed the analysis prepared by Management and obtained corroborative evidence to support Management’s assumptions. The assumptions used by Management in the calculation are considered reasonable based on the audit evidence obtained and are consistent with the assumptions and estimates made in other sections of the financial statements.
Accrued liabilities	<ul style="list-style-type: none"> • Management accrues estimates for liabilities that have been incurred at year end, but not yet paid, within accounts payable and accrued liabilities in the financial statements. • Included within this balance are estimates related to provisions for personnel and legal matters in the amount of \$4.7 million (2016 - \$20.8 million). The accrual for personnel matters amounted to \$0.7 million (2016 - \$17.1 million) and includes amounts for matters which will be taken to arbitration and other internal grievances. The accrual for legal matters amounted to \$4.0 million (2016 - \$3.7 million) and is comprised of lawsuits brought against the Corporation by external parties.

Asset / liability	KPMG comment
	<ul style="list-style-type: none"> • Management has accrued these amounts based on previous experience with matters that were similar in nature, based on information provided by the HR department and based on assessment included in both internal and external legal letters. • Also included within this balance are significant estimates related to liabilities for contaminated sites. A liability of \$1.2 million (2016 - \$1.3 million) for remediation of contaminated sites has been recognized, net of any expected recoveries. • We obtained an understanding of the calculation through discussions with Management and obtained corroborative evidence to support assumptions. • Management has accrued these amounts based on reports prepared by independent consultants to estimate the cost of remediation. • Management has represented that these balances are fairly presented for financial reporting purposes. • With respect to accrued liabilities, we have: <ul style="list-style-type: none"> ○ Discussed with Management the nature and rationale for the accrual; ○ Reviewed Management's assessment of the likelihood of incurring the liability for each claim, range of possible outcomes, and the amount in the range that has been accrued in the financial statements; ○ Compared the current period accruals to the amounts accrued at the prior year end for significant fluctuations; ○ Reviewed the Corporation's in-house legal letter for any potentially unrecorded accruals at year end; ○ Reviewed legal letters obtained from external legal counsel to ensure all claims have been accrued at year end and that likelihood of outcome for each claim as reported by external counsel is consistent with Management's assessment; ○ Reviewed results of the environmental assessment prepared by independent third party consultants; and ○ Where possible, reviewed subsequent payments to determine whether the liability at year end is reasonably stated.

We believe management's process for identifying critical accounting estimates is considered adequate.

Data & Analytics in the audit

As previously communicated in our Audit Planning Report, we have utilized Data & Analytics (D&A) in order to enhance the quality and effectiveness of the audit. We have summarized areas of the audit where D&A tools and routines were used.

Area(s) of focus	D&A tools and routines	Our results
Journal entry testing	Utilized computer-assisted audit techniques (CAATs) to analyze journal entries and apply certain criteria to identify potential high-risk journal entries for further testing as a response to the fraud risk from Management override of controls.	No issues noted during the test.
Tangible capital assets - WIP	Utilized CAATs to compare the WIP detail in fiscal 2017 to the WIP detail in fiscal 2016, testing any projects that did not incur costs in fiscal 2017 and still remain in WIP. This routine obtained audit evidence over the completeness of tangible capital assets and amortization expense.	Refer to page 16 for discussion of audit findings.
Tangible capital assets – Disposals	Utilized CAATs to compare the disposal listing to the asset detail, testing assets that were recorded in both listings. This routine obtained audit evidence over existence of tangible capital assets.	No issues noted during the test.
Holdback accrual	Utilized CAATs to compare the tangible capital asset WIP listing to the holdbacks accrual listing, testing any significant WIP project that did not have a corresponding holdback accrual. This routine obtained audit evidence over the completeness of holdback accruals.	No issues noted during the test.

Financial statement presentation and disclosure

The presentation and disclosure of the financial statements are, in all material respects, in accordance with the Corporation's relevant financial reporting framework. Misstatements, including omissions, if any, related to disclosure or presentation items are in the management representation letter included in the Appendices.

We also highlight the following:

Form, arrangement, and content of the financial statements	Adequate
Application of accounting pronouncements issued but not yet effective	<ul style="list-style-type: none"> • PS 3210 Assets – applicable for the year ending December 31, 2018 • PS 3320 Contingent Assets – applicable for the year ending December 31, 2018 • PS 3380 Contractual Rights – applicable for the year ending December 31, 2018 • PS 2200 Related Party Disclosures – applicable for the year ending December 31, 2018 <ul style="list-style-type: none"> ◦ As noted in our Audit Planning Report, Management will be implementing a process to ensure that all related party relationships have been identified, including those with key management, members of Council or Boards of the City and its Boards and Commissions. • PS 3420 Inter-Entity Transactions – applicable for the year ending December 31, 2018 • PS 3430 Restructuring Transactions – applicable for the year ending December 31, 2019 • PS 1201 Financial Statement Presentation – applicable for the year ending December 31, 2020 • PS 3041 Portfolio Investments – applicable for the year ending December 31, 2020 • PS 3450 Financial Instruments – applicable for the year ending December 31, 2022 • PS 2601 Foreign Currency Translation – applicable for the year ending December 31, 2022 <p>No concerns at this time regarding future implementation.</p>

Other matters

Professional standards require us to communicate to the Audit Committee Other Matters, such as material inconsistencies or material misstatements, identified fraud or non-compliance with laws and regulations, consultations with other accountants, significant matters relating to the Corporation's related parties, significant difficulties encountered during the audit, and disagreements with management.

We have highlighted below other significant matters that we would like to bring to your attention:

Matter	KPMG comment
Debt Issuances	Debentures totaling \$41 million were issued in March 2017. KPMG reviewed the accounting for this transaction in detail during the audit and found no issues.

Adjustments and differences

Adjustments and differences identified during the audit have been categorized as “Corrected adjustments” or “Uncorrected differences”. These include disclosure adjustments and differences.

Professional standards require that we request of management and the Audit Committee that all identified differences be corrected. We have already made this request of management.

Corrected adjustments

The management representation letter includes one adjustment identified as a result of the audit, communicated to management and subsequently corrected in the financial statements.

Uncorrected differences

We did not identify differences in excess of \$765,000 that remain uncorrected.

Control observations

In accordance with professional standards, we are required to communicate to the Audit Committee any control deficiencies that we identified during the audit and have determined to be significant deficiencies in ICFR.

Significant deficiencies

Description	Potential effect
No significant control deficiencies were noted. Please see other control observations on pages 15-16.	

Control observations (continued)

Other control deficiencies may be identified during the audit that do not rise to the level of significant deficiency.

Below is a summary of these other control observations that we identified during the audit:

Description	Potential effect
<p>Non-capitalization of HST under \$1,000 relating to operating additions paid through a purchase order</p>	<p>During our testing over tangible capital asset additions, we noted one instance where the HST portion of an operating addition was recorded separately from the pre-tax amount. In this instance, as the HST portion was under the capitalization threshold applied by the Corporation, the amount was expensed. KPMG notes that both the pre-tax amount and applicable HST should both be capitalized if the underlying asset is capital in nature.</p> <p>While this represents a control deficiency, it should be noted that it has not been identified as a significant deficiency due to the fact that the impact is limited in nature. KPMG performed procedures to quantify the impact of similar HST adjustments and notes that the aggregate difference did not result in a misstatement that exceeded our misstatement posting threshold. KPMG recommends that management implement review procedures to ensure that tangible capital asset additions are being recorded at an aggregate amount which includes HST.</p>
<p>Payroll – Agency 3</p>	<p>During our control testing over the payroll process, we noted one instance where there was a significant time lag between when the employee was terminated and when the payroll department received the termination form. This instance related to Agency 3 – Casual workers and as such we do not consider this to be a pervasive deficiency. As a result of this time lag, the employee was paid nominal amounts for statutory holidays that they were not entitled to.</p> <p>While this represents a control deficiency, it should be noted that it has not been identified as a significant control deficiency due to the fact that the total payroll for Agency 3 is not considered significant to the financial statements. KPMG recommends that Management implement a process whereby all terminations are forwarded to the payroll department in a timely manner and Managers review any pay subsequent to termination to ensure that it is warranted.</p> <p>Management is undertaking steps to implement processes in an effort to remediate the deficiency.</p>
<p>Confirmation of unrestricted deposit balances at year-end</p>	<p>While performing confirmation of reserve funds held by a third party, KPMG noted that an adjustment had not been recorded to bring the statement of financial position to the correct values as at December 31, 2017. KPMG notes that the quantified difference is less than our audit misstatement posting threshold. As such, an adjustment has not been proposed.</p> <p>KPMG recommends that management perform confirmation of all third party funds held as at December 31 to gain assurance that assets held by the Corporation are appropriately reported at year-end.</p>

Description	Potential effect
Monitoring of WIP balances	<p>KPMG used data and analytics to perform procedures over WIP balances that did not incur costs in fiscal 2017 and remained in WIP as at December 31, 2017. We noted two instances where conditions indicated that costs included in WIP are not expected to contribute to the Corporation's ability to provide future goods and services thereby not meeting the definition of TCA. KPMG quantified the impact and notes that the difference is below our audit misstatement posting threshold. As such, an audit adjustment has not been proposed.</p> <p>We recommend that management implement additional procedures such that WIP balances are reviewed by project managers to gain assurance that the future economic benefit is in excess of the net book value of the asset.</p>

Appendices

Appendix 1: Financial Indicators

Appendix 2: Required communications

Appendix 3: Independence

Appendix 4: Management representation letter

Appendix 5: Background and professional standards

Appendix 6: Lean in Audit

Appendix 1: Financial Indicators



Indicators of Financial Performance



Financial Indicators

A. Reporting on financial condition

In Canada, the development and maintenance of principles for financial reporting fall under the responsibility of the Accounting Standards Oversight Council ('AcSOC'), a volunteer body established by the Canadian Institute of Chartered Accountants in 2000. In this role, AcSOC provides input to and monitors and evaluates the performance of the two boards that are tasked with establishing accounting standards for the private and public sector:

- The Public Sector Accounting Board ('PSAB') establishes accounting standards for the public sector, which includes municipal governments; and
- The Accounting Standards Board ('AcSB'), which is responsible for the establishment of accounting standards for Canadian entities outside of the public sector.

In May 2009, PSAB released a Statement of Recommended Practice that provided guidance on how public sector bodies should report on indicators of financial condition. As defined in the statement, financial condition is *'a government's financial health as assessed by its ability to meet its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others'*. In reporting on financial condition, PSAB also recommended that three factors, at a minimum, need to be considered:

- **Sustainability.** Sustainability is the degree to which the City can deliver services and meet its financial commitments without increasing its debt or tax burden relative to the economy in which it operates. To the extent that the level of debt or tax burden grows at a rate that exceeds the growth in the City's assessment base, there is an increased risk that the City's current spending levels (and by association, its services, service levels and ability to meet creditor obligations) cannot be maintained.
- **Flexibility.** Flexibility reflects the City's ability to increase its available sources of funding (debt, taxes or user fees) to meet increasing costs. Municipalities with relatively high flexibility have the potential to absorb cost increases without adversely impacting affordability for local residents and other ratepayers. On the other hand, municipalities with low levels of flexibility have limited options with respect to generating new revenues, requiring an increased focus on expenditure reduction strategies.
- **Vulnerability.** Vulnerability represents the extent to which the City is dependent on sources of revenues, predominantly grants from senior levels of government, over which it has no discretion or control. The determination of vulnerability considers (i) unconditional operating grants such as OMPF; (ii) conditional operating grants such as Provincial Gas Tax for transit operations; and (iii) capital grant programs. Municipalities with relatively high indicators of vulnerability are at risk of expenditure reductions or taxation and user fee increases in the event that senior levels of funding are reduced. This is particularly relevant for municipalities that are vulnerable with respect to operating grants from senior levels of government, as the Municipal Act does not allow municipalities to issue long-term debt for operating purposes (Section 408(2.1)).

Financial Indicators

B. Selected financial indicators

As a means of reporting the City's financial condition, we have considered the following financial indicators (*denotes PSAB recommended financial indicator).

Financial Condition Category	Financial Indicators
Sustainability	<ol style="list-style-type: none"> 1. Financial assets to financial liabilities* 2. Total reserves and reserve funds per household 3. Total operating expenses as a percentage of taxable assessment* 4. Capital additions as a percentage of amortization expense
Flexibility	<ol style="list-style-type: none"> 5. Residential taxes per household 6. Total long-term debt per household 7. Residential taxation as a percentage of average household income 8. Total taxation as a percentage of total assessment* 9. Debt servicing costs (interest and principal) as a percentage of total revenues* 10. Net book value of tangible capital assets as a percentage of historical cost of tangible capital assets*
Vulnerability	<ol style="list-style-type: none"> 11. Operating grants as a percentage of total revenues* 12. Capital grants as a percentage of total capital expenditures*

A detailed description of these financial indicators, as well as comparisons to selected municipalities, is included on the following pages.

Our analysis is based on Financial Information Return data. Given the timing of financial reporting for municipalities, the analysis is based on 2016 FIR data as 2017 FIRs are not available at the time of this report.

Financial Indicators

C. Selecting Comparator Municipalities

There are a number of factors that will influence the financial performance and position of municipalities, including but not limited to geographic size, number of households, delegation of responsibilities between upper and lower tier levels of government and services and service levels. Accordingly, there is no 'perfect' comparative municipality for the City. However, in order to provide some perspective as to the City's financial indicators, we have selected comparator municipalities that have comparable:

- Governance structures (i.e. single-tier municipality);
- Household levels; and
- Geographic size.

Based on these considerations, the selected comparator municipalities are as follows:

Municipality	Population	Households	Area (square km)
London	383,822	175,342	420.35
Ottawa	968,580	409,643	2790.3
Hamilton	558,397	222,918	1117.29
Windsor	217,188	99,233	146.38
Kingston	123,798	53,518	451.19
Guelph	131,794	54,881	87.22

Financial Indicators

FINANCIAL ASSETS TO FINANCIAL LIABILITIES

This financial indicator provides an assessment of the City's solvency by comparing financial assets (including cash, investments and accounts receivable) to financial liabilities (accounts payable, deferred revenue and long-term debt). Low levels of financial assets to financial liabilities are indicative of limited financial resources available to meet cost increases or revenue losses.

TYPE OF INDICATOR

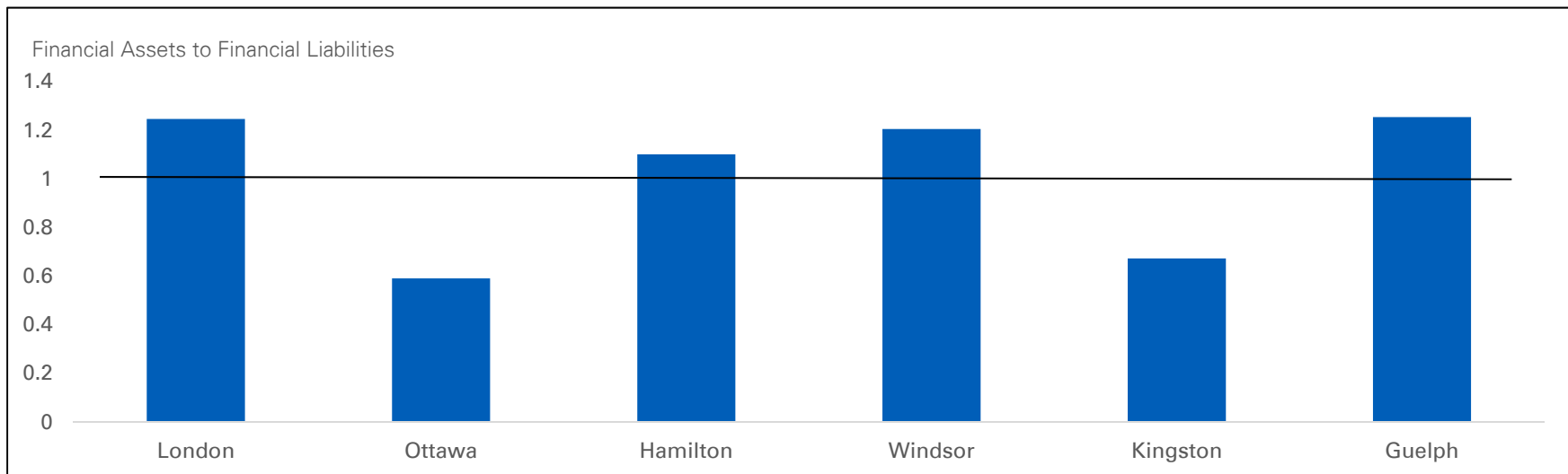
Sustainability ✓
 Flexibility
 Vulnerability

FORMULA

FIR Schedule 70, Line 9930,
 Column 1 divided by FIR
 Schedule 70, Line 9940,
 Column 1

POTENTIAL LIMITATIONS

- Financial assets may include investments in government business enterprises, which may not necessarily be converted to cash or yield cash dividends
- Financial liabilities may include liabilities for employee future benefits and future landfill closure and post-closure costs, which may (i) not be realized for a number of years; and/or (ii) may not be realized at once but rather over a number of years



Financial Indicators

TOTAL RESERVES AND RESERVE FUNDS PER HOUSEHOLD

This financial indicator provides an assessment of the City's ability to absorb incremental expenses or revenue losses through the use of reserves and reserve funds as opposed to taxes, user fees or debt. Low reserve levels are indicative of limited capacity to deal with cost increases or revenue losses, requiring the City to revert to taxation or user fee increases or the issuance of debt.

TYPE OF INDICATOR

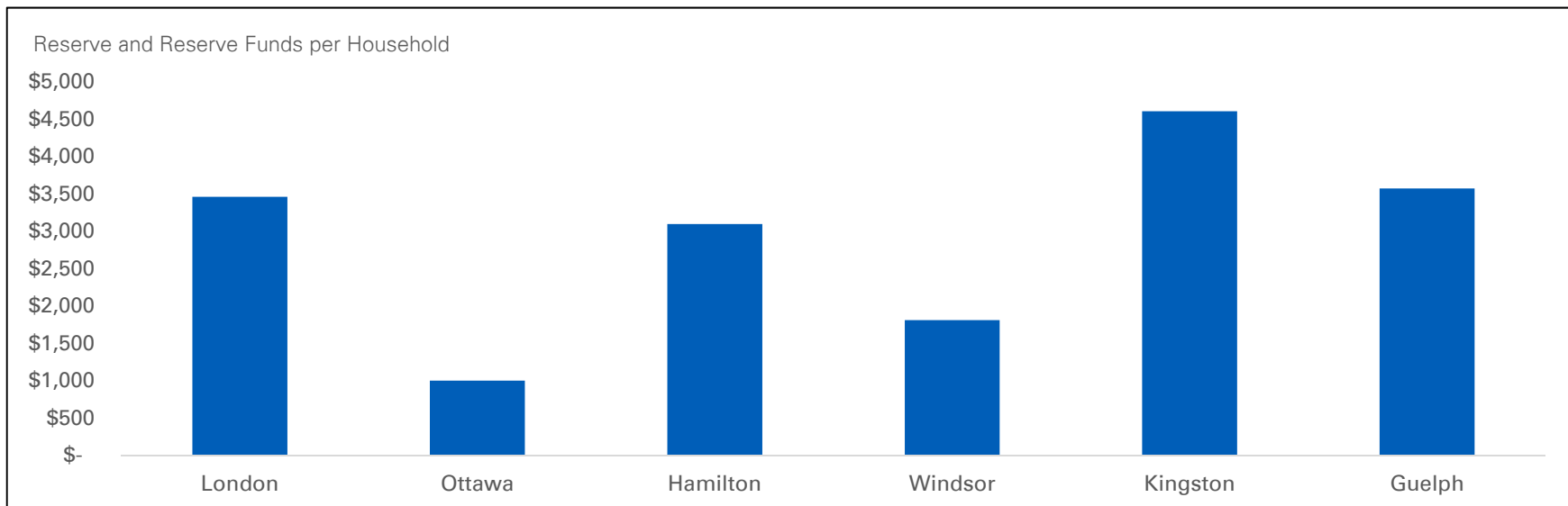
Sustainability ✓
Flexibility
Vulnerability

FORMULA

FIR Schedule 70, Line 6420,
Column 1 divided by FIR
Schedule 2, Line 40, Column 1

POTENTIAL LIMITATIONS

- Reserves and reserve funds are often committed to specific projects or purposes and as such, may not necessarily be available to fund incremental costs or revenue losses
- As reserves are not funded, the City may not actually have access to financial assets to finance additional expenses or revenue losses



Financial Indicators

TOTAL OPERATING EXPENSES AS A PERCENTAGE OF TAXABLE ASSESSMENT

This financial indicator provides an assessment of the City's solvency by determining the extent to which increases in operating expenses correspond with increases in taxable assessment. If increases correspond, the City can fund any increases in operating costs without raising taxation rates.

TYPE OF INDICATOR

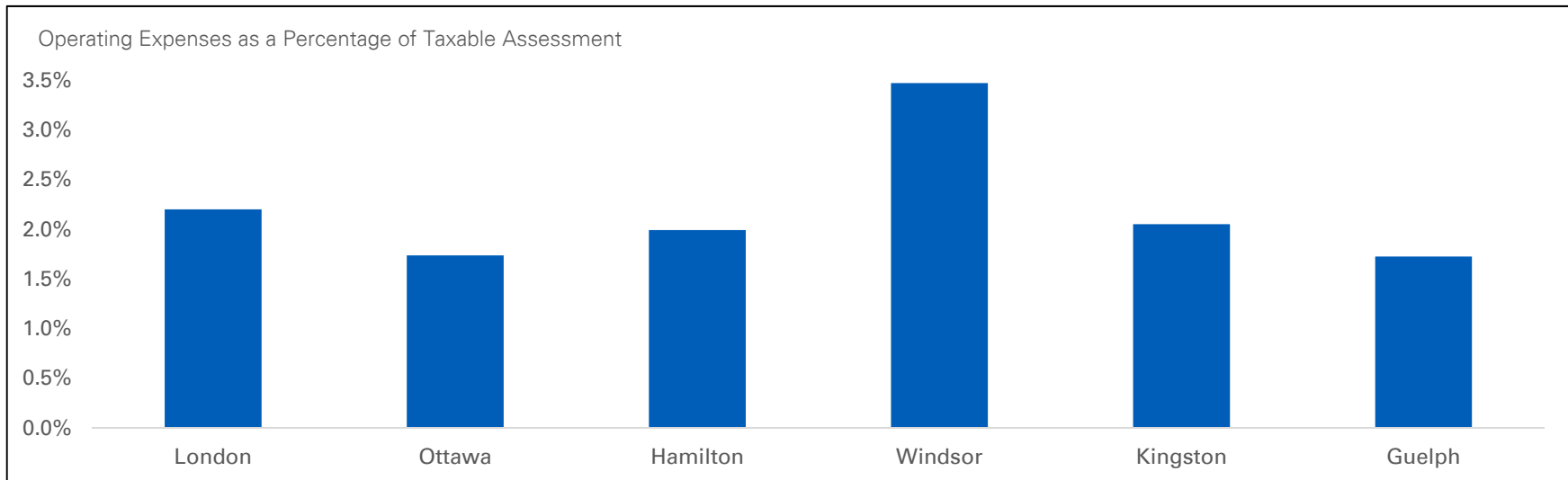
Sustainability ✓
Flexibility
Vulnerability

FORMULA

FIR Schedule 40, Line 9910, Column 7 less FIR Schedule 40, Line 9910, Column 16 divided by FIR Schedule 26, Column 17, Line 9199

POTENTIAL LIMITATIONS

- As operating expenses are funded by a variety of sources, the City's sustainability may be impacted by reductions in other funding sources that would not be identified by this indicator.



Financial Indicators

CAPITAL ADDITIONS AS A PERCENTAGE OF AMORTIZATION EXPENSE

This financial indicator provides an assessment of the City's solvency by assessing the extent to which it is sustaining its tangible capital assets. In the absence of meaningful reinvestment in tangible capital assets, the City's ability to continue to deliver services at the current levels may be compromised.

TYPE OF INDICATOR

Sustainability ✓
Flexibility
Vulnerability

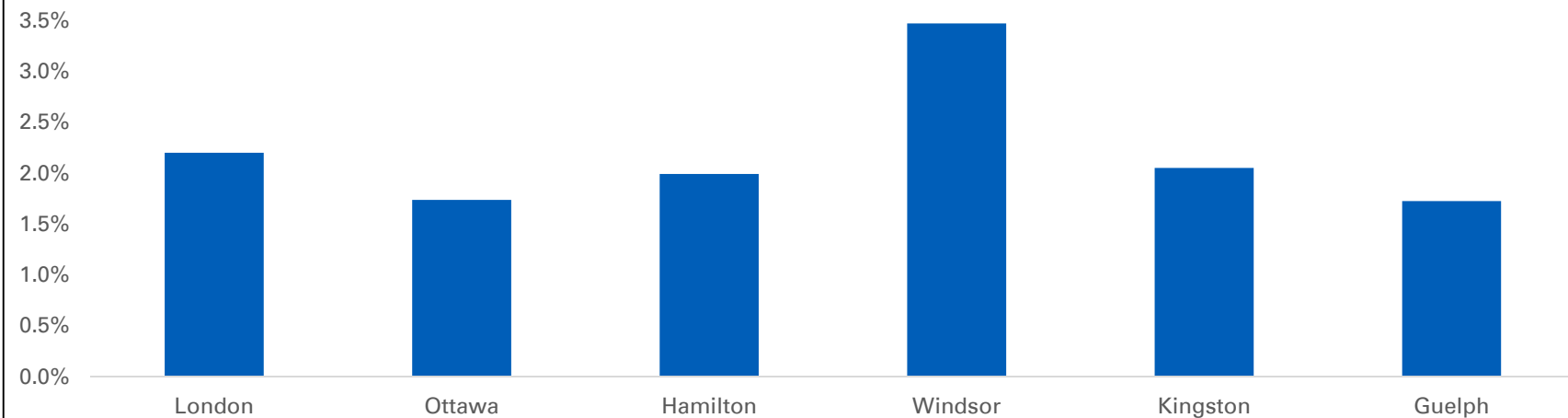
FORMULA

FIR Schedule 51, Line 9910,
Column 3 divided by FIR
Schedule 40, Line 9910,
Column 16

POTENTIAL LIMITATIONS

- This indicator considers amortization expense, which is based on historical as opposed to replacement cost. As a result, the City's capital reinvestment requirement will be higher than its reported amortization expense due to the effects of inflation.
- This indicator is calculated on a corporate-level basis and as such, will not identify potential concerns at the departmental level.

Capital Additions as a Percentage of Amortization Expense



Financial Indicators

RESIDENTIAL TAXES PER HOUSEHOLD

This financial indicator provides an assessment of the City's ability to increase taxes as a means of funding incremental operating and capital expenditures.

TYPE OF INDICATOR

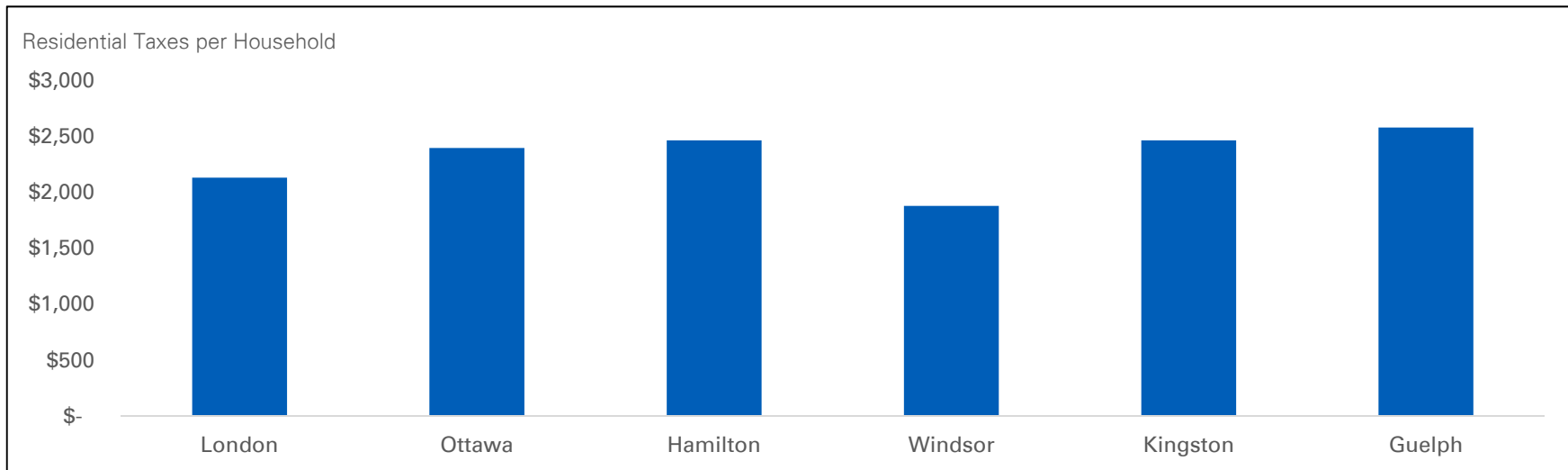
Sustainability
Flexibility ✓
Vulnerability

FORMULA

FIR Schedule 26, Line 0010 and Line 1010, Column 4 divided by FIR Schedule 2, Line 0040, Column 1

POTENTIAL LIMITATIONS

- This indicator does not incorporate income levels for residents and as such, does not fully address affordability concerns.
- This indicator is calculated based on lower-tier taxation only and does not consider upper tier or education taxes.
- This indicator does not consider the level of service provided by each municipality



Financial Indicators

TOTAL LONG-TERM DEBT PER HOUSEHOLD

This financial indicator provides an assessment of the City's ability to issue more debt by considering the existing debt load on a per household basis. High debt levels per household may preclude the issuance of additional debt.

TYPE OF INDICATOR

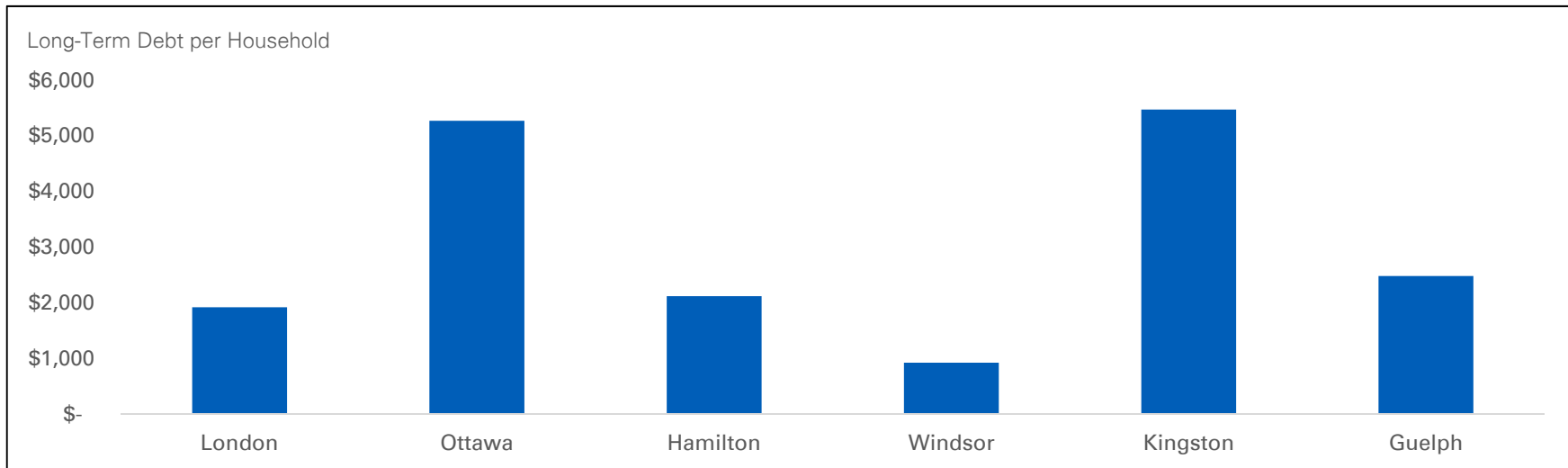
Sustainability
Flexibility ✓
Vulnerability

FORMULA

FIR Schedule 70, Line 2699,
Column 1 divided by FIR
Schedule 1, Line 0040, Column
1

POTENTIAL LIMITATIONS

- This indicator does not consider the Provincial limitations on debt servicing cost, which cannot exceed 25% of own-source revenues unless approved by the Ontario Municipal Board



Financial Indicators

RESIDENTIAL TAXATION AS A PERCENTAGE OF HOUSEHOLD INCOME

This financial indicator provides an indication of potential affordability concerns by calculating the percentage of total household income used to pay municipal property taxes.

TYPE OF INDICATOR

Sustainability
Flexibility ✓
Vulnerability

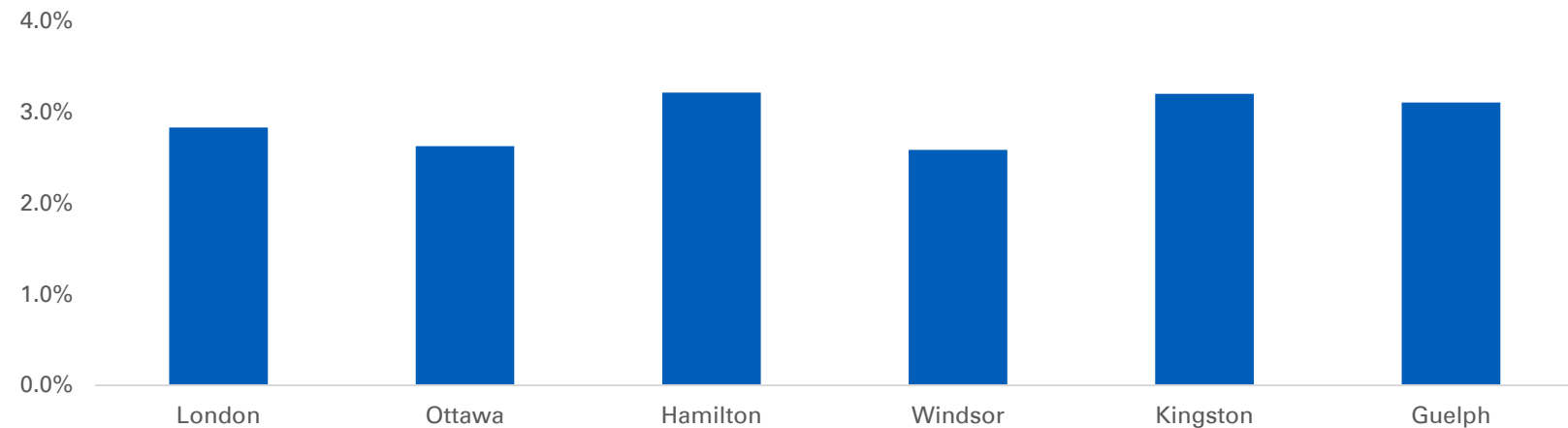
FORMULA

FIR Schedule 26, Line 0010 and Line 1010, Column 4 divided by FIR Schedule 2, Line 0040, Column 1 (to arrive at average residential tax per household). Average household income is derived from the National Housing Survey.

POTENTIAL LIMITATIONS

- This indicator considers residential affordability only and does not address commercial or industrial affordability concerns.
- This indicator is calculated on an average household basis and does not provide an indication of affordability concerns for low income or fixed income households.

Residential Taxation as a Percentage of Household Income



Financial Indicators

TOTAL TAXATION AS A PERCENTAGE OF TOTAL ASSESSMENT

This financial indicator provides an indication of potential affordability concerns by calculating the City's overall rate of taxation. Relatively high tax rate percentages may limit the City's ability to generate incremental revenues in the future.

TYPE OF INDICATOR

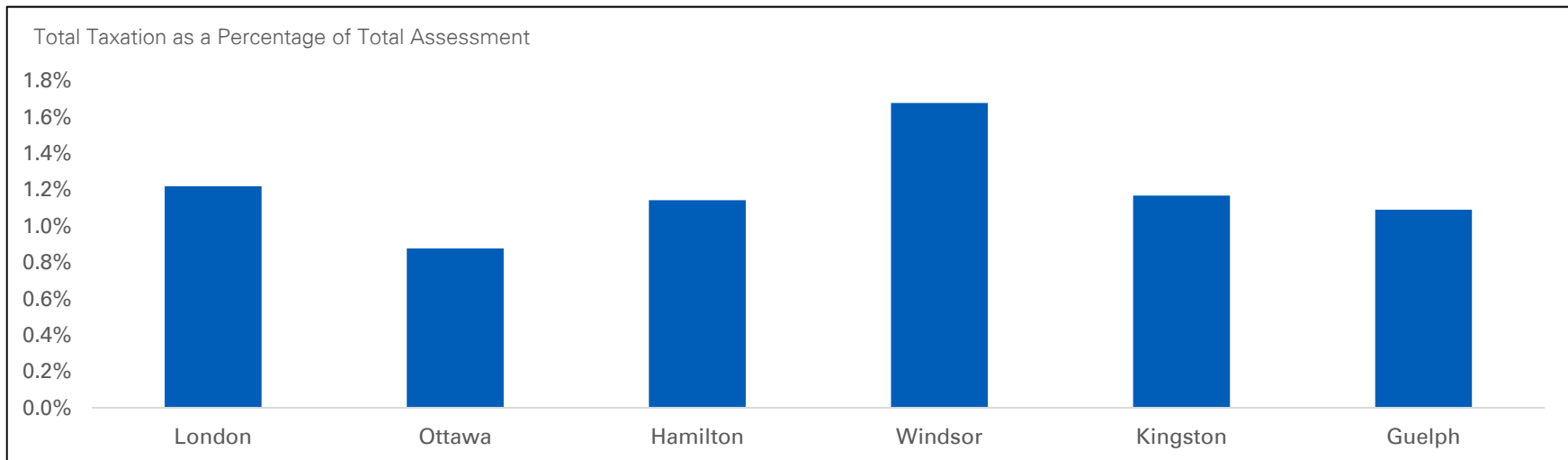
Sustainability
Flexibility ✓
Vulnerability

FORMULA

FIR Schedule 26, Line 9199 and Line 9299, Column 4 divided by FIR Schedule 26, Line 9199 and 9299, Column 17.

POTENTIAL LIMITATIONS

- This indicator considers the City's overall tax rate and will not address affordability issues that may apply to individual property classes (e.g. commercial).



Financial Indicators

DEBT SERVICING COSTS (INTEREST AND PRINCIPAL) AS A PERCENTAGE OF TOTAL REVENUES

This financial indicator provides an indication as to the City's overall indebtedness by calculating the percentage of revenues used to fund long-term debt servicing costs. The City's ability to issue additional debt may be limited if debt servicing costs on existing debt are excessively high.

TYPE OF INDICATOR

Sustainability
Flexibility ✓
Vulnerability

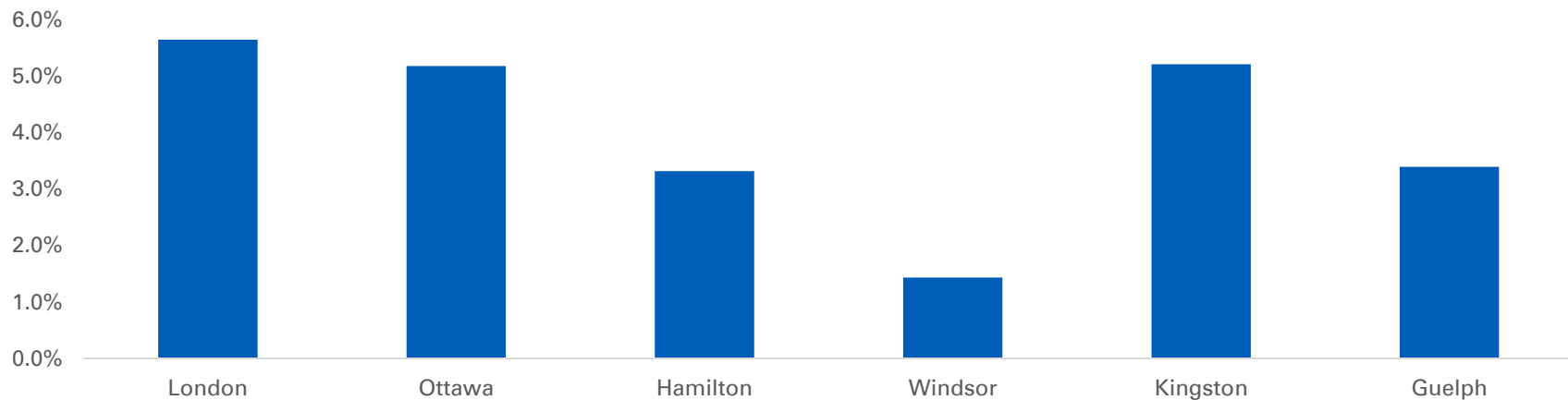
FORMULA

FIR Schedule 74C, Line 3099, Column 1 and Column 2 divided by FIR Schedule 10, Line 9910, Column 1.

POTENTIAL LIMITATIONS

- No significant limitations have been identified in connection with this indicator

Debt Servicing Costs as a Percentage of Total Revenues



Financial Indicators

NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS AS A PERCENTAGE OF HISTORICAL COST OF TANGIBLE CAPITAL ASSETS

This financial indicator provides an indication as to the extent to which the City is reinvesting in its capital assets as they reach the end of their useful lives. An indicator of 50% indicates that the City is, on average, investing in capital assets as they reach the end of useful life, with indicators of less than 50% indicating that the City's reinvestment is not keeping pace with the aging of its assets.

TYPE OF INDICATOR

Sustainability
Flexibility ✓
Vulnerability

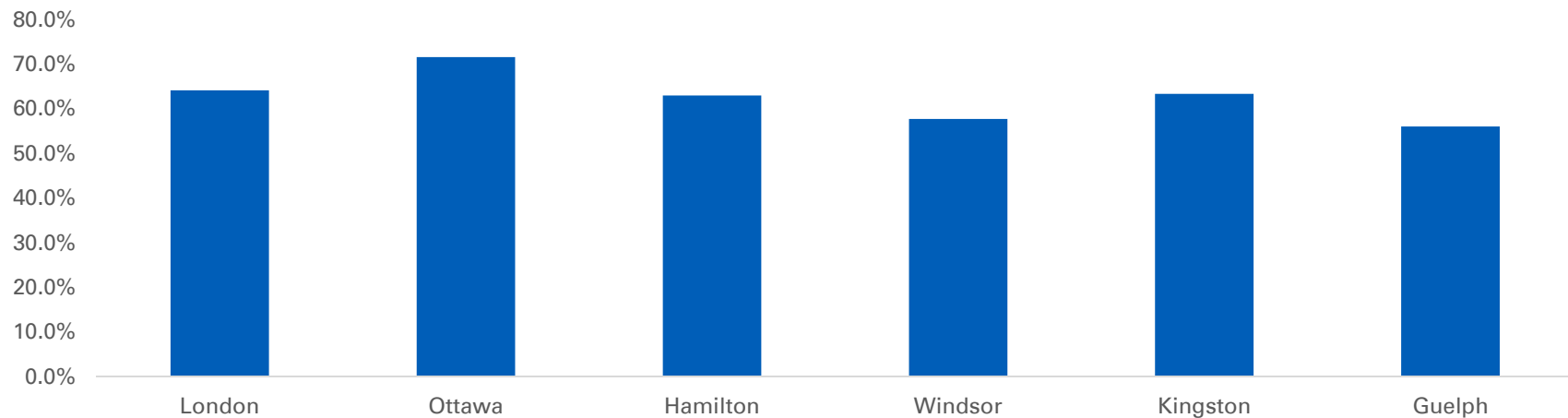
FORMULA

FIR Schedule 51A, Line 9910, Column 11 divided by FIR Schedule 51A, Line 9910, Column 6.

POTENTIAL LIMITATIONS

- This indicator is based on the historical cost of the City's tangible capital assets, as opposed to replacement cost. As a result, the City's pace of reinvestment is likely lower than calculated by this indicator as replacement cost will exceed historical cost.
- This indicator is calculated on a corporate-level basis and as such, will not identify potential concerns at the departmental level.

Net Book Value of Tangible Capital Assets to Historical Cost of Tangible Capital Assets



Financial Indicators

OPERATING GRANTS AS A PERCENTAGE OF TOTAL REVENUES

This financial indicator provides an indication as to the City's degree of reliance on senior government grants for the purposes of funding operating expenses. The level of operating grants as a percentage of total revenues is directly proportionate with the severity of the impact of a decrease in operating grants.

TYPE OF INDICATOR

Sustainability
Flexibility
Vulnerability ✓

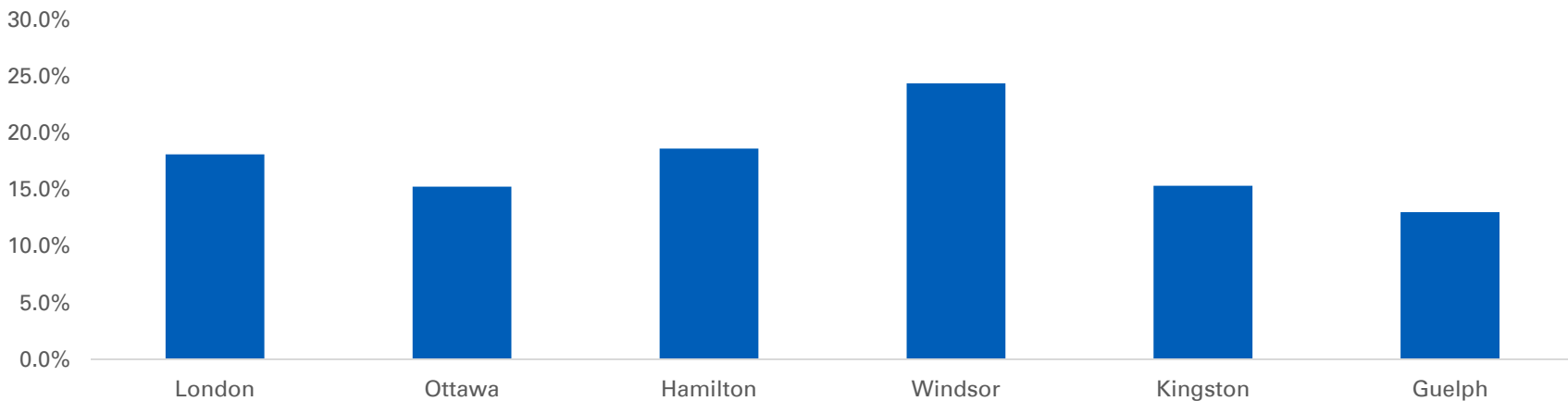
FORMULA

FIR Schedule 10, Line 0699,
Line 0810, Line 0820, Line
0830, Column 1 divided by FIR
Schedule 10, Line 9910,
Column 1.

POTENTIAL LIMITATIONS

- To the extent possible, the City should maximize its operating grant revenue. As such, there is arguably no maximum level associated with this financial indicator.

Operating Grants as a Percentage of Total Revenues



Financial Indicators

CAPITAL GRANTS AS A PERCENTAGE OF TOTAL CAPITAL EXPENDITURES

This financial indicator provides an indication as to the City's degree of reliance on senior government grants for the purposes of funding capital expenditures. The level of capital grants as a percentage of total capital expenditures is directly proportionate with the severity of the impact of a decrease in capital grants.

TYPE OF INDICATOR

Sustainability
Flexibility
Vulnerability ✓

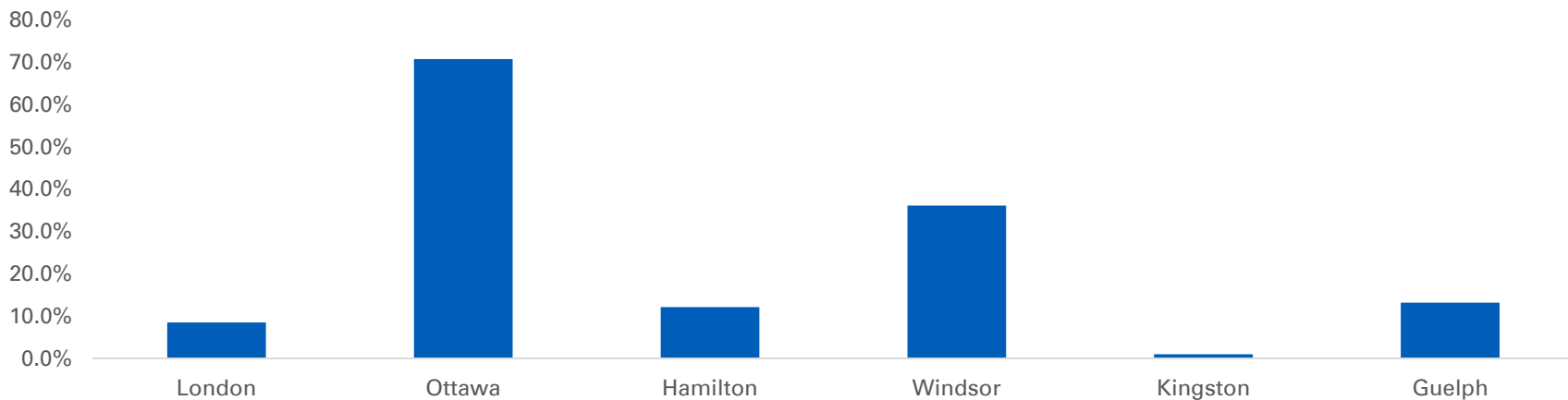
FORMULA

FIR Schedule 10, Line 0815,
Line 0825, Line 0831, Column 1
divided by FIR Schedule 51,
Line 9910, Column 3.

POTENTIAL LIMITATIONS

- To the extent possible, the City should maximize its capital grant revenue. As such, there is arguably no maximum level associated with this financial indicator.

Capital Grants as a Percentage of Total Capital Expenditures





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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

Appendix 2: Required communications

In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:

- **Auditors' report** – the conclusion of our audit is set out in our draft auditors' report attached to the draft financial statements
- **Management representation letter** – We will obtain the signed management representation letter from Management at the completion of the annual audit. In accordance with professional standards, copies of the management representation letter will be provided to the Audit Committee.
See Appendix 4.
- **Independence letter** – While professional standards no longer require that we communicate our independence on an annual basis to private entities, we chose to continue to do so for the comfort of the Audit Committee in knowing that we are independent of the Corporation and its related entities. We have attached our independence letter.

See Appendix 3.

Appendix 3: Independence

Audit Committee

The Corporation of the City of London
300 Dufferin Avenue
London, Ontario N6A 4L9

Date

Ladies and Gentlemen

Professional standards specify that we communicate to you in writing all relationships between the Entity (and its related entities) and our firm, that may reasonably be thought to bear on our independence.

In determining which relationships to report, we consider relevant rules and related interpretations prescribed by the relevant professional bodies and any applicable legislation or regulation, covering such matters as:

- a) provision of services in addition to the audit engagement
- b) other relationships such as:
 - holding a financial interest, either directly or indirectly, in a client
 - holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client
 - personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client
 - economic dependence on a client

PROVISION OF SERVICES

The following summarizes the professional services rendered by us to the Entity (and its related entities) from January 1, 2017 up to the date of our auditors' report:

Description of Professional Services
<p>Audit and audit related</p> <ul style="list-style-type: none"> • Audit of the consolidated financial statements of the Corporation for the year ended December 31, 2017 • Audit of all individual Boards and Commissions, Trust Funds, and PUC financial statements for the year ended December 31, 2017, as outlined in our engagement letter • Audit of the Dearness Program Report and Dearness Long-Term Care Report • Audit of Water Financial Statements and specified auditing procedures over Water projects, as required by Ministry agreements • Review of Childcare Program Envelopes • Review of Ontario Works • Federal audit of Homelessness Partnering Strategy <p>Specified auditing procedures over the City of London Closed Circuit Television System for the year ended 2017</p>
<p>Tax</p> <ul style="list-style-type: none"> • Preparation of corporate tax return for London Middlesex Housing Corporation • Preparation of corporate tax return for Eldon House • Preparation of corporate tax return for Housing Development Corporation, London • Preparation of corporate tax return for Argyle Business Improvement Area Board of Management

Professional standards require that we communicate the related safeguards that have been applied to eliminate identified threats to independence or to reduce them to an acceptable level. Although we have policies and procedures to ensure that we did not provide any prohibited services and to ensure that we have not audited our own work, we have applied the following safeguards regarding the threats to independence listed above:

- We instituted policies and procedures to prohibit us from making management decisions or assuming responsibility for such decisions.
- We obtained pre-approval of non-audit services and during this pre-approval process we discussed the nature of the engagement and other independence issues related to the services.

- We obtained management’s acknowledgement of responsibility for the results of the work performed by us regarding non-audit services and we have not made any management decisions or assumed responsibility for such decisions.

OTHER RELATIONSHIPS

We are not aware of any other relationships between our firm and the Entity (and its related entities) that may reasonably be thought to bear on our independence from January 1, 2017 up to the date of our auditors’ report.

CONFIRMATION OF INDEPENDENCE

We confirm that we are independent with respect to the Entity (and its related entities) within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation from January 1, 2017 up to the date of our auditors’ report.

OTHER MATTERS

This letter is confidential and intended solely for use by those charged with governance in carrying out and discharging their responsibilities and should not be used for any other purposes.

KPMG shall have no responsibility for loss or damages or claims, if any, to or by any third party as this letter has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Yours very truly,

Chartered Professional Accountants, Licensed Public Accountants

Appendix 4: Management Representation Letter

(Letterhead)

KPMG LLP
1400-140 Fullarton Street
London, Ontario
N6A 5P2

Date

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as “financial statements”) of The Corporation of the City of London (“the Entity”) as at and for the period ended December 31, 2017.

General:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in [Attachment I](#) to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Responsibilities:

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated September 15, 2016, including for:
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
 - b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements, such as all financial records and documentation and other matters, including (i) the names of all related parties and information regarding all relationships and transactions with related parties; and (ii) the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements, and providing you with access to such relevant information. All significant board and committee actions are included in the summaries.
 - c) providing you with additional information that you may request from us for the purpose of the engagement.

- d) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.
- e) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- f) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.
- g) providing you with written representations that you are required to obtain under your professional standards and written representations that you determined are necessary.
- h) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that management, and others within the entity, did not intervene in the work the internal auditors performed for you.

Internal control over financial reporting:

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

Fraud & non-compliance with laws and regulations:

- 3) We have disclosed to you:
 - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - b) all information in relation to fraud or suspected fraud that we are aware of and that affects the financial statements and involves: management, employees who have significant roles in internal control over financial reporting, or others, where the fraud could have a material effect on the financial statements.
 - c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.
 - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.
 - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Subsequent events:

- 4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

Related parties:

- 5) We have disclosed to you the identity of the Entity's related parties.
- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

- 8) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Going concern:

- 1) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.
- 2) We confirm that we are not aware of material uncertainties related to events or conditions that may cast doubt upon the Entity's ability to continue as a going concern.

Misstatements:

- 3) We approve the corrected misstatements identified by you during the audit described in [Attachment II](#).

Non-SEC registrants or non-reporting issuers:

- 4) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002). We also confirm that the financial statements of the Entity will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Commitments & contingencies:

- 5) There are no:
 - a) other liabilities that are required to be recognized and no other contingent assets or contingent liabilities that are required to be disclosed in the financial statements in accordance with the relevant financial reporting framework, including liabilities or contingent liabilities arising from illegal acts or possible illegal acts, or possible violations of human rights legislation
 - b) other environmental matters that may have an impact on the financial statements

Accounting Policies:

- 6) The accounting policies selected and applied are appropriate in the circumstances.

- 7) There have been no changes in, or newly adopted, accounting policies that have not been disclosed to you and appropriately reflected in the financial statements.

Environmental Matters:

- 8) The Entity has appropriately recognized, measured and disclosed environmental matters in the financial statements.

Estimates / Measurement Uncertainty:

- 9) We are responsible for making any fair value measurements and disclosures included in the financial statements.
- 10) For recorded or disclosed amounts that incorporate fair value measurements:
 - a) the measurement methods are appropriate and consistently applied.
 - b) the significant assumptions used in determining fair value measurements represent our best estimates, are reasonable, are adequately supported and have been consistently applied.
 - c) the resulting valuations are reasonable.
 - d) presentation and disclosure is complete and appropriate and in accordance with the relevant financial reporting framework.

Assets & Liabilities – General:

- 11) We have no knowledge of material unrecorded assets or liabilities or contingent assets or liabilities (such as claims related to patent infringements, unfulfilled contracts, etc., whose values depend on fulfillment of conditions regarded as uncertain or receivables sold or discounted, endorsements or guarantees, additional taxes for prior years, repurchase agreements, sales subject to renegotiation or price re-determination, etc.) that have not been disclosed to you.
- 12) We have no knowledge of shortages that have been discovered and not disclosed to you (such as shortages in inventory, cash, negotiable instruments, etc.).
- 13) We have no knowledge of capital stock repurchase options or agreements or capital stock reserved for options, warrants, conversions, or other requirements that have not been disclosed to you.
- 14) We have no knowledge of arrangements with financial institutions involving restrictions on cash balances and lines of credit or similar arrangements and not disclosed to you.
- 15) We have no knowledge of agreements to repurchase assets previously sold, including sales with recourse, that have not been disclosed to you.
- 16) We have no knowledge of side agreements (contractual or otherwise) with any parties that have not been disclosed to you.

Comparative Figures/Financial statements:

- 17) We have no knowledge of any significant matters that may have arisen that would require a restatement of the comparative figures/financial statements.

Receivables:

- 18) Receivables reported in the financial statements represent valid claims against customers and other debtors for sales or other charges arising on or before the balance sheet date, and do not include amounts relating to goods shipped on consignment or approval. Receivables have been appropriately reduced to their net realizable value.

Long-Lived Assets:

- 19) The Entity has appropriately grouped long-lived assets together for purposes of assessing impairment.
- 20) We have reviewed long-lived assets, including amortizable intangible assets, to be held and used, for impairment, whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable.

Provisions:

- 21) Provision, when material, has been made for:
- a) losses to be sustained in the fulfillment of, or inability to fulfill, any sales commitments.
 - b) losses to be sustained as a result of purchase commitments for inventory or other assets at quantities in excess of normal requirements or at prices in excess of prevailing market prices.
 - c) losses to be sustained as a result of the reduction of excess, damaged, unusable or obsolete inventories to their estimated net realizable value.
 - d) losses to be sustained as a result of other-than-temporary declines in the fair value of investments.
 - e) losses to be sustained from impairment of property, plant and equipment, including amortizable intangible assets.
 - f) losses to be sustained from impairment of goodwill and/or non-amortizable assets.

Asset Retirement Obligations:

- 22) All legal obligations associated with the retirement of tangible long-lived assets have been recognized, including those under the doctrine of promissory estoppel. The obligations were recognized when incurred using management's best estimate of fair value.

Revenues:

- 23) All sales transactions entered into by the Entity are final and there are no side agreements (contractual or otherwise) with customers, or other terms in effect, which allow for the return of merchandise, except for defectiveness or other conditions covered by the usual and customary warranties.

Financial Instruments, Off-Balance-Sheet Activities, Hedging and Guarantees:

- 24) Guarantees, whether written or oral, under which the Entity is contingently liable, including guarantee contracts and indemnification agreements, have been recorded in accordance with the relevant financial reporting framework.
- 25) Off-balance sheet activities, including accounting policies related to non-consolidation of certain entities and revenue recognition, have been recorded and disclosed in the financial statements. Specifically, for those off-balance sheet activities in which the Entity is a transferor of financial assets, the off-balance sheet vehicle is either a qualifying special purpose entity as defined in the relevant financial reporting framework, or the Entity is not the primary beneficiary pursuant to the relevant financial reporting framework. For those off-balance sheet activities in which the Entity is a sponsor, administrator or lessee, the off-balance sheet vehicle is not controlled by the Entity for accounting purposes because the Entity is not the primary beneficiary pursuant to the relevant financial reporting framework.
- 26) The following information about financial instruments has been properly disclosed in the financial statements:
 - a) extent, nature, and terms of financial instruments, both recognized and unrecognized;
 - b) the amount of credit risk of financial instruments, both recognized and unrecognized, and information about the collateral supporting such financial instruments; and
 - c) significant concentrations of credit risk arising from all financial instruments, both recognized and unrecognized, and information about the collateral supporting such financial instruments.

Employee Future Benefits:

- 27) The employee future benefits costs, assets and obligation, if any, have been determined, accounted for and disclosed in accordance with the financial reporting framework.
- 28) There are no arrangements (contractual or otherwise) by which programs have been established to provide employee future benefits.
- 29) All arrangements (contractual or otherwise) by which programs have been established to provide employee benefits have been disclosed to you and included in the determination of pension costs and obligations.
- 30) The set of actuarial assumptions for each plan is individually consistent.
- 31) The discount rate used to determine the accrued benefit obligation for each plan was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments; or inherent in the amount at which the accrued benefit obligation could be settled.
- 32) The assumptions included in the actuarial valuation are those that management instructed Mercer to use in computing amounts to be used by us in determining pension costs and obligations and in making required disclosures in the above-named financial statements, in accordance with the relevant financial reporting framework.

- 33) In arriving at these assumptions, management has obtained the advice of Mercer, but has retained the final responsibility for them.
- 34) The source data and plan provisions provided to the actuary for preparation of the actuarial valuation are accurate and complete.
- 35) All changes to plan provisions or events occurring subsequent to the date of the actuarial valuation and up to the date of this letter have been considered in the determination of pension costs and obligations and as such have been communicated to you as well as to the actuary.
- 36) The extrapolations are accurate and properly reflect the effects of changes and events that occurred subsequent to the most recent valuation and that had a material effect on the extrapolation.
- 37) All material events and changes to the plan subsequent to the most recent actuarial valuation have been properly reflected in the extrapolation.

Management's Use of Specialists:

- 38) We agree with the findings of Michael Losee Division Manager, Solid Waste Management as management's expert in preparing the estimate for the landfill closure and post-closure liability. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

Yours very truly,

Mr. Ian Collins, Director of Financial Services

Ms. Anna Lisa Barbon, Managing Director, Corporate Services, City Treasurer, Chief Financial Officer

I have recognized authority to take, and assert that I have taken responsibility for the financial statements.

cc: Audit Committee

Attachment I – Definitions

Materiality

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

Fraud & error

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Related parties

In accordance with public sector accounting standards, *related party* is defined as:

- A situation when one party has the ability to exercise control or shared control over the other. Two or more parties are related when they are subject to common control or shared control. Related parties also include key management personnel and close family members.

In accordance with public sector accounting standards, a *related party transaction* is defined as:

- A transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party. These transfers are related party transactions whether or not there is an exchange of considerations or transactions have been given accounting recognition. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.

Attachment II – Summary of Audit Misstatements Schedule

**The Corporation of the City of London
December 31, 2017
Summary of Corrected Audit Misstatements**

(\$'000)		Annual surplus effect	Financial position		
Description	F/J/P	(Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Accumulated surplus (Decrease) Increase
To reclassify amounts paid for assumed assets from TCA donated asset revenue to WIP.	F	1,469	1,469	-	1,469
Total corrected misstatements		1,469	1,469	-	1,469

Appendix 5: Background and professional standards

Internal control over financial reporting

As your auditors, we are required to obtain an understanding of internal control over financial reporting (ICFR) relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

Our understanding of ICFR was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies and other control deficiencies have been identified. Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

The control deficiencies communicated to you are limited to those control deficiencies that we identified during the audit.

Documents containing or referring to the audited financial statements

We are required by our professional standards to read only documents containing or referring to audited financial statements and our related auditors' report that are available through to the date of our auditors' report. The objective of reading these documents through to the date of our auditors' report is to identify material inconsistencies, if any, between the audited financial statements and the other information. We also have certain responsibilities, if on reading the other information for the purpose of identifying material inconsistencies, we become aware of an apparent material misstatement of fact.

We are also required by our professional standards when the financial statements are translated into another language to consider whether each version, available through to the date of our auditors' report, contains the same information and carries the same meaning.

Appendix 6: Lean in Audit™

An innovative approach leading to enhanced value and quality

In March 2018, KPMG utilized our new innovative audit approach, Lean in Audit, to improve our understanding of the payroll process and help deliver real insight to the Corporation. With the assistance of organizational stakeholders and hands-on tools, such as walkthroughs and flowcharts, our team was able to enhance our understanding of the process and control environment. The workshop allowed us to provide actionable quality and productivity improvement observations which were presented in a report to management. As a follow up to the workshop, we have met with management to discuss the application of such insights to streamline processes, improve efficiencies, increase productivity and drive overall performance. We encourage management to ask us for more information on any of the matters covered in the report and beyond.



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TO:	CHAIR AND MEMBERS AUDIT COMMITTEE
	MEETING ON: JUNE 20, 2018
FROM:	G. KOTSIFAS, P. ENG. MANAGING DIRECTOR DEVELOPMENT & COMPLIANCE SERVICES AND CHIEF BUILDING OFFICIAL
SUBJECT:	ADDENDUM REPORT TO THE INTERNAL JANUARY 2018 AUDIT REPORT

RECOMMENDATION

That, on the recommendation of the Managing Director, Development and Compliance Services and Chief Building Official, the following action plans for the implementation of the recommendations of the Deloitte audit, dated January, 2018, attached in Appendix 'A', **BE RECEIVED** as addendum to the aforementioned audit report.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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- DELOITTE - Building Permit Review - Internal Audit Report – January, 2018

BACKGROUND

In November 2017, Deloitte conducted a review of the Building Division's permit issuance processes, as part of the 2017 Internal Audit Plan.

The internal audit review focused on:

- processes and internal controls
- operational effectiveness and efficiency of processes and controls related to building permit issuance.
- testing of sample documents to evaluate compliance with the Building Code Act and other applicable law.

The audit concluded with three (3) medium priority action items and one (1) low priority. In its review of the audit, the Audit Committee requested a report back as to how the actions items would be implemented.

A copy of Deloitte's audit report is provided in Appendix 'A' of this report.

ADDENDUM REPORT

With respect to the audit report, Building Division management is in agreement with the findings. Management action plans were provided under each observation in the original audit report. Additional, detailed action plans were requested and are shown under each original observation.

AUDIT REPORT EXCERPT:

Observation 1.0: Compliance to legislative time frames

- **Observation:** *Based on results of sample testing, Internal Audit identified that although there has been improvement, the Building Division does not consistently meet the time frames for building permit issuance outlined within the Ontario Building Code. Internal audit noted that 2017 was a record year for building permit application volumes within the Building Division, compounded by significant staffing challenges. Per discussion with management, as of late 2015, an equivalent portion of 40% of plan examination staff moved on, resulting in vacancies that were difficult to fill due to lack of qualified candidates. However, the results of the sample testing included that 20% of sample failed to meet legislative time frames and there is currently no data available to support the root cause analysis of the non-compliance.*
- **Risk & implication:** *Inability to meet legislative time frames may result in perception of poor customer service and increases the City's risk with respect to compliance with legislative requirements.*
- **Management action plan:** *Building Division management will work to perform the following actions to support compliance with legislative time frames. (1) Review possibility to utilize the AMANDA database's capability for enhanced tracking; (2) consider an internal 'classification' system based on permit application type/complexity to assist with data analysis; (3) consider appending electronic plans review comments within AMANDA for tracking purposes; and (4) explore the possibility of automated communication to applicants when an incomplete permit application has been accepted.*

DETAILED ACTION PLAN:

1.0 (1) Utilizing AMANDA database for enhanced tracking

Staff has further reviewed the possibility of using the AMANDA database to track plan review timeframes. Specifically, the existing "To Start", "To End", "Started" and "Ended" information tabs were explored to see if they could automatically be populated to facilitate tracking of plans under review. It was determined that changing these parameters would be a large undertaking with significant changes to the way the permit applications are processed. Alternatively, manually populating these date fields by Plan Examination staff was also explored and it was determined that this would require additional data entry with adverse impact to the overall plan review process. Seeing that additional technology improvements as identified below under Observation 2.0 are underway or will be implemented in the future, it is more beneficial to implement those instead.

1.0 (2) Internal 'classification' system based on permit application type/complexity.

Staff is exploring the possibility of utilizing a colour-coding tag system on Industrial, Commercial, and Institutional (ICI) permit application drawings that will identify each application by extent of scope. This will allow review staff to 'at a glance' determine which applications require extensive reviews based on work scope and which don't. A slip is currently attached to the permit drawings identifying whether, in addition to architectural review, structural, mechanical, and fire protection reviews are also required. This slip will be colour-coded to assist with the identification of plan review complexity.

Timing for completion: August 2018

1.0 (3) Appending electronic plans review comments within AMANDA for tracking purposes

AMANDA contains comment boxes for each plan review process. Staff will be using these comment 'boxes' to provide details as to the tracking of the permit application drawings. Each comment box is 'date stamped' providing the ability for

management to confirm date of entry and be able to plot a 'map' of the plans review process for each application and establish a timeline as to when each review process was conducted.

Timing for completion: Currently implemented

1.0(4) Automated communication to applicants when an incomplete permit application has been accepted.

Staff was originally exploring the possibility of providing automated communication to applicants when incomplete permit applications were accepted. Upon further review, it was determined that it would be more feasible to communicate to applicants not only the fact that an incomplete application was submitted but also provide a copy of the application intake checklist that will identify what information is outstanding as well as a brief explanation of the review process, expected service delivery timelines as well as a link to our Building portal where they can track the progress of the reviews.

Timing for completion: July 2018

AUDIT REPORT EXCERPT:

Observation 2.0: Technology improvements

- **Observation:** *The Building Division uses the AMANDA system as a platform, to process building permits, site plans, and zoning information. Internal Audit noted that there is currently limited tracking within the AMANDA system for internal handoffs for a building permit application. Thus resulting in an inability to track delays and/or bottlenecks throughout the issuance process.*
- **Risk & implication:** *Inefficiencies may lead to exceeding legislative time frames increasing the perception of poor customer service and the City's risk with respect to compliance with legislative requirements.*
- **Management action plan:** *Building Division management will explore the possibility of enhancing the AMANDA database for tracking purposes.*

DETAILED ACTION PLAN:

The original management action plan was further discussed at the Audit Committee meeting and additional information was requested from civic administration with respect to the term 'explore'.

The following actions have either been taken or will be taken by Building Division management to implement tracking improvements:

I. Automated email notification system enhancement.

Plan examination staff as well as management receive automated email notifications overnight for applications deemed as complete upon intake. These notifications provide a status update based on where a permit application sits in the 'queue' in terms of the number of days from its receipt. Plan reviews typically consist of Architectural, Mechanical, and Structural reviews, with the exception of small residential buildings. Management worked with Information Technology Services (ITS) staff to improve the notification system so that notices are only provided closer to the permit issuance due date. This was completed and with the modified notification emails, the tracking of the applications is improved, allowing for the determination of where any bottlenecks might exist.

Timing for completion: Completed and in production

II. AMANDA modifications to de-couple review processes.

Certain review processes have been introduced in AMANDA by default. In some cases daily notifications are sent to plan examiners despite the fact that they are not assigned a review based on the discipline of review (i.e. structural, mechanical,

fire protection). Staff is proposing to work with ITS in order to de-couple selected review processes so that notifications are only sent to staff directly involved with a particular review. The current AMANDA set up introduces default review process. This improvement will reduce permit review inefficiencies as unnecessary notices will no longer be sent.

Timing for completion: These changes will be incorporated into the Building Folder Project as there are dependencies with process enhancements targeted for this project. The timing for completion of the Building Folder Project is expected to be known in Q4 2018.

III. **Develop enhanced AMANDA report to track review days allocated towards individual reviews based on discipline.**

Management has collaborated with ITS to develop an enhanced tracking report where a detailed breakdown by review discipline will be provided in terms of number of processing days . A sample is provided in Appendix 'B'. Management is continuing to work with ITS to further refine and test the data prior to implementation.

Timing for completion: Currently in testing; September 2018

AUDIT REPORT EXCERPT:

Observation 3.0: Formalized process documentation

- ***Observation:*** *There are limited formalized processes documented for management to ensure processes and controls are operating effectively throughout the year and that the controls established are being consistently followed. Furthermore; for new hires there is limited detailed documentation for reference during their initial period with the Building Division and their training consists of job shadowing.*
- ***Risk & implication:*** *The lack of detailed documented procedures increases the risk that processes and controls are not being consistently followed as per management's expectations.*
- ***Management action plan:*** *While a procedure manual is available to staff, Building Division management will explore the possibility to enhance it in a more detailed format. In addition, will utilize electronic, automated communication format for permits 'holding for fees', as well work on the production of a monthly 'fee report' that will track fees received as well as fees refunded.*

DETAILED ACTION PLAN:

I. **Implementation of formalized process for review of permit applications.**

The audit noted that while training binders for new staff are in existence, detailed checklists for the actual "review" of plans are not available. An additional small residential checklist will be developed that will help new staff identify Building Code items that must be checked when reviewing permits. A new Code interpretation database within the "Y" drive, has been set up and accessible by plan review staff wherein Building Code interpretations previously discussed/reviewed as a group during plan reviews, will be stored. New staff will be able to use this knowledge base as part of their training. Monthly staff meetings will continue to be held whereby plan review issues are addressed. The above will help ensure consistency of the plan review processes.

Timing for completion: Database currently active (April 2018) ; Checklist: August 2018

II. Implementation of enhanced communication for “Hold for Fees” permit application status.

Staff are exploring an automated and trackable method whereby permit applicants are notified that their plan reviews have been completed and that upon payment of outstanding fees, their permit is ready to be issued. The current process involves manual telephone communication by the customer service representatives. Seeing email addresses are now accompanying just about every permit application, an automated email being sent would be more effective and efficient in terms of service delivery. To address this management action plan, Development and Compliance will submit a project request to the city wide Information Technology Steering Committee (ITSC) for review and prioritization within the full City of London project portfolio.

Timing for completion: To be determined upon the conclusion of the ITSC review and prioritization process.

III. Production of a monthly ‘fee report’ that will track fees received as well as fees refunded

In accordance with the Building By-law B-6, there arise circumstances where permit fee refunds are due. An example for this would be the case where more than six months have elapsed from the date an application was received and the applicant has not provided outstanding information so that the permit can be issued. While there are various steps that involve a refund, there has not been an inter-department capability for an ad-hoc report to be run to determine what the total fees refunded were within a given timeframe.

Timing for completion: To be determined upon the conclusion of the ITSC review and prioritization process.

AUDIT REPORT EXCERPT:

Observation 4.0: Continuous education

- ***Observation:*** Through discussion with management and staff, Internal Audit noted a lack of a formalized annual continuous education plan for Building Division staff. Much of the continuous education was ad-hoc in nature and based on upcoming changes to the Ontario Building Code. Additional continuing education is available to staff through the Ontario Building Officials Association on a first come first serve basis. However, internal audit noted that there is no scheduled plan or framework for ongoing training, updated processes, common review errors or other professional development opportunities.
- ***Management action plan:*** Management will establish an annual training matrix to identify upcoming topics for staff training.

DETAILED ACTION PLAN:

I. Continuous Education.

The audit report noted that there was a lack of a formalized education plan. As part of the yearly performance reviews with staff, management will ask what topic-specific training staff feels would be beneficial for the upcoming year. Management will also make suggestions as required with respect to this training. Management has held meetings with Fanshawe College representatives to discuss the possibility of enhanced training for staff through their continuing education studies program. In addition, management is currently collaborating with the Ontario Building Officials

Association to set up formal training courses here in London for Building Division staff involved in the permit issuance process.

Timing for completion: December 2019

CONCLUSION

In November 2017, Deloitte conducted a review of the Building Division's permit issuance processes as part of the 2017 Internal Audit Plan. Civic Administration was requested to submit an addendum report outlining specific details of the proposed action plan. Detailed action plans have been provided for each audit observation and have been included in this report.

This report was prepared with the assistance of Angelo DiCicco, Manager Plans Examination.

PREPARED BY:	SUBMITTED BY:
P. KOKKOROS, P. ENG. DEPUTY CHIEF BUILDING OFFICIAL	G. KOTSIFAS, P. ENG. MANAGING DIRECTOR DEVELOPMENT & COMPLIANCE SERVICES AND CHIEF BUILDING OFFICIAL

PK/pk

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c.c. A. DiCicco, Manager Plans Examination

A. L. Barbon, Managing Director, Corporate Services and City Treasurer, Chief Financial Officer

I Collins, Director, Financial Services

APPENDIX 'A'



**The Corporation of the City of
London**
Building Permit Review
Internal Audit Report

Audit performed: November - December 2017
Final report issued: January 2018

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Executive summary

Introduction

As part of the 2017 Internal Audit Plan, Deloitte performed a review of the City of London's ("City's") Building Permit issuance processes. The review commenced in November 2017 and was completed in December 2017. The internal audit review was performed to ensure adequate processes and internal controls are in place to mitigate significant risks over building permits issuance within the City. The review assessed the operational effectiveness and efficiency of processes and controls in place to manage building permit issuances and Deloitte performed sample testing as deemed appropriate to evaluate the extent of building permit issuance compliance with the Building Code Act, the Ontario Building Code, related municipal by-laws and other applicable laws.

Building Permit Issuance

The Building Division is responsible to review all building permit applications for the City in order to ensure the proposed project's compliance with all applicable zoning by-laws and building code requirements. A building permit application may either be submitted in person at the Building Division counter in City Hall, via the online E-permit system, or by mail. The E-permit system is only used for applications for certain residential plumbing or simple additions and alterations for single detached homes, new single/semi detached and town houses. The Building Division issues a building permit once all reviews required by the type of permit have been completed satisfactorily. These reviews must comply with legislative time frames dependent on the type of building and nature of the proposed work provided a complete application has been submitted. Construction of a project may begin once the building permit has been issued.

The detailed purpose and objectives of this review were to:

- Review and assess the governance framework and organization structure for the Building Division;
- Review and assess Building Division business processes and relevant key controls; and
- Review and identify overall process improvement opportunities within the Building Division.

The specific agreed upon scope details between management and internal audit are in **Appendix 1**.

Key strengths

Efforts for continuous improvement: Building Division management continuously monitors the need to implement new strategies to adjust for increasing demand and improve the overall metrics associated with meeting legislative time frames for building permit issuance. For example, in order to meet record volumes in 2017, the Building division recently re-organized the data input responsibilities within the division and contracted two additional Customer Service Representatives on a temporary basis to add to the team. As indicated by management, this change has contributed to increasing compliance metrics for permits under the 10-day legislative time frame by approximately 10%.

Commitment to Customer Service: The Building Division has demonstrated a strong focus of customer service within its processes. Management has indicated that in addition to meeting the legislative time frames, the Building Division's priority is to ensure a strong sense of customer service. For example, the Building Division has created a Home Owner's Guide to Building Permits, Home Builder's Guide to Building Permits and Acceptable Permit Intake Guidelines for applicants to reference prior to submitting their application. The Building Division also ensures a preliminary review of the application by plan examiners to ensure the applicants are aware of all application requirements.

Governance Monitoring Activities: The Building Division has implemented governance activities to monitor the overall performance of the division. These activities include on going monitoring on compliance to legislative time frames, year-over-year construction value of permits and daily email notifications for permit applications approaching or exceeding legislative time frames.

Roles and Responsibilities: The Building Division staff interviewed demonstrated a clear understanding of their roles and responsibilities as it relates to building permit processes. Building Division staff were able to communicate how their responsibilities contribute to the different stages of the building permit review and issuance process.

Processes align to Ontario Building Code: The Building Division has implemented processes to align to guidance set forth by the Ontario Building Code such as, but not limited to, permit issuance legislative timeframes, building inspections, reasons for refusal and conditional permits.

Key observations

Deloitte's review of the Building Permit issuance practices identified the following observations:

Priority	High	Medium	Low
Observations	0	3	1

Medium priority observations

Observation 1.0: Compliance to legislative time frames

- **Observation:** Based on results of sample testing, Internal Audit identified that although there has been improvement, the Building Division does not consistently meet the time frames for building permit issuance outlined within the Ontario Building Code. Internal audit noted that 2017 was a record year for building permit application volumes within the Building Division, compounded by significant staffing challenges. Per discussion with management, as of late 2015, an equivalent portion of 40% of plan examination staff moved on, resulting in vacancies that were difficult to fill due to lack of qualified candidates. However, the results of the sample testing included that 20% of sample failed to meet legislative time frames and there is currently no data available to support the root cause analysis of the non-compliance.
- **Risk & implication:** Inability to meet legislative time frames may result in perception of poor customer service and increases the City's risk with respect to compliance with legislative requirements.
- **Management action plan:** Building Division management will work to perform the following actions to support compliance with legislative time frames. (1) Review possibility to utilize the AMANDA database's capability for enhanced tracking; (2) consider an internal 'classification' system based on permit application type/complexity to assist with data analysis; (3) consider appending electronic plans review comments within AMANDA for tracking purposes; and (4) explore the possibility of automated communication to applicants when an incomplete permit application has been accepted.
- **Responsible party:** Angelo DiCicco, Manager, Plans Examination December 2018

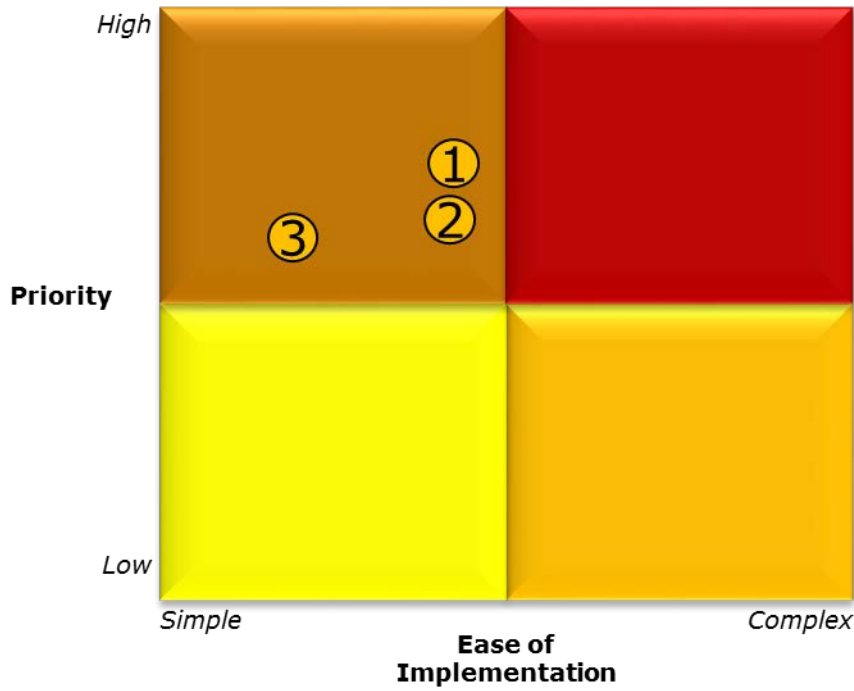
Observation 2.0: Technology improvements

- **Observation:** The Building Division uses the AMANDA system as a platform, to process building permits, site plans, and zoning information. Internal Audit noted that there is currently limited tracking within the AMANDA system for internal handoffs for a building permit application. Thus resulting in an inability to track delays and/or bottlenecks throughout the issuance process.
- **Risk & implication:** Inefficiencies may lead to exceeding legislative time frames increasing the perception of poor customer service and the City's risk with respect to compliance with legislative requirements.
- **Management action plan:** Building Division management will explore the possibility of enhancing the AMANDA database for tracking purposes.
- **Responsible party:** Angelo DiCicco, Manager, Plans Examination December 2018

Observation 3.0: Formalized process documentation

- **Observation:** There are limited formalized processes documented for management to ensure processes and controls are operating effectively throughout the year and that the controls established are being consistently followed. Furthermore; for new hires there is limited detailed documentation for reference during their initial period with the Building Division and their training consists of job shadowing.
- **Risk & implication:** The lack of detailed documented procedures increases the risk that processes and controls are not being consistently followed as per management's expectations.
- **Management action plan:** While a procedure manual is available to staff, Building Division management will explore the possibility to enhance it in a more detailed format. In addition, will utilize electronic, automated communication format for permits 'holding for fees', as well work on the production of a monthly 'fee report' that will track fees received as well as fees refunded.
- **Responsible party:** Angelo DiCicco, Manager, Plans Examination February 2019

Priority heat map

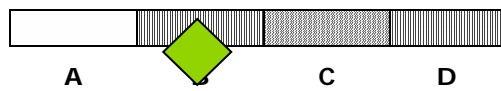


Conclusion

Based on our review of Building Permit issuance processes we noted three medium and one low observation weaknesses with the potential to impair the effectiveness of current processes. The issues noted in the report should be addressed in a timely manner to enhance current controls and mitigate relevant risks.

Management has provided action plans for the observations noted in the 'Detailed observations and recommendations' section.

The following scale depicts our overall conclusion for the priority of observations noted for improvement within this review as it relates to the scope of areas audited as outlined above:



Description	Definition
A	No or insignificant process control or efficiency weaknesses identified
B	Minor process control or efficiency weaknesses identified
C	Moderate process control or efficiency weaknesses identified
D	Significant control process or efficiency weaknesses identified Impairing the effectiveness of the process

Detailed observations and recommendations

Observation 1.0 – Compliance to legislative time frames

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
<p>1.0 Compliance to legislative time frames</p> <p>Through sample testing and documentation review, Internal Audit noted that although there has been improvement, the Building Division does not consistently meet the time frames for building permit issuance outlined within the Ontario Building Code. Specifically, 20% of samples failed to meet legislative time frames.</p> <p>Internal audit noted that 2017 was a record year for volumes within the Building Division compounded by significant staffing challenges. Per discussion with management, as of late 2015, an equivalent portion of 40% of plan examination staff moved on resulting in vacancies that were difficult to fill due to lack of qualified candidates.</p> <p>Although the results of the sample testing included that 20% of samples failed to meet legislative timeframes, there is currently no data to support the root cause analysis for non-compliance. Furthermore, the overall percentage of building permits issued beyond legislated time frames is reported on, however there is no specific analysis performed on why those permits were issued late or had delivered notification to the applicant late.</p> <p>Internal Audit noted that the following may contribute to not meeting legislative time frames, such as:</p> <ul style="list-style-type: none"> • High turnover and resulting staffing shortage in the Building Division • Staff potentially indicate incomplete applications as complete in order for the application to fall under regular legislative time frame processing guidelines. • As the majority of permit applications are submitted in person at 	<p>1.0 Compliance to legislative time frames</p> <p>Inability to meet legislative time frames may result in perception of poor customer service and increases the City's risk with respect to compliance with legislative requirements.</p>	<p>1.0 Compliance to legislative time frames</p> <p>Management should consider developing a process to document the reason for delays in permits issued or applicants notified beyond the legislated time frame. Management should consider including the following:</p> <ul style="list-style-type: none"> • Total durations of days spent with each reviewer, e.g. zoning, plans examination, structural examination, mechanical examination, site plan approval • Description of interactions with the applicant (if any) • Overall reason of delay • Overall complexity of the application <p>After documenting the reason(s), management can analyze the data to identify the top reasons for delays in building permit issuance or notification and take corrective steps to improve the timeliness of the process.</p> <p>Management should also consider the following:</p> <ul style="list-style-type: none"> • Creating a plan to supplement the shortage of staff in the Building Division in order to meet increasing demand and volumes • Reviewing the building permit intake process to consider only 	<p>Management agrees.</p> <p>Management will perform the following actions to support compliance with legislative time frames:</p> <ul style="list-style-type: none"> • Review possibility to utilize the AMANDA database's capability for enhanced tracking. • Consider an internal 'classification' system based on permit application type/complexity to assist with data analysis. • Consider appending electronic plans review comments within AMANDA for tracking purposes. • Explore the possibility of automated communication to applicants when an incomplete permit application has been accepted. <p>Management notes that to assist with increased volume, they have officially reallocated work and focused the property standards officers (PSOs) to assist with new construction.</p>	<p>Angelo DiCicco, Manager, Plans Examination</p> <p>December 2018</p>

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
<p>the Building Division counter, with the multiple reviews required within any given building permit application, in most cases, is reviewed sequentially. Therefore, delays in one part of the review can significantly impact the overall time to issue a building permit. As deficiency notifications must include all reasons the permit is deficient, dependency on sequential review can significantly increase the risk of delayed notification and/or issuance.</p>		<p>allocating complete building permit applications to the legislative time frame requirement. Management should ensure front line staff communicate to applicants that legislative time frames for review will not be applied to partial applications. Alternatively, the applicant should be provided the option to obtain the missing documentation and re-submit the complete application at a later time.</p> <ul style="list-style-type: none"> Management should continue to consider prioritizing the enhancement of the e-permit system to handle additional permit types. Enhancing the e-permit capabilities will facilitate obtaining electronic plans and thus allow for concurrent review of the building permit and decreased time spent on scanning drawings. 		

Observation 2.0 – Technology improvements

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
<p>2.0 Technology improvements The Building Division uses the AMANDA system as a platform, to process building permits, site plans, and zoning information. Internal Audit noted that there is currently limited tracking within the AMANDA system for internal handoffs for any given permit application. Although AMANDA does have the ability to track the start and end dates for each internal review within the process, the current configuration does not allow the start and end dates to be updated as it has been assigned to auto populate. Thus, in its</p>	<p>2.0 Technology improvements Inefficiencies may lead to exceeding legislative timeframes increasing the perception of poor customer service and the City's risk with respect to compliance with legislative requirements.</p>	<p>2.0 Technology improvements Management should conduct a review of the AMANDA system for efficiency opportunities for enhanced tracking and automation within current processes. Specifically, Management should review the process for amending the current configuration of the start and end dates in the AMANDA system to include functionality for reviewers to edit based on the time they spent for each review. This will allow</p>	<p>Management agrees. Management will explore the possibility of enhancing the AMANDA database for tracking purposes.</p>	<p>Angelo DiCicco, Manager, Plans Examination December 2018</p>

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
current configuration, AMANDA cannot be used to track the true time spent by each reviewer.		management to track the review lifecycle and identify where bottlenecks or analyze delays that may occur throughout the process.		

Observation 3.0 – Formalized Processes

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
<p>3.0 Formalized process documentation</p> <p>Through discussion with Management, Internal Audit noted there are limited formalized processes documented for management to ensure processes and controls are operating effectively throughout the year and that the controls established are being consistently followed. Furthermore; for new hires there is limited detailed documentation for reference during their initial period with the Building Division and their training consists of job shadowing.</p>	<p>3.0 Formalized process documentation</p> <p>The lack of detailed documented procedures increases the risk that processes and controls are not being consistently followed as per management’s expectations</p>	<p>3.0 Formalized process documentation</p> <p>The Building Division should formally document their processes and controls for building permit issuance operations. When creating the documentation, the Building Division should consider the following:</p> <ul style="list-style-type: none"> The various processes and controls to issue a building permit throughout its lifecycle to ensure Building Permit staff consistently adhere to the expectations and processes set out by Management. Formalized processes to track and monitor permits that are holding for fees in order to contact the applicant in a timely fashion. Management should review the capabilities in AMANDA for automatic notifications for hold for fee permits, and review the current system’s functionality. Formalized processes to track and monitor the refunds administrated on a monthly basis within the Building Division, including keeping a listing of all refunds administered within the year. 	<p>Management agrees.</p> <p>While a procedure manual is available to staff, management will explore the possibility to enhance it in a more detailed format.</p> <p>Management will also perform the following actions with respect to refunds:</p> <ul style="list-style-type: none"> Utilize electronic, automated communication format for permits ‘holding for fees’. Work on the production of a monthly ‘fee report’ that will track fees received as well as fees refunded. 	<p>Angelo DiCicco, Manager, Plans Examination</p> <p>February 2019</p>

Observation 4.0 – Continuous education

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
<p>4.0 Continuous education</p> <p>Through discussion with management and staff, Internal Audit noted a lack of a formalized annual continuous education plan for Building Division staff. Much of the continuous education was ad-hoc in</p>	<p>4.0 Continuous education</p> <p>Lack of formal ongoing training may lead to a lack of guidance on how to</p>	<p>4.0 Continuous education</p> <p>Management should review key opportunities for training in order to create a formal training plan for Building Division staff</p>	<p>Management agrees.</p> <p>Management will establish an annual training matrix to identify upcoming topics for staff training.</p>	<p>Angelo DiCicco, Manager, Plans Examination</p> <p>September 2018</p>

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
<p>nature and based on upcoming changes to the Ontario Building Code. Additional continuing education is available to staff through the Ontario Building Officials Association on a first come first serve basis. However, internal audit noted that there is no scheduled plan or framework for ongoing training, updated processes, common review errors or other professional development opportunities.</p>	<p>comply with Building Division policies and procedures, and missed opportunity to further staff's professional development.</p>	<p>that includes objectives/topics to be covered over the calendar year. The plan should consider:</p> <ul style="list-style-type: none"> • Upcoming building code changes • New/Updated Processes • Ontario Building Official's Association training schedule • Common review errors • Ongoing professional development 		

Appendix 1: Internal Audit Detailed Scope

Review and assess the governance framework and organization structure for the Building Division

- Reviewed and assess the current Building Division's organizational structure and departmental charts to ensure roles, reporting lines, and responsibilities are effectively designed and established to enforce existing policies, guidelines, and procedures;
- Assessed whether roles, reporting lines, and responsibilities are adequately understood by staff to ensure staff are enabled to fulfill their responsibilities;
- Assessed governing guidelines and procedures in place to assure the building permit application process is adhering to legislation and meeting established timelines;
- Assessed the governing guidelines in place to review and assess the fees associated to issuing a building permit;
- Reviewed and assess existing procedures to communicate with other stakeholders involved in the process prior to issuing a building permit; and
- Reviewed and assess monitoring activities established to assure the building permit process is achieving established metrics or key performance indicators.

Review and assess Building Division business processes and relevant key controls

- Reviewed the existing processes within the Building Division to issue permits to Builders, Professionals, Designers and the general public (homeowners etc.) and assess its adequacy to complying with subscribed policies, procedures and guidelines;
- Reviewed select building permit applications and evaluate procedures to assess the adequacy to mitigate residual business risks (i.e., timeline to issue, adhering to legislation, etc.), assure transparency, and efficiently execute the process;
- Reviewed the building permit application process and evaluate procedures to validate that permits requests have been administered in a timely manner and within established timelines;
- Reviewed the process in place for the Building Division to decline the issuance of building permits; and
- Reviewed the process in place for the Building Division to communicate with internal stakeholders on questions related to a specific building permit application.





Review and identify overall process improvement opportunities within the Building Division

- Reviewed and assess existing building permit issuance processes to identify opportunities for efficiency or standardization.

Appendix 2: Internal Audit rating scale

Individual observation prioritization

Internal audit observations and recommendations are prioritized on the following basis.

Description	Definition
 High	Observation is high priority and should be given immediate attention (e.g. 0-3 months) due to the existence of either significant internal control risk or a potential significant operational improvement opportunity.
 Medium	Observation is a moderate priority risk or operational improvement opportunity and should be addressed in the near term (e.g. 3-6 months).
 Low	Observation does not present a significant or medium control risk but should be addressed (e.g. within a 6-12 month time frame) to either improve internal controls or process efficiency.
 Leading Practice	Consideration should be given to implementing recommendations in order to improve the maturity of the process and align with leading practices.

Appendix 3: Stakeholder involvement

In conducting the review the following management and staff were interviewed to gain an understanding of the Building Permit Issuance processes and practices.

Stakeholder	Position
George Kotsifas	Managing Director, Development and Compliance Services and Chief Building Official
Peter Kokkoros	Deputy Chief Building Official
Various – Deloitte met with various managers and staff in the Building Division to gather an in-depth understanding of building permit issuance practices and perform audit procedures.	

Appendix 4: Audit procedures performed

As part of the Building Permit issuance review the following procedures were performed:

- Conducted a planning meeting with Deputy Chief Building Official within Building Division;
- Updated and issued a finalized Project Charter and request for information; and
- Conducted meetings and interviews with sample Building Division stakeholders and process owners involved in the Building Permit issuance process to:
 - Gain an understanding of the current Building Permit issuance expectations and practices;
 - Identify and gain an understanding of the various Building Permit issuance procedures including procedures to issue, monitor, track, refund and cancel building permits.
 - Gain an understanding of management's oversight of Building Permit issuance practices;
- Obtained documentation regarding relevant procedures and controls to perform an inspection of:
 - Building Code Act;
 - Ontario Building Code;
 - City of London Building By-law
 - Sample of Building Permit Applications initiated from Nov 2016-Nov 2017;
 - Building Permit Issuance Procedure Manuals;
 - Job descriptions of various Building Division staff;
 - Official Organizational Chart;
 - Building Permit Application Checklist;
 - Building Permit Application Form
 - Development and Compliance Services Building Division Monthly Report;
 - Acceptable Application Intake Document
 - Building Permit History as of 2000;
 - Bill 124 Report for January, June & November 2017
- Conducted strategic sample testing activities related to building permit issuance procedures to identify areas of noncompliance against the Ontario Building Code;
- Drafted observations and validated observations with management;
- Conducted a closing meeting with key management stakeholders to validate and communicate our findings; and
- Issuance of this internal audit report with our detailed observations.



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APPENDIX 'B'

Sample permit review processing timeframes report

Legislative Time Frames Summary Report

For the period 2016-12-01 to 2016-12-05

PERMIT	Issue Target (Days)	Days to Issue	Days to Deficiency	Days in Zoning	Days in Arch	Days In Struct	Days in Mech	Days in Fire Prot
16-115357	10	138		0	8			
16-258998	10	40	12	7	10		10	
16-259992	10	35		5	12		12	
16-261483	10	23		3	11		11	
16-261750	10	21		7	9		9	
16-261751	10	21		2	10		10	
16-262694	10	15		4	16		16	
16-262308	10	15		3	10		10	
16-262417	10	13		2	8		8	
16-262309	10	15		0	10		10	
16-262689	10	13		2	10		10	
16-262573	10	13	11	3	13		11	
16-261386	20	25		1	20	20		
16-261690	20	23		2	23	20	22	23
16-261769	20	22		2	22	22	21	22
16-261661	20	22		0	22	21	22	21



**The Corporation of the City of
London**
Management compensation process
assessment

Internal Audit Report

Audit performed: October 2017 - January 2018
Final report issued: April 23 2018

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Executive summary

Introduction

As part of the 2017 Internal Audit Plan, Deloitte performed an internal audit of the Corporation of the City of London's ("City") management compensation process. The internal audit commenced in October 2017 and fieldwork was completed in February 2018. The purpose and objective of this internal audit was to evaluate the operational effectiveness and efficiency of processes and controls undertaken by the Human Resources & Corporate Services Service Area in updating the new compensation rates into the relevant management compensation systems as well as an assessment of the City's procedures to process management payroll.

Management compensation

Human Resources & Corporate Services Service Area (HR) at the City has embarked on an initiative over the last two years to review and update the management compensation strategy, philosophy, and program. An independent consultant was engaged to assist in reviewing and assessing the City's management compensation strategy and program against industry best practices. Following the finalized engagement, HR was tasked with realizing the recommendations made by the consultant. This major initiative was undertaken to establish and implement a more simplified management compensation strategy and program. This simplification of the new strategy and program also lends itself to process efficiency and effectiveness enhancement opportunities.

There are two divisions within HR, Rewards & Recognition and Employee Systems, who are responsible for administering management compensation increases resulting from annual performance reviews. Rewards & Recognition's role is to obtain the performance review results and consult with the Senior Leadership Team to finalize the compensation distribution list. Rewards & Recognition is also responsible for advising City management of their compensation increases via a letter. Employee Systems receives direction from Rewards & Recognition to update the relevant management employee compensation information in the JD Edwards system using an approved compensation increase list. Employee Systems is also responsible for calculating any retroactive pay, with consideration given to employee benefit implications.

The detailed purpose and objective of this internal audit was to:

- Review and assess the City's practices surrounding the review of data input into the management compensation systems; and
- Evaluate the processes and controls in place to ensure the ongoing integrity of data within the management compensation system.

The specific agreed upon scope details between management and internal audit are included in **Appendix 1: Internal Audit detailed scope**.

Key strengths

Accuracy of management compensation information: Control activities are in place to ensure the accuracy and completeness of management compensation including information used in the determination of compensation increases and the subsequent upload of the final rates to the JD Edwards system. Rewards and Recognition performs activities to calculate new management compensation increases using credible inputs applied to defined MS Excel formulae based on the management compensation program. Additionally, effective controls are in place for Employee Systems to receive the final compensation information and update the JD Edwards system.

Accuracy of management employee retroactive pay: Controls are in place for Employee Systems to calculate the management compensation retroactive pay. Retroactive pay is determined in MS Excel where formulae are effectively applied to relevant management data with consideration given to related items (e.g., pension implications, compensation effective date, etc.). Retroactive pay values are adequately reviewed by Employee Systems management for accuracy and subsequent payments.

Management employee profile updates: The City maintains effective procedures for Employee Systems to process management employee profile updates. Procedures and controls are effectively designed to ensure all change requests are received using a standardized Payroll Action Form that evidences the appropriate approvals and the population of relevant information. Change requests for management employees received, such as changes due to promotion and leave, were updated in JD Edwards in a timely manner.

JD Edwards system controls: Within the JD Edwards system, the City utilizes an audit trail function to maintain records of changes. This function maintains system record changes, such as changes to employee compensation rates or employee status, enabling Employee Systems to more effectively and efficiently identify unwarranted changes. An audit trail report is reviewed prior to each bi-weekly management payroll to validate the integrity of management employee data. Additionally, Employee Systems also utilizes other JD Edwards control functions such as restricted user access and rules to control payment abilities.

Key observations

Deloitte’s review of the management compensation practices identified the following observations:

Priority	High	Medium	Low	Leading Practice
Observations	0	3	1	0

Medium priority observations

Observation 1.0: Payroll liability account reconciliation

- **Observation:** The Manager of Employee Systems reconciles the payroll liability accounts, including payroll liability accounts for management compensation. However, the reconciliation of payroll liability accounts is only performed on an annual basis.
- **Risk & implication:** There is risk that payroll liability accounts could be financially misstated if reconciliations are not completed on a frequent basis.
- **Management action plan:** Employee Systems currently reconciles the payroll liability account balances annually. Employee Systems will fill an existing vacancy to allocate responsibility for undertaking this process on a quarterly basis and establish a procedure in this regard. This procedure will include established monitoring and oversight to ensure timely completion.
- **Responsible party:** Julie Kovacs, Manager, Employee Systems

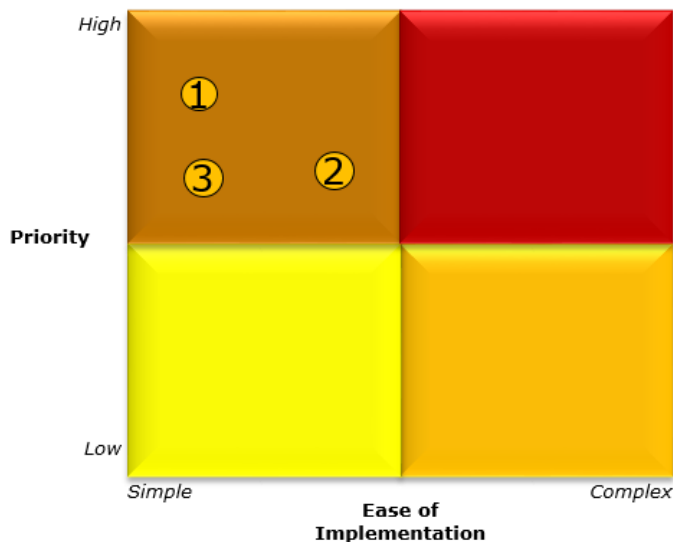
Observation 2.0: Temporary off cycle and acting pay compensation increases

- **Observation:** There is an informal process for Rewards & Recognition to receive expected end dates for new temporary off cycle and acting pay compensation increases. These end dates are subsequently provided to Employee Systems to code in the JD Edwards system. Inspection of the system determined that there were no end dates uploaded to systemically stop payments.
- **Risk & implication:** There is risk that overpayments are made to management employees if end dates are not coded in the JD Edwards system.
- **Management action plan:** Rewards and Recognition will develop a procedure for ensuring Employee Systems receives a start and end date for all current and future temporary off cycles or acting pay adjustments. Employee Systems will ensure the date is entered into JDE. Employee Systems will develop a quarterly report for Rewards and Recognition to note when a temporary compensation is nearing its end date. A procedure will be developed by parties outlining this process
- **Responsible party:** Sue Miller, Manager, Rewards and Recognition

Observation 3.0: Management compensation program procedural documentation

- **Observation:** There is a need for HR to further document management compensation procedures including procedures to obtain and reconcile data, finalize performance ratings and adjust compensation, receive appropriate approvals, update the JD Edwards system for payroll, and process retroactive payments.
- **Risk & implication:** The lack of revised and formalized documented practices could lead to ineffective, inefficient, or duplicated processes.
- **Management action plan:** Employee Systems and Rewards and Recognition will revise and formalize documented management compensation program practices. Specifically, the procedures to obtain and reconcile data, finalize performance ratings and adjust compensation, receive appropriate approvals, update the JD Edwards system for payroll, and process retroactive payments.
- **Responsible party:** Gary Bridge, Manager, Human Resources & Corporate Services

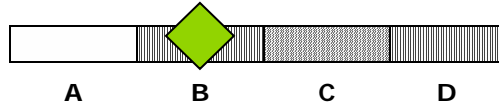
Priority heat map



Conclusion

Based on our assessment of management compensation practices we noted three medium priority observations with the potential to impair the effectiveness of current processes. The issues noted in the report should be addressed in a timely manner to enhance current controls and mitigate relevant risks.

The following scale depicts our overall process conclusion as it relates to the scope of areas audited as outlined above:



Description	Definition
A	No or insignificant process control or efficiency weaknesses identified
B	Minor process control or efficiency weaknesses identified
C	Moderate process control or efficiency weaknesses identified
D	Significant control process or efficiency weaknesses identified Impairing the effectiveness of the process

Detailed observations and recommendations

Observation 1.0 – Payroll liability account reconciliation

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
<p>1.0 Payroll liability account reconciliation</p> <p>There are defined processes established for Employee Systems to match and verify payroll registers to the vouchers each pay period. Additionally, the Manager of Employee Systems reviews the accrued wages during the first pay periods of a new fiscal year to ensure prior fiscal year payment allocations are correct.</p> <p>However, based on review and discussion with Employee Systems management, the reconciliation of payroll liability accounts is performed annually.</p>	<p>1.0 Payroll liability account reconciliation</p> <p>There is risk that payroll liability accounts could be financially misstated if reconciliations are not completed on a frequent basis.</p>	<p>1.0 Payroll liability account reconciliation</p> <p>Employee Systems should reconcile all relevant payroll liability account balances on a more frequent basis (i.e. quarterly, monthly). When implementing the control, the following should be considered:</p> <ul style="list-style-type: none"> • Allocate responsibility to an appropriate individual with adequate segregation of duties to perform the reconciliation; • Establish clear follow-up procedures supported by defined thresholds and timelines; and • Establish monitoring and oversight to ensure performance of payroll account reconciliations are performed in a timely manner. 	<p>Management Agrees.</p> <p>Employee Systems currently reconciles the payroll liability account balances annually.</p> <p>Employee Systems will fill an existing vacancy to allocate responsibility for undertaking this process on a quarterly basis and establish a procedure in this regard. This procedure will include established monitoring and oversight to ensure timely completion.</p>	<p>Julie Kovacs, Manager, Employee Systems</p> <p>September 30, 2018</p>

Observation 2.0 – Temporary off cycle and acting pay compensation increases

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
<p>2.0 Temporary off cycle and acting pay compensation increases</p> <p>Existing practices at the City allow management employees to receive temporary off cycle or acting pay adjustments that results in their salary being “off-grid” (i.e., salary outside of the standard pay grid). For example, if a management employee temporarily takes on additional duties in addition to their existing responsibilities. Currently, there is an informal process for Rewards & Recognition to obtain end dates from the Service Area management for the off cycle salary increases. Internal Audit noted through inspection of the Management Compensation Guideline that temporary compensation increases must have a specified end date. However, Internal Audit inspected the JD Edwards system and noted that existing temporary off cycle and acting pay increases do not have an end date attached within the system.</p> <p>Through sample testing, no overpayments were identified.</p>	<p>2.0 Temporary off cycle and acting pay compensation increases</p> <p>There is risk that overpayments are made to management employees if end dates are not coded in the JD Edwards system.</p>	<p>2.0 Temporary off cycle and acting pay compensation increases</p> <p>The City should enhance the current process to ensure that Service Area management provide expected end dates when communicating temporary compensation increases to Rewards & Recognition.</p> <p>When formalizing the process, the City should consider the following:</p> <ul style="list-style-type: none"> • Communicating pay period results to management responsible for Service Area budgets. • A template that requires an expected end date used for Service Area management to submit for temporary compensation increases. • Periodic (e.g., monthly, quarterly) confirmation from Service Area management affirming that temporary compensation increases are still active. <p>In addition, Employee Systems should formalize practices to receive end dates from Rewards & Recognition and code end dates within JD Edwards system to prevent overpayments.</p>	<p>Management Agrees.</p> <p>Rewards and Recognition will develop a procedure for ensuring Employee Systems receives a start and end date for all temporary off cycles or acting pay adjustments. Employee Systems will ensure end date is entered into JDE. Employee Systems will develop a quarterly report for Rewards and Recognition to note when a temporary compensation is nearing its end date. A procedure will be developed by parties outlining this process.</p>	<p>Sue Miller, Manager, Rewards and Recognition June 30 2018</p>

Observation 3.0 – Management compensation program procedural documentation

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
<p>3.0 Management compensation program procedural documentation</p> <p>Internal Audit noted that while relevant guidelines are in place to establish and apply clear compensation criteria and rules, there is a need to formalize the documentation available for Rewards & Recognition and Employee Systems to execute procedures effectively and consistently. Informal documentation exists, however documentation of procedures to obtain and reconcile the data, finalize performance ratings and adjust compensation, receive appropriate approvals, update the JD Edwards system for payroll, and process retroactive payments is required.</p> <p>Additionally, multiple existing process guide documents, including Payroll Processing, Time Accounting, and Updating Master Files have not been reviewed and revised since 2012.</p>	<p>3.0 Management compensation program procedural documentation</p> <p>The lack of revised and formalized documented practices could lead to ineffective, inefficient, or duplicated processes.</p>	<p>3.0 Management compensation program procedural documentation</p> <p>Rewards & Recognition and Employee Systems should work to revise and formalize documented management compensation program practices. Specifically, the procedures to obtain and reconcile data, finalize performance ratings and adjust compensation, receive appropriate approvals, update the JD Edwards system for payroll, and process retroactive payments. When drafting these documents, HR should consider the following:</p> <ul style="list-style-type: none"> • Clearly define roles and responsibilities including decision-making authority; • Collaborate with all relevant process owners to capture all areas of responsibility; • Review existing procedures and revise, where needed, to align with program parameters to achieve objectives; • Write clearly articulated procedures for ease of understanding and consistent performance; • Use a flexible, modular outline to allow for efficient modifications; and • Store documents centrally for easy reference. 	<p>Management Agrees.</p> <p>Employee Systems and Rewards and Recognition will revise and formalize documented management compensation program practices. Specifically, the procedures to obtain and reconcile data, finalize performance ratings and adjust compensation, receive appropriate approvals, update the JD Edwards system for payroll, and process retroactive payments.</p> <p>Currently undergoing a JD Edwards system upgrade for payroll, which is estimated to be complete by November 2018. Employee Systems and Rewards Recognition will not be able to finalize documented management compensation program practice until this time.</p>	<p>Gary Bridge, Manager, HR and Corporate Services December 2018</p>

Observation 4.0 – Performance management program guide

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
<p>4.0 Performance management program guide</p> <p>HR maintains a performance management guide and template letters used to educate and communicate relevant items to key stakeholders including program principles, timelines, and performance results. There is a need for HR to increase clarity in the following areas:</p> <ul style="list-style-type: none"> • Annual Performance and Development Cycle: The performance guide requires enhanced clarity for stakeholders to understand where the compensation increases and retroactive pay timelines fit within the performance cycle. <p>HR also develops key milestone dates for the performance management program. Milestones created for 2016 performance year were not met due to inherent reliance on related procedures performed outside of HR. Management also noted that key milestones have not been met for the previous two cycles.</p>	<p>4.0 Performance management program guide</p> <p>There is risk that unclear timelines can lead to misunderstanding of milestones and expectations.</p>	<p>4.0 Performance management program guide</p> <p>HR should review the current Performance Management Program Guide and update the information to reflect the current process and practical estimated timeframes. HR may consider the following:</p> <ul style="list-style-type: none"> • Collaborate with key stakeholders to identify challenges facing the current program cycle, including timing of source inputs; • Consult with key stakeholders to assess challenges including reasonableness of the current cycle milestones; • Assess opportunities to enhance existing program practices to meet existing milestones or consider revising program cycle; • Create an implementation plan to implement enhancements or adjust program cycle; and • Enhance existing monitoring practices to actively evaluate effectiveness against program cycle. 	<p>Management Agrees.</p> <p>Rewards and Recognition will consider collaborating with key stakeholders to identify challenges facing the current program cycle, reasonableness of the current cycle milestones; assess opportunities to enhance existing practices, create an implementation plan to implement enhancements; and enhance existing monitoring practices. Rewards and Recognition will enhance the performance guide to clearly outline where the compensation increases and retroactive pay timelines fit within the performance cycle.</p>	<p>Sue Miller, Manager, Rewards and Recognition September 30, 2018</p>

Appendix 1: Internal Audit detailed scope

Specifically, the internal audit addressed the following areas:

Reviewed and assessed the City's practices surrounding the review of data input to the management compensation payroll system and tools:

- Reviewed management compensation procedures to record and retain relevant information including tax table updates, salary scale updates, and time and attendance and assessed the ability to process in a timely manner;
- Reviewed the processes surrounding the addition, change and deletion of employees records within the management compensation payroll system;
- Reviewed the process for reviewing, approving, monitoring and reporting of payroll transactions and activities; and
- Reviewed the process for management to review management compensation data input into the system and assessed the adequacy and timeliness of their review.





Evaluated the integrity of the data within the payroll system used for the management compensation program:

- Reviewed the flow of information into the payroll system and assessed the process to identify gaps that exposes risk of data inaccuracies;
- Assessed and validated the internal controls in place surrounding the process to collect and maintain relevant information for management compensation; and
- On a sample basis, assessed the extent of data integrity for the relevant information input and stored within the management compensation payroll system.

Appendix 2: Internal Audit rating scale

Individual observation prioritization

Internal Audit will prioritize each observation and recommendation within a report using a three point rating scale. The three point rating scale will be as follows:

Description	Definition
 High	Observation is high priority and should be given immediate attention (e.g. 0-3 months) due to the existence of either significant internal control risk or a potential significant operational improvement opportunity.
 Medium	Observation is a moderate priority risk or operational improvement opportunity and should be addressed in the near term (e.g. 3-6 months).
 Low	Observation does not present a significant or medium control risk but should be addressed (e.g. within a 6-12 month timeframe) to either improve internal controls or process efficiency.
 Leading Practice	Consideration should be given to implementing recommendations in order to improve the maturity of the process and align with leading practices.

Appendix 3: Stakeholder involvement

In conducting the assessment, the following management and staff were interviewed to gain an understanding of the City's management compensation processes and practices.

Stakeholder	Position
Sue Miller	Manager IV Rewards & Recognition, Human Resources & Corporate Services
Gary Bridge	Manager IV Human Resources & Corporate Services
Julie Kovacs	Manager III, Employee Systems, Human Resources & Corporate Services
Liliana Osowski	Manager II, Payroll Operations, Human Resources & Corporate Services
Various – Deloitte met with various management and staff in the Human Resources & Corporate Services Service Area to gather an in-depth understanding of the management compensation processes and practices and perform audit procedures.	

Appendix 4: Audit procedures performed

As part of the management compensation process assessment the following procedures were performed:

- Conducted a planning meeting with the Managers of Rewards & Recognition, Employee Systems, and Human Resources & Corporate Services (HR);
- Updated and issued a finalized Project Charter and request for information;
- Conducted meetings and interviews with HR management and staff to:
 - Gain an understanding of management compensation program expectations and practices;
 - Identify and gain an understanding of the various management compensation procedures including procedures to finalize management compensation increases, update compensation increases within relevant systems and tools, and process management payroll; and
 - Gain an understanding of HR's procedures and controls over management employee data;
- Obtained documentation regarding relevant procedures and controls to perform an inspection of:
 - Performance Guide Jan 2017;
 - Management Compensation Guidelines Feb 2017;
 - Payroll Processing;
 - Updating Master File;
 - Time Accounting;
 - Kronos Audit Checklist;
 - Payroll Action Form / Payroll Action Form 2;
 - Various checklists (e.g., retirement, termination, new hire, leave, etc.);
 - New hire, termination, and retirement emails;
 - Salary grid including transition to one grid Excel sheet;
 - Management Performance and Compensation Timeline with Milestones;
 - Agency 09 management employee listing;
 - Final 2017 compensation increases from 2016 performance review;
 - 2017 retroactive pay from 2016 performance review;
 - Off-cycle, TMPA, and Acting Pay Tracker;
 - Year-end accrued wage to payroll ledger reconciliation;
 - Monthly payroll liability reconciliation;
 - 2017 Pay Schedule;
 - Memo to Managers;
 - Sample Letter to Employees;
 - Sample payroll documentation (Prepay register, all paycodes balancing, prepay balancing, payroll register, all pay codes, direct deposit file creation, bank file email)
- Conducted strategic sample testing activities related to management compensation increases, management employee profile changes (e.g., terminations, promotion, etc.), and management payroll procedures to identify areas for improvement;
- Drafted observations and validated observations with management;
- Conducted a closing meeting with key management stakeholders to validate and communicate our findings; and

- Issued this internal audit report with our detailed observations.

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Memo

Date:	June 1, 2018
To:	Members of The Corporation of the City of London Audit Committee
From:	Jim Pryce, Partner, Deloitte LLP
Subject:	Internal Audit Summary Update

Internal Audit has included a summary memo with our material to highlight major accomplishments since our last update to the Audit Committee and to draw your attention to the matters of greatest importance. We will cover these documents in more detail at the meeting and respond to all questions you may have.

1. Internal Audit Dashboard Report:

- a. The approved 2017-2018 plan continues to be executed. Internal Audit continues to engage management in scoping meetings for upcoming reviews and has regular meetings with the City Manager and City Treasurer.
- b. Internal Audit has issued one project report since the last Audit Committee update: Management compensation process assessment. Action plans are in place, including a responsible party and timeline, to address the observations noted in the issued report.
- c. Internal Audit will proactively work with management to improve the performance metrics of finalizing internal audit reports.

2. Internal Audit Plan:

- a. The original audit plan included a post-implementation review of the Class Replacement System where plans for the system replacement have changed and implementation is now scheduled for 2019. Management has requested that Internal Audit perform a pre-implementation review of the Class Replacement System as part of the 2017-2018 Internal Audit plan. Management prefers to have Internal Audit engaged through the process to assist with ensuring the controls system is designed appropriately.

3. Audit Observation Status Summary of High and Medium Priority Observations and past due observation trending analysis:

- a. Internal Audit closed one (1) high priority observation for the Parks & Recreation cash handling review.
- b. Four (4) observations are past due as of June 1st, 2018 compared to zero (0) past due as of January 2018 including two (2) medium priority observations for the Parks and Recreation cash handling review and two (2) high priority observations for the Freedom of information

process assessment. Through inquiry, Internal Audit determined that management appears to be performing activities towards completing planned actions within a revised timeline.

- c. We are comfortable that management is making progress on remediating open items based on the timelines established and work plans in place which they have attested to.

4. Reports issued:

- a. Management compensation process assessment: Minor process control or efficiency weaknesses identified. The report identified three medium priority observations.

The Corporation of the City of London

June 2017 - December 2018 internal audit dashboard as at June 1, 2018

Project status – 2017-2018 Internal audit plan

2017-2018 Audit plan projects	Percent complete	Report issued
<input type="checkbox"/> Parks & Recreation cash handling process review	 100%	<input checked="" type="checkbox"/>
<input type="checkbox"/> Freedom of information process assessment	 100%	<input checked="" type="checkbox"/>
<input type="checkbox"/> Management compensation process assessment	 100%	<input checked="" type="checkbox"/>
<input type="checkbox"/> Building permit process assessment	 100%	<input checked="" type="checkbox"/>
<input type="checkbox"/> Parking revenue generation assessment	 95%	<input type="checkbox"/>
<input type="checkbox"/> Homelessness prevention management process assessment	 70%	<input type="checkbox"/>
<input type="checkbox"/> IT portfolio management and project management assessment	 5%	<input type="checkbox"/>
<input type="checkbox"/> IT security assessment	 5%	<input type="checkbox"/>
<input type="checkbox"/> Procurement process assessment	 5%	<input type="checkbox"/>
<input type="checkbox"/> Housing process assessment	 0%	<input type="checkbox"/>
<input type="checkbox"/> Class replacement project post-implementation review*	 0%	<input type="checkbox"/>
<input type="checkbox"/> Health and safety assessment	 0%	<input type="checkbox"/>
<input type="checkbox"/> Construction procurement process assessment	 0%	<input type="checkbox"/>

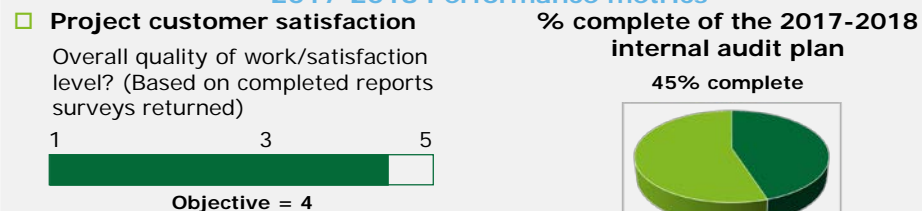
Internal audit activities – June 2018 – September 2018

- Parking revenue generation assessment (reporting)
- Homelessness prevention management process assessment (fieldwork & reporting)
- Housing process assessment (scoping & fieldwork)
- IT portfolio management and project management process assessment (scoping & fieldwork)
- Procurement process assessment (scoping & fieldwork)
- Health and safety assessment (scoping & fieldwork)
- IT security assessment (scoping)
- Construction procurement process assessment (scoping)
- Class replacement project post-implementation review* (scoping)

Other activities

- Prepare quarterly Audit Committee meeting materials
- Observation follow-ups and validation (quarterly)

2017-2018 Performance metrics



Internal audit 2017-2018 reporting

	Draft (days)	Management comment (days)	Issue final (days)	Final (days)
<input type="checkbox"/> Objective	5.0	15.0	10.0	30.0
<input type="checkbox"/> Performance	7.0	23.0	18.75	48.75

* - Management request to move to a pre-implementation review.

City of London Audit Committee Observation Summary
As at June 1, 2018

LEGEND:	
Observations closed	All observations have been addressed by management
Remediation in progress	Observations in progress are being addressed by management including observations where initial timeline was missed but a plan is in place for remediation that appears acceptable
Remediation in progress - exception noted	Management has missed implementation deadlines for observations and no adequate resource plan has been identified
Management accepts the risk	Management has accepted the remaining risk

Report Summary			Observation Status for Management Action Plans due June 1, 2018							Past Due Observation Commentary
Internal Audit Plan Year	Report	Report Issue Date	Total High & Medium Observations	Observations Closed Per Management	Closed Per Internal Audit*	In Progress Observations (Not Due)	Past Due Observations	Observations Closed by IA Since Jan 29, 2018 update	Timing	
2017/2018	Parks and Recreation Cash handling review	Nov-17	3	1	1	0	2	1	May-18	• Two observations are past due as issuance of revised Cash Handling Policy is outstanding. Revised timeline is Dec 2018
2017/2018	Freedom of information process assessment	Jan-18	2	0	0	0	2	0	May-18	• Two observations are past due as issuance of Privacy Policy is outstanding. Revised timeline is Dec 2018
2017/2018	Building permit process assessment	Jan-18	3	0	0	3	0	0	Feb-19	
2017/2018	Management compensation process assessment	Apr-18	3	0	0	3	0	0	Dec-18	
Sub-total 2017/2018 reports			11	1	1	6	4	1		
Total High and Medium observations			11	1	1	6	4	1		
<p>Closed per Management: Management has indicated that action plans due to be acted upon by June 1, 2018 are complete.</p> <p>Closed per IA: Internal Audit has validated Management's assertions of observation closure through review of evidence.</p> <p>In Progress Observations: Management action plans due beyond June 1, 2018 are underway or management has asserted observations are closed but Internal Audit has not yet validated.</p> <p>Past Due Observations: Actions plans due by June 1, 2018 have not been fully acted upon.</p> <p>Observations Closed by Internal Audit since last update: Management has indicated in the current period that action plans are complete and Internal Audit has validated through review of evidence</p> <p>Note *: Observation closed by Internal Audit once validation of activities undertaken have been independently verified by Internal Audit</p>										



The Corporation of the City of London Parking Revenue Generation Assessment

Audit Performed: February – April 2018
Final Report Issued: June 2018

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Executive summary

Introduction

As part of the Internal Audit Plan, an assessment of the City of London (the 'City') Parking Services' revenue generation commenced in February 2018. Citizens of London and visitors have access to convenient short-term on-street parking and long-term off-street parking that is intended to support businesses, commercial and institutional facilities as well as entertainment venues. Parking Services has recently taken on large initiatives including implementing the new parking enforcement technology and rebranding Parking Services. Specifically, the new parking enforcement technology implementation was divided into three phases:

1. Live enforcement data, ticket management, and court process,
2. Mobile Payment App, Overnight Parking Pass module, and
3. Paid Parking Permit module, Administrative Monetary Penalties (AMP), Assets & Operations module.

The purpose and objective of this review was to:

- Review the processes and controls in place to manage Parking Services' cash transactions, cash deposits, and cash reconciliations;
- Review the processes to monitor cash handling for Parking Services; and
- Review the Parking Services' budgeting and strategic prioritization processes.

Key strengths

Revenue handling activities: Parking Services has implemented effective activities to adequately control the intake of money as revenue from different sources. Specifically, Parking Services maintains effective procedures and controls to accept, record, reconcile and deposit money for on-street and off-street parking, monthly parking permits, and ticket payment. All revenue sources including parking meters (coin), mobile Honk app, master meter (credit card), and front counter office payment transactions are operating effectively in a controlled environment.

Information technology systems: Parking Services is committed to adopting information technology system solutions that meet the desired needs for effective and efficient parking service operations. In 2016, Parking Services introduced the Command Center hub, a central parking database, to their environment where they have been able to realize significant operational improvements such as customizable and automated reporting. As an extension of this hub, Parking Services is also nearing the implementation phase for an asset and operations module designed to more effectively record and monitor parking revenue and expenses.

Roles and responsibilities: Parking Services staff interviewed during this assessment demonstrated a clear understanding of their roles and responsibilities as it relates to revenue generation and related parking service operations. Parking Services staff were able to communicate how their responsibilities not only contribute to the generation of revenue but also demonstrated a need to maintain effective control through proper segregation of duties and to avoid any duplication of efforts.

Key observations

Deloitte’s review of the parking revenue generation practices identified the following observations:

Priority	High	Medium	Low	Leading Practice
Observations	2	3	3	0

High priority observations

Observation 1.0: Parking Services strategy

- **Observation:** A clear overall Parking Services strategy for the City has not been formally documented or consistently articulated. There is a need for Parking Services to establish an overall strategic direction to clearly articulate desired/target outcomes for parking by-law enforcement. It is also unclear how performance targets and metrics are used to measure the effectiveness of parking programs.
- **Risk & implication:** Absent desired outcomes defined, Parking Services may not have clearly articulated what it is seeking to achieve with respect to the goals and expectations of the service delivery and how to demonstrate progress towards those objectives.
- **Management action plan:** Management recognizes the need to establish and adopt a formal parking management strategy for the City. However noting that this strategy would also incorporate the work already performed for the London Downtown Parking Strategy.
 - Parking Services management will work to establish and adopt an overall strategy by:
 - Performing activities to recruit a municipal specialist resource (September 2018).
 - Leveraging the municipal resources to assist in development of a financial funding strategy to be ready for the 2020 budget (June 2019).

Developing an initial draft of the parking management strategy in consultation and collaboration with relevant stakeholders, e.g. Senior Leadership Team, Council, etc. (December 2019).
- **Responsible party:** Orest Katolyk, Chief Municipal Law Enforcement Office, December 31, 2019

Observation 2.0: Parking Services risk inventory

- **Observation:** There is currently no formal documentation to demonstrate that Parking Services has identified and defined parking services related risks, including existing or emerging risks. The risks are not formally monitored which may lead to Parking Services misaligning attention and resources.
- **Risk & implication:** There is no common view on the set of key parking risks, which may lead to a lack of clarity on which risks Parking Services should be focusing both attention and resources.
- **Management action plan:** During the process to develop the parking management strategy as outlined in the action plan for 1.0, Management will record the key risks and opportunities identified. Within this list, Management will consider the current activities and controls to mitigate those risks, and/or conclude whether the risk is acceptable given current business operations. In addition, Management may consult with the City’s Risk Management Division for assistance with these efforts.
- **Responsible party:** Orest Katolyk, Chief Municipal Law Enforcement Office, December 31, 2019

Medium priority observations

Observation 3.0: Customer service monitoring

- **Observation:** Parking Services does not currently maintain a formal mechanism to solicit feedback from customers for parking related service offerings including enforcement, on/off-street parking, and mobile app experiences. Additionally, procedures to address received customer feedback have not been formally documented. There are also no clear criteria to consistently evaluate feedback, nor guide the escalation of issues if required.
- **Risk & implication:** Parking Services may be unaware of customer feedback that demonstrates a need or opportunity for improvement or changes to customer service delivery.
- **Management action plan:** Management recognizes that when paying for a parking infraction most feedback received is negative. To encourage the capturing of relevant and constructive feedback Management will narrow the scope of feedback to specific services and/or initiatives. In addition, management will formalize the process to address customer feedback, in terms of criteria to evaluate feedback and escalate issues.
- **Responsible party:** Orest Katolyk, Chief Municipal Law Enforcement Office, March 31, 2019

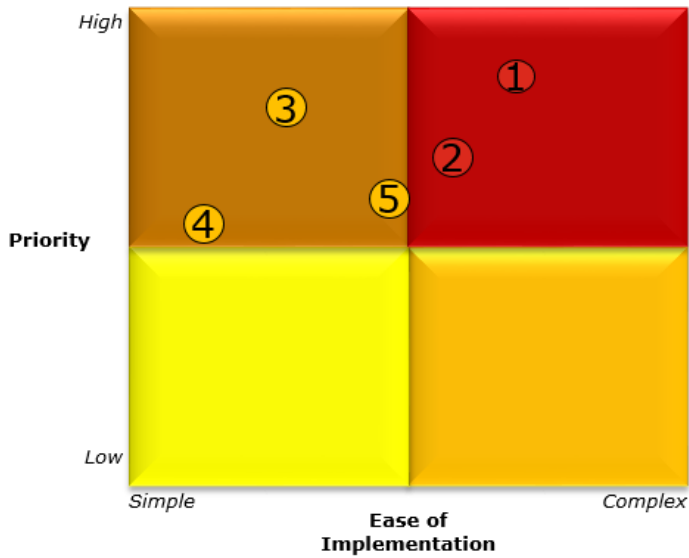
Observation 4.0: Documented procedures

- **Observation:** Internal Audit noted that a limited number of business processes are documented for Parking Services to ensure standard operating procedures (SOP) are performed effectively and consistently throughout each year. These processes include budget to actual comparisons, invoice processing, bank statement reconciliations, and fund remittance. Internal Audit also noted that of the currently documented processes and guidelines some did not have a date of last revision recorded, or had not been revised since 2010.
- **Risk & implication:** The lack of documented practices could lead to ineffective, inefficient, or duplicated processes. The lack of documented SOP may restrict Parking Services' ability to effectively onboard and train new staff.
- **Management action plan:** Management will prepare standard operating procedures and/or refresh where required.
- **Responsible party:** Annette Drost, Manager of Municipal Law Enforcement Services, Parking Services, June 30, 2019.

Observation 5.0: Asset management operations

- **Observation:** Current asset management practices involve manual performance of related reconciliations, recorded results, and manual preparation of the relevant journal entries for posting by the Financial Services department. Specifically for meter coin revenue, there is heavy reliance on manual procedures. The current process requires additional time to perform operations, as well as, a higher risk of inaccurate results due to its manual nature. Management has self-identified this issue and per discussion with Management, Internal Audit noted that Parking Services is currently planning to implement the Gtechna module for asset management operations beginning in 2018.
- **Risk & implication:** Manual and time consuming operations could result in ineffective allocation of resources. There is also risk of inaccurate data that may be used as an input to Parking Services reporting and analysis activities.
- **Management action plan:** Management will continue with the implementation of the Gtechna module for asset management operations, with consideration for the recommended points. Noting that Parking Services is working closely with IT during this implementation and go-live dates are dependent on the agreed upon project schedule.
- **Responsible party:** Annette Drost, Manager of Municipal Law Enforcement Services, Parking Services, June 30, 2019.

Priority heat map

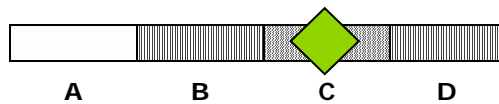


Conclusion

Based on our assessment of parking revenue generation practices we noted two high priority observations with significant operational improvement opportunity, three medium priority observations with the potential to impair the effectiveness of current processes and three low priority observations with minor potential to impair the effectiveness of current processes. The issues noted in the report should be addressed in a timely manner to enhance current controls and mitigate relevant risks.

Management is to provide action plans for the observations noted in the 'Detailed observations and recommendations' section.

The following scale depicts our overall process conclusion as it relates to the scope of areas audited as outlined above:



Description	Definition
A	No or insignificant process control or efficiency weaknesses identified
B	Minor process control or efficiency weaknesses identified
C	Moderate process control or efficiency weaknesses identified
D	Significant control process or efficiency weaknesses identified Impairing the effectiveness of the process

Detailed observations and recommendations

Observation 1.0 – Parking Services strategy

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
<p>1.0 Parking Services strategy</p> <p>The 2016 – 2019 Parking Business Plan notes the objective, “To build a better City by providing a successful Parking Service”, however beyond the recent development of the London Downtown Parking Strategy, a clear overall parking services strategy for the City has not been formally documented or consistently articulated.</p> <p>Internal Audit also noted it was unclear as to how the City uses the performance targets from the 2016 – 2019 Parking Business Plan and annual metrics reported to Municipal Benchmarking Network (MBN) of Canada to measure and monitor the effectiveness of parking programs in the absence of a formal strategy.</p>	<p>1.0 Parking Services strategy</p> <p>Without desired outcomes defined, Parking Services may not have clearly articulated what it is seeking to achieve with respect to the goals and expectations of the service delivery and how to demonstrate progress towards those objectives</p>	<p>1.0 Parking Services strategy</p> <p>Parking Services should establish and adopt a formal parking management strategy. When establishing a parking services strategy, Management should consider the following:</p> <ul style="list-style-type: none"> • Collaborate with the Senior Leadership Team and Council to define the direction of Parking Services with respect to providing parking space and by-law enforcement, and subsequently develop a clear parking services vision and mission and ensure these aspirations align with City strategy; • Create key objectives and guiding principles to establish an environment that can control strategic activities and decision making, as well as, measure achievements; • Evaluate core capabilities to better understand and inform decisions when developing a strategy including: <ul style="list-style-type: none"> ◦ Customer understanding –Ability to know the customer base, uncover unarticulated needs within the City, and identify opportunities. 	<p>Management Agrees</p> <p>Action plan:</p> <p>Management recognizes the need to establish and adopt a formal parking management strategy for the City. However noting that this strategy would also incorporate the work already performed for the London Downtown Parking Strategy.</p> <p>Parking Services management will work to establish and adopt an overall strategy by:</p> <ul style="list-style-type: none"> • Performing activities to recruit a municipal specialist resource (September 2018). • Leveraging the municipal resources to assist in development of a financial funding 	<p>Orest Katolyk, Chief Municipal Law Enforcement Office</p> <p>December 31, 2019</p>

- Innovation – Capacity to translate understanding of customer needs into an effective brand and services.
 - Brand building – Build and deploy a distinctive brand for strengthening customer satisfaction and loyalty.
 - Service delivery – Capability concerns and investing in partnerships to deliver more value to customers.
 - Document a schedule to review periodically the strategy, vision, mission, guiding principles and objectives to refresh in response to parking trends and external factors in order to sustain a current and effective model.
- strategy to be ready for the 2020 budget (June 2019).
 - Developing an initial draft of the parking management strategy in consultation and collaboration with relevant stakeholders, e.g. Senior Leadership Team, Council, etc. (December 2019).

Once the parking management strategy has been established, Parking Services management should also identify the measures that would support ongoing monitoring of progress towards objectives, performance measure targets and strategic goals, and provide standard reporting as required to Senior Leadership Team and/or Council.

In addition, following from the development of a parking management strategy and implementation of administrative monetary penalty process, Management may consider the opportunity to revisit the workflow within the Parking Services department.

Observation 2.0 – Parking Services risk inventory

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
<p>2.0 Parking Services risk inventory</p> <p>There is currently no formal documentation to demonstrate that Parking Services has identified and defined parking services-related risks, including existing or emerging risks. Consequently, risks are not formally monitored or trended which may lead to Parking Services misaligning attention and resources.</p>	<p>2.0 Parking Services risk inventory</p> <p>There is no common view on the set of key Parking Services risks, which may lead to a lack of clarity on which risks Parking Services should be focusing both attention and resources.</p>	<p>2.0 Parking Services risk inventory</p> <p>In conjunction with observation 1.0, during development of parking management strategy and through ongoing operations, management should perform an exercise to formally identify and prioritize the risks faced by Parking Services. Management should also establish a cycle to identify emerging risks and regularly evaluate existing risks on an ongoing basis.</p>	<p>Management Agrees</p> <p>Action plan:</p> <p>During the process to develop the parking management strategy as outlined in the action plan for 1.0, Management will record the key risks and missed opportunities identified. Within this list, Management will consider the current activities and controls to mitigate those risks, and/or conclude whether the risk is acceptable given current business operations.</p> <p>In addition, Management may consult with the City's Risk Management Division for assistance with these efforts.</p>	<p>Orest Katolyk, Chief Municipal Law Enforcement Office December 31, 2019</p>

Observation 3.0 – Customer service monitoring

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
<p>3.0 Customer service monitoring</p> <p>Parking Services does not currently maintain a formal mechanism to solicit feedback from customers with respect to all parking related service offerings (e.g., enforcement, on/off-street parking, mobile app, etc.). While Parking Services currently provides a method to report specific types of requests for parking by-law enforcement, there is no clear mechanism to intake customer feedback for parking services more broadly (e.g., complaints about Parking Enforcement Officers, Parking Services staff, parking availability, etc.). The 'Report a Parking Complaint' webpage is solely a general mailbox for submitting complaints requiring Parking Enforcement Officers to investigate.</p> <p>Additionally, procedures to address received customer feedback have not been documented. There are no clear criteria to consistently evaluate feedback, nor guide escalation of issues.</p>	<p>3.0 Customer service monitoring</p> <p>There is risk that Parking Services is unaware of customer feedback that demonstrates a need or opportunity for improvement or changes to customer service delivery.</p>	<p>3.0 Customer service monitoring</p> <p>Parking Services should consider formalizing a mechanism for intake of customer service feedback with respect to all parking related service offerings (e.g. enforcement, on/off-street parking, mobile app, etc.). An example of the mechanism may include a dedicated mailbox or survey. This mechanism should be supported by operational activities with assigned responsibility and clear expectations. When establishing a formal mechanism, Parking Services management should consider:</p> <ul style="list-style-type: none"> • Required supporting operational activities, including ongoing monitoring of feedback received, criteria to evaluate feedback, and criteria to escalate to appropriate City management for resolution; • Collaborating with stakeholders and peer municipal parking services leadership to determine needs and use of customer service information that is measurable and meaningful; • Identifying key performance indicators (e.g., meter down time, etc.) and operational metrics measuring activities that could objectively demonstrate customer service levels; and • Formalizing a reporting process to actively gauge, interpret and monitor any identified trends within received customer feedback. 	<p>Management Agrees.</p> <p>Action plan:</p> <p>Management recognizes that when paying for a parking infraction most feedback received is negative. To encourage capture of relevant and constructive feedback, management will aim the mechanism at specific services and/or initiatives such as potential expansions to payment options or methods (i.e., Administrative Monetary Penalties).</p> <p>In addition, management will formalize the process to address customer feedback, in terms of criteria to evaluate feedback and escalate issues.</p>	<p>Orest Katolyk, Chief Municipal Law Enforcement Office</p> <p>March 31, 2019</p>

Observation 4.0 – Documented procedures

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
<p>4.0 Documented procedures Internal Audit noted a limited number of business processes are documented for Parking Services to ensure standard operating procedures (SOP) are performed effectively and consistently throughout each year. This includes a lack of documentation surrounding procedures to perform budget to actual comparisons, and to process invoices to make payment, reconcile bank statements, verify MTO funds received, and remit funds to MTO. In addition, the results of business processes have not been documented, for example approval of void tickets, daily cash balancing, revenue recording and deposits, MTO remittance, expense recording, and accounts payable.</p> <p>Internal Audit also noted that of the currently documented processes and guidelines, including Cancellation Guidelines and Cale Credit Card Bank Deposit Instructions (i.e., meter revenue) either they do not have a date of last revision recorded, or have not been reviewed and revised since 2010. Currently, there is no schedule with assigned responsibility to regularly review and revise</p>	<p>4.0 Documented procedures The lack of documented practices could lead to ineffective, inefficient, or duplicated processes.</p> <p>The lack of documented SOP may restrict Parking Services' ability to effectively onboard and train new staff.</p>	<p>4.0 Documented procedures Parking Services should document all relevant SOP while also establishing a cycle to regularly review and revise SOP documentation on an ongoing basis. When preparing to document SOP and create a review cycle, Parking Services management should consider the following:</p> <ul style="list-style-type: none"> • Performing a gap assessment on current operations and future-state desires to understand implications on SOP documentation; • Generating an inventory of all standard operating procedures documents and creating and recording performance of a review schedule at an appropriate frequency; • Utilizing tracked changes within Microsoft Word and version control while also documenting the date of last revision with management approval to clearly articulate completion of any review and revision. • Documenting an executive summary for each SOP to clearly articulate role responsibility, management oversight, etc.; and • Storing all relevant documentation centrally for ease of access using a City approved database (e.g., SharePoint, etc.). 	<p>Management Agrees. Action plan: Management will prepare standard operating procedures and/or refresh where required.</p>	<p>Annette Drost, Manager of Municipal Law Enforcement Services, Parking Services June 30, 2019</p>

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
standard operating procedures and guidelines.				

Observation 5.0 – Asset management operations

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
<p>5.0 Asset management operations</p> <p>Internal Audit noted that current asset management practices involve manual performance of related reconciliations, record results, and manual preparation of the relevant journal entries for posting by the Financial Services department.</p> <p>Specifically for meter coin revenue, there is heavy reliance on manual procedures to reconcile actual coin received, record actual revenue on paper, independently reconcile revenue recorded on paper, record reconciled revenue on multiple Microsoft Excel sheets, and prepare the journal entries for approval and posting. This current process requires additional time to perform operations as well as a higher risk of inaccurate results due to its manual nature.</p> <p>Management has self-identified this issue and per discussion with Management, Internal Audit noted that Parking Services is currently planning to implement the Gtechna module for asset management operations during 2018.</p>	<p>5.0 Asset management operations</p> <p>Manual and time-consuming operations could result in ineffective allocation of resources. There is also risk of inaccurate data that may be used as an input to Parking Services reporting and analysis activities.</p>	<p>5.0 Asset management operations</p> <p>Parking Services should continue to proceed with implementation of Gtechna module for asset management operations to realize opportunities to have more efficient and effective asset management through automation. When assessing different options for adoption, Parking Services management should consider the following:</p> <ul style="list-style-type: none"> • Performing a cost-benefit analysis to understand the return on investment from adopting automated activities; • Assessing alternatives to understand alignment with strategic priorities, key objectives and City goals; • Document detailed user requirements are documented and leverage to ensure module specifications are appropriate for needs of Parking Services; • Ensuring identified risks within the asset management processes have been appropriately mitigated within the Gtechna module, and an audit trail is available for detailed investigation as required; and • Reviewing current role responsibilities to better fit the potential process frameworks with consideration given to effective segregation of duties. 	<p>Management Agrees.</p> <p>Action plan:</p> <p>Management will continue with the implementation of the Gtechna module for asset management operations, with consideration for the recommended points.</p> <p>Noting that Parking Services is working closely with IT during this implementation and go-live dates are dependent on the agreed upon project schedule.</p>	<p>Annette Drost, Manager of Municipal Law Enforcement Services, Parking Services June 30, 2019</p>

Observation 6.0 – User access permission: Gtechna system

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
<p>6.0 User access permission: Gtechna system</p> <p>There is a lack of procedures designed to periodically review user access permissions to the Gtechna system. Through sample-based testing, it was also determined that some individuals no longer employed by Parking Services still hold active access permissions to Gtechna modules.</p> <p>There are also no approved standard access permissions recorded to ensure permissions are appropriately designed and controlled for each role and periodically reviewed to remain current with role responsibilities.</p>	<p>6.0 User access permission: Gtechna system</p> <p>There is risk that individuals may have inappropriate access that could lead to unauthorized activities on the Gtechna system.</p>	<p>7.0 User access permission: Gtechna</p> <p>Parking Services management should formalize a review process to ensure that user access permissions are periodically reviewed and updated as needed. When formalizing the process, Parking Services management should consider the following:</p> <ul style="list-style-type: none"> • Documenting standardized access level permissions by role considering segregation of duties and privileged access. This includes defining and recording exceptions to standard permissions; • Creating a schedule to periodically review all access level permissions to remain current with role responsibilities and staff changes; • Assigning responsibility to an individual with adequate knowledge to perform an effective review; • Implementing a standard template to record and store performance of each review including validation of required changes; and • Establishing an oversight mechanism to ensure that periodic reviews and resulting actions are completed in a timely fashion. 	<p>Management Agrees.</p> <p>Action plan:</p> <p>Management will develop and implement procedures for the regular review of user access permissions in Gtechna system to ensure that appropriate access is maintained.</p>	<p>Annette Drost, Manager of Municipal Law Enforcement Services, Parking Services March 31, 2019</p>

Observation 7.0 – Ministry of Transportation of Ontario (MTO) cheque validation

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
<p>7.0 MTO cheque validation Existing practices for Parking Services to validate the amount of MTO cheques received for Defaulted Fines Control Centre (DFCC) court fines and DFCC fine amounts requires enhancement. Parking Services is currently performing procedures to independently calculate the DFCC court fine portion of the cheque. There is a need to enhance procedures to more effectively verify the DFCC fine amount portion.</p> <p>In addition, there is no formalized process in place for Parking Services to follow-up with the MTO when cheque amounts cannot be reconciled.</p>	<p>7.0 MTO cheque validation There is risk that the City is not receiving the full amount owed by the MTO as agreed upon in the relevant contract for parking tickets processed with MTO.</p>	<p>7.0 MTO cheque validation Parking Services should enhance the current process to ensure that the full amount of each cheque received from the MTO is reasonably reconciled. Parking Services management should perform an evaluation to identify, develop, and implement a mechanism to reconcile each cheque to within a reasonable level of comfort. Recording of the performance of this reconciliation should also be maintained for management to perform periodic reviews as a form of active oversight.</p> <p>Parking Services management should also document a formal process to follow-up with the MTO for instances where a cheque is not received when expected or received for an incorrect amount. This document should list the main point of contact and be reviewed periodically to remain current with contract obligations.</p>	<p>Management Agrees. Action plan: Management can only verify the information as provided by the MTO, which is currently being completed within Parking Services. Management also agrees that enhancements to the documentation is required and will develop and implement standard operating procedures to validate MTO cheques. This SOP will include standard follow-up procedures when amounts cannot be reasonably validated.</p>	<p>Annette Drost, Manager of Municipal Law Enforcement Services, Parking Services September 28, 2018</p>

Observation 8.0 – Contracted Commissionaires employee engagement

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
<p>8.0 Contracted parking enforcement officer engagement</p> <p>There has been high turnover of the contracted parking enforcement officers (the “Commissionaires”) who serve the City. Between January 1, 2016 and December 31, 2017, 10 officers left the service for reasons including inability to pass training, rescinding job acceptance, involuntary termination, and different employment opportunities.</p>	<p>8.0 Contracted parking enforcement officer engagement</p> <p>There is risk that continued contracted Commissionaires employee turnover could lead to increased costs and ineffective delivery of parking services.</p>	<p>8.0 Contracted parking enforcement officer engagement</p> <p>Parking Services management should consider and develop additional methods to assist in lowering the rate of turnover in the contracted Commissionaires.</p> <p>Strategies to consider, include the following:</p> <ul style="list-style-type: none"> • Instituting a periodic meeting for all officers to come together as a team and discuss relevant topics, current concerns, and leading practice; • Recognize and emphasize positive outcomes that clearly relate to Parking Services achieving key objectives; • Rolling out an engagement survey to the contracted Commissionaires to gain input of any practical suggested recommendations to further support retention efforts; and • Revising upcoming request for quotes (RFQ) and request for proposals (RFP) to include qualitative factors, e.g. turnover metrics clause, uniform subsidies, and/or part time hours... 	<p>Management Agrees.</p> <p>Action plan:</p> <p>Management will look to continue with the periodic meetings for all officers to discuss relevant topics and leading practice.</p> <p>In addition, during the next round of contracting with a third party vendor, Parking Services will look to include additional qualitative factors in the RFQ and RFP to address additional contracted parking enforcement officer engagement opportunities.</p>	<p>Annette Drost, Manager of Municipal Law Enforcement Services, Parking Services June 30, 2019</p>

Appendix 1: Internal Audit detailed scope

Specifically, the internal audit addressed the following areas:

Reviewed and assessed the processes and controls in place to manage Parking Services' cash transactions, cash deposits, and cash reconciliations

- Reviewed existing cash handling process, policies, by-laws, and guidelines to collect, control, and secure cash including segregation of duties;
- Assessed existing procedures to receive and administer parking related disputes; and
- Assessed the roles and responsibilities of staff to ensure segregation of duties as well as duplication of effort

Assessed procedures and controls, on a sample basis, and identified opportunities for operational efficiencies. Reviewed and assessed the processes to monitor cash handling for Parking Services

- Reviewed activities in place to govern the collection, control, and deposits of cash;
- Assessed procedures that identify and report cash handling process exceptions (e.g., non-compliance with Corporate Cash Handling Directives, etc.); and
- Assessed procedures that actively oversee cash intake and cash accounts including related reconciliations (e.g., cash from meters, bank account balances, etc.).





Reviewed and assessed the Parking Services' budgeting and strategic prioritization processes

- Reviewed the current framework in place for budget development and strategic prioritization;
- Reviewed the budget allocation for commissioner enforcement and evaluated in relation to current priorities;
- Assessed the procedures that evaluate sources of revenue and related costs in relation to current priorities; and
- Reviewed the process in place that aligns the practices and activities with the current budget and priorities.

Appendix 2: Internal Audit rating scale

Individual observation prioritization

Internal Audit will prioritize each observation and recommendation within a report using a three point rating scale. The three point rating scale will be as follows:

Description	Definition
 High	Observation is high priority and should be given immediate attention (e.g. 0-3 months) due to the existence of either significant internal control risk or a potential significant operational improvement opportunity.
 Medium	Observation is a moderate priority risk or operational improvement opportunity and should be addressed in the near term (e.g. 3-6 months).
 Low	Observation does not present a significant or medium control risk but should be addressed (e.g. within a 6-12 month timeframe) to either improve internal controls or process efficiency.
 Leading Practice	Consideration should be given to implementing recommendations in order to improve the maturity of the process and align with leading practices.

Appendix 3: Stakeholder involvement

In conducting the assessment, the following management and staff were interviewed to gain an understanding of the City's parking revenue generation processes and practices.

Stakeholder	Position
Annette Drost	Manager, Municipal Law Enforcement Services, Parking Services
Angela Gilker	Manager, Accounts Payable, Financial Services
Kelly Medinilla	Manager, Accounting, Financial Services
Various – Deloitte met with various management and staff in the Parking Services Service Area to gather an in-depth understanding of the management compensation processes and practices and perform audit procedures.	

Appendix 4: Audit procedures performed

As part of the Parking Revenue Generation Assessment the following procedures were performed:

- Conducted a planning meeting with the Chief Municipal Law Enforcement Officer, Managing Director of Development and Compliance Services and Chief Building Official, and Manager of Municipal Law Enforcement Services;
- Updated and issued a finalized Project Charter and request for information;
- Conducted meetings and interviews with Parking Services management and staff to:
 - Gain an understanding of the processes and controls in place to manage cash transactions, cash deposits, and money reconciliations;
 - Identify and obtain an understanding of the processes to monitor cash handling for Parking Services; and
 - Obtain an understanding of the budgeting and strategic prioritization framework and processes including budget development and review of operational activities against parking priorities;
- Obtained documentation regarding relevant procedures and controls to perform an inspection of:
 - 2017 Parking Year End Monitoring;
 - 2018 Budget Guidelines;
 - Guide Parking Enforcement;
 - London Downtown Parking Strategy;
 - London Ontario Parking Management Best Practices – Tool Box;
 - MBN Canada 2016 Performance Measurement Report;
 - Asset Management SOW;
 - Parking Tickets and Pass Stats 2014 – 2017;
 - Parking Replacement: Meter Parking Automation Requirements;
 - Top 10 Parking Questions;
 - Traffic & Parking By-law;
 - Overnight Parking Memo;
 - Cale Credit Card Bank Deposit Instructions;
 - Daily Reconciliation Instructions;
 - Month-end Disbursement Instructions;
 - Cancellation Guidelines; and
 - Inquiry – Standard Operating Procedures;
- Conducted sample testing activities related to cash handling controls, revenue related operational controls, monitoring controls, and budgeting and strategic prioritization to identify areas for improvement;
- Drafted observations and validated observations with management;
- Conducted a closing meeting with key management stakeholders to validate and communicate our findings; and
- Issued this internal audit report with our detailed observations.

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