

Financial Statements of

**LONDON & MIDDLESEX HOUSING
CORPORATION**

Year ended December 31, 2016



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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, 2016, 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.

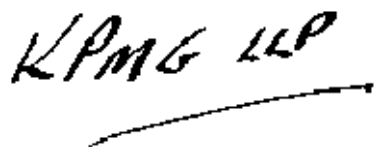
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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, 2016, 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 tapers at both ends, serving as a decorative underline.

Chartered Professional Accountants, Licensed Public Accountants

April 27, 2017

London, Canada

LONDON & MIDDLESEX HOUSING CORPORATION

Statement of Financial Position

As at December 31, 2016, with comparative information for 2015

	2016	2015
Financial Assets:		
Cash	\$ 1,110,798	\$ 1,738,444
Accounts receivable (note 3)	826,683	674,369
Due from The Corporation of the City of London	849,428	598,810
	<u>2,786,909</u>	<u>3,011,623</u>
Financial Liabilities:		
Accounts payable and accrued liabilities	2,667,306	2,923,445
Tenants advances	508,927	475,239
Unearned miscellaneous revenue	62,918	70,300
	<u>3,239,151</u>	<u>3,468,984</u>
Net debt	(452,242)	(457,361)
Non-financial Assets:		
Tangible capital assets (note 7)	50,871,208	50,666,053
Prepaid expenses	452,242	457,361
	<u>51,323,450</u>	<u>51,123,414</u>
Commitments (note 5)		
Accumulated surplus (note 8)	\$ 50,871,208	\$ 50,666,053

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

LONDON & MIDDLESEX HOUSING CORPORATION

Statement of Operations

Year ended December 31, 2016, with comparative information for 2015

	Budget	2016	2015
Revenue:			
Rental revenue	\$ 10,473,134	\$ 10,773,462	\$ 10,637,628
From The Corporation of the City of London:			
Rental subsidy	8,991,668	8,991,668	8,569,008
Funding adjustment	-	50,565	369,450
Capital funding	-	867,439	2,316,095
One time funding	-	115,000	-
Energy savings project rebates	-	790,097	135,727
Other	280,189	507,621	272,752
Total revenue	19,744,991	22,095,852	22,300,660
Expenses:			
Salaries, wages and employee benefits	4,506,481	4,465,301	4,624,950
Maintenance, materials and services:			
Building, general	2,760,915	2,941,295	3,032,310
Grounds	819,000	830,382	857,364
Painting	285,800	279,474	329,878
Other	167,100	124,767	125,034
	4,032,815	4,175,918	4,344,586
Utilities:			
Electricity	2,249,938	2,473,928	2,140,498
Water	1,018,529	1,070,922	1,009,960
Natural gas	967,994	780,453	921,512
	4,236,461	4,325,303	4,071,970
Amortization	-	1,516,718	1,595,144
Property:			
Insurance	587,226	605,526	561,309
Municipal taxes	5,231,940	5,137,198	5,023,794
Mortgage payments	46,875	46,871	47,127
	5,866,041	5,789,595	5,632,230
Administration	1,103,193	1,617,862	1,255,624
Total expenses	19,744,991	21,890,697	21,524,504
Annual surplus	-	205,155	776,156
Accumulated surplus, beginning of year	50,666,053	50,666,053	49,889,897
Accumulated surplus, end of year	\$ 50,666,053	\$ 50,871,208	\$ 50,666,053

See accompanying notes to financial statements.

LONDON & MIDDLESEX HOUSING CORPORATION

Statement of Change in Net Financial Debt

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Annual surplus	\$ 205,155	\$ 776,156
Acquisition of tangible capital assets	(1,721,873)	(2,371,300)
Amortization of tangible capital assets	1,516,718	1,595,144
	(205,155)	(776,156)
Acquisition of prepaid expenses	(6,322,946)	(6,504,046)
Use of prepaid expenses	6,328,065	6,107,880
Change in net financial debt	5,119	(396,166)
Net debt, beginning of year	(457,361)	(61,195)
Net debt, end of year	\$ (452,242)	\$ (457,361)

See accompanying notes to financial statements.

LONDON & MIDDLESEX HOUSING CORPORATION

Statement of Cash Flows

December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 205,155	\$ 776,156
Item not involving cash:		
Amortization	1,516,718	1,595,144
Changes in non-cash items:		
Accounts receivable	(152,314)	25,822
Prepaid expenses	5,119	(396,166)
Due from The Corporation of the City of London	(250,618)	476,376
Accounts payable and accrued liabilities	(256,139)	23,468
Tenant advances	33,688	46,722
Unearned miscellaneous revenue	(7,382)	(871)
Deferred revenue	-	-
	1,094,227	2,546,651
Capital activities:		
Cash used to acquire tangible capital assets	(1,721,873)	(2,371,300)
Increase (decrease) in cash	(627,646)	175,351
Cash, beginning of year	1,738,444	1,563,093
Cash, end of year	\$ 1,110,798	\$ 1,738,444

See accompanying notes to financial statements.

LONDON & MIDDLESEX HOUSING CORPORATION

Notes to Financial Statements

December 31, 2016

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, 2016

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:

	2016	2015
Rent	\$ 266,279	\$ 266,329
Harmonized sales tax	271,085	247,928
Sundry	289,319	160,112
	<u>\$ 826,683</u>	<u>\$ 674,369</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 2016 (2015 - \$47,127). 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:

2017	\$	270,823
2018		265,617
2019		263,693
2020		256,504
2021		104,707

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 2016 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 \$304,883 was incurred as pension expense in 2016 (2015 - \$310,625).

LONDON & MIDDLESEX HOUSING CORPORATION

Notes to Financial Statements (continued)

December 31, 2016

7. Tangible capital assets:

Cost	Balance at December 31, 2015	2016 Additions	2016 Disposals	Balance at December 31, 2016
Land	\$ 24,605,751	\$ -	\$ -	\$ 24,605,751
Site improvements	3,296,317	-	-	3,296,317
Buildings and improvements	81,058,078	1,392,301	-	82,450,379
Technology and communications	776,240	52,872	(195,313)	633,799
Vehicles	48,297	-	-	48,297
Furniture and fixtures	263,612	59,909	(113,865)	209,656
Machinery and equipment	3,002,346	127,681	-	3,130,027
Appliances	1,691,159	89,110	-	1,780,269
Total	\$ 114,741,800	\$ 1,721,873	\$ (309,178)	\$ 116,154,495

Accumulated amortization	Balance at December 31, 2015	2016 Disposals	2016 Amortization	Balance at December 31, 2016
Land	\$ -	\$ -	\$ -	\$ -
Site improvements	1,588,366	-	69,744	1,658,110
Buildings and improvements	58,938,253	-	1,167,396	60,105,649
Technology and communications	659,274	(195,313)	74,539	538,500
Vehicles	16,905	-	4,830	21,735
Furniture and fixtures	162,751	(113,865)	19,811	68,697
Machinery and equipment	1,273,470	-	91,616	1,365,086
Appliances	1,436,728	-	88,782	1,525,510
Total	\$ 64,075,747	\$ (309,178)	\$ 1,516,718	\$ 65,283,287

LONDON & MIDDLESEX HOUSING CORPORATION

Notes to Financial Statements (continued)

December 31, 2016

7. Tangible capital assets (continued):

	Net book value at December 31, 2015	Net book value at December 31, 2016
Land	\$ 24,605,751	\$ 24,605,751
Site improvements	1,707,951	1,638,207
Buildings and improvements	22,119,825	22,344,730
Technology and communications	116,966	95,299
Vehicles	31,392	26,562
Furniture and fixtures	100,861	140,959
Machinery and equipment	1,728,876	1,764,941
Appliances	254,431	254,759
	<u>\$ 50,666,053</u>	<u>\$ 50,871,208</u>

8. Accumulated surplus:

Accumulated surplus consists of surplus funds as follows:

	2016	2015
Surplus:		
Invested in tangible capital assets	\$ 50,871,208	\$ 50,666,053