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DRAFT

City of London at a Glance



london.ca



*Statistics Canada

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2016

Message from the City Manager



His Worship Mayor Matt Brown
Members of London City Council

I am pleased to present the Annual Financial Report of The Corporation of the City of London for the year ended December 31, 2016.

The financial statements have been prepared in accordance with generally accepted accounting principles for public sector entities as defined in the Public Sector Accounting Handbook. 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 the Finance Division, Civic Departments, 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,

Martin Hayward
City Manager

Financial Reporting

External Audit

The City is required under the Municipal Act 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.

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

The Consolidated Financial Statements include the following individual statements:

| Name | Purpose |
|---|--|
| Consolidated Statement of Financial Position | Provides a summary of the City's financial assets and liabilities (the financial resources the City has available for future services and the future revenues required to pay for past transactions). |
| 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, 2016

The Consolidated Financial Statements combine the financial results of the City's departments with the financial results of the boards and commissions and government business enterprises that the City effectively controls. There are 18 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 2016 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 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 first annual update for 2017 was approved in December 2016.

The budget is presented as a service based budget which categorizes the organization down into the 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 some overall budget targets, taking into consideration the economic climate within the area. Staff will then make recommendations to revise expenditure levels or increase 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 supported (capital levy ("pay as you go"), reserve fund and debt) and non-tax 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 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 2016, 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 2017.

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 130 countries, 11,000 corporate issuers, 21,000 public finance issuers and 76,000 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 and the 2016-2019 approved multi-year budget. 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 management and the Mayor.

According to the September 9, 2016 credit opinion, the City has maintained its Aaa credit rating with a stable outlook.

The City has proudly held the Aaa rating since 1977, making 2016 the 40th 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 40 consecutive years is a testament to the success of the City's prudent, conservative approach to fiscal planning.



**2016 Credit Rating Provided by
Moody's Investors Service**



Economic Overview

The Canadian economy faced numerous challenges in 2016, where business investment was the weakest part of the economy. Oil and gas producers responded to low oil prices by cutting investment by almost \$13 billion, and non-energy investment declined for the third consecutive year¹. Oil and gas investment activity is expected to stabilize in 2017. By 2018, it is expected that higher capital expenditures required to sustain output for existing oil sands projects, along with increased drilling of conventional wells, should result in additional investment in the sector².

The Canadian economy is growing stronger, and the pace of economic growth is forecast to pick up in 2017³. Energy investment is expected to subtract less from overall economic growth, and we should see a recovery in non-energy investment⁴. According to the Conference Board of Canada the economy is expected to expand by 2% this year, up from a disappointing 1.3% advance in 2016, which followed a disappointing 1.1% increase in 2015. Ontario's real GDP is expected to rise 2.4% in 2017, compared to 3.1% in 2016, whereas London's economy is forecast to increase by 2.4% this year and 2.0% in 2018, which would extend the streak of growth of at least 2% to four years⁵.

Canada's economy is proving its resilience, supported by accommodative monetary policy and the Government's fiscal measures. Employment has continued to rise overall since the end of 2015. Relative weakness in major oil-producing provinces has been offset by job gains

in the rest of the country⁶. Since December 2015, total employment in Canada has risen by an average of over 20,000 jobs per month—the strongest pace of job growth since 2012⁷. About 193,300 new jobs are expected to be added to payrolls this year, better than the average annual job gains of just 123,500 over 2014–16. London's employment is expected to increase by 1.9% this year and 1.0% next year, more than making up for a loss of 1.4% in 2016⁸.

Resale housing market activity continues to be very strong in Toronto and its surrounding areas. This strong demand, in the face of relatively flat supply growth, has resulted in a notable acceleration in price gains since late 2015⁹. Rising house prices in some markets have coincided with rising household debt.

The household debt-to-income ratio continued to trend upward in 2016, as did the share of highly indebted households in many Canadian cities¹⁰.

U.S. goods imports have been relatively flat since early 2015, which has weighed on Canadian non-energy goods exports. Export categories that have historically been more sensitive to exchange rate movements—such as motor vehicle engine and parts manufacturing, the lumber industry and industrial machinery manufacturing—have generally performed better over the last two years. However, this has not resulted in as strong a boost to Canadian export growth as in the past, in part because the currencies of some of Canada's competitors have depreciated by even more than the Canadian dollar versus the U.S. dollar. As a result, Canada maintained a significant trade deficit in non-energy goods and services with the United

¹ The Conference Board of Canada: Metropolitan Outlook 2: London, Winter 2017

²<http://www.budget.gc.ca/2017/docs/plan/overview-apercu-en.html#Toc477707293>

³<http://www.budget.gc.ca/2017/docs/plan/overview-apercu-en.html#Toc477707293>

⁴The Conference Board of Canada: Metropolitan Outlook 2: London, Winter 2017

⁵The Conference Board of Canada: Metropolitan Outlook 2: London, Winter 2017

⁶<http://www.budget.gc.ca/2017/docs/plan/overview-apercu-en.html#Toc477707293>

⁷<http://www.budget.gc.ca/2017/docs/plan/overview-apercu-en.html#Toc477707293>

⁸The Conference Board of Canada: Metropolitan Outlook 2: London, Winter 2017

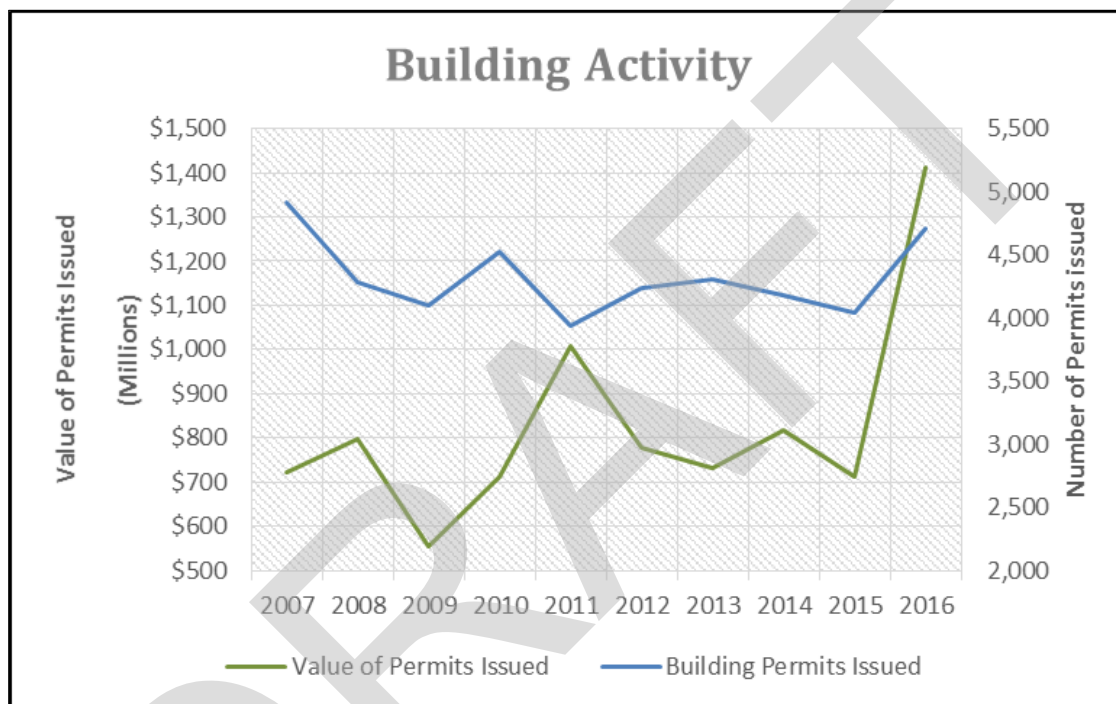
⁹<http://www.budget.gc.ca/2017/docs/plan/overview-apercu-en.html#Toc477707293>

¹⁰<http://www.budget.gc.ca/2017/docs/plan/overview-apercu-en.html#Toc477707293>

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States in 2016¹¹. Export volumes are projected to show moderate improvement this year, rising by 2.3%, by historical standards it's a low rate of increase¹². It is important to note that trade protectionist rhetoric from the new U.S. administration raises uncertainty about Canada's export outlook, and the possible renegotiation of the North American Free Trade Agreement under the Trump Administration is a risk, as such a renegotiation could have significant and adverse effects for Ontario's trade sector¹³.



Since 2007, the City has averaged \$824.6 million in total building permit value, with total value sitting at \$1.41 billion in 2016¹³. This represents a 98.2% increase over 2015 permit values, and a 95.2% increase compared to 2007.

On a per capita basis, London generated total construction values (\$1,833) lower than the average permit values at the provincial (\$2,629) and regional (i.e. Southwest Ontario) (\$2,798) levels in 2015, placing it at a mid-level ranking among other municipalities in Ontario¹⁴.

Assessment growth was 1.20% for the year 2016 and 0.91% for 2017. Every 1.0% of assessment growth in London in 2016 generated approximately \$5.2 million in tax revenue.

¹¹<http://www.budget.gc.ca/2017/docs/plan/overview-apercu-en.html#Toc477707293>

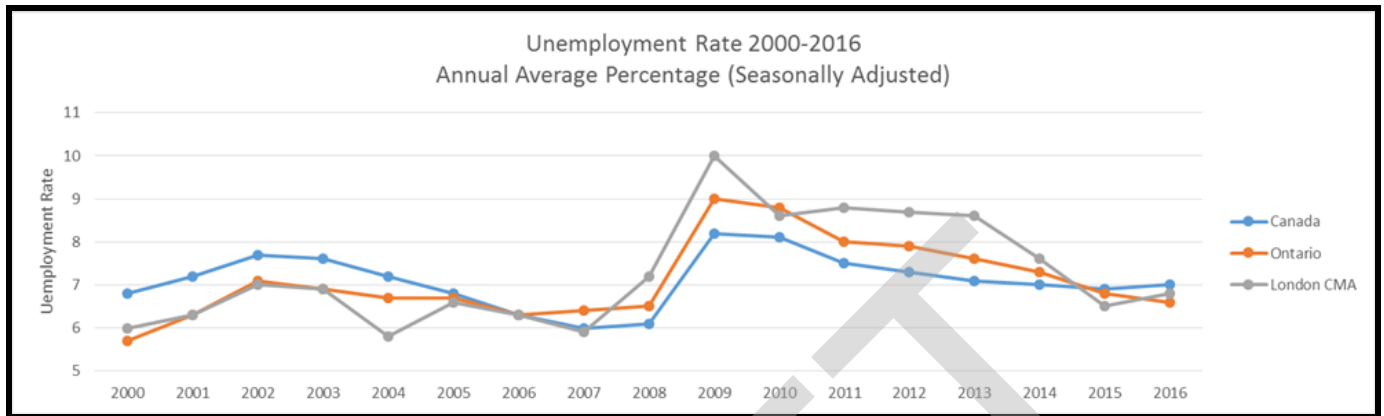
¹² The Conference Board of Canada: Metropolitan Outlook 2: London, Winter 2017

¹³ City of London. Summary Listings of Building Construction Activity

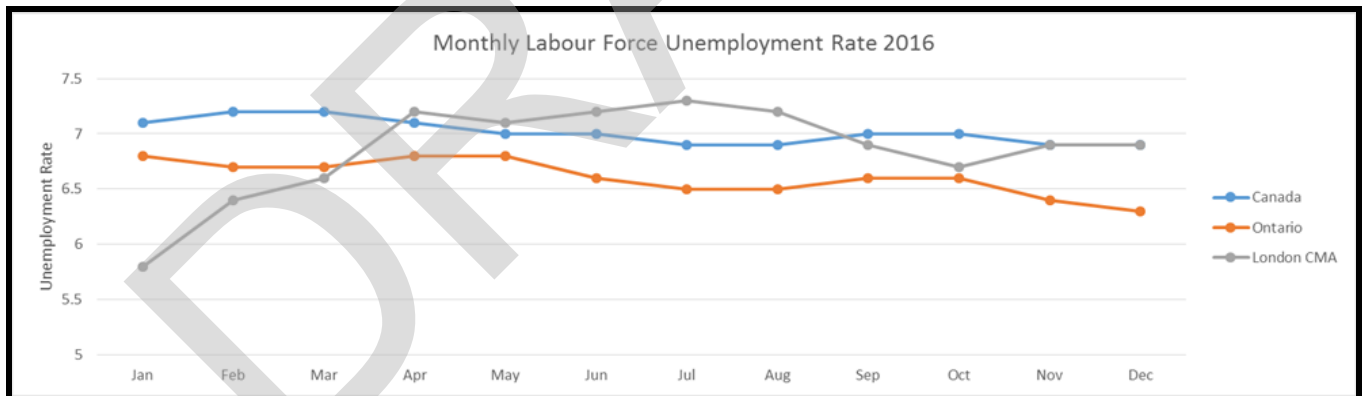
¹⁴ BMA. (2016). Municipal Study

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On a national level the unemployment rate (seasonally adjusted) was 7.0% in 2016 up slightly from 2015. The national unemployment rate is predicted to remain relatively stable edging down slightly to 6.9% in 2017. The provincial unemployment rate is predicted to decline to 6.5% in 2017 in an environment of tightening labour markets. The unemployment rate in the London CMA is predicted to experience a steady decline over the next five years to a level of 6.2% by 2021.



In 2016 the monthly labour force unemployment rate (seasonally adjusted) for the London CMA was between a low of 5.8% and a high of 7.3% which was more volatile than that of Canada (6.9% to 7.2%) and Ontario (6.3% to 6.8%) on a month over month basis.

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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.

| Comparators | London | Hamilton | Kingston | Kitchener | Waterloo | Barrie | Windsor | Ontario |
|---|------------|------------|-------------|------------|-------------------------------------|------------|------------|---------------------|
| Population in 2016 | 383,822 | 536,917 | 123,798 | 233,222 | 104,986 | 141,434 | 217,188 | 13,448,494 |
| Population growth (2011-2016) | 4.8% | 3.3% | 0.4% | 6.4% | 6.3% | 3.9% | 3.0% | 4.6% |
| Immigrant Population (%) (2011) | 21.2% | 24.5% | 13.0% | 26.1% | 24.6% | 12.5% | 27.1% | 28.5% |
| Diversity (Visible Minority Population%) (2011) | 16.1% | 15.7% | 7.4% | 18.4% | 20.4% | 7.6% | 22.9% | 25.9% |
| Population Under 25 years (%) 2016 | 29.9% | 29.0% | 27.8% | 30.2% | 33.9% | 31.9% | 29.8% | 29.1% |
| Population under 35 years(%) 2016 | 44.2% | 42.2% | 41.9% | 45.8% | 47.0% | 45.4% | 42.5% | 42.0% |
| Population 25 to 44 years (%) 2016 | 26.5% | 25.3% | 25.5% | 29.4% | 25.1% | 26.9% | 24.8% | 25.7% |
| Population 45 to 64 (%) 2016 | 27.0% | 28.4% | 27.2% | 26.6% | 26.6% | 27.3% | 27.7% | 28.5% |
| Population with a University Degree (%) (2011) | 26.2% | 21.4% | 28.6% | 22.7% | 40.7% | 18.0% | 22.8% | 27.5% |
| Unemployment 2016 (CMA) (Average) | 6.9% | 6.2% | 5.8% | 5.6% | 7.8% | 6.3% | 6.6% | 6.6% |
| Unemployment 15 years and over (2016) (CMA) | 7.0% | 6.2% | 5.8% | 5.5% | 7.8% | 6.0% | 6.5% | 6.5% |
| Unemployment 15 to 24 years (2016) (CMA) | 16.3% | 13.9% | 14.3% | 13.2% | 19.1% | 12.2% | 14.0% | 14.0% |
| Unemployment 25 to 44 years (2016) (CMA) | 5.2% | 5.1% | 5.6% (2015) | 4.6% | 6.3% | 5.7% | 5.7% | 5.7% |
| Median Household Income (\$) (2011) | \$ 56,241 | \$ 60,259 | \$ 59,935 | \$ 63,709 | \$ 77,626 | \$ 69,471 | \$ 49,113 | \$ 66,358 |
| Median employment income of families (2014) | \$ 68,480 | \$ 76,360 | \$ 69,940 | \$ 78,340 | \$ 76,450 | \$ 64,920 | \$ 70,490 | \$ 70,490 |
| Prevalence of low income based on after-tax low income measure (2011) | 16.7% | 15.7% | 14.6% | 13.4% | 10.8% | 12.2% | 23.7% | 13.9% |
| 2016 Median Absorbed Single/semi-detached Price (\$) (CMA) | \$ 390,000 | \$ 470,000 | \$ 345,000 | \$ 455,000 | \$ 515,000 | \$ 380,000 | \$ 550,000 | \$ 550,000 |
| Development Charge Rates | London | Hamilton | Kingston | Kitchener | Waterloo (includes Cambridge) | Barrie | Windsor | Ontario (Median) |
| Non Residential Commercial per sq. ft. (2016) | \$ 22.43 | \$ 19.82 | \$ 15.93 | \$ 16.66 | \$ 17.86 | \$ 28.78 | \$ 8.92 | \$ 12.12 |
| Non Residential Industrial per sq. ft. (2016) | \$ 15.50 | \$ 12.54 | \$ 7.84 | \$ 9.20 | \$ 12.94 | \$ 19.91 | \$ - | \$ 8.11 |

References: Statistics Canada, Labour Force Survey, CANISM 282-0002, 0129, 0135 (2016); BMA Municipal Study, 2016; 2011 National Household Survey; CMHC 2016; 2014 DC Bylaw for the period January 1, 2107 to December 31, 2017. *Note: Where Kitchener and Waterloo are merged it includes Cambridge. New data regarding Immigrant Population, Diversity (Visible Minority Population %), Population with a University Degree, Median Household Income and Prevalence of low income based on after-tax low income measure will be released in the later part of 2017.

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.



2016 Financial Results

Financial Results Summary

The City of London’s financial position remained stable during 2016, with the City’s cash and investments increasing by \$78 million to a combined total of \$873 million, compared to \$795 million in 2015. 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

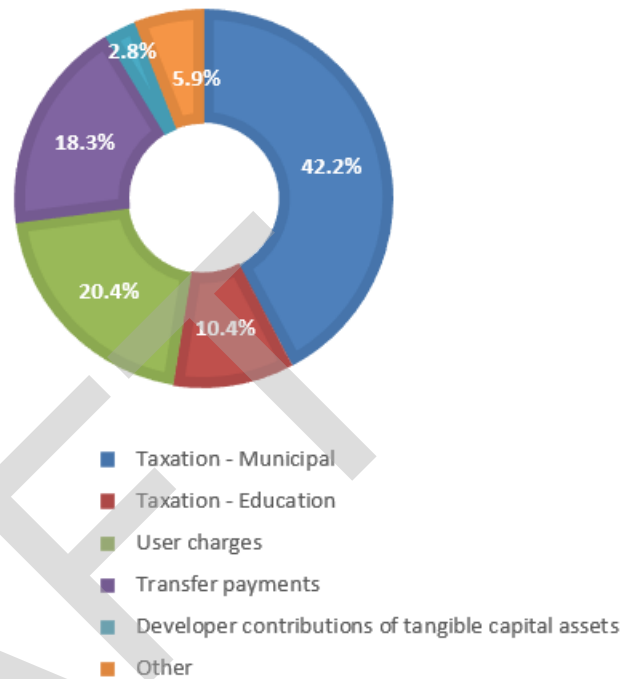
The City’s financial position improved to a net financial asset position of \$235 million in 2016, representing an increase of \$38 million over 2015. The net financial assets are the difference between the financial assets and financial liabilities. This means that the City’s financial assets are larger than its financial liabilities and indicates that the City is in a stronger position to provide for future expenses and liability repayments.

Total Revenues

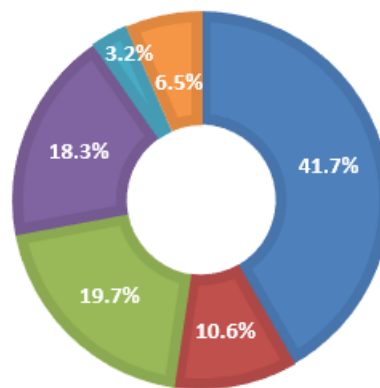
Total revenues are \$1,187 million in 2016, up \$32 million (2.8%) compared to 2015. This is mainly as a result of:

- Tax and user charges revenues are \$829 million, up \$36 million (4.4%) compared to 2015;
- Transfer payments are \$243 million, up \$7 million (2.9%) compared to 2015, predominantly due to provincial uploading in social services.

2016 REVENUES



2015 REVENUES



THE CORPORATION OF THE CITY OF LONDON

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Total Expenses

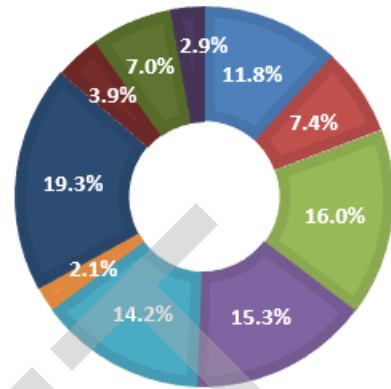
Total expenses are \$1,020 million in 2016, up \$10 million (1%) compared to 2015. This is mainly due in part to:

- This includes an increase of \$8 million for social and family services, \$6 million for planning and development and \$4 million for recreation and cultural services.
- This is offset by a decrease of \$3 million for social housing, \$3 million for transportation services and \$2 million for general government.

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

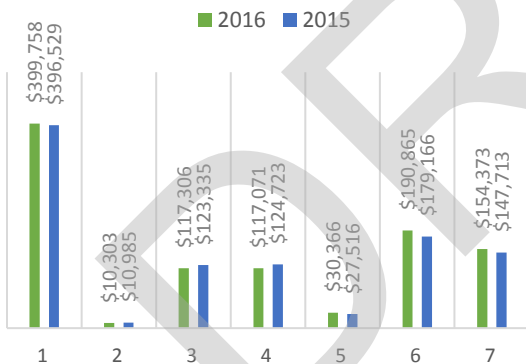
Expenses can also be illustrated by account object, grouping similar accounts together by expense category. The table below provides a view of the expenses from this perspective.

2016 EXPENSES



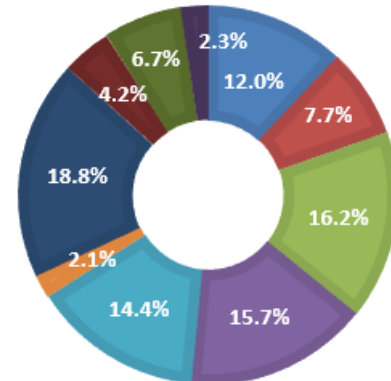
- Education transfer
- General government
- Protection to persons and property
- Transportation services
- Environmental services
- Health services
- Social and family services
- Social housing
- Recreation and cultural services
- Planning and development

EXPENSES BY OBJECT



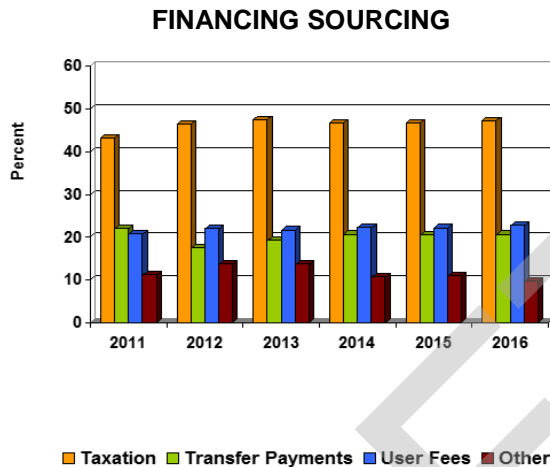
- 1 - Salaries, wages and benefits
- 2 - Long-term debt interest charges
- 3 - Materials and supplies
- 4 - Contracted services
- 5 - Rents and financial expenses
- 6 - External transfers
- 7 - Amortization

2015 EXPENSES



Financing Sources for Municipal Operations

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



Property Tax Rates and Assessment Growth

City Council approved a tax levy of \$536.4 million, representing an increase over 2015 of 3.7%. When assessment growth, tax policy and education taxes are taken into consideration, the levy increase translated into a 2.2% 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 \$227,000 in 2016 and an average value increase from 2015.

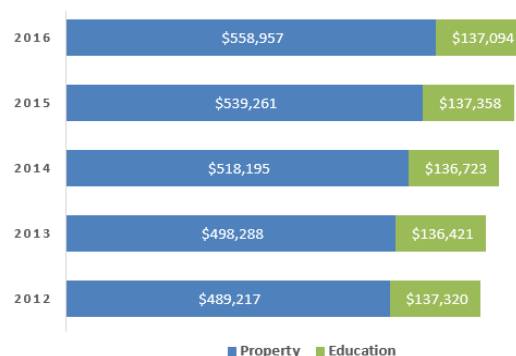
For 2016, assessment weighted with applicable Tax ratios and using consistent valuation dates Increased by 1.20%.

COMPARATIVE PROPERTY TAXES

| | 2016 | 2015 |
|--------------|-----------------|----------|
| Municipal | \$ 2,666 | \$ 2,595 |
| Education | 427 | 432 |
| Total | \$ 3,093 | \$ 3,026 |

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

PROPERTY AND EDUCATION TAXATION



THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2016

Capital Additions and Disposals

During 2016, additions to our completed capital assets were \$351 million versus \$310 million in 2015. We also disposed of capital assets of \$149 million compared to \$141 million in 2015. There was also an increase in assets still under construction of \$27 million in 2016. The following were the largest net additions in 2016 excluding assets still under construction:

NET CAPITAL ASSET INCREASES RANKED BY 2016 SPENDING (\$000'S)

| | | |
|----|--|-----------|
| 1. | Roads and Bridges Infrastructure | \$ 34,321 |
| 2. | Sanitary and Storm Wastewater Infrastructure | 33,070 |
| 3. | Waterworks Infrastructure | 14,003 |
| 4. | Land, Landfill and Land Improvements | 11,641 |
| 5. | Vehicles | 3,825 |

In 2016 amortization expense recorded was \$154 million and accumulated amortization of \$53 million was removed upon disposal of the assets.

This resulted in a 2016 net book value of \$3,614 million for the City's tangible capital assets, compared to \$3,486 million for 2015.

Annual Surplus and Accumulated Surplus

The annual surplus for the consolidated entity for 2016 was \$166 million (2015 - \$149 million). This results in an increase to the City's Accumulated Surplus for 2016 to \$3,878 million (2015 - \$3,711 million).



THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2016

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

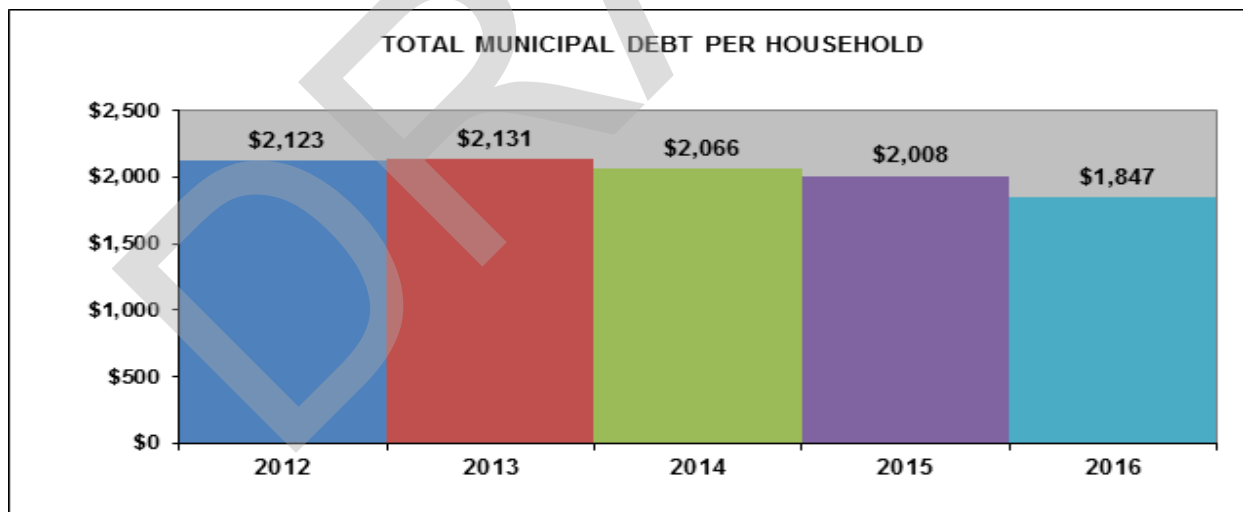
In 2016, the City issued debt of \$30 million, which is a decrease from 2015 when \$40.5 million was issued. The 2016 debenture issuance is comprised of \$27,000 of debt through public debentures (2015 - \$40,500), and \$3,048 (2015 – nil) to the Federation of Canadian Municipalities, as Trustee of the Green Municipal Fund (FCM).

The amounts issued financed the following major activities:


| Debenture Issuance (\$000's) | Public Debentures | FCM | Total Issuance |
|---|-------------------|-----------------|------------------|
| General Municipal Activities (Roads, Transit, Recreation) | \$ 17,668 | \$ 3,048 | \$ 20,716 |
| Wastewater Infrastructure | 2,332 | - | 2,332 |
| Water Infrastructure (on behalf of Elgin Area Primary Water Supply System) | 7,000 | - | 7,000 |
| | \$ 27,000 | \$ 3,048 | \$ 30,048 |

The City issued public debentures at an average cost of 2.301% over a 10-year term and issued debentures to FCM at 2.25% for a 10-year term.

During the year, debt substitution totaled \$5.3 million (2015 - \$7.3 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.



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 2016 is \$1,847 (5-year average \$2,035)

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2016

GENERAL MUNICIPAL DEBT AND LONG-TERM LIABILITIES AND DISCRETIONARY RESERVE FUNDS AND RESERVES PER HOUSEHOLD

| DECEMBER 31 (\$000'S) | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---------|---------|---------|---------|----------------|
| Total Tax Supported Debt | 238,215 | 243,560 | 239,697 | 225,909 | 205,690 |
| Total Rate Supported Debt | 120,913 | 119,857 | 116,174 | 122,250 | 118,198 |
| Total Debt | 359,128 | 363,417 | 355,871 | 348,159 | 323,888 |
| Number of Households | 169,145 | 170,543 | 172,281 | 173,415 | 175,342 |
| Total Debt per Household (\$) | 2,123 | 2,131 | 2,066 | 2,008 | 1,847 |
| Discretionary Reserve Funds & Reserves | 379,449 | 421,808 | 518,480 | 574,311 | 606,830 |
| Discretionary Reserve Funds & Reserves Per Household (\$) | 2,243 | 2,473 | 3,010 | 3,312 | 3,461 |

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, 2016. The current obligation will be met by 2032.

DEBT AND LONG-TERM LIABILITIES OUTSTANDING as at DECEMBER 31 (\$000's)

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|----------------|----------------|----------------|----------------|----------------|---------------|
| General Municipal | 183,820 | 151,474 | 121,569 | 93,397 | 66,623 | 42,668 |
| Discretionary Reserve Funds | 22,860 | 18,764 | 14,561 | 10,239 | 5,786 | 3,752 |
| Total Tax Supported Debt | 206,680 | 170,238 | 136,130 | 103,636 | 72,409 | 46,420 |
| Water | 18,724 | 16,121 | 13,447 | 11,155 | 8,813 | 6,420 |
| Sewer | 61,922 | 53,350 | 45,249 | 37,050 | 28,887 | 21,042 |
| Obligatory Reserve Funds | 38,009 | 32,590 | 27,828 | 22,980 | 18,041 | 13,006 |
| Total Rate Supported Debt | 118,655 | 102,061 | 86,524 | 71,185 | 55,741 | 40,468 |
| Total Long-term Debt and Liabilities | 325,335 | 272,299 | 222,654 | 174,821 | 128,150 | 86,888 |
| Less Unamortized Discount | (1,447) | (1,209) | (994) | (785) | (576) | (392) |
| Total Long-term Debt and Liabilities, net of Unamortized Discount | 323,888 | 271,090 | 221,660 | 174,036 | 127,574 | 86,496 |
| Percentage Remaining | 100% | 84% | 68% | 54% | 39% | 27% |

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2016

Reserves and Reserve Funds

At December 31, 2016, the City of London had combined Reserves and Discretionary and Obligatory Reserve Funds of \$837 million (\$140 million and \$697 million respectively). These balances reflect a net increase of \$83 million from December 2015, 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.

TRENDS IN RESERVES AND RESERVE FUNDS



In 2016, Reserve Funds grew by \$64 million, reaching \$697 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 \$19 million over 2015 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, 2016

Five Year Review and General Statistics

Five Year Review

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| TAXATION (Including education) | | | | | |
| Residential & Farm | \$494,636 | \$ 477,128 | \$ 457,611 | \$ 439,150 | \$ 427,640 |
| Commercial & Industrial | 205,030 | 202,893 | 200,757 | 198,755 | 202,223 |
| | <u>\$699,665</u> | <u>\$ 680,021</u> | <u>\$ 658,368</u> | <u>\$ 637,905</u> | <u>\$ 629,863</u> |
| TOTAL TAXES RECEIVABLE | <u>\$31,388</u> | <u>\$ 34,897</u> | <u>\$ 35,007</u> | <u>\$ 36,677</u> | <u>\$ 35,287</u> |
| TAX ARREARS | | | | | |
| Percentage of Current Levy | <u>4.5%</u> | <u>5.1%</u> | <u>5.3%</u> | <u>5.7%</u> | <u>5.6%</u> |
| TAX RATES (%) (Including all area rates & education) | | | | | |
| Residential | 1.362611 | 1.366710 | 1.367795 | 1.367937 | 1.385267 |
| Multi-residential | 2.405666 | 2.479835 | 2.509294 | 2.578781 | 2.631033 |
| Commercial | 3.690491 | 3.714835 | 3.766294 | 3.778755 | 3.795249 |
| Industrial | 3.790491 | 3.814835 | 4.145845 | 4.630114 | 4.652022 |
| NET LONG TERM DEBT | | | | | |
| General Municipal Rates | \$170,906 | \$ 184,389 | \$ 191,654 | \$ 203,410 | \$ 196,704 |
| Water Rates | 18,724 | 16,916 | 11,118 | 12,516 | 11,342 |
| Sewer Rates | 61,922 | 70,416 | 74,463 | 79,035 | 85,709 |
| Municipal Reserve Funds | 60,869 | 62,227 | 61,748 | 58,921 | 55,044 |
| | <u>\$312,421</u> | <u>\$ 333,948</u> | <u>\$ 338,983</u> | <u>\$ 353,882</u> | <u>\$ 348,759</u> |
| DEBT PRINCIPAL & INTEREST REPAYMENTS | | | | | |
| Principal | \$48,422 | \$ 44,202 | \$ 44,922 | \$ 44,797 | \$ 55,515 |
| Interest & debt discount | 10,303 | 10,985 | 11,514 | 10,719 | 11,680 |
| | <u>\$58,725</u> | <u>\$ 55,187</u> | <u>\$ 56,436</u> | <u>\$ 55,516</u> | <u>\$ 67,195</u> |
| DEBT ISSUED | <u>\$30,048</u> | <u>\$ 40,500</u> | <u>\$ 30,000</u> | <u>\$ 50,000</u> | <u>\$ 72,000</u> |
| ASSESSMENT GROWTH | <u>1.20%</u> | <u>1.17%</u> | <u>1.22%</u> | <u>1.43%</u> | <u>1.01%</u> |
| TANGIBLE CAPITAL ASSETS ADDITIONS | <u>\$350,841</u> | <u>\$ 317,708</u> | <u>\$ 313,293</u> | <u>\$ 273,186</u> | <u>\$ 294,949</u> |
| TANGIBLE CAPITAL ASSETS AMORTIZATION | <u>\$154,373</u> | <u>\$ 147,713</u> | <u>\$ 142,784</u> | <u>\$ 141,559</u> | <u>\$ 134,904</u> |
| NET BOOK VALUE TANGIBLE CAPITAL ASSETS | <u>\$3,614,041</u> | <u>\$3,486,341</u> | <u>\$3,403,974</u> | <u>\$3,321,318</u> | <u>\$3,241,053</u> |
| ANNUAL SURPLUS | <u>\$166,939</u> | <u>\$ 144,808</u> | <u>\$ 117,376</u> | <u>\$ 158,002</u> | <u>\$ 113,163</u> |
| CONSOLIDATED ACCUMULATED SURPLUS | <u>\$3,877,995</u> | <u>\$3,711,056</u> | <u>\$3,566,248</u> | <u>\$3,448,872</u> | <u>\$3,291,562</u> |
| RESERVES, DISCRETIONARY & OBLIGATORY RESERVE FUNDS | <u>\$837,216</u> | <u>\$ 753,801</u> | <u>\$ 698,013</u> | <u>\$ 587,746</u> | <u>\$ 528,975</u> |

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2016

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.

| | 2016 | 2015 |
|---|--------------|------------|
| GENERAL STATISTICS: | | |
| Population ^(a) | 383,822 | 381,310 |
| Area in Acres | 104,632 | 104,632 |
| Number of Households ^(b) | 175,342 | 173,415 |
| Number of Properties ^(b) | 152,898 | 146,686 |
| Building Permit Values ^(c) (\$000's) | \$ 1,410,120 | \$ 711,633 |
| Average Home Selling Price ^(d) | | |
| London and St. Thomas | \$279,634 | \$265,370 |
| Ontario | \$534,850 | \$465,556 |
| Canada | \$489,841 | \$442,999 |
| Unemployment Rates (Annual Averages) ^(e) | | |
| London | 7.0% | 6.5% |
| Ontario | 6.5% | 6.8% |
| Canada | 7.0% | 6.9% |
| CPI Canada ^(e) (percentage change) | 1.4% | 1.1% |
| Real GDP Canada ^(f) (percentage change) | 2.2% | 1.8% |

Sources of Information

(a) Provided by City's Planning Service Area and Statistics Canada June 2017

(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 2016 and June 2017

(f) Statistics Canada June 2016 and June 2017

Consolidated Financial Statements of

THE CORPORATION OF THE CITY OF LONDON

December 31, 2016

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THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Statements

Year ended December 31, 2016

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, 2016.

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, 2016, the consolidated statements of operations, 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 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, 2016, and its consolidated results of operations, its consolidated changes in net debt, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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, 2016, with comparative information for 2015

(all dollar amounts in thousands of dollars)

| | 2016 | 2015 |
|---|---------------------|---------------------|
| Financial assets | | |
| Cash and cash equivalents (Note 2) | \$ 330,273 | \$ 357,264 |
| Accounts receivable | | |
| Taxes receivable (Note 3) | 25,030 | 24,648 |
| Other receivables | 54,353 | 51,484 |
| Land held for resale | 32,545 | 30,825 |
| Investments (Note 4) | 542,888 | 438,066 |
| Loan receivable (Note 5) | 24,780 | 25,157 |
| Investment in government business enterprises and partnerships (Note 6) | 173,094 | 172,005 |
| Total financial assets | 1,182,963 | 1,099,449 |
| Financial liabilities | | |
| Accounts payable and accrued liabilities | 175,000 | 149,097 |
| Deferred revenue (Note 7) | 258,756 | 207,593 |
| Accrued interest on long-term debt | 1,932 | 2,044 |
| Long-term liabilities (Note 8) | 12,915 | 15,725 |
| Long-term debt (Note 9) | 310,974 | 332,434 |
| Capital lease obligations (Note 10) | 1,381 | 2,158 |
| Urban works payable (Note 11) | 3,254 | 7,257 |
| Employee benefits payable (Note 12) | 149,175 | 152,835 |
| Landfill closure and post-closure liability (Note 13) | 34,437 | 33,562 |
| Total financial liabilities | 947,824 | 902,705 |
| Net financial assets | 235,139 | 196,744 |
| Non-financial assets | | |
| Tangible capital assets (Note 14) | 3,614,041 | 3,486,341 |
| Inventories of supplies | 4,175 | 3,953 |
| Prepaid expenses | 24,641 | 24,018 |
| Total non-financial assets | 3,642,857 | 3,514,312 |
| Accumulated surplus (Note 15) | \$ 3,877,996 | \$ 3,711,056 |

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, 2016, with comparative information for 2015

(all dollar amounts in thousands of dollars)

| | Budget | 2016 | 2015 |
|---|---------------------|---------------------|---------------------|
| Revenues | | | |
| Net municipal taxation | \$ 551,247 | \$ 558,957 | \$ 539,261 |
| User charges | 260,094 | 269,623 | 254,088 |
| Transfer payments | | | |
| Provincial | 207,750 | 214,380 | 202,267 |
| Federal | 59,307 | 23,288 | 28,667 |
| Other municipalities | 5,362 | 5,292 | 5,152 |
| Investment income | 9,259 | 12,947 | 11,331 |
| Penalties and interest | 6,377 | 8,100 | 7,966 |
| Development charges earned | 11,411 | 17,340 | 33,601 |
| Developer contributions of tangible capital assets (Note 14) | 46,763 | 37,474 | 41,126 |
| Other | 27,436 | 28,491 | 23,662 |
| Equity in earnings of government business enterprises and partnerships (Note 6) | 5,831 | 11,089 | 7,654 |
| Total revenues | 1,190,837 | 1,186,981 | 1,154,775 |
| Expenses | | | |
| General government | 86,232 | 86,092 | 87,777 |
| Protection to persons and property | 189,865 | 185,175 | 185,424 |
| Transportation services | 181,821 | 177,424 | 180,544 |
| Environmental services | 169,671 | 164,530 | 165,485 |
| Health services | 24,443 | 24,619 | 23,733 |
| Social and family services | 219,851 | 223,497 | 215,412 |
| Social housing | 45,540 | 44,978 | 47,918 |
| Recreation and cultural services | 84,411 | 80,573 | 77,004 |
| Planning and development | 39,029 | 33,153 | 26,670 |
| Total expenses | 1,040,863 | 1,020,041 | 1,009,967 |
| Annual surplus | 149,974 | 166,940 | 144,808 |
| Accumulated surplus, beginning of year | 3,711,056 | 3,711,056 | 3,566,248 |
| Accumulated surplus, end of year | \$ 3,861,030 | \$ 3,877,996 | \$ 3,711,056 |

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, 2016, with comparative information for 2015

(all dollar amounts in thousands of dollars)

| | Budget | 2016 | 2015 |
|--|-------------------|-------------------|-------------------|
| Annual surplus | \$ 149,974 | \$ 166,940 | \$ 144,808 |
| Acquisition of tangible capital assets | (252,427) | (253,385) | (199,613) |
| Developer contributions of tangible capital assets | (46,763) | (37,474) | (41,126) |
| Amortization of tangible capital assets | 156,616 | 154,373 | 147,713 |
| Proceeds from sale of tangible capital assets | - | 4,725 | 6,103 |
| Loss on disposal of tangible capital assets | - | 4,062 | 4,556 |
| | (142,574) | (127,699) | (82,367) |
| Change in supplies inventory | - | (222) | (634) |
| Change in prepaid expenses | - | (623) | 7,088 |
| | - | (845) | 6,454 |
| Change in net financial assets | 7,400 | 38,396 | 68,895 |
| Net financial assets, beginning of year | 196,744 | 196,744 | 127,849 |
| Net financial assets, end of year | \$ 204,144 | \$ 235,140 | \$ 196,744 |

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, 2016, with comparative information for 2015

(all dollar amounts in thousands of dollars)

| | 2016 | 2015 |
|---|-------------------|-------------------|
| Cash provided by (used in) | | |
| Operating Activities | | |
| Annual surplus | \$ 166,940 | \$ 144,808 |
| Items not involving cash | | |
| Amortization of tangible capital assets | 154,373 | 147,713 |
| Developer contributions of tangible capital assets | (37,474) | (41,126) |
| Loss on disposal of tangible capital assets | 4,062 | 4,556 |
| Change in employee benefits payable | (3,660) | 6,323 |
| Change in landfill closure and post-closure liability | 875 | 4,437 |
| Equity in earnings of government business enterprises and partnerships | (11,961) | (8,430) |
| Adjustment to government business enterprises and partnerships (Note 6 (b)(iii)) | | |
| Amortization of debenture discount | 67 | (42) |
| Change in non-cash assets and liabilities | | |
| Taxes receivable | (382) | (184) |
| Other receivables | (2,869) | (1,957) |
| Land held for resale | (1,720) | (856) |
| Accounts payable and accrued liabilities | 25,903 | 9,964 |
| Deferred revenue | 51,163 | (288) |
| Accrued interest on long-term debt | (112) | (86) |
| Urban works payable | (4,003) | (3,416) |
| Inventories of supplies | (222) | (634) |
| Prepaid expenses | (623) | 7,088 |
| Net change in cash from operating activities | 340,357 | 267,870 |
| Capital Activities | | |
| Proceeds from sale of tangible capital assets | 4,725 | 6,103 |
| Acquisition of tangible capital assets | (252,709) | (198,707) |
| Net change in cash from capital activities | (247,984) | (192,604) |
| Investing Activities | | |
| Net increase in investments | (104,822) | (152,925) |
| Repayment of loans receivable | 377 | 573 |
| Repayment of promissory note receivable from government business enterprises and partnerships | 754 | 708 |
| Dividends from London Hydro Inc. (Note 6 (a)(v)) | 10,000 | 10,000 |
| Net change in cash from investing activities | (93,573) | (141,576) |
| Financing Activities | | |
| Long-term debt issued | 26,895 | 39,163 |
| Long-term debt repayments | (48,422) | (44,202) |
| Increase in long-term liabilities | - | 200 |
| Repayments of long-term liabilities | (2,810) | (2,830) |
| Repayments of capital lease obligations | (1,454) | (1,455) |
| Net change in cash from financing activities | (25,791) | (9,124) |
| Net change in cash and cash equivalents | (26,991) | (75,434) |
| Cash and cash equivalents, beginning of year | 357,264 | 432,698 |
| Cash and cash equivalents, end of year | \$ 330,273 | \$ 357,264 |

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements

Year ended December 31, 2016

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. 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
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 Public Library 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, **\$137,094** of taxation was collected on behalf of school boards (2015 - \$137,358) 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 **\$4,300** (2015 - \$4,253).

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 land improvements | 5 - 60 |
| Buildings and building improvements | 15 - 40 |
| Leasehold improvements | Lease term |
| Machinery, equipment and furniture | 5 - 15 |
| Vehicles | 5 - 7 |
| Water and wastewater 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 City 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 generally accepted accounting principles 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 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 2016 the Corporation received **\$558,957** (2015 - \$539,261) 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 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 Transactions

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 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, 2019. 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, 2019. 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

| | 2016 | 2015 |
|------------------|-------------------|-------------------|
| Cash on deposit | \$ 300,161 | \$ 253,856 |
| Cash equivalents | 30,112 | 103,408 |
| | \$ 330,273 | \$ 357,264 |

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, 2016, the balances are as follows:

| | 2016 | 2015 |
|---------------------------------|------------------|------------------|
| Taxes receivable | \$ 29,181 | \$ 33,204 |
| Penalties and interest | 2,207 | 1,693 |
| Allowance for doubtful accounts | (6,358) | (10,249) |
| | \$ 25,030 | \$ 24,648 |

4. Investments

Investments are comprised of the following:

| | 2016 | | 2015 | |
|-------------------------|-------------------|-------------------|------------------|------------------|
| | Cost | Market Value | Cost | Market Value |
| Pooled investment funds | \$ 2,970 | \$ 3,590 | \$ 3,010 | \$ 3,485 |
| Government fixed income | 113,009 | 111,499 | 121,262 | 121,940 |
| Corporate fixed income | 320,028 | 323,314 | 222,371 | 226,531 |
| Asset backed securities | 106,309 | 106,431 | 91,270 | 93,095 |
| Other investments | 572 | 572 | 153 | 153 |
| | \$ 542,888 | \$ 545,406 | \$438,066 | \$445,204 |

5. Loan Receivable

| | 2016 | 2015 |
|---|------------------|-----------|
| Subordinate Loan – City of London Arena Trust | \$ 24,780 | \$ 25,157 |

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, **\$377** (2015 - \$573) 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 44.286% 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:

| | | 2016 | 2015 |
|-------------------------------------|----|------------------|-----------|
| London Hydro Inc. | a) | \$150,781 | \$148,608 |
| Fair-City Joint Venture Partnership | b) | 5,867 | 6,452 |
| City-YMCA Joint Venture Partnership | c) | 16,446 | 16,945 |
| | | \$173,094 | \$172,005 |

a) Investment in London Hydro Inc.

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

| | 2016 | 2015 |
|--|-------------------|-------------------|
| Financial Position | | |
| Current assets | \$ 90,368 | \$ 79,915 |
| Capital assets | 286,319 | 267,387 |
| Deferred tax assets | - | 740 |
| Total assets | 376,687 | 348,042 |
| Regulatory balances | 6,550 | 6,713 |
| Total assets and regulatory balance | 383,237 | 354,755 |
| Current and other liabilities | 70,720 | 66,914 |
| Deferred revenue | 23,744 | 20,399 |
| Post-employment benefits | 14,481 | 13,845 |
| Long-term debt | 111,130 | 98,434 |
| Total liabilities | 220,075 | 199,592 |
| Regulatory balances | 12,381 | 6,555 |
| Total liabilities and regulatory balances | 232,456 | 206,147 |
| Net assets | \$ 150,781 | \$ 148,608 |
| | | |
| | 2016 | 2015 |
| Results of Operations | | |
| Revenues | \$ 506,561 | \$ 457,059 |
| Operating expenses | (482,976) | (432,175) |
| Other income (expenses) | (1,522) | (5,618) |
| Income tax expense | 3,979 | 3,160 |
| Net movement in regulatory balances | (5,911) | (5,572) |
| Net earnings | 12,173 | 10,354 |
| Dividends | (10,000) | (10,000) |
| Adjustment to opening net assets due to transition to IFRS | - | (1,730) |
| Net assets, beginning of year | 148,608 | 149,984 |
| Net assets, end of year - | | |
| Investment in London Hydro Inc. | \$ 150,781 | \$ 148,608 |

i) Regulated Business Operations and Distribution Rates

London Hydro Inc. ("the Company") is a wholly owned subsidiary company of the Corporation and provides regulated electrical distribution 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 totalled **\$6,550** (2015 - \$6,713). Net regulatory credit balances for 2016 totalled **\$12,381** (2015 - \$6,555).

iii) Commitments

The Company has provided **\$6,600** (2015 - \$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 **\$4,600** (2015 - \$6,600).

The Company has committed to operating lease agreements with future minimum non-cancellable annual lease payments of **\$1,314** (2015 - \$1,523).

iv) Credit Facilities

The Company has a committed 364 day extendable operating revolving loan facility of \$30,000. The amount drawn under this facility was **\$20,000** (2015 - \$5,000). The Company also has an uncommitted operating revolving line of credit facility of \$40,000. As at December 31, 2016 the amount drawn under this facility was **nil** (2015 - nil).

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, 2016 is **\$6,130** (2015 - \$8,434).

At December 31, 2016, the Company would be required to pay **\$4,400** (2015 - \$5,900) 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 **\$4,394** (2015 - \$4,226) and are included on the consolidated statement of operations. At December 31, 2016, the Corporation has a receivable of **\$16,148** (2015 - \$14,272) for water and wastewater charges collected by London Hydro Inc. Miscellaneous receivables of **\$344** (2015 - \$876) are also outstanding at year end.

The Corporation, on behalf of the Public Utility Commission, charged London Hydro Inc. rent, totalling **\$100** (2015 - \$100). The Corporation received **\$10,000** (2015 - \$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:

| | 2016 | 2015 |
|---|-----------------|-----------------|
| Financial Position | | |
| Current assets | \$ 1,890 | \$ 1,997 |
| Capital assets | 11,799 | 11,964 |
| | 13,689 | 13,961 |
| Accrued liabilities | 1,735 | 1,703 |
| Deferred capital contributions | 3,285 | 3,417 |
| Long-term debt | 5,339 | 6,070 |
| Total liabilities | 10,359 | 11,190 |
| Net Assets | 3,330 | \$ 2,771 |
| Results of Operations | | |
| Revenues | \$ 4,069 | \$ 3,977 |
| Operating expenses | 3,422 | 3,332 |
| Net earnings | 647 | 645 |
| Net earnings available to the Corporation | 287 | 304 |
| Distribution to Corporation | - | (35) |
| Adjustment to prior year’s distribution | - | 52 |
| Distribution for employee future benefit re-measurements | (39) | (21) |
| Corporation’s portion of earning retained in Joint Venture | 248 | 300 |
| Corporation’s investment in Fair-City Joint Venture’s net assets, beginning of year | 1,306 | 1,070 |
| Adjustment due to change in Corporation’s share during year | (79) | (64) |
| Corporation’s investment in Fair-City Joint Venture’s net assets, end of year | 1,475 | 1,306 |
| Promissory note due to the Corporation | 4,392 | 5,146 |
| Investment in Fair-City Joint Venture Partnership | \$ 5,867 | \$ 6,452 |

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 44.286% (2015 – 47.143%). 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** (2015 - \$35) 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. **\$1,782** was paid for ice rental in 2016 (2015 - \$1,747) 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:

| | 2016 | 2015 |
|--|------------------|------------------|
| Financial Position | | |
| Capital assets | \$ 27,135 | \$ 27,135 |
| Accumulated amortization | (4,741) | (4,063) |
| Net Assets | \$ 22,394 | \$ 23,072 |
| | 2016 | 2015 |
| Results of Operations | | |
| Amortization of capital assets | \$ 678 | \$ 679 |
| Net loss | (678) | (679) |
| Net assets, beginning of year | 23,072 | 23,751 |
| Net assets, end of year | 22,394 | 23,072 |
| Corporation's portion of net assets | 16,446 | 16,945 |
| Investment in City-YMCA Joint Venture Partnership | \$ 16,446 | \$ 16,945 |

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:

| | 2016 | 2015 |
|--|------------------|-----------|
| Funds deferred to future periods for specific purposes by legislation, regulation or agreement: | | |
| Development Charges Act | | |
| - Recreation and transit | \$ 8,531 | \$ 16,074 |
| - Capital infrastructure | 148,412 | 104,890 |
| Federal and Provincial gas tax | 56,897 | 53,211 |
| Recreational land (The Planning Act) | 2,793 | 1,622 |
| Capital infrastructure for cultural services | 3,761 | 3,693 |
| | 230,394 | 179,490 |
| Other deferred revenue: | | |
| Subsidy advances from Provincial Ministries for future periods | 15,434 | 14,279 |
| Prepaid deposits | 277 | 297 |
| Prepayment of recreation programs, facility rentals, memberships | 1,903 | 1,835 |
| Vacancy rebate allowances | 2,763 | 2,754 |
| Boards and commissions | 7,786 | 8,698 |
| Other deferred revenues | 207 | 240 |
| | \$258,756 | \$207,593 |

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 | 2016 | 2015 |
|-----------------------------------|-------------------------|------------------|-----------|
| Fanshawe College | 2022 | \$ 12,200 | \$ 14,600 |
| OMEX Insurance | 2021 | 706 | 1,112 |
| Elgin Area Landowner Compensation | 2017 | 9 | 13 |
| | | \$ 12,915 | \$ 15,725 |

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:

| | 2016 | 2015 |
|--|------------------|-----------|
| Long-term debt issued by the Corporation at various rates of interest ranging from 0.80% to 5.88% (2015 – 0.80% to 5.88%) with maturity dates ranging from October, 2017 to March, 2026, | \$229,673 | \$234,640 |
| Long-term debt issued by Infrastructure Ontario programs at various rates of interest ranging from 2.45% to 4.44% (2015 – 2.45% to 4.44%) with maturity dates ranging from November, 2018 to March, 2030, | 78,119 | 93,973 |
| Long-term debt issued through Canada Mortgage and Housing Corporation at an interest rate of 3.23% with a maturity date of March, 2021, | 8,563 | 10,118 |
| Long-term debt issued through the Federation of Canadian Municipalities (FCM), as Trustee for the Green Municipal Fund at various rates of interest ranging from 2.0% to 2.25% (2015 – 2.0%) and maturity dates from April, 2026 to May, 2032, | 4,528 | 1,705 |
| Long-term debt, assumed by unconsolidated local Boards, other municipalities, municipal enterprises and utilities | (8,462) | (6,488) |
| Total long-term debt | 312,421 | 333,948 |
| Less: Unamortized debenture discount | (1,447) | (1,514) |
| Net long-term debt | \$310,974 | \$332,434 |

Principal repayments are summarized as follows:

| Recoverable from | | | | | | | Total |
|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| | 2017 | 2018 | 2019 | 2020 | 2021 | Beyond | |
| General | \$29,451 | \$27,445 | \$25,712 | \$24,314 | \$21,515 | \$42,469 | \$170,906 |
| Water | 2,603 | 2,674 | 2,292 | 2,342 | 2,393 | 6,420 | 18,724 |
| Sewer | 8,572 | 8,101 | 8,199 | 8,163 | 7,845 | 21,042 | 61,922 |
| Discretionary | 4,097 | 4,203 | 4,322 | 4,453 | 2,034 | 3,751 | 22,860 |
| Obligatory | 5,419 | 4,762 | 4,848 | 4,939 | 5,035 | 13,006 | 38,009 |
| | \$50,142 | \$47,185 | \$45,373 | \$44,211 | \$38,822 | \$86,688 | \$312,421 |

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

| | 2016 | 2015 |
|---------------------------------------|------------------|------------------|
| Interest on long-term debt | \$ 10,005 | \$ 10,690 |
| Amortization of debenture discount | 230 | 209 |
| Interest on capital lease obligations | 68 | 86 |
| | \$ 10,303 | \$ 10,985 |

10. Capital Lease Obligations

| | 2016 | 2015 |
|--|-----------------|-----------------|
| 2016 | \$ - | \$ 1,339 |
| 2017 | 979 | 743 |
| 2018 | 390 | 155 |
| 2019 | 54 | - |
| Minimum lease payments | 1,423 | 2,237 |
| Less amount representing interest at rates ranging between 3.25% - 3.75% (2015 - 3.25% - 3.75%) | 42 | 78 |
| Present value of net minimum capital lease payments | \$ 1,381 | \$ 2,158 |

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 **\$1,136** (2015 - \$420) in the Urban Works Reserve Fund and **\$3,357** (2015 - \$1,930) in the Urban Works Storm Water Management Reserve Fund to fund this liability.

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Notes to the Consolidated Financial Statements (continued)
Year ended December 31, 2016

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

| | 2016 | 2015 |
|---------------------------------|-----------------|-----------------|
| Authorized but unpaid | \$ - | \$ 1,677 |
| Received but not authorized | - | 285 |
| In excess of the upper limit | 1,667 | 4,216 |
| Completed but no claim received | 1,587 | 1,079 |
| | \$ 3,254 | \$ 7,257 |

The continuity breakdown is as follows:

| | | Roads | Sanitary Sewers | Storm Sewer | Storm Water | Total |
|--------------------------------------|---------------------|-----------------|-----------------|-----------------|-----------------|------------------|
| Urban Works Payable | Dec 31, 2014 | \$ 1,669 | \$ 4,023 | \$ 1,066 | \$ 3,915 | \$ 10,673 |
| Expenses : | | | | | | |
| Value of construction work completed | 2015 | 1,198 | (85) | (23) | 147 | 1,237 |
| Payments : | | | | | | |
| From Urban Works Reserve Funds | 2015 | (783) | (1,909) | (559) | (1,402) | (4,653) |
| 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 |

The estimated future repayments of developer claims are as follows:

| | |
|--------------|-----------------|
| 2017 | \$ 2,485 |
| 2018 | 305 |
| 2019 | 188 |
| 2020 | 276 |
| Total | \$ 3,254 |

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:

| | | 2016 | 2015 |
|---|----|-------------------|-------------------|
| Post-employment and post-retirement benefits | a) | \$ 86,378 | \$ 82,997 |
| Workplace Safety and Insurance Board Obligation | b) | 43,297 | 50,374 |
| Vacation credits | c) | 16,300 | 15,607 |
| Vested sick leave benefits | d) | 3,200 | 3,857 |
| | | \$ 149,175 | \$ 152,835 |

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 **\$18,651** (2015 - \$18,863), and the reserve balances at the end of the year are **\$62,495** (2015 - \$53,533) 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, 2016.

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

| | 2016 | 2015 |
|-------------------------------|-------------|-------------|
| | % | % |
| Discount rate | 3.25 | 3.25 |
| Rate of compensation increase | 1.90 | 1.90 |
| Healthcare cost increases | 4.00 – 8.00 | 4.00 - 8.00 |

The benefit obligation continuity is as follows:

| Liability for post-employment and post-retirement benefits: | 2016 | 2015 |
|---|-----------|-----------|
| Accrued benefit obligation, January 1 | \$ 75,644 | \$ 88,190 |
| Current period benefit cost | 4,208 | 4,670 |
| Retirement interest expense | 2,530 | 3,397 |
| Plan amendment | - | 2,954 |
| Actuarial gain | - | (19,744) |
| Benefits paid | (3,261) | (3,823) |
| Accrued benefit obligation, December 31 | 79,121 | 75,644 |
| Unamortized actuarial gain (loss) | 7,257 | 7,353 |
| Liability for post-employment and post-retirement benefits | \$ 86,378 | \$ 82,997 |
| Post-employment and post-retirement benefits expense: | | |
| Current period benefit cost | \$ 4,208 | \$ 4,670 |
| Retirement interest expense | 2,530 | 3,397 |
| Plan amendment | - | 2,954 |
| Amortization of actuarial (gain) loss | (96) | (3,515) |
| Total post-employment and post-retirement benefit expense | \$ 6,642 | \$ 7,506 |

The actuarial loss is amortized over the expected average remaining service life of the related employee group of 13 years (2015 – 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, 2016, 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, 2016 is **\$16,300** (2015 - \$15,607).

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 **\$3,200** (2015 - \$3,857) at December 31, 2016. During the year **\$912** (2015 - \$1,546) 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, 2016 is **\$3,107** (2015 - \$3,945), and the reserves balance is **\$15** (2015 - \$24). An amount of **\$65** (2015 - \$533) has been contributed in the current year. Only employees of the Corporation which commenced their employment prior to February 1, 1985, Police and Middlesex and 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:

| | |
|--------------|-----------------|
| 2017 | \$ 2,171 |
| 2018 | 416 |
| 2019 | 228 |
| 2020 | 139 |
| 2021 | 43 |
| Thereafter | 203 |
| Total | \$ 3,200 |

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 4,341 (2015 – 4,303) 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 2016 was **\$29,650** (2015 - \$28,802) 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, 2016 for landfills are as follows:

| | |
|--|--------------------|
| Active (W12A) landfill is expected to reach capacity in 2029 | |
| Remaining capacity of active (W12A) as at December 31, 2016 | 2.1 million tonnes |
| Expected closing cost in 2016 dollars | \$2,000 |
| 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 |

| | 2016 | 2015 |
|---|-----------------|------------------|
| Active landfill (W12A) closure, site rehabilitation and monitoring obligation | \$ 24,906 | \$ 24,181 |
| Closed landfills site rehabilitation and monitoring obligation | 9,531 | 9,381 |
| | \$34,437 | \$ 33,562 |

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, 2016 is **\$11,935** (2015 - \$12,082).

The Corporation, with Council approval, has commenced an Individual Environmental Assessment (EA) for the expansion of the W12A landfill site. The undertaking has been accepted by the Ministry of Environment & Climate Change (MOECC) and an EA Advisor has been assigned to the project. 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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Notes to the Consolidated Financial Statements (continued)
Year ended December 31, 2016

14. Tangible Capital Assets

| Cost | Balance at December 31, 2015 | Additions | Disposals | Balance at December 31, 2016 |
|-------------------------------------|------------------------------------|-------------------|-------------------|------------------------------------|
| Land | \$ 405,172 | \$ 10,980 | \$ - | \$ 416,152 |
| Landfill and land improvements | 140,769 | 8,253 | 2,782 | 146,240 |
| Buildings and building improvements | 918,176 | 30,244 | 7,178 | 941,242 |
| Leasehold improvements | 2,689 | - | 865 | 1,824 |
| Machinery, equipment and furniture | 365,504 | 27,275 | 13,505 | 379,194 |
| Vehicles | 114,569 | 11,377 | 3,189 | 122,757 |
| Water infrastructure | 701,516 | 30,002 | 4,062 | 727,456 |
| Wastewater infrastructure | 1,279,127 | 62,144 | 8,322 | 1,332,949 |
| Roads infrastructure | 1,181,316 | 77,127 | 20,397 | 1,238,046 |
| Computers | 8,954 | 5,953 | 925 | 13,982 |
| Computers under capital lease | 5,011 | 677 | 935 | 4,753 |
| Assets under construction | 171,835 | 113,665 | 86,838 | 198,662 |
| Total | \$ 5,294,638 | \$ 377,697 | \$ 149,078 | \$ 5,523,257 |

| Accumulated Amortization | Balance at December 31, 2015 | Amortization Expense | Amortization Disposal | Balance at December 31, 2016 |
|-------------------------------------|------------------------------------|-------------------------|--------------------------|------------------------------------|
| Land | \$ - | \$ - | \$ - | \$ - |
| Landfill and improvements | 68,709 | 7,592 | 2,783 | 73,518 |
| Buildings and building improvements | 404,460 | 28,467 | 7,179 | 425,748 |
| Leasehold improvements | 1,815 | 191 | 859 | 1,147 |
| Machinery, equipment and furniture | 204,871 | 25,400 | 13,561 | 216,710 |
| Vehicles | 66,235 | 9,338 | 3,124 | 72,449 |
| Water infrastructure | 216,738 | 14,973 | 3,036 | 228,675 |
| Wastewater infrastructure | 400,618 | 23,424 | 2,672 | 421,370 |
| Roads infrastructure | 436,783 | 40,789 | 18,380 | 459,192 |
| Computers | 5,318 | 2,795 | 925 | 7,188 |
| Computers under capital lease | 2,750 | 1,404 | 935 | 3,219 |
| Assets under construction | - | - | - | - |
| Total | \$ 1,808,297 | \$ 154,373 | \$ 53,454 | \$ 1,909,216 |

| | Net book value December 31, 2015 | Net book value December 31, 2016 |
|-------------------------------------|--|--|
| Land | \$ 405,172 | \$ 416,152 |
| Landfill and land improvements | 72,060 | 72,722 |
| Buildings and building improvements | 513,716 | 515,494 |
| Leasehold improvements | 874 | 677 |
| Machinery, equipment and furniture | 160,633 | 162,484 |
| Vehicles | 48,334 | 50,308 |
| Water infrastructure | 484,778 | 498,781 |
| Wastewater infrastructure | 878,509 | 911,579 |
| Roads infrastructure | 744,533 | 778,854 |
| Computers | 3,636 | 6,794 |
| Computers under capital lease | 2,261 | 1,534 |
| Assets under construction | 171,835 | 198,662 |
| Total | \$ 3,486,341 | \$ 3,614,041 |

a) Assets under construction

Assets under construction having a value of **\$198,662** (2015 - \$171,835) 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 **\$37,474** (2015 - \$41,126) comprised predominantly of roads infrastructure in the amount of **\$9,874** (2015 - \$8,994) and water and wastewater infrastructure in the amount of **\$24,003** (2015 - \$25,963).

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 no write-downs of tangible capital assets during the year (2015 - nil).

f) Assets under Shared Control

During the year, 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 \$40,089 (77%) including land, plus \$300 for furniture and equipment,
- The YMCA proposes to provide \$9,200 (15%), plus \$1,200 for furniture and equipment, and
- The Library proposes to provide \$4,577 (8%).

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.

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Year ended December 31, 2016

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 project costs of \$13,886 (2015 - \$3,206) 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:

| | 2016 | 2015 |
|--|--------------------|-------------|
| Surplus (deficit): | | |
| Invested in tangible capital assets | \$3,645,205 | \$3,514,309 |
| Other | (74,354) | (58,667) |
| Local boards | 1,584 | (224) |
| Equity in government business enterprise | 173,094 | 172,005 |
| Unfunded | | |
| Landfill closure and post-closure liability and liability for contaminated sites | (35,737) | (33,562) |
| Employee benefits payable | (151,398) | (152,801) |
| Net long-term debt | (287,228) | (304,315) |
| Total surplus | 3,271,166 | 3,136,745 |
| Reserves set aside by Council | | |
| Working capital | 13,219 | 13,219 |
| Contingencies | 92,286 | 76,630 |
| General operations | 34,267 | 31,110 |
| Total reserves | 139,772 | 120,959 |
| Reserve funds set aside for specific purpose by Council | | |
| Infrastructure renewal | 158,971 | 147,980 |
| Acquisition of vehicles | 24,611 | 27,702 |
| Acquisition of facilities | 15,007 | 14,490 |
| Recreational programs & facilities | 466 | 403 |
| Self-insurance | 14,203 | 12,602 |
| Sick leave | 3,107 | 3,945 |
| Industrial over sizing | 17,950 | 23,035 |
| Other purposes | 161,117 | 152,510 |
| Special purpose (Note 18e) | 71,626 | 70,685 |
| Total reserve funds | 467,058 | 453,352 |
| Accumulated surplus | \$3,877,996 | \$3,711,056 |

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, 2016, 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, 2016 amounted to **\$14,203** (2015 - \$12,602) and is reported in Note 15 of the consolidated financial statements. The contribution for the year of **\$5,412** (2015 - \$4,128) has been reported in the individual revenues on the consolidated statement of operations.

Claims expensed during the year amounting to **\$3,811** (2015 - \$5,826) 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, 2016 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** (2015 - \$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 Versa Bank, 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, 2016 is **\$3,086** (2015 - \$3,502).

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, 2016 is **\$2,679** (2015 - \$2,983).

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, 2016 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 2016 was **\$1,283** (2015 - \$1,129). 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:

| | |
|--------------|-----------------|
| 2017 | \$ 572 |
| 2018 | 1,292 |
| 2019 | 1,853 |
| 2020 | 1,471 |
| 2021 | 1,174 |
| Beyond | 2,179 |
| Total | \$ 8,541 |

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:

| | |
|--------------|------------------|
| 2017 | \$ 24,323 |
| 2018 | 7,979 |
| 2019 | 7,312 |
| 2020 | 4,204 |
| 2021 | 3,779 |
| Beyond | 5,820 |
| Total | \$ 53,417 |

- ii) The Corporation has the following outstanding commitments remaining on facilities and infrastructure contracts as at December 31, 2016:

| | 2016 | 2015 |
|--|-------------------|-------------------|
| Recreation Facilities | \$ 40,692 | \$ 3,508 |
| Sanitary Sewer | 29,497 | 50,249 |
| Water | 24,067 | 15,050 |
| Roads | 20,406 | 26,751 |
| Storm Sewer | 6,944 | 10,532 |
| Fire, Provincial Offences and Emergency Measures | 2,700 | 2,996 |
| General Government | 2,290 | 6,188 |
| Commercial and Industrial | 1,317 | 10,572 |
| Cultural Facilities | 1,302 | 360 |
| Library Facilities | 1,139 | 4,787 |
| Waste Disposal and Recycling | 679 | 127 |
| Parks | 258 | 233 |
| | \$ 131,291 | \$ 131,353 |

These amounts represent uncompleted portions of contracts, as at December 31, 2016, on major projects. The majority of payments on these outstanding commitments will be made in 2017.

d) Derivatives

The Corporation has the following derivative contracts as at December 31, 2016:

- Contract, expiring October 31, 2017, for average daily natural gas purchases of 88 gigajoules, with a remaining contract value of \$109.
- Contract, expiring October 31, 2019, for average daily natural gas purchases of 210 gigajoules, with a remaining contract value of \$925.

These derivative contracts were purchased to provide price certainty for the majority of the Corporation's natural gas needs over the terms of the contracts. The value of the contracts are not reflected as an asset or liability in these 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 **\$484** (2015 - \$749).

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 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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Year ended December 31, 2016

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.

| | 2016 | 2015 |
|---|-----------------|-----------------|
| Revenues | | |
| Fines | \$ 5,597 | \$ 5,442 |
| Expenses | | |
| Salary, wages and benefits | 1,451 | 1,381 |
| County share of net revenues | 285 | 291 |
| Occupancy costs | 339 | 330 |
| Provincial government cost recovery | 577 | 379 |
| Administration costs | 1,187 | 1,098 |
| Equipment and maintenance | 218 | 189 |
| Total expenses | 4,057 | 3,668 |
| Excess of revenues over expenses | \$ 1,540 | \$ 1,774 |

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 2016 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 | \$ 149,974 | \$ 93,226 | \$ 26,356 | \$ 30,392 |
| Public Sector Accounting Board (PSAB) Reporting Requirements: | | | | |
| Addback (deduct) from Net Budget PSAB Surplus: | | | | |
| Transfers: | | | | |
| Transfers from Capital | 923 | 841 | 82 | - |
| Transfers to Capital | (71,178) | (36,412) | (18,913) | (15,853) |
| Transfers from Reserves and Reserve Funds | 5,852 | 5,852 | - | - |
| Transfers to Reserves and Reserve Funds | (80,884) | (45,137) | (11,072) | (24,675) |
| | (145,287) | (74,856) | (29,903) | (40,528) |
| Budget Adjustments: | | | | |
| Transfers from Capital | (923) | (841) | (82) | - |
| Transfers to Capital | (3,322) | (3,322) | - | - |
| Transfers from Reserves and Reserve Funds | 1,162 | 1,162 | - | - |
| Transfers to Reserves and Reserve Funds | (735) | (652) | (60) | (23) |
| | (3,818) | (3,653) | (142) | (23) |
| Debt Principal Repayments: | (39,634) | (29,001) | (350) | (10,283) |
| PSAB Adjustments: | | | | |
| Capital program funding earned in year | (60,824) | (54,030) | (1,894) | (4,900) |
| Capital projects not resulting in capital assets | 54,769 | 34,864 | 7,628 | 12,277 |
| Amortization | 131,273 | 74,035 | 14,036 | 43,202 |
| Developer contributions - assumed capital assets | (46,764) | (14,548) | (5,980) | (26,236) |
| Loss on disposal of capital assets | 1,000 | 224 | 514 | 262 |
| Obligatory reserve fund deferred revenue earned | (19,996) | (14,923) | (525) | (4,548) |
| Government Business Enterprises adjustments | (5,831) | (5,831) | - | - |
| Landfill liability | 1,065 | 1,065 | - | - |
| Employee future benefits liability | 8,379 | 7,780 | 214 | 385 |
| | 63,071 | 28,636 | 13,993 | 20,442 |
| Boards and Commissions Budget PSAB Surplus | (24,306) | (14,352) | (9,954) | - |
| Net Surplus per 2016 Approved Budget | \$ - | \$ - | \$ - | \$ - |

THE CORPORATION OF THE CITY OF LONDON
Notes to the Consolidated Financial Statements (continued)
Year ended December 31, 2016

| | Total | Tax | Water | Wastewater |
|--|------------------|----------------|---------------|-------------------|
| Net Surplus per 2016 Approved Budget – Comprised of: | | | | |
| Revenues: | | | | |
| Property Tax | \$ 536,434 | \$ 536,434 | \$ - | \$ - |
| Government Grants and Subsidies | 187,782 | 187,744 | - | 38 |
| User Fees | 206,716 | 43,815 | 73,532 | 89,369 |
| Municipal Revenues – Other | 67,580 | 66,901 | 154 | 525 |
| Municipal Revenues – Transfers from Capital | 923 | 841 | 82 | - |
| Municipal Revenues – Transfers from Reserves and Reserve Funds | 5,852 | 5,852 | - | - |
| Total Revenues | 1,005,287 | 841,587 | 73,768 | 89,932 |
| Expenses: | | | | |
| Personnel Costs | 343,000 | 318,193 | 9,694 | 15,113 |
| Administrative Expenses | 12,013 | 6,245 | 2,345 | 3,423 |
| Financial Expenses – Other | 11,488 | 11,206 | 70 | 212 |
| Financial Expenses – Interest and Discount on long-term debt | 8,005 | 6,034 | 61 | 1,910 |
| Financial Expenses – Debt Principal Repayments | 39,634 | 29,001 | 350 | 10,283 |
| Financial Expenses – Transfers to Reserves and Reserve Funds | 80,884 | 45,137 | 11,072 | 24,675 |
| Financial Expenses – Transfers to Capital | 71,178 | 36,412 | 18,913 | 15,853 |
| Purchased Services | 167,081 | 160,870 | 3,007 | 3,204 |
| Materials and Supplies | 68,636 | 33,304 | 24,926 | 10,406 |
| Furniture and Equipment | 28,419 | 23,626 | 1,683 | 3,110 |
| Transfers | 185,997 | 185,997 | - | - |
| Other Expenses | 8,695 | 1,756 | 2,640 | 4,569 |
| Recovered Expenses | (20,013) | (16,194) | (993) | (2,826) |
| Total Expenses | 1,005,287 | 841,587 | 73,768 | 89,932 |
| Net Surplus per 2016 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:

| | 2016 | 2015 |
|--|-------------------|------------|
| Net municipal taxation and user charges | | |
| Net municipal taxation | \$ 549,966 | \$ 530,381 |
| Payments-in-lieu-of-taxes | 8,991 | 8,881 |
| | 558,957 | 539,261 |
| User charges | 269,623 | 254,088 |
| | \$ 828,580 | \$ 793,349 |
| Transfer payments | | |
| Operating | \$ 2,249 | \$ 1,257 |
| Capital infrastructure | 21,039 | 27,410 |
| Government of Canada - total | 23,288 | 28,667 |
| Conditional – operating | 212,900 | 197,149 |
| Capital infrastructure | 1,480 | 5,118 |
| Province of Ontario - total | 214,380 | 202,267 |
| Other municipalities | 5,292 | 5,152 |
| | \$ 242,960 | \$ 236,086 |
| Investment income | | |
| Investment income - operating | \$ 3,196 | \$ 3,270 |
| Investment income - reserves and reserve funds | 9,751 | 8,061 |
| | \$ 12,947 | \$ 11,331 |
| Other revenues | | |
| Provincial Offences Fines | \$ 5,597 | \$ 5,442 |
| Government Business Enterprises | 97 | 167 |
| Ontario Lottery & Gaming Corporation | 4,544 | 4,498 |
| Other contributions - operating | 9,617 | 3,291 |
| Other contributions - capital | 5,435 | 9,057 |
| Donations | 1,009 | 663 |
| Miscellaneous sales | 2,192 | 544 |
| | \$ 28,491 | \$ 23,662 |

22. Expenses by Object

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

| | 2016 | 2015 |
|-------------------------------------|---------------------|---------------------|
| Salaries, wages and fringe benefits | \$ 399,758 | \$ 396,529 |
| Long-term debt interest charges | 10,303 | 10,985 |
| Materials and supplies | 117,306 | 123,335 |
| Contracted services | 117,071 | 124,723 |
| Rents and financial expenses | 30,366 | 27,516 |
| External transfers | 190,865 | 179,166 |
| Amortization | 154,373 | 147,713 |
| Total expenses by object | \$ 1,020,042 | \$ 1,009,967 |

23. Liability for Contaminated Sites

Under Public Sector Accounting Board Standard PS 3260 *Liability for Contaminated Sites*, the Corporation has identified one site that had contamination and was not in productive use, as follows:

Reports indicate that remediation will be required and has been estimated at **\$1,300** (2015 – nil). 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, 2016, with 2015 comparatives (in thousands of dollars)

| | REVENUES | | | | | TOTAL 2016 Actuals | TOTAL 2015 Actuals |
|---|----------|--------------|-------------------------|----------------------------|--------|-----------------------|-----------------------|
| | Taxation | User Charges | Government Transfers | Developer Contributions | Other | | |
| General Government | 558,957 | 3,983 | 950 | 0 | 42,609 | 606,499 | 576,684 |
| Fire | | 256 | - | - | 385 | 641 | 143 |
| Police | | 1,435 | 5,369 | - | 1,541 | 8,345 | 8,479 |
| Other Protection Services | | 11,351 | - | - | 5,605 | 16,956 | 13,860 |
| Total Protection Services | - | 13,042 | 5,369 | - | 7,530 | 25,941 | 22,482 |
| Transit | | 31,262 | 10,784 | - | - | 42,046 | 40,954 |
| Other Transportation Services | | 3,792 | 10,498 | 9,874 | 10,623 | 34,787 | 53,856 |
| Total Transportation Services | - | 35,054 | 21,282 | 9,874 | 10,623 | 76,832 | 94,810 |
| Water/Waste Water | | 162,607 | 10,431 | 24,003 | 8,022 | 205,062 | 206,429 |
| Solid Waste | | 7,353 | 651 | - | - | 8,004 | 7,488 |
| Total Environmental Services | - | 169,960 | 11,082 | 24,003 | 8,022 | 213,066 | 213,917 |
| Public Health Services | | - | 4,965 | - | 1 | 4,966 | 5,091 |
| Ambulance Services | | - | - | - | - | - | - |
| Total Health Services | - | - | 4,965 | - | 1 | 4,966 | 5,091 |
| General Assistance | | 285 | 133,839 | - | 54 | 134,178 | 127,153 |
| Assistance to aged persons | | 6,000 | 11,986 | - | - | 17,986 | 17,483 |
| Child Care | | - | 35,101 | - | - | 35,101 | 31,318 |
| Total Social and Family Services | - | 6,285 | 180,926 | - | 54 | 187,265 | 175,954 |
| Social Housing | - | 12,127 | 15,720 | - | 13 | 27,860 | 26,380 |
| Parks and Recreation | | 17,820 | 807 | 3,598 | 3,145 | 25,369 | 23,403 |
| Libraries | | 392 | 669 | - | 373 | 1,434 | 1,525 |
| Cultural Services | | 2,449 | 457 | - | 970 | 3,876 | 3,719 |
| Total Recreation and Cultural Services | - | 20,661 | 1,933 | 3,598 | 4,488 | 30,679 | 28,646 |
| Planning, Development and Compliance | - | 8,512 | 736 | - | 4,625 | 13,873 | 10,811 |
| Total Revenue | 558,957 | 269,623 | 242,960 | 37,474 | 77,965 | 1,186,981 | 1,154,775 |

THE CORPORATION OF THE CITY OF LONDON
Consolidated Schedule of Segment Disclosure - Operating Expenses
For the year ended December 31, 2016, with 2015 comparatives (in thousands of dollars)

| | EXPENSES | | | | | | | Total 2016 Actuals | Total 2015 Actuals |
|---|-------------------------------|----------------|------------------------|-----------------------|----------------|---------------|------------------|-----------------------|-----------------------|
| | Salaries, Wages & Benefits | Materials | Contracted Services | External Transfers | Amortization | Other | | | |
| General Government | 42,877 | 11,778 | 10,683 | 3 | 10,233 | 10,518 | 86,092 | 87,779 | |
| Fire | 53,960 | 1,939 | 490 | - | 2,874 | 151 | 59,414 | 60,113 | |
| Police | 90,413 | 5,758 | 1,673 | - | 3,950 | 635 | 102,429 | 103,855 | |
| Other Protection Services | 13,332 | 3,621 | 1,573 | 3,803 | 256 | 747 | 23,332 | 21,455 | |
| Total Protection Services | 157,705 | 11,318 | 3,736 | 3,803 | 7,080 | 1,533 | 185,175 | 185,423 | |
| Transit | 44,526 | 10,411 | 5,148 | 6,366 | 10,554 | 674 | 77,679 | 73,944 | |
| Other Transportation Services | 19,835 | 19,833 | 9,044 | 4 | 41,376 | 9,653 | 99,745 | 106,596 | |
| Total Transportation Services | 64,361 | 30,244 | 14,192 | 6,370 | 51,930 | 10,327 | 177,424 | 180,540 | |
| Water/Waste Water | 23,712 | 28,303 | 12,303 | 15 | 62,629 | 7,944 | 134,906 | 132,697 | |
| Solid Waste | 7,782 | 4,938 | 11,735 | 1,336 | 2,429 | 1,404 | 29,624 | 32,789 | |
| Total Environmental Services | 31,494 | 33,241 | 24,038 | 1,351 | 65,058 | 9,348 | 164,530 | 165,486 | |
| Public Health Services | 4,837 | 489 | 650 | 5,015 | 115 | 294 | 11,400 | 11,340 | |
| Ambulance Services | - | - | 13,219 | - | - | - | 13,219 | 12,393 | |
| Total Health Services | 4,837 | 489 | 13,869 | 5,015 | 115 | 294 | 24,619 | 23,733 | |
| General Assistance | 21,434 | 596 | 6,603 | 124,587 | 409 | 2,448 | 156,077 | 150,509 | |
| Assistance to aged persons | 17,892 | 3,003 | 1,050 | 198 | 1,375 | 1,015 | 24,533 | 25,350 | |
| Child Care | 1,934 | 844 | 22,968 | 16,993 | 8 | 140 | 42,887 | 39,494 | |
| Total Social and Family Services | 41,260 | 4,443 | 30,621 | 141,778 | 1,792 | 3,603 | 223,497 | 215,353 | |
| Social Housing | 5,977 | 1,446 | 9,011 | 26,465 | 1,528 | 551 | 44,978 | 47,980 | |
| Parks and Recreation | 22,520 | 7,569 | 4,537 | 117 | 10,026 | 2,199 | 46,968 | 46,704 | |
| Libraries | 14,503 | 5,376 | 961 | - | 3,283 | 1,020 | 25,143 | 23,216 | |
| Cultural Services | 2,235 | 2,550 | 828 | 1,599 | 1,181 | 69 | 8,462 | 7,082 | |
| Total Recreation and Cultural Services | 39,258 | 15,495 | 6,326 | 1,716 | 14,490 | 3,288 | 80,573 | 77,002 | |
| Planning, Development and Compliance | 11,989 | 8,851 | 4,595 | 4,363 | 2,147 | 1,208 | 33,153 | 26,671 | |
| Total Expenses | 399,758 | 117,305 | 117,071 | 190,864 | 154,373 | 40,670 | 1,020,041 | 1,009,967 | |
| Annual Surplus | | | | | | | 166,940 | 144,808 | |

Financial Statements of

**THE TRUST FUNDS
OF THE CITY OF LONDON**

December 31, 2016



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 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 Trust Funds, which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated statement of continuity 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 generally accepted accounting principles, 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 common with many charitable organizations, The Corporation of the City of London Trust Funds derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the entity and we were not able to determine whether any adjustments might be necessary to capital receipts, assets and fund equity.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Corporation of the City of London Trust Funds as at December 31, 2016, and the consolidated continuity of Trust Funds for the year then ended in accordance with Canadian generally accepted accounting principles.

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 horizontal line that starts under the 'K' and extends to the right, ending under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

May 29, 2017

London, Canada

THE TRUST FUNDS OF THE CITY OF LONDON

Consolidated Statement of Financial Position

December 31, 2016, with comparative information for 2015

| | 2016 | 2015 |
|------------------------------|---------------------|--------------|
| | Total | Total |
| Assets: | | |
| Cash and short-term deposits | \$ 4,379,228 | \$ 4,306,625 |
| Accounts receivable, OHRP | 11 | 170 |
| Accounts receivable, other | 1,677 | 1,214 |
| | \$ 4,380,916 | \$ 4,308,009 |
| Liability: | | |
| Accounts payable | \$ 80,547 | \$ 54,782 |
| Fund balance | 4,300,369 | 4,253,227 |
| | \$ 4,380,916 | \$ 4,308,009 |

See accompanying notes to consolidated financial statements.

THE TRUST FUNDS OF THE CITY OF LONDON

Statement of Earnings and Fund Equity

December 31, 2016, with comparative information for 2015

| | 2016 | 2015 |
|-------------------------------------|---------------------|--------------|
| | Total | Total |
| Balance, beginning of year | \$ 4,253,227 | \$ 4,441,685 |
| Revenue: | | |
| Capital receipts | 489,533 | 526,691 |
| Interest earned | 28,247 | 31,969 |
| | 517,780 | 558,660 |
| Expenditures: | | |
| Maintenance payments, Dearness Home | 101,041 | 119,187 |
| Disbursements | 369,597 | 627,931 |
| | 470,638 | 747,118 |
| Balance, end of year | \$ 4,300,369 | \$ 4,253,227 |

See accompanying notes to consolidated financial statements.

THE TRUST FUNDS OF THE CITY OF LONDON

Schedule 1 - Detailed Consolidated Statement of Financial Position

December 31, 2016

| | 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 | 2016 Total |
|------------------------------|------------------|----------------------------|---------------------------------------|----------------------|-----------------------------|---------------|---------------------------------|--------------------------------------|-------------------------------|---------------|
| Assets: | | | | | | | | | | |
| Cash and short-term deposits | \$ 143,393 | \$ 158,748 | \$ (11) | \$ 12,840 | \$ 3,589,009 | \$ 135,695 | \$ 97,064 | \$ 224,200 | \$ 18,290 | \$ 4,379,228 |
| Accounts receivable, OHRP | - | - | 11 | - | - | - | - | - | - | 11 |
| Accounts receivable, other | 1,640 | - | - | - | 37 | - | - | - | - | 1,677 |
| | \$ 145,033 | \$ 158,748 | - | \$ 12,840 | \$ 3,589,046 | \$ 135,695 | \$ 97,064 | \$ 224,200 | \$ 18,290 | \$ 4,380,916 |
| Liability: | | | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ 78,932 | \$ - | \$ 1,602 | \$ - | \$ 13 | \$ 80,547 |
| Fund balance | 145,033 | 158,748 | - | 12,840 | 3,510,114 | 135,695 | 95,462 | 224,200 | 18,277 | 4,300,369 |
| | \$ 145,033 | \$ 158,748 | \$ - | \$ 12,840 | \$ 3,589,046 | \$ 135,695 | \$ 97,064 | \$ 224,200 | \$ 18,290 | \$ 4,380,916 |

See accompanying notes to consolidated financial statements.

THE TRUST FUNDS OF THE CITY OF LONDON

Schedule 2 - Detailed Consolidated Statement of Continuity

December 31, 2016

| | 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 | 2016 Total |
|--|------------------|----------------------------|---------------------------------------|----------------------|-----------------------------|---------------|---------------------------------|--------------------------------------|-------------------------------|---------------|
| Balance, beginning of year | \$ 143,370 | \$ 156,928 | \$ 11,363 | \$ 12,693 | \$ 3,469,132 | \$ 134,139 | \$ 88,786 | \$ 219,195 | \$ 17,621 | \$ 4,253,227 |
| Receipts: | | | | | | | | | | |
| Capital receipts | - | - | - | - | 283,159 | - | 203,474 | 2,450 | 450 | 489,533 |
| Interest earned | 1,663 | 1,820 | 540 | 147 | 19,760 | 1,556 | - | 2,554 | 207 | 28,247 |
| | 1,663 | 1,820 | 540 | 147 | 302,919 | 1,556 | 203,474 | 5,004 | 657 | 517,780 |
| Expenditures: | | | | | | | | | | |
| Maintenance payments, Dearness Home | - | - | - | - | - | - | 101,041 | - | - | 101,041 |
| Disbursements | - | - | 11,903 | - | 261,937 | - | 95,757 | - | - | 369,597 |
| | - | - | 11,903 | - | 261,937 | - | 196,798 | - | - | 470,638 |
| Balance, end of year | \$ 145,033 | \$ 158,748 | \$ - | \$ 12,840 | \$ 3,510,114 | \$ 135,695 | \$ 95,462 | \$ 224,199 | \$ 18,278 | \$ 4,300,369 |

See accompanying notes to consolidated financial statements.

THE TRUST FUNDS OF THE CITY OF LONDON

Consolidated Notes to Financial Statements

December 31, 2016 with comparative information for 2015

1. Significant accounting policies:

The consolidated financial statements 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) Investments:

Investments are recorded at cost less any amounts written off to reflect a permanent decline in value.

2. Subsequent events:

a) On March 31, 2017 the City of London's participation in the Ontario Home Renewal Program (OHRP) concluded. The bank account associated with this program was cleared and closed.

b) 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, 2016 was \$148,037. In 2016 this fund was administered by Museum London but was transferred to the City of London in 2017 when the legal approvals were obtained.

Financial Statements of

**ARGYLE BUSINESS IMPROVEMENT
AREA BOARD OF MANAGEMENT**

Year ended December 31, 2016



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, 2016, 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, 2016, 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

May 10, 2017

London, Canada

ARGYLE BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Financial Position

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

| | 2016 | 2015 |
|--|------------------|------------------|
| Financial assets | | |
| Cash and cash equivalents (note 3) | \$ 28,785 | \$ 67,299 |
| Trade and other receivables | - | 787 |
| Total financial assets | 28,785 | 68,086 |
| Financial liabilities | | |
| Accounts payable and accrued liabilities | 9,985 | 9,601 |
| Total financial liabilities | 9,985 | 9,601 |
| Net financial assets | 18,800 | 58,485 |
| Non-financial assets | | |
| Tangible capital assets (note 4) | 3,680 | 1,065 |
| Inventory | 1,440 | 1,440 |
| Total non-financial assets | 5,120 | 2,505 |
| Accumulated surplus (note 5) | \$ 23,920 | \$ 60,990 |

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, 2016, with comparative information for 2015

| | Budget | | | |
|--|-----------------|-----------------|------|----------------|
| | 2016 | 2016 | 2016 | 2015 |
| Revenues | | | | |
| Municipal levy - The Corporation of the City of London | \$ 114,496 | \$ 120,840 | \$ | 133,176 |
| Federal grants | - | 20,791 | | 4,990 |
| Santa clause parade sponsorship | 4,000 | 3,650 | | 3,575 |
| Rental income | - | - | | 2,921 |
| Other | - | 338 | | - |
| Total revenues | 118,496 | 145,619 | | 144,662 |
| Expenses | | | | |
| Advertising, marketing and promotion | 39,615 | 42,428 | | 11,015 |
| Amortization | - | 901 | | 300 |
| Community initiatives | 10,323 | 3,890 | | 6,340 |
| Insurance | 1,500 | 1,769 | | 1,453 |
| Membership fees and dues | 355 | 136 | | 850 |
| Office administration | 5,620 | 555 | | 411 |
| Office rent | 9,855 | 10,641 | | 9,855 |
| Office supplies | 3,000 | 5,235 | | 3,645 |
| Planters/hanging baskets | 13,000 | 11,073 | | - |
| Professional fees | 7,900 | 11,735 | | 6,903 |
| Program initiatives | 15,000 | 10,973 | | 13,167 |
| Repairs and maintenance | 1,500 | 382 | | 1,195 |
| Salaries, wages and benefits | 46,750 | 75,144 | | 52,616 |
| Telephone and internet service | 1,750 | 1,549 | | 1,736 |
| Training, travel and professional development | 2,700 | 4,366 | | 1,393 |
| Utilities | 1,300 | 1,912 | | 1,266 |
| Total expenses | 160,168 | 182,689 | | 112,145 |
| Surplus (deficit) | (41,672) | (37,070) | | 32,517 |
| Accumulated surplus, beginning of year (note 5) | 60,990 | 60,990 | | 28,473 |
| Accumulated surplus, end of year (note 5) | \$ 19,318 | \$ 23,920 | \$ | 60,990 |

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, 2016, with comparative information for 2015

| | 2016 | 2015 |
|---|-------------|-----------|
| Surplus (deficit) | \$ (37,070) | \$ 32,517 |
| Acquisition of tangible capital assets | (3,516) | - |
| Amortization of tangible capital assets | 901 | 300 |
| | (2,615) | 300 |
| Change in inventory | - | - |
| Change in net financial assets | (39,685) | 32,817 |
| Net financial assets, beginning of year | 58,485 | 25,668 |
| Net financial assets, end of year | \$ 18,800 | \$ 58,485 |

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, 2016, with comparative information for 2015

| | 2016 | 2015 |
|--|-------------|-----------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Surplus (deficit) | \$ (37,070) | \$ 32,517 |
| Item not involving cash: | | |
| Amortization of tangible capital assets | 901 | 300 |
| Changes in non-cash assets and liabilities: | | |
| Inventory | - | - |
| Trade and other receivables | 787 | 82 |
| Accounts payable and accrued liabilities | 384 | (12,758) |
| Net change in cash from operating activities | (34,998) | 20,141 |
| Capital activities: | | |
| Purchase of tangible capital assets | (3,516) | - |
| Cash used in capital activities | (3,516) | - |
| Increase (decrease) in cash and cash equivalents | (38,514) | 20,141 |
| Cash and cash equivalents, beginning of year | 67,299 | 47,158 |
| Cash and cash equivalents, end of year | \$ 28,785 | \$ 67,299 |

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, 2016

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.

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, 2016

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.

3. Cash and cash equivalents

Cash and cash equivalents are comprised of the following:

| | 2016 | 2015 |
|--------------------------------|------------------|------------------|
| Cash on deposit | \$ 28,510 | \$ 67,036 |
| Credit union membership shares | 275 | 263 |
| | <u>\$ 28,785</u> | <u>\$ 67,299</u> |

ARGYLE BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Notes to Financial Statements (continued)

Year ended December 31, 2016

4. Tangible capital assets

| Cost | 2015 | Additions | Disposals | 2016 |
|------------------------|----------|-----------|-----------|----------|
| Furniture and fixtures | \$ 1,796 | \$ - | \$ - | \$ 1,796 |
| Computer equipment | 3,347 | 3,516 | - | 6,863 |
| | \$ 5,143 | \$ 3,516 | \$ - | \$ 8,659 |

| Accumulated Amortization | 2015 | Amortization Expense | Disposals | 2016 |
|--------------------------|----------|----------------------|-----------|----------|
| Furniture and fixtures | \$ 1,141 | \$ 359 | \$ - | \$ 1,500 |
| Computer equipment | 2,937 | 542 | - | 3,479 |
| | \$ 4,078 | \$ 901 | \$ - | \$ 4,979 |

| Net book value | 2015 | 2016 |
|------------------------|----------|----------|
| Furniture and fixtures | \$ 655 | \$ 296 |
| Computer equipment | 410 | 3,384 |
| | \$ 1,065 | \$ 3,680 |

5. Accumulated surplus

The balance of accumulated surplus is comprised of the following:

| | 2016 | 2015 |
|-------------------------------------|-----------|-----------|
| Invested in tangible capital assets | \$ 3,680 | \$ 1,065 |
| Operating fund | 20,240 | 59,925 |
| | \$ 23,920 | \$ 60,990 |

6. Related party transactions

During the year, the Board paid rent to the landlord, a related party, in the amount of \$10,641 (2015 - \$9,855). These amounts are recorded at the exchange amount, which approximates fair market value.

7. Comparative information

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2016 financial statements.

Financial Statements of

**COVENT GARDEN MARKET
CORPORATION**

Year ended December 31, 2016



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 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, 2016, 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.

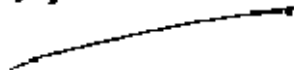
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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, 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, slanted style and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

March 3, 2017

London, Canada

COVENT GARDEN MARKET CORPORATION

Statement of Financial Position

December 31, 2016, with comparative information for 2015

| | 2016 | 2015 |
|------------------------------|---------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 196,351 | \$ 209,821 |
| Investments (note 2) | 1,455,270 | 1,364,574 |
| Accounts receivable (note 3) | 173,603 | 170,925 |
| Prepaid expenses | 28,821 | 20,319 |
| HST receivable | 283,440 | - |
| | <u>2,137,485</u> | <u>1,765,639</u> |
| Capital assets (note 4) | 4,605,578 | 4,501,822 |
| | <u>\$ 6,743,063</u> | <u>\$ 6,267,461</u> |

Liabilities, Deferred Contributions and Net Assets

| | | |
|--|---------------------|---------------------|
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 351,752 | \$ 451,112 |
| Current portion of long-term debt (note 6) | 93,745 | 87,984 |
| HST payable | 283,440 | - |
| | <u>728,937</u> | <u>539,096</u> |
| Deferred capital contributions (note 5) | 2,163,068 | 2,265,260 |
| Long-term debt (note 6) | 922,407 | 1,016,153 |
| Net assets: | | |
| Invested in capital assets (note 7) | 1,426,358 | 1,132,425 |
| Unrestricted | 1,502,293 | 1,314,527 |
| | <u>2,928,651</u> | <u>2,446,952</u> |
| | <u>\$ 6,743,063</u> | <u>\$ 6,267,461</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, 2016, with comparative information for 2015

| | 2016 | 2015 |
|--|------------------|------------------|
| Revenue: | | |
| Parking fees | \$ 1,734,026 | \$ 1,571,013 |
| Market rentals | 787,330 | 788,177 |
| Common area maintenance | 602,433 | 590,830 |
| Amortization of deferred capital contributions | 102,928 | 101,794 |
| Promotion fund | 52,820 | 52,664 |
| Central chilling lease | 22,434 | 22,312 |
| Management fees | 17,010 | 14,760 |
| Miscellaneous | 2,712 | 4,607 |
| | <u>3,321,693</u> | <u>3,146,157</u> |
| Expenses: | | |
| Operating (Schedule) | 2,325,389 | 2,273,597 |
| Management (Schedule) | 496,898 | 483,953 |
| | <u>2,822,287</u> | <u>2,757,550</u> |
| Earnings before the undernoted | 499,406 | 388,607 |
| Other income (expenses): | | |
| Interest income | 14,172 | 10,484 |
| Tenant leaseholds | (31,879) | (28,287) |
| | <u>(17,707)</u> | <u>(17,803)</u> |
| Excess of revenues over expenses | \$ 481,699 | \$ 370,804 |

See accompanying notes to financial statements.

COVENT GARDEN MARKET CORPORATION

Statement of Changes in Net Assets

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

| | Invested in capital assets | Unrestricted | 2016 Total | 2015 Total |
|--|-------------------------------|--------------|---------------|---------------|
| Balance, beginning of year | \$ 1,132,425 | \$ 1,314,527 | \$ 2,446,952 | \$ 2,076,148 |
| Excess (deficiency) of revenue over expenses | (225,078) | 706,777 | 481,699 | 370,804 |
| Net change in investment in capital assets (note 7) | 519,011 | (519,011) | - | - |
| Balance, end of year | \$ 1,426,358 | \$ 1,502,293 | \$ 2,928,651 | \$ 2,446,952 |

See accompanying notes to financial statements.

COVENT GARDEN MARKET CORPORATION

Statement of Cash Flows

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

| | 2016 | 2015 |
|---|------------|------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Excess of revenues over expenses | \$ 481,699 | \$ 370,804 |
| Adjustments for: | | |
| Amortization of capital assets | 328,006 | 314,277 |
| Amortization of deferred capital contributions | (102,928) | (101,794) |
| Net change in non-cash operating working capital (note 8) | (110,536) | 88,273 |
| | 596,241 | 671,560 |
| Capital activities: | | |
| Purchase of capital assets | (431,762) | (261,730) |
| Receipt of deferred capital contributions | 736 | 41,470 |
| | (431,026) | (220,260) |
| Financing activities: | | |
| Repayment of long-term debt | (87,985) | (82,578) |
| Investing activities: | | |
| Purchase of investments | (90,700) | (351,580) |
| Increase (decrease) in cash | (13,470) | 17,142 |
| Cash, beginning of year | 209,821 | 192,679 |
| Cash, end of year | \$ 196,351 | \$ 209,821 |

See accompanying notes to financial statements.

COVENT GARDEN MARKET CORPORATION

Notes to Financial Statements

Year ended December 31, 2016

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, 2016

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, 2016

2. Investments:

Investments consist of highly liquid cash equivalents, as well as guaranteed investment certificates with terms varying from one year to three years, some of which are cashable instruments. Investments are held for the purpose of meeting short-term commitments.

3. Accounts receivable:

| | 2016 | 2015 |
|---------------------------------|------------|------------|
| Trade | \$ 178,603 | \$ 175,925 |
| Provision for doubtful accounts | 5,000 | 5,000 |
| | \$ 173,603 | \$ 170,925 |

4. Capital assets:

| | Cost | Accumulated amortization | 2016 Net book value | 2015 Net book value |
|------------------------------|--------------|-----------------------------|---------------------------|---------------------------|
| Buildings | \$ 7,423,787 | \$ 3,688,534 | \$ 3,735,253 | \$ 3,759,667 |
| Equipment and fixtures | 2,343,046 | 1,496,267 | 846,779 | 643,311 |
| Computer equipment | 55,428 | 47,807 | 7,621 | 11,074 |
| Renovations, parking upgrade | 93,880 | 93,230 | 650 | 2,517 |
| Central chilling program | 612,077 | 596,802 | 15,275 | 16,366 |
| Work in progress | - | - | - | 68,887 |
| | \$10,528,218 | \$ 5,922,640 | \$ 4,605,578 | \$ 4,501,822 |

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, 2016

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.

| | 2016 | 2015 |
|-----------------------------------|--------------|--------------|
| Balance, beginning of year | \$ 2,265,260 | \$ 2,325,584 |
| Additional contributions received | 736 | 41,470 |
| Amortization of contributions | (102,928) | (101,794) |
| Balance, end of year | \$ 2,163,068 | \$ 2,265,260 |

6. Long-term debt:

| | 2016 | 2015 |
|--|------------|--------------|
| 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 | \$ 493,674 | \$ 532,974 |
| 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 | 522,478 | 571,163 |
| | 1,016,152 | 1,104,137 |
| Less current portion | 93,745 | 87,984 |
| | \$ 922,407 | \$ 1,016,153 |

Future principal payments required on all long-term debt for the next five years are as follows:

| | |
|------------|--------------|
| 2017 | \$ 93,745 |
| 2018 | 99,883 |
| 2019 | 106,422 |
| 2020 | 113,390 |
| 2021 | 120,814 |
| Thereafter | 481,898 |
| | \$ 1,016,152 |

COVENT GARDEN MARKET CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2016

6. Long-term debt (continued):

Interest paid on the notes payable to the City, a related party, amounted to \$74,357 (2015 - \$79,763).

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:

| | 2016 | 2015 |
|--------------------------------|--------------|--------------|
| Capital assets | \$ 4,605,578 | \$ 4,501,822 |
| Amounts financed by: | | |
| Deferred capital contributions | 2,163,068 | 2,265,260 |
| Long-term debt | 1,016,152 | 1,104,137 |
| | 3,179,220 | 3,369,397 |
| | \$ 1,426,358 | \$ 1,132,425 |

COVENT GARDEN MARKET CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2016

7. Invested in capital assets (continued):

(b) Change in net assets invested in capital assets is calculated as follows:

| | 2016 | 2015 |
|---|---------------------|---------------------|
| Deficiency of revenues over expenses: | | |
| Amortization of capital assets | \$ (328,006) | \$ (314,277) |
| Amortization of deferred capital contributions | 102,928 | 101,794 |
| | <u>\$ (225,078)</u> | <u>\$ (212,483)</u> |
| Net change in investment in capital assets: | | |
| Purchase of capital assets | \$ 431,762 | \$ 261,730 |
| Increase in deferred capital contributions | (736) | (41,470) |
| Decrease (increase) in accounts payable related to capital assets | - | - |
| Repayment of long-term debt | 87,985 | 82,578 |
| | <u>\$ 519,011</u> | <u>\$ 302,838</u> |

8. Net change in non-cash balances related to continuing operations:

| | 2016 | 2015 |
|--|---------------------|------------------|
| Accounts receivable | \$ (2,678) | \$ (13,011) |
| Prepaid expenses | (8,502) | (574) |
| HST receivable | (283,440) | - |
| Accounts payable and accrued liabilities | (99,356) | 101,858 |
| HST payable | 283,440 | - |
| | <u>\$ (110,536)</u> | <u>\$ 88,273</u> |

COVENT GARDEN MARKET CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2016

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 allowance for doubtful accounts. The maximum exposure to credit risk of the Corporation at December 31, 2016 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance 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 allowance for doubtful accounts at December 31, 2016 is \$5,000 (2015 - \$5,000).

There have been no significant changes to the credit risk exposure from 2015.

(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 2015.

(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, 2016

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 2015.

COVENT GARDEN MARKET CORPORATION

Schedule - Operating and Management Expenses

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

| | 2016 | 2015 |
|---|---------------------|---------------------|
| Operating expenses: | | |
| Contracted services and professional fees | \$ 666,994 | \$ 641,001 |
| Amortization | 319,834 | 305,341 |
| Advertising | 308,567 | 320,069 |
| Light and heat | 296,077 | 283,316 |
| Maintenance, repairs and supplies | 264,887 | 260,572 |
| Security | 217,470 | 204,712 |
| Insurance | 115,240 | 112,281 |
| Interest expense, debenture | 74,357 | 79,763 |
| Salaries and benefits | 49,670 | 55,767 |
| Miscellaneous | 9,177 | 7,634 |
| Telephone | 3,116 | 3,141 |
| | \$ 2,325,389 | \$ 2,273,597 |
| Management expenses: | | |
| Salaries | \$ 301,734 | \$ 298,119 |
| Benefits | 73,506 | 72,836 |
| Professional fees | 57,260 | 48,240 |
| Miscellaneous | 20,694 | 19,643 |
| Maintenance repairs and supplies | 15,429 | 14,000 |
| Amortization | 8,172 | 8,936 |
| Insurance | 7,949 | 7,800 |
| Telephone | 7,627 | 8,227 |
| Travel and entertainment | 4,527 | 6,152 |
| | \$ 496,898 | \$ 483,953 |

Financial Statements of

ELDON HOUSE CORPORATION

Year ended December 31, 2016



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, 2016, 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, 2016 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 balance sheet. 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, 2016, 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 horizontal line that starts under the 'K' and extends to the right, ending under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

May 11, 2017

London, Canada

ELDON HOUSE CORPORATION

Statement of Financial Position

December 31, 2016, with comparative information for 2015

| | 2016 | 2015 |
|--|---------------|---------------|
| Financial assets | | |
| Cash and cash equivalents | \$ 45,012 | \$ 70,972 |
| Accounts receivable | 8,952 | 410 |
| Prepaid expenses and deposits | 375 | 183 |
| | <u>54,339</u> | <u>71,565</u> |
| Financial liabilities | | |
| Accounts payable and accrued liabilities | 16,707 | 16,377 |
| Deferred revenue | - | 2,160 |
| Deposits payable | 1,000 | 1,000 |
| | <u>17,707</u> | <u>19,537</u> |
| Net financial assets | 36,632 | 52,028 |
| Non-financial assets | | |
| Tangible capital assets (note 2) | 21,400 | 13,470 |
| Inventories | - | 2,820 |
| | <u>21,400</u> | <u>16,290</u> |
| Accumulated surplus (note 3) | \$ 58,032 | \$ 68,318 |

See accompanying notes to financial statements.

ELDON HOUSE CORPORATION

Statement of Operations

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

| | Budget 2016 | 2016 | 2015 |
|--|------------------|------------------|------------------|
| Revenue: | | | |
| The Corporation of the City of London | \$ 281,000 | \$ 278,678 | \$ 262,757 |
| Grants | 35,300 | 33,547 | 28,312 |
| Donations | 9,000 | 5,241 | 10,926 |
| Other income | 39,900 | 43,722 | 46,551 |
| | <u>365,200</u> | <u>361,188</u> | <u>348,546</u> |
| Expenditures: | | | |
| Salaries and benefits | 218,840 | 245,262 | 233,994 |
| Office and general | 15,535 | 23,933 | 12,995 |
| Utilities | 25,800 | 22,947 | 24,815 |
| Repairs and maintenance | 35,100 | 17,907 | 22,527 |
| Programs and exhibitions | 15,600 | 17,335 | 17,275 |
| Advertising | 17,000 | 12,551 | 3,683 |
| Telephone and internet | 5,500 | 12,349 | 4,369 |
| Insurance | 5,000 | 4,992 | 4,904 |
| Amortization | - | 4,902 | 3,727 |
| Professional fees | 5,700 | 4,681 | 4,579 |
| Cost of sales | 2,000 | 3,529 | 1,142 |
| Meals and entertainment | - | 1,086 | 1,029 |
| | <u>346,075</u> | <u>371,474</u> | <u>335,039</u> |
| Annual surplus (deficit) | 19,125 | (10,286) | 13,507 |
| Accumulated surplus, beginning of year | 68,318 | 68,318 | 54,811 |
| Accumulated surplus, end of year | <u>\$ 87,443</u> | <u>\$ 58,032</u> | <u>\$ 68,318</u> |

See accompanying notes to financial statements.

ELDON HOUSE CORPORATION

Statement of Change in Net Financial Assets

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

| | 2016 | 2015 |
|---|-------------|-----------|
| Annual surplus (deficit) | \$ (10,286) | \$ 13,507 |
| Acquisition of tangible capital assets | (12,832) | (9,428) |
| Amortization of tangible capital assets | 4,902 | 3,727 |
| | (18,216) | 7,806 |
| Acquisition of inventories | - | (2,820) |
| Consumption of inventories | 2,820 | 785 |
| | 2,820 | (2,035) |
| | (15,396) | 5,771 |
| Net financial assets, beginning of year | 52,028 | 46,257 |
| Net financial assets, end of year | \$ 36,632 | \$ 52,028 |

See accompanying notes to financial statements.

ELDON HOUSE CORPORATION

Statement of Cash Flows

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

| | 2016 | 2015 |
|--|-------------|-----------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus (deficit) | \$ (10,286) | \$ 13,507 |
| Item not involving cash: | | |
| Amortization of tangible capital assets | 4,902 | 3,727 |
| Changes in non-cash operating working capital: | | |
| Accounts receivable | (8,542) | 282 |
| Inventories | 2,820 | (2,035) |
| Prepaid expenses and deposits | (192) | 60 |
| Accounts payable and accrued liabilities | 330 | 3,048 |
| Deferred revenue | (2,160) | 2,060 |
| | (13,128) | 20,649 |
| Investing activities: | | |
| Additions to tangible capital assets | (12,832) | (9,428) |
| Increase (decrease) in cash and cash equivalents | (25,960) | 11,221 |
| Cash and cash equivalents, beginning of year | 70,972 | 59,751 |
| Cash and cash equivalents, end of year | \$ 45,012 | \$ 70,972 |
| Represented by: | | |
| Cash | \$ 39,972 | \$ 65,934 |
| Cash equivalents | 5,040 | 5,038 |
| | \$ 45,012 | \$ 70,972 |

See accompanying notes to financial statements.

ELDON HOUSE CORPORATION

Notes to Financial Statements

Year ended December 31, 2016

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 Accounting Handbook ("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% |

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, 2016

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, 2016

2. Tangible capital assets:

| Cost | Balance at December 31, 2015 | Additions | Disposals | Balance at December 31, 2016 |
|------------------------|------------------------------------|------------------|-------------|------------------------------------|
| Furniture and fixtures | \$ 11,754 | \$ 2,961 | \$ - | \$ 14,715 |
| Computer hardware | 7,902 | 1,934 | - | 9,836 |
| Website | - | 7,937 | - | 7,937 |
| Total | \$ 19,656 | \$ 12,832 | \$ - | \$ 32,488 |

| Accumulated amortization | Balance at December 31, 2015 | Disposals | Amortization expense | Balance at December 31, 2016 |
|--------------------------|------------------------------------|-------------|-------------------------|------------------------------------|
| Furniture and fixtures | \$ 2,566 | \$ - | \$ 1,891 | \$ 4,457 |
| Computer hardware | 3,620 | - | 2,217 | 5,837 |
| Website | - | - | 794 | 794 |
| Total | \$ 6,186 | \$ - | \$ 4,902 | \$ 11,088 |

| | Net book value December 31, 2015 | Net book value December 31, 2016 |
|------------------------|--|--|
| Furniture and fixtures | \$ 9,188 | \$ 10,258 |
| Computer hardware | 4,282 | 3,999 |
| Website | - | 7,143 |
| Total | \$ 13,470 | \$ 21,400 |

ELDON HOUSE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2016

3. Accumulated surplus:

The balance of accumulated surplus is comprised of the following:

| | 2016 | 2015 |
|-------------------------------------|------------------|------------------|
| Invested in tangible capital assets | \$ 21,400 | \$ 13,470 |
| Operating fund | 36,632 | 54,848 |
| | <u>\$ 58,032</u> | <u>\$ 68,318</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, 2016 was \$148,037 (2015 - \$158,304). At December 31, 2016, this fund was administered by Museum London and will be transferred to the Corporation once legal approvals are received. This fund has not been included in the statement of financial position of the Corporation.

Subsequent to year end, legal approvals were obtained and the fund was transferred to the Corporation.

Financial Statements of

FAIR-CITY JOINT VENTURE

Year ended June 30, 2016



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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, 2016, 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, 2016, 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.

Chartered Professional Accountants, Licensed Public Accountants

August 18, 2016

London, Canada

FAIR-CITY JOINT VENTURE

Statement of Financial Position

June 30, 2016, with comparative information for 2015

| | 2016 | 2015 |
|---|----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 495,208 | \$ 687,522 |
| Investment (note 2) | 981,765 | 970,386 |
| Accounts receivable (note 3) | 148,999 | 194,811 |
| Prepaid expenses | 179,117 | 87,724 |
| | <u>1,805,089</u> | <u>1,940,443</u> |
| Capital assets (note 4) | 11,798,774 | 11,963,760 |
| | <u>\$ 13,603,863</u> | <u>\$ 13,904,203</u> |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities (note 5) | \$ 245,396 | \$ 267,271 |
| Payable to The City of London (note 14) | - | 34,413 |
| Payable to Western Fair Association (note 14) | 95,310 | 180,673 |
| Deferred revenue | 351,478 | 342,575 |
| Current portion of related party debt, secured (note 6) | 777,896 | 730,565 |
| Current portion of obligations under capital leases (note 7) | <u>70,852</u> | <u>46,529</u> |
| | 1,540,932 | 1,602,026 |
| Related party debt, secured (note 6) | 3,996,785 | 4,774,681 |
| Obligations under capital leases (note 7) | 1,342,547 | 1,294,998 |
| Employee future benefits (note 8) | 194,239 | 101,213 |
| Deferred capital contributions (note 9) | 3,284,513 | 3,417,139 |
| Net assets: | | |
| Investment in capital assets (note 10) | 2,326,181 | 1,699,848 |
| Internally restricted (note 12) | <u>918,666</u> | <u>1,014,298</u> |
| | 3,244,847 | 2,714,146 |
| Contingencies (note 16) | | |
| | <u>\$ 13,603,863</u> | <u>\$ 13,904,203</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, 2016, with comparative information for 2015

| | 2016 | 2015 |
|---|-------------------|-------------------|
| Revenues: | | |
| Ice rentals (note 14) | \$ 3,294,365 | \$ 3,220,243 |
| Sponsorship and other | 582,720 | 506,335 |
| <u>Amortization of deferred capital contributions</u> | <u>132,626</u> | <u>132,626</u> |
| | 4,009,711 | 3,859,204 |
| Expenditures: | | |
| Salaries and benefits | 1,081,615 | 985,828 |
| Utilities | 644,341 | 589,537 |
| Amortization of capital assets | 580,729 | 572,472 |
| Interest expense (note 14) | 436,106 | 481,133 |
| Supplies and services | 408,207 | 370,443 |
| <u>Management fees from venturer (note 14)</u> | <u>239,769</u> | <u>231,021</u> |
| | 3,390,767 | 3,230,434 |
| <u>Excess of revenues over expenditures (note 13)</u> | <u>\$ 618,944</u> | <u>\$ 628,770</u> |

See accompanying notes to financial statements.

FAIR-CITY JOINT VENTURE

Statement of Changes in Net Assets

Year ended June 30, 2016, with comparative information for 2015

| | Western Fair Association | The City of London | Internally restricted (note 12) | Investment in capital assets (note 10) | Total 2016 | Total 2015 |
|--|-----------------------------|-----------------------|---------------------------------------|--|---------------|---------------|
| Balance, beginning of year | \$ - | \$ - | \$ 1,014,298 | \$ 1,699,848 | \$ 2,714,146 | \$ 2,203,328 |
| Excess of revenues over expenditures | 344,838 | 274,106 | - | - | 618,944 | 628,770 |
| Employee future benefit remeasurements | (49,164) | (39,079) | - | - | (88,243) | (44,955) |
| Venturer distributions | - | - | - | - | - | (72,997) |
| Allocation to internally restricted net assets | (96,864) | (76,996) | 173,860 | - | - | - |
| Change in investment in capital assets | (198,810) | (158,031) | (269,492) | 626,333 | - | - |
| Balance, end of year | \$ - | \$ - | \$ 918,666 | \$ 2,326,181 | \$ 3,244,847 | \$ 2,714,146 |

See accompanying notes to financial statements.

FAIR-CITY JOINT VENTURE

Statement of Cash Flows

Year ended June 30, 2016, with comparative information for 2015

| | 2016 | 2015 |
|--|------------|-------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Excess of revenues over expenditures | \$ 618,944 | \$ 628,770 |
| Items not involving cash: | | |
| Amortization of capital assets | 580,729 | 572,472 |
| Change in employee future benefits liability | 4,783 | 10,495 |
| Amortization of deferred capital contributions | (132,626) | (132,626) |
| Changes in non-cash operating working capital: | | |
| Accounts receivable | 45,812 | (43,938) |
| Prepaid expenses | (91,393) | (14,705) |
| Accounts payable and accrued liabilities | (21,875) | 118,606 |
| Payable to The City of London | (34,413) | (40,587) |
| Payable to Western Fair Association | (85,363) | 25,683 |
| Deferred revenue | 8,903 | 64,493 |
| | 893,501 | 1,188,663 |
| Financing activities: | | |
| Repayments of related party debt | (730,565) | (686,115) |
| Payment of obligations under capital leases | (74,379) | (66,549) |
| Venturer distributions | - | (72,997) |
| | (804,944) | (825,661) |
| Investing activities: | | |
| Purchase of capital assets | (269,492) | (154,088) |
| Net change in investment | (11,379) | (970,386) |
| | (280,871) | (1,124,474) |
| Decrease in cash | (192,314) | (761,472) |
| Cash, beginning of year | 687,522 | 1,448,994 |
| Cash, end of year | \$ 495,208 | \$ 687,522 |

See accompanying notes to financial statements.

FAIR-CITY JOINT VENTURE

Notes to Financial Statements

Year ended June 30, 2016

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.

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, 2016

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, 2016

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, 2016

2. Investment:

The investment is comprised of a term deposit that matures on August 2, 2016 with an effective interest rate of 0.95% (2015 - 0.95%).

3. Accounts receivable:

| | 2016 | 2015 |
|---------------------------------|------------|------------|
| Trade | \$ 149,589 | \$ 200,949 |
| HST receivable | - | 2,591 |
| | 149,589 | 203,540 |
| Allowance for doubtful accounts | (590) | (8,729) |
| | \$ 148,999 | \$ 194,811 |

4. Capital assets:

| | 2016 | 2015 | | |
|---------------------------------|---------------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Building | \$ 15,446,432 | \$ 5,516,749 | \$ 9,929,683 | \$ 10,327,216 |
| Machinery and equipment | 334,355 | 103,351 | 231,004 | 104,985 |
| Special alterations | 444,482 | 241,286 | 203,196 | 218,872 |
| Solar array under capital lease | 1,474,114 | 294,823 | 1,179,291 | 1,252,997 |
| Capital projects in progress | 255,600 | - | 255,600 | 59,690 |
| | \$ 17,954,983 | \$ 6,156,209 | \$ 11,798,774 | \$ 11,963,760 |

During the year, the Joint Venture acquired an asset with a cost of \$146,251 by means of a capital lease. The asset is included in machinery and equipment and has accumulated amortization of \$26,591 at June 30, 2016.

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$8,448 (2015 - \$1,028), which includes amounts payable for HST and payroll related taxes.

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2016

6. Related party debt:

| | 2016 | 2015 |
|--|---------------------|---------------------|
| <i>Obligation to The City of London:</i> | | |
| 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 | \$ 4,774,681 | \$ 5,505,246 |
| Current portion of related party debt | 777,896 | 730,565 |
| | <u>\$ 3,996,785</u> | <u>\$ 4,774,681</u> |

Principal repayments over the next five years and thereafter are as follows:

| | |
|------------|---------------------|
| 2017 | \$ 777,896 |
| 2018 | 828,294 |
| 2019 | 881,956 |
| 2020 | 939,095 |
| 2021 | 999,936 |
| Thereafter | 347,504 |
| | <u>\$ 4,774,681</u> |

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2016

7. Obligations under capital leases:

The Joint Venture has entered into one capital lease for certain ice surfacing equipment which expires December 1, 2019 and one capital lease for a solar array expiring June 28, 2033.

| | |
|--|--------------|
| 2017 | \$ 183,272 |
| 2018 | 183,272 |
| 2019 | 183,272 |
| 2020 | 161,552 |
| 2021 | 146,037 |
| Thereafter | 1,679,429 |
| <hr/> | |
| Total minimum lease payments | 2,536,834 |
| Less amount representing interest at between 3.37% and 8.21% | 1,123,435 |
| <hr/> | |
| Present value of net minimum capital lease payments | 1,413,399 |
| Current portion of obligations under capital leases | 70,852 |
| <hr/> | |
| | \$ 1,342,547 |

8. Employee future benefits:

(a) Pension plan:

The Joint Venture contributed \$23,099 (2015 - \$21,131) to the defined contribution pension plan during the year. The total expense for the year was \$23,099 (2015 - \$21,131).

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2016

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, 2016. The most recent actuarial valuation of the sick leave plans was performed as of June 30, 2014 and the results have been extrapolated to June 30, 2016.

The discount rate used in the actuarial measurement of the employee future benefit liability was 3.58% (2015 - 3.81%). The employee future benefit liability relating to post-employment benefits other than pension is \$194,239 (2015 - \$101,213). This liability has been recorded in the financial statements.

Benefit expenses included in salaries and benefits expenditures consist of the following:

| | 2016 | 2015 |
|----------------------|------------------|------------------|
| Current service cost | \$ 8,157 | \$ 7,715 |
| Interest cost | 3,883 | 2,780 |
| | <u>\$ 12,040</u> | <u>\$ 10,495</u> |

Details of annual contributions and benefits paid are as follows:

| | 2016 | 2015 |
|------------------------|----------|----------|
| Employer contributions | \$ 7,257 | \$ 1,000 |
| Benefit payments | (7,257) | (1,000) |

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2016

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:

| | 2016 | 2015 |
|--|--------------|--------------|
| Balance, beginning of year | \$ 3,417,139 | \$ 3,549,765 |
| Amortization of deferred capital contributions | (132,626) | (132,626) |
| Balance, end of year | \$ 3,284,513 | \$ 3,417,139 |

10. Investments in capital assets:

Investments in capital assets consists of the following:

| | 2016 | 2015 |
|---------------------------------|---------------|---------------|
| Capital assets | \$ 11,798,774 | \$ 11,963,760 |
| Less amounts financed by: | | |
| Related party debt | (4,774,681) | (5,505,246) |
| Obligation under capital leases | (1,413,399) | (1,341,527) |
| Deferred capital contributions | (3,284,513) | (3,417,139) |
| | (9,472,593) | (10,263,912) |
| | \$ 2,326,181 | \$ 1,699,848 |

The change in investment in capital assets is calculated as follows:

| | 2016 | 2015 |
|--|------------|------------|
| Amortization of deferred capital contributions | \$ 132,626 | \$ 132,626 |
| Amortization of capital assets | (580,729) | (572,472) |
| | (448,103) | (439,846) |
| Purchase of capital assets | 415,743 | 154,088 |
| Repayment of related party debt | 730,565 | 686,115 |
| Repayment of obligations under capital leases | 74,379 | 66,549 |
| Increase in obligations under capital leases | (146,251) | - |
| | \$ 626,333 | \$ 466,906 |

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2016

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, 2016, both venturers agreed to a total contribution of \$173,860 (2015 - \$198,000).

12. Internally restricted net assets:

| | 2016 | 2015 |
|----------------------------|--------------|--------------|
| Balance, beginning of year | \$ 1,014,298 | \$ 970,386 |
| Current year allocation | 173,860 | 198,000 |
| Capital expenditures | (269,492) | (154,088) |
| Balance, end of year | \$ 918,666 | \$ 1,014,298 |

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2016

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 55.714% (2015 - 52.857%) and the City's equity interest decreasing to 44.286% (2015 - 47.143%). 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:

| | 2016 | 2015 |
|---|------------|------------|
| Excess of revenues over expenditures | \$ 618,944 | \$ 628,770 |
| Amortization of capital assets | 580,729 | 572,472 |
| Amortization of deferred capital contributions | (132,626) | (132,626) |
| Repayment of related party debt | (730,565) | (686,115) |
| Repayment of obligations under capital leases | (74,379) | (66,549) |
| | 262,103 | 315,952 |
| Allocation to internally restricted net assets | (173,860) | (198,000) |
| Employee future benefit remeasurements | (88,243) | (44,955) |
| Amounts available for distribution to the venturers | \$ - | \$ 72,997 |

The amounts for distribution to the venturers is allocated to the venturers as follows:

| | 2016 | 2015 |
|--------------------------|------|-----------|
| Western Fair Association | \$ - | \$ 38,584 |
| The City of London | - | 34,413 |
| | \$ - | \$ 72,997 |

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2016

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 \$1,767,126 (2015 - \$1,732,476).
- (b) The Joint Venture also paid interest of \$325,659 (2015 - \$367,888) 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 (2015 - \$38,584 and \$34,413) respectively.
- (d) During the year, the Joint Venture paid management fees to the Association in the amount of \$239,769 (2015 - \$231,021).

Payable to Western Fair Association of \$95,310 (2015 - \$180,673) and Payable to The City of London of nil (2015 - \$34,413) 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 2015.

- (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, 2016

16. Contingencies:

From time-to-time the Joint Venture may have litigation pending or in progress. With respect to claims at June 30, 2016, management believes 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**

Fifteen-month period ended December 31, 2016



KPMG LLP
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London ON N6A 5P2
Canada
Tel 519 672-4800
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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, 2016, the statements of operations, change in net financial assets and cash flows for the period 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, 2016, and its results of operations, its changes in net financial assets, and its cash flows for the period then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 20, 2017

London, Canada

HOUSING DEVELOPMENT CORPORATION, LONDON

Statement of Financial Position

As at December 31, 2016

| | 2016 |
|---|---------------------|
| Financial assets | |
| Due from the Corporation of the City of London (note 3) | \$ 2,306,000 |
| Trade and other receivables | 3,049 |
| Total financial assets | 2,309,049 |
| Financial liabilities | |
| Accounts payable and accrued liabilities | 21,700 |
| Total financial liabilities | 21,700 |
| Net financial assets | 2,287,349 |
| Non-financial assets | |
| Tangible capital assets (note 4) | 1,731 |
| Prepaid expenses | 3,942 |
| Total non-financial assets | 5,673 |
| Accumulated surplus (note 5) | \$ 2,293,022 |

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

HOUSING DEVELOPMENT CORPORATION, LONDON

Statement of Operations

For the fifteen-month period ended December 31, 2016

| | Budget | 2016 |
|--|---------------------|---------------------|
| Revenues | | |
| Interest income | \$ - | \$ 13,140 |
| Transfer payment - the Corporation of the City of London | 2,811,502 | 2,691,502 |
| Total revenues | 2,811,502 | 2,704,642 |
| Expenses | | |
| Salaries, wages and benefits | 351,789 | 232,363 |
| Materials and supplies | 108,220 | 11,804 |
| Contracted services | 351,493 | 167,361 |
| Amortization of tangible capital assets (note 4) | - | 192 |
| Total expenses | 811,502 | 411,720 |
| Annual surplus | 2,000,000 | 2,292,922 |
| Accumulated surplus, beginning of period (note 5) | - | - |
| Issuance of share capital (note 7) | - | 100 |
| Accumulated surplus, end of period (note 5) | \$ 2,000,000 | \$ 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 fifteen-month period ended December 31, 2016

| | Budget | 2016 |
|---|---------------|------------------|
| Annual surplus | 2,000,000 | 2,292,922 |
| Acquisition of tangible capital assets | (17,220) | (1,923) |
| Amortization of tangible capital assets | - | 192 |
| | 1,982,780 | 2,291,191 |
| Change in prepaid expenses | - | (3,942) |
| Change in net financial assets | 1,982,780 | 2,287,249 |
| Net financial assets, beginning of period | - | - |
| Issuance of share capital (note 7) | - | 100 |
| Net financial assets, end of period | 1,982,780 | 2,287,349 |

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

HOUSING DEVELOPMENT CORPORATION, LONDON

Statement of Cash Flows

For the fifteen-month period ended December 31, 2016

| | 2016 |
|---|----------------|
| Cash provided by: | |
| Operating activities: | |
| Annual surplus | 2,292,922 |
| Items not involving cash: | |
| Amortization of tangible capital assets | 192 |
| Change in non-cash assets and liabilities: | |
| Due from the Corporation of the City of London | (2,306,000) |
| Prepaid expenses | (3,942) |
| Trade and other receivables | (3,049) |
| Accounts payable and accrued liabilities | 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

Fifteen-month period ended December 31, 2016

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

Fifteen-month period ended December 31, 2016

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.

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. Interest is paid on cash balances based on the variable rate earned by the City.

HOUSING DEVELOPMENT CORPORATION, LONDON

Notes to Financial Statements

Fifteen-month period ended December 31, 2016

4. Tangible capital assets

| Cost | Balance at October 26, 2015 | Additions | Disposals | Balance at December 31, 2016 |
|-----------------------------------|-----------------------------------|-----------------|-------------|------------------------------------|
| Office equipment and furniture | \$ - | \$ 1,923 | \$ - | \$ 1,923 |
| Total | \$ - | \$ 1,923 | \$ - | \$ 1,923 |

| Accumulated Amortization | Balance at October 26, 2015 | Amortization Expense | Disposals | Balance at December 31, 2016 |
|-----------------------------------|-----------------------------------|-------------------------|-------------|------------------------------------|
| Office equipment and furniture | \$ - | \$ 192 | \$ - | \$ 192 |
| Total | \$ - | \$ 192 | \$ - | \$ 192 |

| | Net book value October 26, 2015 | Net book value December 31, 2016 |
|-----------------------------------|---------------------------------------|--|
| Office equipment and furniture | \$ - | \$ 1,731 |
| Total | \$ - | \$ 1,731 |

5. Accumulated surplus

Accumulated surplus consists of individual fund surplus, reserve funds and share capital as follows:

| | 2016 |
|---|---------------------|
| Surplus: | |
| Invested in tangible capital assets | \$ 1,731 |
| Total surplus | 1,731 |
| Reserve funds set aside for specific purpose by the Board: | |
| Affordable Housing future operations | 2,291,191 |
| Total reserve funds (note 6) | 2,291,191 |
| Share capital: | |
| 100 Class A common shares (note 7) | 100 |
| Total share capital | 100 |
| | \$ 2,293,022 |

HOUSING DEVELOPMENT CORPORATION, LONDON

Notes to Financial Statements

Fifteen-month period ended December 31, 2016

6. Reserve fund

| | 2016 |
|--|---------------------|
| Affordable Housing reserve fund: | |
| Balance, beginning of period | \$ - |
| Interest earned | 13,140 |
| Contributions from current operations - annual | 2,000,000 |
| Contributions from current operations - current period surplus | 278,051 |
| Balance, end of period | \$ 2,291,191 |

7. Share capital

| | 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 |

HOUSING DEVELOPMENT CORPORATION, LONDON

Notes to Financial Statements

Fifteen-month period ended December 31, 2016

8. Budget data

Budget data presented in these financial statements are based upon the 2016 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 | \$ 813,812 |
| Total revenue | 813,812 |
| Expenses: | |
| Personnel costs | 168,021 |
| Administrative expenses | 87,100 |
| Purchased services | 553,891 |
| Materials and supplies | 2,300 |
| Furniture and equipment | 2,500 |
| Total expenses | 813,812 |
| Net surplus as per Approved Budget | - |
| Public Sector Accounting Board (PSAB) Reporting Requirements and Budget adjustments: | |
| Increase in municipal revenue | 1,997,690 |
| Increase in personnel costs and materials | (223,588) |
| Decrease in purchased services | 225,898 |
| Net PSAB Budget Surplus as per Financial Statements | \$ 2,000,000 |

9. Current figures

Current figures presented in the Statement of Financial Position represent the closing balances as at December 31, 2016.

Current year figures presented in the Statement of Operations are for the fifteen-month period from October 26, 2015 to December 31, 2016. This represents the first period of operations of the Corporation and as a result no comparative figures are shown in the Statement of Operations, Statement of Net Financial Assets or Statement of Cash Flows.

Financial Statements of

**THE LONDON CONVENTION CENTRE
CORPORATION**

Year ended December 31, 2016



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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, 2016 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, 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, 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

March 23, 2017

London, Canada

THE LONDON CONVENTION CENTRE CORPORATION

Statement of Financial Position

December 31, 2016, with comparative information for 2015

| | 2016 | 2015 |
|--|-------------------|-------------------|
| Financial Assets | | |
| Cash and cash equivalents | \$ 1,199,757 | \$ 1,392,786 |
| Accounts receivable | 208,206 | 280,901 |
| Other receivables | 94,010 | 10,312 |
| | <u>1,501,973</u> | <u>1,683,999</u> |
| Financial Liabilities | | |
| Accounts payable and accrued liabilities | 531,363 | 547,024 |
| Payable to The City of London | 96,121 | 741,034 |
| Long-term debt (note 6) | 1,965,000 | - |
| Accrued sick and vacation | 61,097 | 35,539 |
| Advance deposits | 567,741 | 492,360 |
| | <u>3,221,322</u> | <u>1,815,957</u> |
| Net debt | (1,719,349) | (131,958) |
| Non-Financial Assets | | |
| Tangible capital assets (note 4) | 19,418,142 | 15,430,898 |
| Prepaid expenses | 26,559 | 32,603 |
| Inventory (note 2) | 53,021 | 53,891 |
| | <u>19,497,722</u> | <u>15,517,392</u> |
| Accumulated surplus (note 7) | \$ 17,778,373 | \$ 15,385,434 |

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, 2016, with comparative information for 2015

| | Budget 2016 | 2016 | 2015 |
|---|----------------------|----------------------|----------------------|
| Revenue: | | | |
| Food and beverage | \$ 2,885,000 | \$ 4,003,431 | \$ 3,290,924 |
| Space rental | 400,000 | 534,022 | 569,248 |
| Parking | 516,000 | 480,018 | 544,488 |
| Technical | 238,800 | 303,312 | 342,071 |
| City capital funding | 368,101 | 3,503,916 | 747,034 |
| Federal grants | - | 715,000 | - |
| Other | 124,591 | 130,839 | 123,878 |
| | <u>4,532,492</u> | <u>9,670,538</u> | <u>5,617,643</u> |
| Cost of goods sold: | | | |
| Food and beverage | 749,150 | 1,029,628 | 891,275 |
| Technical | 18,168 | 20,805 | 18,273 |
| Other | 16,663 | 53,250 | 28,937 |
| | <u>783,981</u> | <u>1,103,683</u> | <u>938,485</u> |
| | <u>3,748,511</u> | <u>8,566,855</u> | <u>4,679,158</u> |
| Expenditures: | | | |
| Amortization of tangible capital assets | 1,188,905 | 1,213,288 | 1,188,905 |
| Event services and culinary | 1,190,607 | 1,470,777 | 1,321,406 |
| City appropriation | 589,000 | 494,583 | 735,496 |
| Corporate services | 734,036 | 951,012 | 839,041 |
| Facility services | 394,809 | 468,092 | 404,898 |
| Energy | 374,314 | 514,592 | 426,826 |
| Sales and catering | 815,546 | 827,923 | 683,634 |
| Cleaning | 92,987 | 119,494 | 107,797 |
| Technical | 22,807 | 15,847 | 23,837 |
| Parking | 47,442 | 42,964 | 45,968 |
| Other | 28,762 | 36,399 | 29,295 |
| Interest and bank charges | - | 18,945 | - |
| | <u>5,479,215</u> | <u>6,173,916</u> | <u>5,807,103</u> |
| Annual surplus (deficit) (note 8) | (1,730,704) | 2,392,939 | (1,127,945) |
| Accumulated surplus, beginning of year | 15,385,434 | 15,385,434 | 16,513,379 |
| Accumulated surplus, end of year | <u>\$ 13,654,730</u> | <u>\$ 17,778,373</u> | <u>\$ 15,385,434</u> |

See accompanying notes to financial statements.

THE LONDON CONVENTION CENTRE CORPORATION

Statement of Change in Net Financial Assets

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

| | 2016 | 2015 |
|--|----------------|----------------|
| Annual surplus (deficit) | \$ 2,392,939 | \$ (1,127,945) |
| Acquisition of tangible capital assets | (5,200,532) | (1,168,817) |
| Amortization of tangible capital assets | 1,213,288 | 1,188,905 |
| | (1,594,305) | (1,107,857) |
| Acquisition of inventories of supplies | (53,021) | (53,891) |
| Acquisition of prepaid expenses | (26,559) | (32,603) |
| Consumption of inventories of supplies | 53,891 | 56,800 |
| Use of prepaid expenses | 32,603 | 26,200 |
| | 6,914 | (3,494) |
| Decrease in net financial assets | (1,587,391) | (1,111,351) |
| Net financial assets (debt), beginning of year | (131,958) | 979,393 |
| Net financial debt, end of year | \$ (1,719,349) | \$ (131,958) |

See accompanying notes to financial statements.

THE LONDON CONVENTION CENTRE CORPORATION

Statement of Cash Flows

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

| | 2016 | 2015 |
|---|--------------|----------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus (deficit) | \$ 2,392,939 | \$ (1,127,945) |
| Item not involving cash: | | |
| Amortization of tangible capital assets | 1,213,288 | 1,188,905 |
| Changes in non-cash operating working capital: | | |
| Accounts receivable | 72,695 | (4,969) |
| Other receivables | (83,698) | 71,835 |
| Inventory | 870 | 2,909 |
| Accounts payable and accrued liabilities | (15,661) | 162,507 |
| Accrued sick and vacation | 25,558 | (13,051) |
| Payable to The City of London | (644,913) | 703,881 |
| Advance deposits | 75,381 | (46,205) |
| Prepaid expenses | 6,044 | (6,403) |
| | 3,042,503 | 931,464 |
| Financing activities: | | |
| Proceeds on issuance of long-term debt | 1,965,000 | - |
| Capital activities: | | |
| Acquisition of tangible capital assets | (5,200,532) | (1,168,817) |
| Decrease in cash and cash equivalents | (193,029) | (237,353) |
| Cash and cash equivalents, beginning of year | 1,392,786 | 1,630,139 |
| Cash and cash equivalents, end of year | \$ 1,199,757 | \$ 1,392,786 |
| Cash and cash equivalents consist of: | | |
| Cash | \$ 676,720 | \$ 879,098 |
| Investments held by the City of London with an average yield of 1.82% | 523,037 | 513,688 |
| | \$ 1,199,757 | \$ 1,392,786 |

See accompanying notes to financial statements.

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements

Year ended December 31, 2016

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, 2016

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, 2016

2. Inventory:

At December 31, inventory consists of:

| | 2016 | 2015 |
|-----------|------------------|------------------|
| Food | \$ 14,675 | \$ 24,541 |
| Beverages | 38,346 | 29,350 |
| | <u>\$ 53,021</u> | <u>\$ 53,891</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.

| | 2016 | 2015 |
|-------------------------------|---------------------|---------------------|
| Opening balance | \$ 3,932,518 | \$ 3,312,463 |
| Contributions during the year | 494,583 | 735,496 |
| Interest | 42,496 | 62,593 |
| Capital expenditures | (3,009,333) | (178,034) |
| Closing balance | <u>\$ 1,460,264</u> | <u>\$ 3,932,518</u> |

4. Tangible capital assets:

| Cost | Balance at December 31, 2015 | Additions | Disposals | Balance at December 31, 2016 |
|-----------------------|------------------------------------|---------------------|-------------|------------------------------------|
| Building | \$ 27,309,469 | \$ - | \$ - | \$ 27,309,469 |
| Building improvements | 4,546,594 | 4,986,639 | - | 9,533,233 |
| Equipment | 1,449,174 | 22,740 | - | 1,471,914 |
| Furniture | 904,196 | 180,268 | - | 1,084,464 |
| Infrastructure | 643,365 | 10,885 | - | 654,250 |
| Vehicles | 41,217 | - | - | 41,217 |
| | <u>\$ 34,894,015</u> | <u>\$ 5,200,532</u> | <u>\$ -</u> | <u>\$ 40,094,547</u> |

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2016

4. Tangible capital assets (continued):

| | Balance at December 31, 2015 | Disposals | Amortization expense | Balance at December 31, 2016 |
|--------------------------|------------------------------------|-------------|-------------------------|------------------------------------|
| Accumulated amortization | | | | |
| Building | \$ 15,066,183 | \$ - | \$ 694,741 | \$ 15,760,924 |
| Building improvements | 2,126,311 | - | 359,456 | 2,485,767 |
| Equipment | 1,205,123 | - | 87,018 | 1,292,141 |
| Furniture | 415,196 | - | 62,922 | 478,118 |
| Infrastructure | 617,878 | - | 7,928 | 625,806 |
| Vehicles | 32,426 | - | 1,223 | 33,649 |
| | <u>\$ 19,463,117</u> | <u>\$ -</u> | <u>\$ 1,213,288</u> | <u>\$ 20,676,405</u> |

| | Net book value December 31, 2015 | Net book value December 31, 2016 |
|-----------------------|--|--|
| Building | \$ 12,243,286 | \$ 11,548,545 |
| Building improvements | 2,420,283 | 7,047,466 |
| Equipment | 244,051 | 179,773 |
| Furniture | 489,000 | 606,346 |
| Infrastructure | 25,487 | 28,444 |
| Vehicles | 8,791 | 7,568 |
| | <u>\$ 15,430,898</u> | <u>\$ 19,418,142</u> |

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, 2016

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 2016 was \$209,486 (2015 - \$200,335) for current service.

6. Long-term debt:

The note payable to the City of London, a related party, which bears interest at a fixed rate of 2.3% per annum, is unsecured, due in blended annual payments of \$222,204 commencing August 1, 2017 and matures August 1, 2026.

Interest payable relating to the note amounted to \$18,945 as at December 31, 2016.

7. Accumulated surplus:

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

| | 2016 | 2015 |
|--|---------------|---------------|
| Surplus: | | |
| Invested in tangible capital assets | \$ 19,418,142 | \$ 15,430,898 |
| Unfunded: | | |
| Payable to The City of London used to finance tangible capital assets | (1,965,000) | (698,418) |
| Reserves: | | |
| Special projects | 373,045 | 395,897 |
| Operating reserve | (47,814) | 257,057 |
| | 325,231 | 652,954 |
| | <hr/> | <hr/> |
| | \$ 17,778,373 | \$ 15,385,434 |

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2016

8. Income (loss) from operations:

In order to assess the operations of the Organization, management removes the impact of capital items from the operating results included in the statement of operations. Accordingly, management defines income (loss) from operations as follows:

| | 2016 | 2015 |
|--------------------------|--------------|----------------|
| Annual surplus (deficit) | \$ 2,392,939 | \$ (1,127,945) |
| Add back: | | |
| Amortization | 1,213,288 | 1,188,905 |
| City appropriation | 494,583 | 735,496 |
| | 1,707,871 | 1,924,401 |
| Deduct: | | |
| City capital funding | (3,503,906) | (747,034) |
| Federal capital grants | (715,000) | - |
| | \$ (118,096) | \$ 49,422 |

Financial Statements of

**LONDON DOWNTOWN BUSINESS
ASSOCIATION**

Year ended December 31, 2016



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 Board of Directors of London Downtown Business Association

We have audited the accompanying financial statements of London Downtown Business Association, which comprise the statement of financial position as at December 31, 2016, 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 London Downtown Business Association 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, slanted style and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

April 20, 2017

London, Canada

LONDON DOWNTOWN BUSINESS ASSOCIATION

Statement of Financial Position

December 31, 2016, with comparative information for 2015

| | LDBA 2016 | Main Street 2016 | Total 2016 | Total 2015 |
|-----------------------------------|--------------|---------------------|---------------|---------------|
| Financial assets | | | | |
| Cash and cash equivalents | \$ 300,315 | \$ 396,902 | \$ 697,217 | \$ 617,066 |
| Investments | - | - | - | 2,746 |
| Accounts receivable | 90,307 | 4,145 | 94,452 | 81,841 |
| Tenant improvement loans (note 2) | - | 46,171 | 46,171 | 52,672 |
| | 390,622 | 447,218 | 837,840 | 754,325 |

Financial liabilities

| | | | | |
|--|---------|--------|---------|---------|
| Accounts payable and accrued liabilities | 206,713 | 1,000 | 207,713 | 118,801 |
| Funds on deposit | - | 98,966 | 98,966 | 92,223 |
| | 206,713 | 99,966 | 306,679 | 211,024 |

| | | | | |
|----------------------|---------|---------|---------|---------|
| Net financial assets | 183,909 | 347,252 | 531,161 | 543,301 |
|----------------------|---------|---------|---------|---------|

Non-financial assets

| | | | | |
|----------------------------------|---------|---|---------|---------|
| Tangible capital assets (note 3) | 119,501 | - | 119,501 | 171,501 |
|----------------------------------|---------|---|---------|---------|

Commitments (note 5)

| | | | | |
|------------------------------|------------|------------|------------|------------|
| Accumulated surplus (note 4) | \$ 303,410 | \$ 347,252 | \$ 650,662 | \$ 714,802 |
|------------------------------|------------|------------|------------|------------|

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director _____ Director

LONDON DOWNTOWN BUSINESS ASSOCIATION

Statement of Operations

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

| | LDBA 2016 | Main Street 2016 | Total 2016 | Total 2015 |
|---|-------------------|---------------------|-------------------|-------------------|
| Revenue: | | | | |
| Municipal levy from the City of London | \$ 1,639,439 | \$ - | \$ 1,639,439 | \$ 1,714,047 |
| Main Street London funding | (166,554) | 166,554 | - | - |
| Interest income | 1,428 | 752 | 2,180 | 2,440 |
| Miscellaneous income | - | 195 | 195 | 6,095 |
| Total revenue | 1,474,313 | 167,501 | 1,641,814 | 1,722,582 |
| Expenses: | | | | |
| Salaries and wages | 402,722 | 88,932 | 491,654 | 474,029 |
| Administration | 105,856 | 14,237 | 120,093 | 118,292 |
| Rent | 66,299 | - | 66,299 | 64,397 |
| Programs | - | 69,723 | 69,723 | 191,813 |
| Business Development | 447,790 | - | 447,790 | 177,797 |
| Member services | 432,102 | 21,540 | 453,642 | 376,571 |
| Business retention | - | 4,753 | 4,753 | 2,524 |
| Amortization | 50,661 | 1,339 | 52,000 | 53,070 |
| Total expenses | 1,505,430 | 200,524 | 1,705,954 | 1,458,493 |
| Annual surplus (deficit) | (31,117) | (33,023) | (64,140) | 264,089 |
| Accumulated surplus, beginning of year | 334,527 | 380,275 | 714,802 | 450,713 |
| Accumulated surplus, end of year | \$ 303,410 | \$ 347,252 | \$ 650,662 | \$ 714,802 |

See accompanying notes to financial statements.

LONDON DOWNTOWN BUSINESS ASSOCIATION

Statement of Change in Net Financial Assets

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

| | LDBA 2016 | Main Street 2016 | Total 2016 | Total 2015 |
|---|--------------|---------------------|---------------|---------------|
| Annual surplus (deficit) | \$ (31,117) | \$ (33,023) | \$ (64,140) | \$ 264,089 |
| Acquisition of tangible capital assets | - | - | - | (38,846) |
| Amortization of tangible capital assets | 50,661 | 1,339 | 52,000 | 53,070 |
| Change in net financial assets | 19,544 | (31,684) | (12,140) | 278,313 |
| Net financial assets, beginning of year | 164,365 | 378,936 | 543,301 | 264,988 |
| Net financial assets, end of year | \$ 183,909 | \$ 347,252 | \$ 531,161 | \$ 543,301 |

See accompanying notes to financial statements.

LONDON DOWNTOWN BUSINESS ASSOCIATION

Statement of Cash Flows

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

| | 2016 | 2015 |
|--|-------------|------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus (deficit) | \$ (64,140) | \$ 264,089 |
| Item not involving cash: | | |
| Amortization | 52,000 | 53,070 |
| Changes in non-cash operating working capital: | | |
| Investments | 2,746 | (27) |
| Accounts receivable | (12,611) | (33,018) |
| Tenant improvement loans | 6,501 | 24,793 |
| Accounts payable and accrued liabilities | 88,912 | 35,684 |
| | 73,408 | 344,591 |
| Financing activities: | | |
| Funds on deposit | 6,743 | 14,360 |
| Investing activities: | | |
| Additions to tangible capital assets | - | (38,846) |
| Increase in cash | 80,151 | 320,105 |
| Cash and cash equivalents, beginning of year | 617,066 | 296,961 |
| Cash and cash equivalents, end of year | \$ 697,217 | \$ 617,066 |
| Supplemental cash flow information: | | |
| Cash | \$ 639,051 | \$ 279,844 |
| Cash equivalents | 58,166 | 337,222 |
| | \$ 697,217 | \$ 617,066 |

See accompanying notes to financial statements.

LONDON DOWNTOWN BUSINESS ASSOCIATION

Notes to Financial Statements

Year ended December 31, 2016

1. Significant accounting policies:

The 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 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) 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 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 Financial Statements (continued)

Year ended December 31, 2016

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 Financial Statements (continued)

Year ended December 31, 2016

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 (2015 - nil).

3. Tangible capital assets:

| Cost | Balance at December 31, 2015 | Additions | Disposals | Balance at December 31, 2016 |
|------------------------|------------------------------------|-------------|-------------|------------------------------------|
| 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, 2015 | Disposals | Amortization expense | Balance at December 31, 2016 |
|--------------------------|------------------------------------|-------------|-------------------------|------------------------------------|
| Furniture | \$ 23,973 | \$ - | \$ 6,509 | \$ 30,482 |
| Metal trees | 188,267 | - | 22,716 | 210,983 |
| Computer equipment | 28,087 | - | 1,339 | 29,426 |
| Solar chargers | 6,006 | - | 9,009 | 15,015 |
| Leasehold improvements | 33,139 | - | 12,427 | 45,566 |
| Total | \$ 279,472 | \$ - | \$ 52,000 | \$ 331,472 |

| | Net book value December 31, 2015 | Net book value December 31, 2016 |
|------------------------|--|--|
| Furniture | \$ 19,077 | \$ 12,568 |
| Metal trees | 38,931 | 16,215 |
| Computer equipment | 1,339 | - |
| Solar chargers | 21,021 | 12,012 |
| Leasehold improvements | 91,133 | 78,706 |
| Total | \$ 171,501 | \$ 119,501 |

LONDON DOWNTOWN BUSINESS ASSOCIATION

Notes to Financial Statements (continued)

Year ended December 31, 2016

4. Accumulated surplus:

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

| | 2016 | 2015 |
|-------------------------------------|------------|------------|
| Surplus: | | |
| Invested in tangible capital assets | \$ 119,501 | \$ 171,501 |
| Operating surplus | 472,995 | 378,361 |
| | 592,496 | 549,862 |
| Contingency reserve | 58,166 | 164,940 |
| | \$ 650,662 | \$ 714,802 |

5. Commitments:

The Association is committed to payments under operating leases for furniture and equipment as follows:

| | |
|------|-----------|
| 2017 | \$ 19,320 |
| 2018 | 15,190 |
| 2019 | 2,319 |
| | \$ 36,829 |



**London
Hydro**

London Hydro Inc.

Financial Statements

For the year ended December 31, 2016
with comparative amounts for 2015

London Hydro Inc.
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For the year ended December 31, 2016

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KPMG LLP
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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, 2016, the statements 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, 2016, 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, 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

March 30, 2017

London, Canada

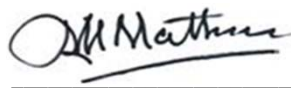
London Hydro Inc.
Statement of Financial Position
December 31, 2016, with comparative amounts at December 31, 2015
(in thousands of dollars)

| | Note | 2016 | 2015 |
|--|-------|-------------------|-------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash | 5 | \$ 713 | \$ 6,429 |
| Accounts receivable | 6 | 86,914 | 71,014 |
| Income tax receivable | | - | 416 |
| Materials and supplies | 7 | 845 | 749 |
| Prepaid expenses | | 1,896 | 1,826 |
| Total current assets | | 90,368 | 80,434 |
| Non-current assets | | | |
| Property, plant and equipment | 8 | 268,702 | 250,739 |
| Intangible assets | 9 | 17,617 | 16,648 |
| Deferred tax assets | 10 | - | 740 |
| Total non-current assets | | 286,319 | 268,127 |
| Total assets | | 376,687 | 348,561 |
| Regulatory balances | 11 | 6,550 | 2,896 |
| Total assets and regulatory balances | | \$ 383,237 | \$ 351,457 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 12 | \$ 56,257 | \$ 54,070 |
| Due to shareholder | 21 | 8,671 | 7,428 |
| Income tax payable | | 223 | - |
| Current portion of long-term debt | 14 | 2,304 | 7,304 |
| Customer and other deposits | | 436 | 594 |
| Deferred revenue | 13 | 1,399 | 1,192 |
| Total current liabilities | | 69,290 | 70,588 |
| Non-current liabilities | | | |
| Long-term debt | 14,23 | 108,826 | 91,130 |
| Post-employment benefits | 15 | 14,481 | 13,845 |
| Customer and other deposits | | 5,600 | 5,663 |
| Deferred revenue | 13 | 16,309 | 12,950 |
| Deferred tax liability | 10 | 1,163 | - |
| Unrealized loss on interest rate swap | 14,23 | 4,406 | 5,935 |
| Total non-current liabilities | | 150,785 | 129,523 |
| Total liabilities | | 220,075 | 200,111 |
| Equity | | | |
| Share capital | 16 | 96,116 | 96,116 |
| Retained earnings | | 55,251 | 52,784 |
| Accumulated other comprehensive loss | | (586) | (292) |
| Total equity | | 150,781 | 148,608 |
| Total liabilities and equity | | 370,856 | 348,719 |
| Regulatory balances | 11 | 12,381 | 2,738 |
| <i>Commitments and contingencies (Note 20), Subsequent event (Note 24)</i> | | | |
| Total liabilities, equity and regulatory balances | | \$ 383,237 | \$ 351,457 |

On behalf of the Board:



Director



Director

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

London Hydro Inc.**Statement of Comprehensive Income**

For the year ended December 31, 2016, with comparative amounts for 2015

(in thousands of dollars)

| | Note | 2016 | 2015 |
|--|------|------------|------------|
| Revenues | | | |
| Sale of energy | | \$ 430,713 | \$ 387,820 |
| Distribution revenue | | 65,158 | 64,042 |
| Other | 17 | 10,690 | 9,920 |
| | | 506,561 | 461,782 |
| Operating expenses | | | |
| Cost of power purchased | | 423,092 | 379,937 |
| Operating expenses | 18 | 41,167 | 39,206 |
| Depreciation and amortization | | 18,717 | 17,755 |
| | | 482,976 | 436,898 |
| Income from operating activities | | 23,585 | 24,884 |
| Finance (income) / expense | | | |
| Finance income | 19 | (80) | (101) |
| Finance expenses | 19 | 1,308 | 5,898 |
| | | 1,228 | 5,797 |
| Income before income taxes | | 22,357 | 19,087 |
| Income tax expense | 10 | 3,979 | 3,160 |
| Net income for the year | | 18,378 | 15,927 |
| Net movement in regulatory balances, net of tax | 11 | (5,911) | (5,752) |
| Net income for year and net movement in regulatory balances | | 12,467 | 10,175 |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit or loss: | | | |
| Remeasurements of post-employment benefits | | (294) | 179 |
| Tax on remeasurements | 10 | 78 | (47) |
| Net movement in regulatory balances, net of tax | 11 | (78) | 47 |
| Other comprehensive income / (loss) for the year | | (294) | 179 |
| Total comprehensive income for the year | | \$ 12,173 | \$ 10,354 |

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, 2016, with comparative amounts for 2015
(in thousands of dollars)

| | Note | Share Capital | Retained Earnings | Accumulated Other Comprehensive Income / (loss) | Total |
|---|------|------------------|----------------------|--|------------|
| Balance at January 1, 2015 | | \$ 96,116 | \$ 52,609 | \$ (471) | \$ 148,254 |
| Net income and net movement in regulatory balances | | - | 10,175 | - | 10,175 |
| Other comprehensive income | | - | - | 179 | 179 |
| Dividends | 16 | - | (10,000) | - | (10,000) |
| Balance at December 31, 2015 | | \$ 96,116 | \$ 52,784 | \$ (292) | \$ 148,608 |
| 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 income | | - | - | (294) | (294) |
| Dividends | 16 | - | (10,000) | - | (10,000) |
| Balance at December 31, 2016 | | \$ 96,116 | \$ 55,251 | \$ (586) | \$ 150,781 |

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

London Hydro Inc.
Statement of Cash Flows
For the year ended December 31, 2016, with comparative amounts for 2015
(in thousands of dollars)

| | Note | 2016 | 2015 |
|---|------|-----------------|-----------------|
| Operating activities | | | |
| Net income and net movement in regulatory balances | | \$ 12,467 | \$ 10,175 |
| Adjustments for: | | | |
| Depreciation and amortization | 8,9 | 18,717 | 17,755 |
| Amortization of deferred revenue | 17 | (173) | (79) |
| Post-employment benefits | 15 | 342 | 275 |
| Gain on disposal of property, plant and equipment | 17 | (234) | (162) |
| Net finance expenses | 19 | 1,228 | 5,797 |
| Income tax expense | 10 | 3,979 | 3,160 |
| | | 36,326 | 36,921 |
| Change in non-cash working capital: | | | |
| Accounts receivable | | (15,900) | 1,952 |
| Materials and supplies | | (96) | (94) |
| Prepaid expenses | | (70) | (257) |
| Accounts payable and accrued liabilities | | 2,187 | 307 |
| Due to / from shareholder | | 1,243 | 485 |
| Customer deposits | | (221) | 348 |
| | | (12,857) | 2,741 |
| Other: | | | |
| Regulatory balances | 11 | 5,911 | 5,752 |
| Income tax paid | | (2,065) | (4,639) |
| Income tax received | | 706 | 177 |
| Interest paid | | (2,837) | (2,741) |
| Interest received | | 80 | 101 |
| | | 1,795 | (1,350) |
| Net cash from operating activities | | 25,264 | 38,312 |
| Investing activities | | | |
| Purchase of property, plant and equipment | 8 | (31,110) | (28,099) |
| Purchase of intangible assets | 9 | (6,546) | (6,655) |
| Proceeds on disposal of property, plant and equipment | | 241 | 162 |
| Contributions received from customers | | 3,739 | 3,805 |
| Net cash from investing activities | | (33,676) | (30,787) |
| Financing activities | | | |
| Dividends paid | 16 | (10,000) | (10,000) |
| Proceeds from long-term debt | 14 | 20,000 | 5,000 |
| Repayment of long-term debt | 14 | (7,304) | (2,304) |
| Net cash from financing activities | | 2,696 | (7,304) |
| Change in cash | | (5,716) | 221 |
| Cash, beginning of year | | 6,429 | 6,208 |
| Cash, end of year | | \$ 713 | \$ 6,429 |

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 30, 2017.

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 filed every five years commencing with the 2017 rate application (previously every four 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 2015 was 1.6%, the OEB applied productivity factor is 0.0% and the OEB determined stretch factor is (0.15)%, resulting in a net adjustment of 1.45% to the previous year’s rates effective May 1, 2015.

The GDP IPI-FDD for 2016 is 2.1%, the OEB applied productivity factor is 0.0% and the OEB determined stretch factor is (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 will become 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 profit and loss as incurred as finance expenses. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss.

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 profit or loss. The costs of the day-to-day servicing of PP&E are recognized in profit or loss 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 profit or loss. 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 profit or loss 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 profit or loss. An impairment loss is reversed through profit or loss 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 profit or loss.

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 profit or loss 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 profit or loss 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 profit or loss 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 profit or loss 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 profit or loss 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 profit or loss 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 profit or loss.

k) Finance income and finance expenses

Finance income is recognized as it accrues in profit or loss. Finance income comprises interest earned on cash and cash equivalents.

Finance expenses comprise interest expense on borrowings and customer deposits. Finance expenses are recognized in profit or loss unless they are capitalized as part of the cost of qualifying assets.

3. Significant accounting policies (continued)

l) Income taxes

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss 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.

m) Change in accounting policies

The Company has adopted the following amendments to standards, with a date of initial application of January 1, 2016.

Annual Improvements to IFRS (2012-2014) cycle

On September 25, 2014 the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process. The amendments will apply for annual periods beginning on or after January 1, 2016. Earlier application is permitted, in which case, the related consequential amendments to other IFRSs would also apply. Each of the amendments has its own specific transition requirements. Amendments were made to clarify the following in their respective standards:

3. Significant accounting policies (continued)

m) Change in accounting policies (continued)

- Changes in method for disposal under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations;
- Continuing involvement' for servicing contracts and offsetting disclosures in condensed interim financial statements under IFRS 7 Financial Instruments: Disclosures;
- Discount rate in a regional market sharing the same currency under IAS 19 Employee Benefits;
- Disclosure of information 'elsewhere in the interim financial report' under IAS 34 Interim Financial Reporting;

The amendments 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. Disclosure Initiative (Amendments to IAS 7)
- ii. Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)
- iii. IFRS 15 Revenue from Contracts with Customers
- iv. IFRS 9 Financial Instruments
- v. IFRS 16 Leases
- vi. Annual Improvements to IFRS (2014-2016) cycle

4. Standards issued not yet adopted (continued)

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. Earlier application is permitted.

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 Company will adopt the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017. The Company does not expect the amendments to have 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. Earlier application is permitted.

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 Company will adopt the amendments to IAS 12 in its financial statements for the annual period beginning on January 1, 2017. The Company does not expect the amendments to have a material impact on the financial statements.

4. Standards issued not yet adopted (continued)

iii. 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. Earlier application is permitted. 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.

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 intends to 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.

iv. IFRS 9 Financial Instruments

On July 24, 2014 the IASB issued the complete IFRS 9 (IFRS 9 (2014)). 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. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), 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 (2014) 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 intends to adopt IFRS 9 (2014) 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 issued not yet adopted (continued)

v. *IFRS16 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.

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.

vi. *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. Each of the amendments has its own specific transition requirements and effective date.

Amendments were made to the following standards:

- 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, effective retrospectively for annual periods beginning on or after January 1, 2017;
- 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 intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2017 or 2018 as applicable. The extent of the impact of adoption of the amendments has not yet been determined.

London Hydro Inc.
Notes to the Financial Statements
(in thousands of dollars)
For the year ended December 31, 2016

5. Cash

| | 2016 | 2015 |
|---------------|--------|----------|
| Bank balances | \$ 713 | \$ 6,429 |

6. Accounts receivable

| | 2016 | 2015 |
|-------------------|-----------|-----------|
| Trade receivables | \$ 38,576 | \$ 25,863 |
| Unbilled revenue | 45,507 | 42,085 |
| Other | 2,831 | 3,066 |
| | \$ 86,914 | \$ 71,014 |

Included in accounts receivable is approximately \$8.6 million (2015 - \$7.9 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 \$1.8 million (2015 - \$1.8 million) of energy, water, and sundry receivables due from the Corporation of the City of London.

Trade receivables at December 31, 2015 have been increased in the amount of \$0.5 million to reclass customer credit balances to accounts payable trade for comparative purposes.

7. Materials and supplies

Amounts written down due to obsolescence during the year ended December 31, 2016 was \$0.1 million (2015 - \$0.1 million).

London Hydro Inc.
Notes to the Financial Statements
(in thousands of dollars)
For the year ended December 31, 2016

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, 2015 | \$ 13,655 | \$ 9,558 | \$ 197,074 | \$ 17,092 | \$ 10,186 | 247,565 |
| Additions | 673 | 167 | 23,709 | 3,436 | 114 | 28,099 |
| Disposals / retirements | (17) | - | (793) | (801) | - | (1,611) |
| Balance at December 31, 2015 | \$ 14,311 | \$ 9,725 | \$ 219,990 | \$ 19,727 | \$ 10,300 | \$ 274,053 |
| 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 |

b) Accumulated depreciation:

| | Land and buildings | Distribution substation equipment | Other distribution equipment | Other fixed assets | Construction in progress | Total |
|------------------------------|--------------------|-----------------------------------|------------------------------|--------------------|--------------------------|-----------|
| Balance at January 1, 2015 | \$ 904 | \$ 273 | \$ 8,551 | \$ 2,550 | \$ - | \$ 12,278 |
| Depreciation | 930 | 280 | 8,803 | 2,634 | - | 12,647 |
| Disposals / retirements | (17) | - | (793) | (801) | - | (1,611) |
| Balance at December 31, 2015 | \$ 1,817 | \$ 553 | \$ 16,561 | \$ 4,383 | \$ - | \$ 23,314 |
| 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 |

c) Carrying amounts:

| Balance at | Land and buildings | Distribution substation equipment | Other distribution equipment | Other fixed assets | Construction in progress | Total |
|-------------------|--------------------|-----------------------------------|------------------------------|--------------------|--------------------------|------------|
| December 31, 2015 | \$ 12,494 | \$ 9,172 | \$ 203,429 | \$ 15,344 | \$ 10,300 | \$ 250,739 |
| December 31, 2016 | \$ 12,984 | \$ 9,080 | \$ 220,053 | \$ 15,953 | \$ 10,632 | \$ 268,702 |

London Hydro Inc.
Notes to the Financial Statements
(in thousands of dollars)
For the year ended December 31, 2016

9. Intangible assets

a) Cost or deemed cost:

| | Land rights | Wholesale metering | Computer software | Intangible work in progress | Total |
|------------------------------|-------------|--------------------|-------------------|-----------------------------|-----------|
| Balance at January 1, 2015 | \$ 202 | \$ 1,085 | \$ 18,645 | \$ 458 | \$ 20,390 |
| Additions | 31 | - | 5,071 | 1,553 | 6,655 |
| Disposals / retirements | - | - | (2,004) | - | (2,004) |
| Balance at December 31, 2015 | \$ 233 | \$ 1,085 | \$ 21,712 | \$ 2,011 | \$ 25,041 |
| 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 |

b) Accumulated amortization:

| | Land rights | Wholesale metering | Computer software | Intangible work in progress | Total |
|------------------------------|-------------|--------------------|-------------------|-----------------------------|----------|
| Balance at January 1, 2015 | \$ 17 | \$ 43 | \$ 5,229 | \$ - | \$ 5,289 |
| Amortization | 18 | 43 | 5,047 | - | 5,108 |
| Disposals / retirements | - | - | (2,004) | - | (2,004) |
| Balance at December 31, 2015 | \$ 35 | \$ 86 | \$ 8,272 | \$ - | \$ 8,393 |
| 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 |

c) Carrying amounts:

| Balance at | Land rights | Wholesale metering | Computer software | Intangible work in progress | Total |
|-------------------|-------------|--------------------|-------------------|-----------------------------|-----------|
| December 31, 2015 | \$ 198 | \$ 999 | \$ 13,440 | \$ 2,011 | \$ 16,648 |
| December 31, 2016 | \$ 193 | \$ 956 | \$ 12,746 | \$ 3,722 | \$ 17,617 |

During the year ended December 31, 2016, borrowing costs of \$0.1 million (2015 - nil) were capitalized as part of the cost of intangible assets. A capitalization rate of 2.60% (2015 – 2.55%) was used to determine the amount of borrowing costs to be capitalized.

London Hydro Inc.
Notes to the Financial Statements
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10. Income tax expense

Income tax expense is comprised of:

| | 2016 | 2015 |
|---|----------|----------|
| Current income tax | | |
| Current year | \$ 2,261 | \$ 2,789 |
| Adjustment for prior years | (263) | (140) |
| | 1,998 | 2,649 |
| Deferred tax | | |
| Change in recognized deductible temporary differences: | | |
| Gain / (loss) on interest rate swap loss | 405 | (837) |
| Property, plant, equipment and intangible assets | 1,768 | 1,479 |
| Post-employment benefits | (91) | (73) |
| Deferred revenue | (101) | (58) |
| | 1,981 | 511 |
| Total current and deferred income tax in profit and loss, before movement of regulatory balance | 3,979 | 3,160 |
| Other comprehensive income | | |
| Post-employment benefits | (78) | 47 |
| Total current and deferred income tax, before movement of regulatory balances | 3,901 | 3,207 |
| Net movement in regulatory balances | (1,498) | (1,396) |
| Income tax expense recognized in Statement of Comprehensive Income | \$ 2,403 | \$ 1,811 |

Reconciliation of effective tax rate:

| | 2016 | 2015 |
|---|-----------|----------|
| Income before taxes | \$ 14,576 | 12,165 |
| Canada and Ontario statutory income tax rates | 26.5% | 26.5% |
| Expected tax provision on income at statutory rates | 3,863 | 3,224 |
| Increase (decrease) in income taxes resulting from: | | |
| Net movement in regulatory balances | (1,498) | (1,396) |
| Other items | 38 | (17) |
| | \$ 2,403 | \$ 1,811 |

Significant components of the Company's deferred tax balances:

| | 2016 | 2015 |
|--|------------|------------|
| Property, plant, equipment and intangible assets | \$ (6,341) | \$ (4,573) |
| Post-employment benefits | 3,837 | 3,668 |
| Deferred revenue | 173 | 72 |
| Future income taxes to be realized by customers | (2,331) | (833) |
| Loss on interest rate swap | 1,168 | 1,573 |
| | \$ (1,163) | \$ 740 |

London Hydro Inc.
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, 2016 | Additions | Recovery/ reversal | December 31, 2016 | Remaining recovery 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 deferral account debit balances | January 1, 2015 | Additions | Recovery/ reversal | December 31, 2015 | Remaining recovery years |
|--|-----------------|------------|-----------------------|-------------------|--------------------------------|
| Group 1 deferred accounts | \$ 5,295 | \$ (5,295) | \$ - | \$ - | |
| IFRS-CGAAP transitional PP&E recoveries | 275 | - | (118) | 157 | 1.3 |
| Regulatory settlement account | 47 | - | (47) | - | - |
| Other regulatory accounts | 966 | 940 | - | 1,906 | |
| Income tax | - | 833 | - | 833 | |
| | \$ 6,583 | \$ (3,522) | \$ (165) | \$ 2,896 | |

Regulatory liabilities:

| Regulatory deferral account credit balances | January 1, 2016 | Additions | Recovery/ reversal | December 31, 2016 | Remaining reversal years |
|---|-----------------|-------------|-----------------------|-------------------|--------------------------------|
| Group 1 deferred accounts | \$ (2,577) | \$ (15,047) | \$ 5,406 | \$ (12,218) | |
| Other regulatory accounts | (161) | (2) | - | (163) | |
| | \$ (2,738) | \$ (15,049) | \$ 5,406 | \$ (12,381) | |

| Regulatory deferral account credit balances | January 1, 2015 | Additions | Recovery/ reversal | December 31, 2015 | Remaining reversal years |
|---|-----------------|------------|-----------------------|-------------------|--------------------------------|
| Group 1 deferred accounts | \$ - | \$ (2,577) | \$ - | \$ (2,577) | |
| Other regulatory accounts | (158) | (3) | - | (161) | |
| Income tax | (563) | 563 | - | - | |
| | \$ (721) | \$ (2,017) | \$ - | \$ (2,738) | |

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 all four quarters of 2016 the rate was set at 1.10%.

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 debit balances on January 1, 2015. Due to price fluctuations the accumulated variances became credit balances during 2015, and continued being credit balances in 2016. The 2016 IRM rate application was submitted to the OEB on October 19, 2015, which includes 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 the 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.

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

The regulatory settlement account with a debit balance on January 1, 2015 consists of the Lost Revenue Adjustment Mechanism Variance ("LRAMVA") approved for recovery by the OEB. During 2013, the Company filed its IRM rate application for the 2014 rate year. The OEB issued its decision with respect to this application which included a request for OEB approval for the recovery of LRAMVA for amounts as at December 31, 2012. The regulatory decision approved the recovery of these balances over a one-year period commencing May 1, 2014.

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.

d) Other regulatory accounts

Other regulatory debit balances include various deferred costs in connection with Climate Change programs, LRAMVA, IFRS transition expenditures, OEB Cost Assessment Variance, Retail Cost Variances and the residual balance of Stranded Meter costs previously approved for recovery by the OEB. Climate Change programs authorized by the OEB include renewable enabling improvements and investments towards smart grid. Costs incurred with respect to these various activities have been captured under deferral accounts for future rate recovery.

Other regulatory credit balances consist of amounts resulting from the implementation of the Harmonized Sales Tax.

On August 26, 2016, the Company filed its 2017 COS rate application, which includes a request for the disposition of the other regulatory 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.

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

| | 2016 | 2015 |
|--|------------------|------------------|
| Due to Independent Electricity System Operator | \$ 43,709 | \$ 39,888 |
| Debt retirement charge payable to OEFC | 1,023 | 1,603 |
| Harmonized sales tax | 788 | 372 |
| Payroll and benefits payable | 2,669 | 2,264 |
| Other | 8,068 | 9,943 |
| | \$ 56,257 | \$ 54,070 |

Accounts payable other at December 31, 2015 has been increased in the amount of \$0.5 million to reclass customer credit balances from trade accounts receivable for comparative purposes.

13. Deferred revenue

| | 2016 | 2015 |
|--|------------------|------------------|
| Capital contributions for completed projects | \$ 8,700 | \$ 5,560 |
| Deposits held | 9,008 | 8,582 |
| | 17,708 | 14,142 |
| Less: Current portion | 1,399 | 1,192 |
| | \$ 16,309 | \$ 12,950 |

Included in deposits held is \$3.8 million (2015 - \$3.8 million) received from the Corporation of the City of London as contributions for the construction of capital assets.

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14. Long-term debt

| | 2016 | 2015 |
|---|------------|-----------|
| Unsecured, committed extendible revolving loan bearing interest at prime, minus 0.5%, interest only payments due March 2019 | \$ 20,000 | \$ 5,000 |
| 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 | 6,130 | 8,434 |
| | 111,130 | 98,434 |
| Less: Current portion | 2,304 | 7,304 |
| | \$ 108,826 | \$ 91,130 |

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, 2016 was \$1.5 million (2015 – unrealized loss \$3.2 million).

At December 31, 2016, the Company would be required to pay \$4.4 million (2015 - \$5.9 million) if it wished to cancel the swap agreements.

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, 2016, the Company made employer contributions of \$2.8 million to OMERS (2015 - \$2.7 million), of which \$0.8 million (2015 - \$0.7 million) has been capitalized as part of PP&E and the remaining amount of \$2.0 million (2015 - \$2.0 million) has been recognized in profit or loss. The Corporation estimates that a contribution of \$2.9 million to OMERS will be made during the next fiscal year.

As at December 31, 2016, OMERS had approximately 470,000 members, of whom 323 are employees of the Company. The most recently available OMERS annual report is for the year ended December 31, 2016, which reported that the plan was 93.4% funded, with an unfunded liability of \$5.7 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, 2016, the following information has been determined:

Reconciliation of the obligation:

| | 2016 | 2015 |
|---|-----------|-----------|
| Defined benefit obligation, beginning of year | \$ 13,845 | \$ 13,749 |
| Included in profit or loss: | | |
| Current service costs | 392 | 386 |
| Past service costs | 180 | - |
| Interest cost | 529 | 514 |
| Other benefits | 26 | 42 |
| | 1,127 | 942 |
| Actuarial (gains) / losses included in OCI: | | |
| Change in financial assumptions | 183 | (192) |
| Effect of experience adjustments | 111 | 13 |
| | 294 | (179) |
| Benefits paid | (785) | (667) |
| Defined benefit obligation, end of year | \$ 14,481 | \$ 13,845 |

15. Post-employment benefits (continued)

b) Post-employment benefits other than pension (continued)

Actuarial assumptions:

| | 2016 | 2015 |
|----------------------------|------|------|
| Discount (interest) rate | 3.9% | 4.0% |
| Salary levels | 4.0% | 4.0% |
| Immediate medical costs | 6.0% | 6.1% |
| Ultimate medical costs | 4.5% | 4.5% |
| Dental cost rate | 4.5% | 4.5% |
| Year ultimate rate reached | 2028 | 2028 |

A 1% increase in the assumed discount rate would result in the defined benefit obligation decreasing by \$1.9 million. A 1% decrease in the assumed discount rate would result in the defined benefits obligation increasing by \$1.8 million.

16. Share capital

| | 2016 | 2015 |
|---|-----------|-----------|
| 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 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.

On March 31, 2015 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 2015.

London Hydro Inc.
Notes to the Financial Statements
(in thousands of dollars)
For the year ended December 31, 2016

17. Other revenue

| | 2016 | 2015 |
|---|------------------|-----------------|
| City of London services | \$ 4,009 | \$ 3,996 |
| Late payment charges | 1,915 | 1,816 |
| Collection charges | 687 | 694 |
| Occupancy charges | 634 | 619 |
| Other services, recoveries and sundry revenues | 632 | 627 |
| Sale of scrap | 588 | 298 |
| Customer billing service fees | 587 | 586 |
| Income tax incentive credits | 462 | 319 |
| Pole and other rental income | 414 | 410 |
| Renewable generation revenue | 355 | 314 |
| Gain on disposal of property, plant and equipment | 234 | 162 |
| Amortization of deferred revenue | 173 | 79 |
| | \$ 10,690 | \$ 9,920 |

18. Operating expenses

| | 2016 | 2015 |
|--|------------------|------------------|
| Labour and benefits | \$ 25,088 | \$ 24,213 |
| Professional services | 5,884 | 5,559 |
| Office equipment services and maintenance | 2,281 | 2,011 |
| Rental, regulatory and other expenses | 1,967 | 1,568 |
| Facilities maintenance and repair | 1,673 | 1,521 |
| Postage | 1,269 | 1,250 |
| Property tax and insurance | 1,173 | 1,095 |
| Corporate training and employee expenses | 1,140 | 1,124 |
| Materials and supplies | 1,049 | 983 |
| Fleet operations and maintenance | 904 | 952 |
| Bad debts | 700 | 650 |
| Allocations to capital and billable activities | (1,961) | (1,720) |
| | \$ 41,167 | \$ 39,206 |

London Hydro Inc.
Notes to the Financial Statements
(in thousands of dollars)
For the year ended December 31, 2016

19. Finance (income) and expenses

| | 2016 | 2015 |
|---|-----------------|-----------------|
| Finance income | | |
| Interest income on bank deposits | \$ (80) | \$ (101) |
| Finance expenses | | |
| Unrealized (gain) / loss on interest rate swap | (1,529) | 3,158 |
| Interest on long-term debt | 2,813 | 2,643 |
| Interest on short-term debt | 28 | 27 |
| Interest on funds used for construction project | (77) | (17) |
| Other | 73 | 87 |
| | 1,308 | 5,898 |
| Net finance expense | \$ 1,228 | \$ 5,797 |

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, 2016, no assessments have been made.

London Hydro Inc.
Notes to the Financial Statements
(in thousands of dollars)
For the year ended December 31, 2016

20. Commitments and contingencies (continued)

Letters of credit

At December 31, 2016, the Company had provided \$6.6 million (2015 – \$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 \$2.3 million (2015 - \$0.8 million), Infrastructure projects of \$2.0 million (2015 – \$5.3 million) and new vehicle acquisitions of \$0.3 million (2015 - \$0.5 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:

| | 2016 | 2015 |
|----------------------------|-----------------|-----------------|
| Less than one year | \$ 299 | \$ 303 |
| Between one and five years | 824 | 1,027 |
| More than five years | 191 | 193 |
| | \$ 1,314 | \$ 1,523 |

Operating lease expense incurred during the year ended December 31, 2016 was of \$0.3 million (2015 - \$0.3 million).

21. Due to shareholder

Trade balances due to shareholder

| | 2016 | 2015 |
|---|-----------------|-----------------|
| Water consumption | \$ 8,405 | \$ 6,746 |
| Non-interest bearing trade balance due to shareholder, without stated repayment terms | 266 | 682 |
| | <u>\$ 8,671</u> | <u>\$ 7,428</u> |

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, 2016, the Company billed customers for water related service on behalf of the shareholder and remitted funds to the shareholder in the amount of \$158.7 million (2015 – \$151.1 million). The shareholder paid \$3.9 million (2015 - \$3.9 million) for this service.

During the year ended December 31, 2016, the Company performed water meter replacement administrative services on behalf of the shareholder. The shareholder paid \$0.1 million (2015 – nil) 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 from/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, 2016 is \$92 million (2015 - \$95 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, 2016 was 2.16% (2015 – 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 profit and loss as bad debt expense. Subsequent recoveries of receivables previously provisioned are credited to profit and loss. The balance of the allowance for impairment loss at December 31, 2016 is \$2.6 million (2015 - \$2.5 million). During the year ended December 31, 2016, bad debt expense was \$0.7 million (2015 - \$0.7 million).

23. Financial instruments and risk management (continued)

a) Credit risk (continued)

At December 31, 2016, approximately \$0.8 million (2015 - \$0.7 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, 2016, approximately \$2.2 million (2015 - \$2.0 million) is considered 60 days past due. The Company has 155 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 18% of amounts billed to customers with the remaining 82% 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, 2016, the Company held deposits in the amount of \$6.0 million (2015 - \$6.3 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, 2016 would have increased interest expense on the long-term debt by \$0.2 million (2015 - \$0.1 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 million with the Toronto Dominion Bank. At December 31, 2016, the amount drawn by the Company under this line of credit was nil (2015 - 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, 2016, the Company had a committed 364 day extendable operating revolving loan facility of \$30 million with the Toronto Dominion Bank and the amount drawn by the Company under this loan facility was \$20 million (2015 - \$5.0 million). 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 (2015 - 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.

| | 2016 | 2015 |
|----------------------|-------------------|-------------------|
| Long-term debt | \$ 111,130 | \$ 98,434 |
| Shareholder's equity | 150,781 | 148,608 |
| | \$ 261,911 | \$ 247,042 |

24. Subsequent event

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.

Financial Statements of

**LONDON & MIDDLESEX HOUSING
CORPORATION**

Year ended December 31, 2016



KPMG LLP
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London ON N6A 5P2
Canada
Tel 519 672-4800
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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 |

Financial Statements of

**THE LONDON PUBLIC LIBRARY
BOARD**

Year ended December 31, 2016



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 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, 2016, the statements of operations, 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 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, 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, slanted style and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

April 27, 2017

London, Canada

THE LONDON PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2016, with comparative information for 2015

| | 2016 | 2015 |
|---|----------------------|----------------------|
| Financial assets: | | |
| Cash | \$ 1,065,594 | \$ 1,244,665 |
| Accounts receivable: | | |
| The Corporation of the City of London | 689,808 | 746,200 |
| Other | 239,273 | 177,330 |
| | <u>1,994,675</u> | <u>2,168,195</u> |
| Financial liabilities: | | |
| Accounts payable and accrued liabilities | 1,851,101 | 1,844,655 |
| Deferred revenue | 85,713 | 86,824 |
| Payable to The Corporation of the City of London | 6,631 | 18,908 |
| Employee future benefits and other liabilities (note 2) | 3,191,396 | 3,381,784 |
| | <u>5,134,841</u> | <u>5,332,171</u> |
| Net debt | (3,140,166) | (3,163,976) |
| Non-financial assets: | | |
| Tangible capital assets (note 6) | 25,689,452 | 26,967,011 |
| Prepaid expenses | 301,649 | 277,414 |
| | <u>25,991,101</u> | <u>27,244,425</u> |
| Commitments (note 4) | | |
| Accumulated surplus (note 7) | <u>\$ 22,850,935</u> | <u>\$ 24,080,449</u> |

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

THE LONDON PUBLIC LIBRARY BOARD

Statement of Operations

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

| | Budget 2016 (note 8) | 2016 | 2015 |
|---|----------------------------|----------------------|----------------------|
| Revenue: | | | |
| User charges: | | | |
| Fines | \$ 400,000 | \$ 336,514 | \$ 369,141 |
| Fee, rental, sundry | 454,688 | 391,706 | 474,654 |
| Grants: | | | |
| Federal | - | 24,535 | 6,637 |
| Ontario | 598,829 | 644,302 | 698,571 |
| The Corporation of the City of London: | | | |
| Current | 19,518,426 | 19,518,426 | 19,195,376 |
| Capital | 2,574,400 | 2,574,400 | 922,607 |
| Other | - | 15,577 | 1,500 |
| Investment income | 17,000 | 15,549 | 17,465 |
| Other income (note 3) | 80,470 | 80,470 | - |
| Total revenues | 23,643,813 | 23,601,479 | 21,685,951 |
| Expenses: | | | |
| Personnel | 14,688,621 | 14,504,102 | 14,410,018 |
| Administrative | 92,059 | 89,152 | 95,594 |
| Purchased services | 630,238 | 674,518 | 628,586 |
| Technology | 562,819 | 475,372 | 523,049 |
| Utilities | 1,059,466 | 977,129 | 931,228 |
| Facility services | 1,603,251 | 1,705,719 | 1,654,075 |
| Collections and lending services | 2,182,098 | 796,477 | 753,829 |
| Program services | 48,450 | 51,903 | 88,592 |
| General | 6,000 | 60,908 | 70,154 |
| Amortization of tangible capital assets | - | 3,282,909 | 3,377,845 |
| New major facilities | 136,218 | 136,218 | 175,912 |
| Major repairs and maintenance | 2,518,652 | 2,001,057 | - |
| Equipment | 45,669 | 5,908 | 2,060 |
| Contribution to vehicle reserve | - | - | 2,500 |
| Contribution to self-insurance reserve | 70,272 | 69,621 | 65,067 |
| Total expenses | 23,643,813 | 24,830,993 | 22,778,509 |
| Annual deficit | - | (1,229,514) | (1,092,558) |
| Accumulated surplus, beginning of year | 24,080,449 | 24,080,449 | 25,173,007 |
| Accumulated surplus, end of year | \$ 24,080,449 | \$ 22,850,935 | \$ 24,080,449 |

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

THE LONDON PUBLIC LIBRARY BOARD

Statement of Change in Net Debt

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

| | 2016 | 2015 |
|---|----------------|----------------|
| Annual deficit | \$ (1,229,514) | \$ (1,092,558) |
| Acquisition of tangible capital assets | (2,005,350) | (2,266,153) |
| Amortization of tangible capital assets | 3,282,909 | 3,377,845 |
| | 48,045 | 19,134 |
| Change in prepaid expenses | (24,235) | (117,110) |
| Change in net debt | 23,810 | (97,976) |
| Net debt, beginning of year | (3,163,976) | (3,066,000) |
| Net debt, end of year | \$ (3,140,166) | \$ (3,163,976) |

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

THE LONDON PUBLIC LIBRARY BOARD

Statements of Cash Flows

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

| | 2016 | 2015 |
|--|----------------|----------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual deficit | \$ (1,229,514) | \$ (1,092,558) |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 3,282,909 | 3,377,845 |
| Change in employee future benefits and other liabilities | (190,388) | 4,036 |
| Changes in non-cash assets and liabilities: | | |
| Receivable from The Corporation of the City of London | 56,392 | (333,361) |
| Accounts receivable | (61,943) | 36,457 |
| Accounts payable and accrued liabilities | 6,446 | 491,796 |
| Payable to The Corporation of the City of London | (12,277) | (5,630) |
| Deferred revenue | (1,111) | 36,131 |
| Prepaid expenses | (24,235) | (117,110) |
| | 1,826,279 | 2,397,606 |
| Capital activities: | | |
| Acquisition of tangible capital assets | (2,005,350) | (2,266,153) |
| Increase (decrease) in cash | (179,071) | 131,453 |
| Cash, beginning of year | 1,244,665 | 1,113,212 |
| Cash, end of year | \$ 1,065,594 | \$ 1,244,665 |

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

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2016

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, 2016

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 use.

(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.

(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.

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(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, 2016

2. Employee future benefits and other liabilities:

Employee future benefits and other liabilities are comprised of the following:

| | 2016 | 2015 |
|--|---------------------|---------------------|
| Liability for vested sick leave benefits | \$ 249,329 | \$ 318,124 |
| Vacation pay liability | 878,067 | 1,010,660 |
| Employee future benefits obligation | 2,064,000 | 2,053,000 |
| | <u>\$ 3,191,396</u> | <u>\$ 3,381,784</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, 2016, amounts to \$249,329 (2015 - \$318,124). This amount is fully funded by a reserve held by The Corporation of the City of London in the amount of \$259,773 (2015 - \$321,387).

(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, 2016

2. Employee future benefits and other liabilities (continued):

(b) Retiree benefits (continued):

Detailed information about retiree benefits is as follows:

| | 2016 | 2015 |
|---|--------------|--------------|
| Accrued employee future benefit obligation: | | |
| Balance, beginning of year | \$ 1,339,000 | \$ 2,126,000 |
| Current period benefit cost | 68,000 | 93,000 |
| Interest | 45,000 | 80,000 |
| Benefits paid | (60,000) | (136,000) |
| Actuarial gain | - | (824,000) |
| Balance, end of year | 1,392,000 | 1,339,000 |
| Unamortized actuarial gain | 672,000 | 714,000 |
| Employee future benefits obligation | \$ 2,064,000 | \$ 2,053,000 |

Post-employment and post-retirement benefit expenses included in total expenditures consist of the following:

| | 2016 | 2015 |
|--|------------|------------|
| Current year benefit cost | \$ 68,000 | \$ 93,000 |
| Interest on accrued benefit obligation | 45,000 | 80,000 |
| Amortization of net actuarial loss | 42,000 | 18,000 |
| Total payments made during the year | \$ 155,000 | \$ 191,000 |

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 loss 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, 2016

3. Trust funds:

Trust funds administered by the Board amounting to \$3,510,114 (2015 - \$3,469,132) 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 trust fund statement of continuity. During the year, the Trust funds transferred \$80,470 to the Board for capital purchases. This amount has been included in Other income on the Statement of Operations.

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:

| | | |
|------------|----|-----------|
| 2017 | \$ | 648,480 |
| 2018 | | 652,155 |
| 2019 | | 615,905 |
| 2020 | | 276,584 |
| Thereafter | | 209,933 |
| | \$ | 2,403,057 |

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 2016 is \$1,028,904 (2015 - \$1,010,628) for current service and is included as an expenditure in the statement of operations.

6. Tangible capital assets:

| Cost | Balance at December 31, 2015 | Additions | Disposals | Balance at December 31, 2016 |
|-------------------------------|------------------------------------|--------------|--------------|------------------------------------|
| Land | \$ 4,611,030 | \$ - | \$ - | \$ 4,611,030 |
| Buildings | 39,945,843 | 405,726 | - | 40,351,569 |
| Leasehold improvements | 349,083 | - | - | 349,083 |
| Collections | 10,364,482 | 1,409,223 | 1,559,143 | 10,214,562 |
| Shelving | 1,330,964 | - | 1,988 | 1,328,976 |
| Computers | 454,879 | 136,189 | 132,293 | 458,775 |
| Computers under capital lease | 615,244 | - | - | 615,244 |
| Furniture and equipment | 598,495 | 54,212 | 91,326 | 561,381 |
| Total | \$ 58,270,020 | \$ 2,005,350 | \$ 1,784,750 | \$ 58,490,620 |

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2016

6. Tangible capital assets (continued):

| Accumulated amortization | Balance at December 31, 2015 | Additions | Disposals | Balance at December 31, 2016 |
|-------------------------------|------------------------------------|---------------------|---------------------|------------------------------------|
| Land | \$ - | \$ - | \$ - | - |
| Buildings | 23,747,700 | 1,554,171 | - | 25,301,871 |
| Leasehold improvements | 283,966 | 16,987 | - | 300,953 |
| Collections | 5,478,035 | 1,469,932 | 1,559,143 | 5,388,824 |
| Shelving | 659,184 | 33,249 | 1,988 | 690,445 |
| Computers | 215,452 | 128,472 | 132,293 | 211,631 |
| Computers under capital lease | 615,244 | - | - | 615,244 |
| Furniture and equipment | 303,428 | 80,098 | 91,326 | 292,200 |
| Total | \$ 31,303,009 | \$ 3,282,909 | \$ 1,784,750 | \$ 32,801,168 |

| | Net book value December 31, 2015 | Net book value December 31, 2016 |
|-------------------------------|--|--|
| Land | \$ 4,611,030 | \$ 4,611,030 |
| Buildings | 16,198,143 | 15,049,698 |
| Leasehold improvements | 65,117 | 48,130 |
| Collections | 4,886,447 | 4,825,738 |
| Shelving | 671,780 | 638,531 |
| Computers | 239,427 | 247,144 |
| Computers under capital lease | - | - |
| Furniture and equipment | 295,067 | 269,181 |
| Total | \$ 26,967,011 | \$ 25,689,452 |

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2016

7. Accumulated surplus:

Accumulated surplus consists of surplus and reserve funds as follows:

| | 2016 | 2015 |
|--|---------------|---------------|
| Surplus: | | |
| Invested in tangible capital assets | \$ 25,689,452 | \$ 26,967,011 |
| Unfunded: | | |
| Employee benefits, accrued sick and vacation | (1,127,396) | (1,328,784) |
| Employee benefits, future benefit liability | (2,064,000) | (2,053,000) |
| Other | (42,460) | (42,460) |
| Total surplus | 22,455,596 | 23,542,767 |
| Reserves set aside by the Board: | | |
| Stabilization fund | 102,044 | 149,737 |
| Collections encumbrance fund | 33,523 | 66,558 |
| Total reserves | 135,567 | 216,295 |
| Reserve held by the City on behalf of the Board: | | |
| Sick leave reserve | 259,772 | 321,387 |
| | \$ 22,850,935 | \$ 24,080,449 |

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 | \$ 20,988,943 |
| Expenses: | |
| Operating budget | 20,988,943 |
| Annual surplus, as budgeted | \$ - |
| Capital funding from The City of London | \$ 2,574,400 |
| Other income | 80,470 |
| New major facilities expense | (2,654,870) |
| Annual surplus, revised | \$ - |

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2016

9. Subsequent events:

Subsequent to year end the Board has undertaken a process to sell the land and building located at 3200 Wonderland Road. The process is expected to be completed during fiscal 2017.

Financial Statements of

LONDON TRANSIT COMMISSION

Year ended December 31, 2016



KPMG LLP
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Canada
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Fax 519 672-5684

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, 2016 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, 2016, 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

March 29, 2017

London, Canada

LONDON TRANSIT COMMISSION

Statement of Financial Position

December 31, 2016, with comparative information for 2015

| | 2016 | 2015 |
|---|----------------------|----------------------|
| Financial Assets | | |
| Cash and cash equivalents | \$ 34,277,491 | \$ 32,883,164 |
| Investments | 20,002,746 | 19,002,214 |
| Accounts receivable | 626,617 | 884,179 |
| Due from The City of London | 404,964 | 352,156 |
| | <u>55,311,818</u> | <u>53,121,713</u> |
| Financial Liabilities | | |
| Accounts payable and accrued liabilities | 9,908,118 | 8,596,631 |
| Due to The City of London | 92,924 | 15,951 |
| Accrued liability insurance claims (note 8) | 2,283,373 | 1,670,544 |
| Employee future benefits (note 7) | 3,954,000 | 4,077,000 |
| Deferred fare media | 4,236,616 | 3,994,995 |
| Deferred revenue (note 4 and note 11) | 28,889,732 | 28,478,802 |
| | <u>49,364,763</u> | <u>46,833,923</u> |
| Net financial assets | 5,947,055 | 6,287,790 |
| Non - Financial Assets | | |
| Inventories (note 2) | 2,126,207 | 2,098,388 |
| Tangible capital assets (note 10) | 86,591,763 | 87,388,491 |
| Prepays | 765,265 | 734,536 |
| | <u>89,483,235</u> | <u>90,221,415</u> |
| Commitments (note 9) | | |
| Accumulated surplus (note 3) | <u>\$ 95,430,290</u> | <u>\$ 96,509,205</u> |

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Statement of Operations

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

| | Budget | 2016 | 2015 |
|--------------------------------------|----------------------|----------------------|----------------------|
| Revenue: | | | |
| Grants: | | | |
| The City of London (note 5) | \$ 34,907,000 | \$ 34,664,236 | \$ 33,980,734 |
| Province of Ontario (note 5) | 13,593,000 | 9,283,552 | 8,426,404 |
| | <u>48,500,000</u> | <u>43,947,788</u> | <u>42,407,138</u> |
| User charges, conventional transit: | | | |
| Cash fares | 4,235,200 | 3,973,362 | 4,212,009 |
| Ticket fares | 10,143,800 | 9,837,169 | 9,896,544 |
| Pass fares | 16,924,800 | 17,123,947 | 16,488,680 |
| Contract service | 30,000 | 440 | 28,243 |
| Other transportation revenue | 572,700 | 356,113 | 52,069 |
| | <u>31,906,500</u> | <u>31,291,031</u> | <u>30,677,545</u> |
| Other revenue, conventional transit: | | | |
| Advertising | 588,200 | 634,076 | 578,200 |
| Interest and discounts | 760,000 | 681,911 | 735,239 |
| Rent | 2,500 | 2,818 | 2,534 |
| Gain on disposal of capital assets | 48,000 | 12,465 | 59,223 |
| Miscellaneous | 55,000 | 22,805 | 45,019 |
| | <u>1,453,700</u> | <u>1,354,075</u> | <u>1,420,215</u> |
| User charges, specialized transit: | | | |
| Cash fares | 17,700 | 14,427 | 14,960 |
| Ticket fares | 385,700 | 315,556 | 316,297 |
| Pass fares | 179,200 | 177,641 | 162,145 |
| | <u>582,600</u> | <u>507,624</u> | <u>493,402</u> |
| Total revenue | \$ 82,442,800 | \$ 77,100,518 | \$ 74,998,300 |

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Statement of Operations

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

| | Budget | 2016 | 2015 |
|--|-------------------|----------------------|----------------------|
| Expenses: | | | |
| Salaries, wages and benefits: | | | |
| Transportation | \$ 31,899,007 | \$ 31,943,713 | \$ 30,322,546 |
| Vehicle maintenance | 8,271,727 | 8,091,793 | 7,827,530 |
| Facility | 456,654 | 476,484 | 465,214 |
| Planning, marketing and general administration | 2,974,512 | 2,958,041 | 2,853,855 |
| | <u>43,601,900</u> | <u>43,470,031</u> | <u>41,469,145</u> |
| Materials, supplies, utilities and services: | | | |
| Transportation | 2,426,500 | 3,069,592 | 2,205,811 |
| Vehicle maintenance | 4,882,900 | 5,195,628 | 4,488,242 |
| Facility | 2,966,900 | 2,789,582 | 2,729,955 |
| Planning, marketing and general administration | 1,506,800 | 1,643,844 | 1,638,705 |
| Fuel | 6,337,800 | 5,270,393 | 5,944,733 |
| Amortization | - | 10,554,169 | 10,453,942 |
| | <u>18,120,900</u> | <u>28,523,208</u> | <u>27,461,388</u> |
| Current operations, specialized transit: | | | |
| Administration: | | | |
| Salaries and benefits | 827,500 | 923,494 | 825,140 |
| Materials and supplies | 124,400 | 114,280 | 121,341 |
| | <u>951,900</u> | <u>1,037,774</u> | <u>946,481</u> |
| Contracted service delivery | 5,597,000 | 5,148,420 | 4,825,455 |
| | <u>6,548,900</u> | <u>6,186,194</u> | <u>5,771,936</u> |
| Total expenses | <u>68,271,700</u> | <u>78,179,433</u> | <u>74,702,469</u> |
| Annual surplus (deficit) (note 12) | \$ 14,171,100 | (1,078,915) | 295,831 |
| Accumulated surplus, beginning of year | | 96,509,205 | 96,213,374 |
| Accumulated surplus, end of year | | <u>\$ 95,430,290</u> | <u>\$ 96,509,205</u> |

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Statement of Change in Net Financial Assets

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

| | 2016 | 2015 |
|---|----------------|--------------|
| Annual surplus (deficit) | \$ (1,078,915) | \$ 295,831 |
| Acquisition of tangible capital assets | (9,757,441) | (10,942,204) |
| Amortization of tangible capital assets | 10,554,169 | 10,453,942 |
| Gain on disposal of tangible capital assets | (12,465) | (59,223) |
| Proceeds on sale of tangible capital assets | 12,465 | 59,223 |
| | (282,187) | (192,431) |
| Inventories | (27,819) | (300,576) |
| Prepaid expenses | (30,729) | 30,209 |
| | (58,548) | (270,367) |
| Change in net financial assets | (340,735) | (462,798) |
| Net financial assets, beginning of year | 6,287,790 | 6,750,588 |
| Net financial assets, end of year | \$ 5,947,055 | \$ 6,287,790 |

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Statement of Cash Flows

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

| | 2016 | 2015 |
|--|----------------|---------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus (deficit) | \$ (1,078,915) | \$ 295,831 |
| Items not involving cash: | | |
| Amortization | 10,554,169 | 10,453,942 |
| Gain on disposal of tangible capital assets | (12,465) | (59,223) |
| Change in employee future benefit liability | (123,000) | (61,000) |
| Changes in non-cash assets and liabilities: | | |
| Accounts receivable | 257,562 | (266,559) |
| Due from The City of London | (52,808) | (295,413) |
| Inventories | (27,819) | (300,576) |
| Prepays | (30,729) | 30,209 |
| Investments | (1,000,532) | (358,563) |
| Accounts payable and accrued liabilities | 1,311,487 | 272,251 |
| Due to The City of London | 76,973 | (45,331) |
| Accrued liability insurance claims | 612,829 | 15,947 |
| Deferred fare media | 241,621 | (138,082) |
| Deferred revenue | 410,930 | 996,036 |
| Net change in cash from operating activities | 11,139,303 | 10,539,469 |
| Capital activities: | | |
| Proceeds on sale of tangible capital assets | 12,465 | 59,223 |
| Cash used to acquire tangible capital assets | (9,757,441) | (10,942,204) |
| Net change in cash from capital activities | (9,744,976) | (10,882,981) |
| Net change in cash and cash equivalents | 1,394,327 | (343,512) |
| Cash and cash equivalents, beginning of year | 32,883,164 | 33,226,676 |
| Cash and cash equivalents, end of year | \$ 34,277,491 | \$ 32,883,164 |

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Notes to Financial Statements

Year ended December 31, 2016

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, 2016

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, 2016

2. Inventories:

| | 2016 | 2015 |
|-------------|--------------|--------------|
| Spare parts | \$ 2,126,207 | \$ 2,098,388 |

3. Accumulated surplus:

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

| | 2016 | 2015 |
|--|---------------|---------------|
| Surplus: | | |
| Invested in tangible capital assets | \$ 86,591,763 | \$ 87,388,491 |
| To be recovered from public liability insurance reserve fund | (2,283,373) | (1,670,544) |
| Unfunded: | | |
| Employee future benefits liability | (3,954,000) | (4,077,000) |
| Vacation pay earned and accrued payroll | (2,831,048) | (2,805,969) |
| Total surplus | 77,523,342 | 78,834,978 |
| Reserve set aside for specific purposes of the Commission (note 11): | | |
| Energy management reserve | 3,203,250 | 3,203,250 |
| General operating reserve | 3,282,165 | 3,275,765 |
| Health care management reserve | 2,668,735 | 2,647,488 |
| Total reserves | 9,154,150 | 9,126,503 |
| Reserve funds set aside for specific purposes by the Commission (note 11): | | |
| Capital program reserve fund | 5,154,473 | 4,658,384 |
| Public liability insurance reserve fund | 3,598,325 | 3,889,340 |
| Total reserve funds | 8,752,798 | 8,547,724 |
| | \$ 95,430,290 | \$ 96,509,205 |

4. Deferred revenue:

| | 2016 | 2015 |
|------------------------------------|---------------|---------------|
| Provincial gas tax | \$ 28,889,732 | \$ 28,471,566 |
| The City of London capital funding | - | 7,236 |
| | \$ 28,889,732 | \$ 28,478,802 |

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2016

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:

| | 2016 | 2015 |
|---|---------------|---------------|
| Operating grants: | | |
| Specialized transit | \$ 4,676,300 | \$ 4,160,800 |
| Conventional transit | 23,613,600 | 22,881,400 |
| | 28,289,900 | 27,042,200 |
| Capital grants: | | |
| Capital levy and debentures | 6,374,336 | 6,480,164 |
| Development | - | 458,370 |
| | 6,374,336 | 6,938,534 |
| Total grants received from The City of London | \$ 34,664,236 | \$ 33,980,734 |

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:

| | 2016 | 2015 |
|---|------------|------------|
| Equalization grant, seniors (reduced fares) | \$ 376,391 | \$ 355,786 |
| Free transportation, blind | 163,105 | 164,289 |
| | \$ 539,496 | \$ 520,075 |

(b) Province of Ontario:

Provincial grants recognized as revenue during the year ended December 31, for capital and operating programs are as follows:

| | 2016 | 2015 |
|-------------------|--------------|--------------|
| Capital grants: | | |
| Gas tax program | \$ 2,674,152 | \$ 3,109,895 |
| Operating grants: | | |
| Gas tax program | 6,609,400 | 5,316,509 |
| | \$ 9,283,552 | \$ 8,426,404 |

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2016

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, 2016 there were 517 (509 for 2015) 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 2016 were \$2,773,485 (2015 - \$2,703,475).

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.

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.

| | 2016 | 2015 |
|--|--------------|--------------|
| Employee future benefits liability as of December 31 | \$ 3,954,000 | \$ 4,077,000 |

Retirement and other future benefit expenses included in total expenditures consist of the following:

| | 2016 | 2015 |
|--|--------------|-------------|
| Current year benefit cost | \$ 214,000 | \$ 225,000 |
| Interest on accrued benefit obligation | 97,000 | 136,000 |
| Amortized gain | (228,000) | (39,000) |
| Benefits paid | (206,000) | (383,000) |
| | \$ (123,000) | \$ (61,000) |

Significant assumptions are as follows:

| | |
|-------------------------------|-------|
| Discount rate | 3.25% |
| Rate of compensation increase | 1.90% |
| Healthcare cost current | 6.03% |
| Healthcare cost ultimate | 4.50% |

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2016

8. Public liability insurance:

At December 31, 2016, there were 133 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 \$2,137,895 and \$145,478 (2015 - \$1,476,375 and \$194,169) respectively for a total of \$2,283,373 (2015 - \$1,670,544) 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, 2017. 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 twenty eight buses (\$15.4 million). All buses are anticipated to be on site by the end of July 2017.

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2016

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 | | | Balance December 31, 2016 |
|------------------------------------|----------------------|--------------|----------------|---------------------------------|
| | December 31, 2015 | Additions | Disposals | |
| Land | \$ 2,804,632 | \$ - | \$ - | \$ 2,804,632 |
| Site work | 2,651,986 | 51,805 | - | 2,703,791 |
| Buildings | 43,377,894 | 235,571 | - | 43,613,465 |
| Shelters, pads, and terminals | 1,078,856 | 22,360 | - | 1,101,216 |
| Rolling stock | 102,070,362 | 8,554,345 | (1,034,170) | 109,590,537 |
| Fare and data collection equipment | 5,441,726 | 92,434 | - | 5,534,160 |
| Radio/communication equipment | 8,096,119 | 163,392 | - | 8,259,511 |
| Bike racks on buses | 158,878 | - | - | 158,878 |
| Service fleet | 342,734 | 73,817 | - | 416,551 |
| Shop equipment | 2,885,297 | 147,883 | - | 3,033,180 |
| Small tools | 165,526 | 62,927 | (55,233) | 173,220 |
| Computer hardware | 568,018 | 26,767 | - | 594,785 |
| Computer software | 846,028 | 326,140 | - | 1,172,168 |
| | \$ 170,488,056 | \$ 9,757,441 | \$ (1,089,403) | \$ 179,156,094 |

| Accumulated amortization | Balance | | | Balance December 31, 2016 |
|------------------------------------|----------------------|----------------|---------------|---------------------------------|
| | December 31, 2015 | Disposals | Amortization | |
| Land | \$ - | \$ - | \$ - | \$ - |
| Site work | 998,434 | - | 108,152 | 1,106,586 |
| Buildings | 12,505,296 | - | 1,407,138 | 13,912,434 |
| Shelters, pads, and terminals | 782,515 | - | 60,307 | 842,822 |
| Rolling stock | 58,382,629 | (1,034,170) | 7,781,569 | 65,130,028 |
| Fare and data collection equipment | 1,933,660 | - | 360,952 | 2,294,612 |
| Radio/communication equipment | 3,974,802 | - | 550,634 | 4,525,436 |
| Bike racks on buses | 158,878 | - | - | 158,878 |
| Service fleet | 311,690 | - | 45,171 | 356,861 |
| Shop equipment | 2,630,362 | - | 135,828 | 2,766,190 |
| Small tools | 111,482 | (55,233) | 57,740 | 113,989 |
| Computer hardware | 534,972 | - | 29,962 | 564,934 |
| Computer software | 774,845 | - | 16,716 | 791,561 |
| | \$ 83,099,565 | \$ (1,089,403) | \$ 10,554,169 | \$ 92,564,331 |

| Net book value | Balance | | Balance December 31, 2016 |
|------------------------------------|----------------------|------|---------------------------------|
| | December 31, 2015 | | |
| Land | \$ 2,804,632 | \$ - | \$ 2,804,632 |
| Site work | 1,653,552 | - | 1,597,205 |
| Buildings | 30,872,598 | - | 29,701,031 |
| Shelters, pads, and terminals | 296,341 | - | 258,394 |
| Rolling stock | 43,687,733 | - | 44,460,509 |
| Fare and data collection equipment | 3,508,066 | - | 3,239,548 |
| Radio/communication equipment | 4,121,317 | - | 3,734,075 |
| Bike racks on buses | - | - | - |
| Service fleet | 31,044 | - | 59,690 |
| Shop equipment | 254,935 | - | 266,990 |
| Small tools | 54,044 | - | 59,231 |
| Computer hardware | 33,046 | - | 29,851 |
| Computer software | 71,183 | - | 380,607 |
| | \$ 87,388,491 | \$ - | \$ 86,591,763 |

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2016

11. Analysis of reserves, reserve funds, and deferred revenues:

| | Energy management reserve | General operating reserve | Health care management reserve | 2016 Total | 2015 Total |
|---------------------------------------|---------------------------------|---------------------------------|--------------------------------------|---------------|---------------|
| Reserves: | | | | | |
| Balance, beginning of year | \$ 3,203,250 | \$ 3,275,765 | \$ 2,647,488 | \$ 9,126,503 | \$ 9,087,452 |
| Contributions from current operations | - | 6,400 | 387,435 | 393,835 | 286,666 |
| Appropriations to current operations | - | - | (366,188) | (366,188) | (247,615) |
| | \$ 3,203,250 | \$ 3,282,165 | \$ 2,668,735 | \$ 9,154,150 | \$ 9,126,503 |

| | Capital program | Public liability insurance | 2016 Total | 2015 Total |
|---------------------------------------|--------------------|----------------------------------|---------------|---------------|
| Reserve funds: | | | | |
| Balance, beginning of year | \$ 4,658,384 | \$ 3,889,340 | \$ 8,547,724 | \$ 8,744,099 |
| Interest earned | 42,936 | 35,896 | 78,832 | 83,725 |
| Contributions from current operations | 719,457 | 400,000 | 1,119,457 | 639,233 |
| | 5,420,777 | 4,325,236 | 9,746,013 | 9,467,057 |
| Expenditures: | | | | |
| Appropriations (to) current | | | | |
| Appropriations to current operations | - | (726,911) | (726,911) | (521,705) |
| Appropriations to capital LTC | (266,304) | - | (266,304) | (397,628) |
| | (266,304) | (726,911) | (993,215) | (919,333) |
| Balance, end of year | \$ 5,154,473 | \$ 3,598,325 | \$ 8,752,798 | \$ 8,547,724 |

| | City of London | Provincial gas tax program | 2016 Total | 2015 Total |
|--------------------------------------|-------------------|----------------------------------|---------------|---------------|
| Deferred revenues: | | | | |
| Balance, beginning of year | \$ 7,236 | \$ 28,471,566 | \$ 28,478,802 | \$ 27,482,766 |
| Interest earned | - | 442,648 | 442,648 | 496,146 |
| Contributions | - | 9,701,719 | 9,701,719 | 9,422,440 |
| | 7,236 | 38,615,933 | 38,623,169 | 37,401,352 |
| Expenditures: | | | | |
| Appropriations to current operations | - | (6,609,400) | (6,609,400) | (5,316,509) |
| Appropriations to capital LTC | (7,236) | (3,116,801) | (3,124,037) | (3,606,041) |
| | (7,236) | (9,726,201) | (9,733,437) | (8,922,550) |
| Balance, end of year | \$ - | \$ 28,889,732 | \$ 28,889,732 | \$ 28,478,802 |

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2016

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 2016 paper budget surplus, a 2016 actual deficit and a 2015 actual surplus.

These reported surplus and deficits, budgeted and actual, are reconciled to the balanced position in the following table:

| | Budget | 2016 | 2015 |
|---|---------------|----------------|--------------|
| Annual surplus | \$ 14,171,100 | \$ (1,078,915) | \$ 295,831 |
| Capital expenditures | (14,286,700) | (9,757,441) | (10,942,203) |
| Transfers from reserves and reserve funds | 1,611,000 | 1,359,404 | 1,166,947 |
| Contributions to reserves and reserve funds | (1,495,400) | (1,585,725) | (1,177,724) |
| Amortization of tangible capital assets | - | 10,554,169 | 10,453,942 |
| Other | - | 508,508 | 203,207 |
| Commission approved surplus | \$ - | \$ - | \$ - |

DRAFT Financial Statements of

MIDDLESEX-LONDON HEALTH UNIT

Year ended December 31, 2016



MIDDLESEX-LONDON HEALTH UNIT

DRAFT Financial Statements

Year ended December 31, 2016

Financial Statements

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MIDDLESEX-LONDON HEALTH UNIT

DRAFT Financial Statements

Year ended December 31, 2016

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 are 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.

Dr. Christopher Mackie, MD
Medical Officer of Health &
Chief Executive Officer

John Millson, BA, CPA, CGA
Associate Director, Finance

Jesse Helmer, 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, 2016, the statement 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, 2016, 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 2017

London, Canada

MIDDLESEX-LONDON HEALTH UNIT

DRAFT Statement of Financial Position

December 31, 2016, with comparative information for 2015

| | 2016 | 2015 |
|--|------------------|------------------|
| Financial Assets | | |
| Cash | \$ 4,064,906 | \$ 3,466,669 |
| Accounts receivable | 382,687 | 328,393 |
| Grants receivable | 296,040 | 345,299 |
| | <u>4,743,633</u> | <u>4,140,361</u> |
| Financial Liabilities | | |
| Province of Ontario | 424,192 | 374,343 |
| Government of Canada | 62,999 | 65,107 |
| The Corporation of the City of London | 165,108 | 44,039 |
| The Corporation of the County of Middlesex | 31,447 | 8,386 |
| Accounts payable and accrued liabilities | 1,437,193 | 1,690,772 |
| Accrued wages and benefits | 879,974 | 445,010 |
| Vested sick leave liability (note 2(a)) | 52,209 | 106,859 |
| Post-employment benefits liability (note 2(b)) | 2,183,200 | 1,997,000 |
| | <u>5,236,322</u> | <u>4,731,516</u> |
| Net Debt | (492,689) | (591,155) |
| Non-Financial Assets | | |
| Tangible capital assets (note 4) | 1,421,408 | 1,794,019 |
| Prepaid expenses | 218,051 | 253,981 |
| | <u>1,639,459</u> | <u>2,048,000</u> |
| Commitments (note 5) | | |
| Contingencies (note 6) | | |
| Accumulated Surplus (note 7) | \$ 1,146,770 | \$ 1,456,845 |

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

MIDDLESEX-LONDON HEALTH UNIT

DRAFT Statement of Operations and Accumulated Surplus

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

| | 2016 Budget | 2016 | 2015 |
|--|---------------------|---------------------|---------------------|
| Revenue: | | | |
| Grants: | | | |
| Ministry of Health and Long-Term Care | \$ 20,830,062 | \$ 21,159,227 | \$ 21,706,723 |
| Ministry of Children and Youth Services | 5,296,275 | 5,333,109 | 5,482,649 |
| Government of Canada | 312,860 | 290,318 | 329,355 |
| The Corporation of the City of London | 6,095,059 | 5,929,950 | 6,051,020 |
| The Corporation of the County of Middlesex | 1,160,961 | 1,129,515 | 1,152,575 |
| | 33,695,217 | 33,842,119 | 34,722,322 |
| Other: | | | |
| Property search fees | 3,750 | 2,099 | 3,942 |
| Family planning | 285,000 | 221,849 | 244,934 |
| Dental service fees | 277,312 | 190,943 | 179,543 |
| Investment income | 20,000 | 7,869 | 9,814 |
| Prenatal class income | 8,140 | 13,890 | 4,595 |
| Other income (note 8) | 768,531 | 1,167,232 | 1,040,235 |
| | 1,362,733 | 1,603,882 | 1,483,063 |
| Total Revenue | 35,057,950 | 35,446,001 | 36,205,385 |
| Expenditures: | | | |
| Salaries: | | | |
| Medical Officers of Health | 520,750 | 529,401 | 484,297 |
| Public Health Nurses | 9,652,127 | 9,395,102 | 9,459,278 |
| Public Health Inspectors | 2,416,884 | 2,475,321 | 2,484,829 |
| Administrative staff | 3,569,348 | 3,578,692 | 3,579,006 |
| Dental staff | 957,251 | 891,434 | 935,894 |
| Other salaries | 3,369,657 | 4,041,711 | 3,563,337 |
| | 20,486,017 | 20,911,661 | 20,506,641 |
| Other Operating: | | | |
| Benefits | 5,826,901 | 5,833,725 | 5,935,086 |
| Travel | 457,507 | 334,097 | 380,106 |
| Materials and supplies | 1,251,605 | 1,256,066 | 1,384,167 |
| Professional services | 3,510,692 | 3,639,207 | 4,473,636 |
| Rent and maintenance | 1,583,671 | 1,643,440 | 1,624,139 |
| Amortization expense | 488,027 | 645,575 | 700,706 |
| Other expenses (note 9) | 1,203,530 | 1,492,305 | 1,371,298 |
| | 14,321,933 | 14,844,415 | 15,869,138 |
| Total Expenditures | 34,807,950 | 35,756,076 | 36,375,779 |
| Annual surplus (deficit) | 250,000 | (310,075) | (170,394) |
| Accumulated surplus, beginning of year | 1,456,845 | 1,456,845 | 1,627,239 |
| Accumulated surplus, end of year | \$ 1,706,845 | \$ 1,146,770 | \$ 1,456,845 |

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

MIDDLESEX-LONDON HEALTH UNIT

DRAFT Statement of Change in Net Debt

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

| | 2016 | 2015 |
|---|--------------|--------------|
| Annual deficit | \$ (310,075) | \$ (170,394) |
| Acquisition of tangible capital assets, net | (272,964) | (533,700) |
| Amortization of tangible capital assets | 645,575 | 700,706 |
| | 62,536 | (3,388) |
| Acquisition of prepaid expenses | (218,051) | (253,981) |
| Use of prepaid expenses | 253,981 | 182,991 |
| | 35,930 | (70,990) |
| Change in net debt | 98,466 | (74,378) |
| Net debt, beginning of year | (591,155) | (516,777) |
| Net debt, end of year | \$ (492,689) | \$ (591,155) |

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

MIDDLESEX-LONDON HEALTH UNIT

DRAFT Statement of Cash Flows

December 31, 2016, with comparative information for 2015

| | 2016 | 2015 |
|---|--------------|--------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual deficit | \$ (310,075) | \$ (170,394) |
| Items not involving cash: | | |
| Amortization | 645,575 | 700,706 |
| Change in employee benefits and other liabilities | 131,550 | 107,458 |
| Changes in non-cash assets and liabilities: | | |
| Accounts receivable | (54,294) | 42,237 |
| Grants receivable | 49,259 | (746) |
| Prepaid expenses | 35,930 | (70,990) |
| Due to Province of Ontario | 49,849 | (73,046) |
| Due to Government of Canada | (2,108) | (33,574) |
| Due to The Corporation of the City of London | 121,069 | 44,039 |
| Due to The Corporation of the County of Middlesex | 23,061 | 8,386 |
| Accounts payable and accrued liabilities | (253,579) | 484,764 |
| Accrued wages and benefits | 434,964 | (460,114) |
| Net change in cash from operating activities | 871,201 | 578,726 |
| Capital activities: | | |
| Cash used to acquire tangible capital assets | (272,964) | (533,700) |
| Net change in cash from capital activities | (272,964) | (533,700) |
| Net change in cash | 598,237 | 45,026 |
| Cash and cash equivalents, beginning of year | 3,466,669 | 3,421,643 |
| Cash and cash equivalents, end of year | \$ 4,064,906 | \$ 3,466,669 |

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

MIDDLESEX-LONDON HEALTH UNIT

DRAFT Notes to Financial Statements

Year ended December 31, 2016

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

DRAFT Financial Statements (continued)

Year ended December 31, 2016

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

DRAFT Financial Statements (continued)

Year ended December 31, 2016

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

DRAFT Financial Statements (continued)

Year ended December 31, 2016

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 \$52,209 (2015 - \$106,859) at the end of the year.

A reserve of \$82,032 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, 2014.

| | 2016 | 2015 |
|---|---------------------|---------------------|
| Accrued employee future benefit obligations | \$ 2,644,600 | \$ 2,503,000 |
| Unamortized net actuarial loss | (461,400) | (506,000) |
| Employee future benefits liability as of December 31 | \$ 2,183,200 | \$ 1,997,000 |

Retirement and other employee future benefit expenses included in the benefits in the statement of operations consist of the following:

| | 2016 | 2015 |
|--|-------------------|-------------------|
| Current year benefit cost | \$ 174,800 | \$ 157,600 |
| Interest on accrued benefit obligation | 85,100 | 88,300 |
| Amortization of net actuarial loss | 44,600 | 35,200 |
| Total benefit cost | \$ 304,500 | \$ 281,100 |

Benefits paid during the year were \$118,300 (2015 - \$124,100).

MIDDLESEX-LONDON HEALTH UNIT

DRAFT Financial Statements (continued)

Year ended December 31, 2016

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, 2016, of the present value of future liabilities and the expense for the year ended December 31, 2016, are determined using a discount rate of 3.25% (2015 – 3.25%).

(ii) Medical costs:

Prescription drug costs are assumed to increase at the rate of 8% per year (2015 - 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 (2015 - 4%).

3. Pension agreement:

The Middlesex-London Health Unit contributes to the OMERS which is a multi-employer plan, on behalf of 314 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 2016, 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 \$1,974,638 (2015 - \$1,992,186) to the OMERS pension plan on behalf of its employees during the year ended December 31, 2016.

MIDDLESEX-LONDON HEALTH UNIT

DRAFT Financial Statements (continued)

Year ended December 31, 2016

4. Tangible Capital Assets:

| 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

DRAFT Financial Statements (continued)

Year ended December 31, 2016

4. Tangible Capital Assets (continued):

| Cost | Balance at December 31, 2014 | Additions | Disposals / Transfers | Balance at December 31, 2015 |
|-----------------------------------|------------------------------------|-------------------|--------------------------|------------------------------------|
| Leasehold Improvements – 15 years | \$ 2,643,847 | \$ 29,025 | \$ - | \$ 2,672,872 |
| Leasehold Improvements – 5 years | 175,070 | 6,598 | - | 181,668 |
| Computer Systems | 1,520,047 | 384,427 | (269,747) | 1,634,727 |
| Motor Vehicle | - | 5,385 | - | 5,385 |
| Furniture & Equipment | 2,130,514 | 108,265 | (247,420) | 1,991,359 |
| Total | \$ 6,469,478 | \$ 533,700 | \$ (517,167) | \$ 6,486,011 |

| Accumulated amortization | Balance at December 31, 2014 | Amortization expense | Disposals / Transfers | Balance at December 31, 2015 |
|-----------------------------------|------------------------------------|-------------------------|--------------------------|------------------------------------|
| Leasehold Improvements – 15 years | \$ 2,008,063 | \$ 162,574 | \$ - | \$ 2,170,637 |
| Leasehold Improvements – 5 years | 153,815 | 18,121 | - | 171,936 |
| Computer Systems | 992,808 | 289,400 | (269,747) | 1,012,461 |
| Motor Vehicle | - | 673 | - | 673 |
| Furniture & Equipment | 1,353,767 | 229,938 | (247,420) | 1,336,285 |
| Total | \$ 4,508,453 | \$ 700,706 | \$ (517,167) | \$ 4,691,992 |

| | Net book value December 31, 2014 | Net book value December 31, 2015 |
|-----------------------------------|--|--|
| Leasehold Improvements – 15 years | \$ 635,784 | \$ 502,235 |
| Leasehold Improvements – 5 years | 21,255 | 9,732 |
| Computer Systems | 527,239 | 622,266 |
| Motor Vehicle | - | 4,712 |
| Furniture & Equipment | 776,747 | 655,074 |
| Total | \$ 1,961,025 | \$ 1,794,019 |

During the year, the Middlesex-London Health Unit deemed to have disposed of fully amortized assets with a cost basis of \$1,240,106 (2015 - \$517,167).

MIDDLESEX-LONDON HEALTH UNIT

DRAFT Financial Statements (continued)

Year ended December 31, 2016

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:

| | |
|------|------------|
| 2017 | \$ 917,927 |
| 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:

| | 2016 | 2015 |
|-------------------------------------|--------------|--------------|
| Surpluses: | | |
| Invested in tangible capital assets | \$ 1,421,408 | \$ 1,794,019 |
| Unfunded: | | |
| Sick leave benefits | (52,209) | (106,859) |
| Post-employment benefits | (2,183,200) | (1,997,000) |
| Total Surplus | (814,001) | (309,840) |
| Reserves set aside by the Board: | | |
| Accumulated sick leave | 82,032 | 137,946 |
| Funding stabilization | 818,258 | 818,258 |
| Employment Costs | 176,077 | 176,077 |
| Technology & Infrastructure | 750,000 | 500,000 |
| Environmental – septic tank | 6,044 | 6,044 |
| Dental Treatment reserve | 128,360 | 128,360 |
| Total reserves | 1,960,771 | 1,766,685 |
| Accumulated surplus | \$ 1,146,770 | \$ 1,456,845 |

MIDDLESEX-LONDON HEALTH UNIT

DRAFT Financial Statements (continued)

Year ended December 31, 2016

8. Other income:

The following revenues are presented as other income in the statement of operations:

| | 2016 Budget | 2016 Actual | 2015 Actual |
|--------------------------------|----------------|----------------|----------------|
| Collaborative project revenues | \$ 183,747 | \$ 372,520 | \$ 288,697 |
| Food handler training | 12,750 | 27,343 | 32,065 |
| Public Fit-testing | 15,000 | 16,528 | 8,124 |
| Miscellaneous revenues | 175,979 | 246,305 | 251,615 |
| OHIP Revenue | 59,130 | 237,420 | 89,755 |
| Vaccine sales | 321,925 | 266,345 | 356,787 |
| Workshop fees | - | 771 | 13,192 |
| | \$ 768,531 | \$ 1,167,232 | \$ 1,040,235 |

9. Other expenses:

The following expenditures are presented as other expenses in the statement of operations:

| | 2016 Budget | 2016 Actual | 2015 Actual |
|------------------------------|----------------|----------------|----------------|
| Communications | \$ 215,194 | \$ 221,283 | \$ 187,676 |
| Health promotion/advertising | 254,841 | 308,295 | 373,047 |
| Miscellaneous expenses | 250,626 | 457,211 | 387,005 |
| Postage and courier | 67,750 | 61,447 | 56,799 |
| Printing | 178,216 | 164,168 | 161,042 |
| Staff development | 236,903 | 279,901 | 205,729 |
| | \$ 1,203,530 | \$ 1,492,305 | \$ 1,371,298 |

MIDDLESEX-LONDON HEALTH UNIT

DRAFT Financial Statements (continued)

Year ended December 31, 2016

10. Budget data:

The budget data presented in these financial statements is based upon the 2016 operating budgets approved by the Board of Health. Amortization was not contemplated on development of the budget and, as such, has not been included. The chart below reconciles the approved budget to the budget figures reported in these financial statements

| | |
|-----------------------------|---------------|
| Revenues: | |
| Operating budget | \$ 35,057,950 |
| Expenses: | |
| Operating budget | 34,319,923 |
| Capital budget | 488,027 |
| Total expenses | 34,807,950 |
| Annual surplus, as budgeted | \$ 250,000 |

Financial Statements of

MUSEUM LONDON

Year ended December 31, 2016



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, Museum London

We have audited the accompanying financial statements of Museum London, which comprise the statement of financial position as at December 31, 2016 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, 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

Chartered Professional Accountants, Licensed Public Accountants

March 29, 2017

London, Canada

MUSEUM LONDON

Statement of Financial Position

December 31, 2016, with comparative information for 2015

| | 2016 | 2015 |
|--|------------------|------------------|
| Financial assets: | | |
| Cash | \$ 241,220 | \$ 57,950 |
| Accounts receivable | 168,090 | 407,850 |
| Investments (note 2) | 6,324,098 | 6,515,208 |
| | <u>6,733,408</u> | <u>6,981,008</u> |
| Financial liabilities: | | |
| Accounts payable and accrued liabilities | 350,126 | 362,515 |
| Deferred revenue | 153,404 | 173,649 |
| Employee future benefits (note 3) | 91,371 | 90,354 |
| | <u>594,901</u> | <u>626,518</u> |
| Net financial assets | 6,138,507 | 6,354,490 |
| Non-financial assets: | | |
| Tangible capital assets (note 4) | 9,081,791 | 9,127,417 |
| Prepaid expenses | 91,496 | 95,937 |
| | <u>9,173,287</u> | <u>9,223,354</u> |
| Accumulated surplus (note 6) | \$ 15,311,794 | \$ 15,577,844 |

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

_____ Director

_____ Director

MUSEUM LONDON

Statement of Operations

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

| | Budget | 2016 | 2015 |
|---|----------------------|----------------------|----------------------|
| Revenue: | | | |
| Federal | \$ 180,981 | \$ 193,975 | \$ 187,505 |
| Provincial | 205,879 | 222,508 | 213,829 |
| Municipal: | | | |
| Operating | 1,638,209 | 1,634,784 | 1,613,860 |
| Capital | 370,000 | 381,826 | 1,506,044 |
| Community: | | | |
| Donations | 145,200 | 293,333 | 268,271 |
| Public programs | 124,660 | 101,532 | 98,089 |
| Ancillary services: | | | |
| Catering and rentals | 200,000 | 120,931 | 178,094 |
| Fundraising events | 81,100 | 43,272 | 63,944 |
| Public program and exhibition sponsorship | 39,500 | 60,077 | 88,829 |
| Donation of art and artifacts | 387,000 | 598,205 | 109,815 |
| Investment income | 200,000 | 266,979 | 390,345 |
| Other | 384,700 | 338,172 | 336,499 |
| Total revenue | 3,957,229 | 4,255,594 | 5,055,124 |
| Expenses | | | |
| Operating: | | | |
| Operations | 988,357 | 956,164 | 922,807 |
| General and administration | 876,096 | 881,944 | 792,282 |
| Public programs | 206,623 | 366,193 | 328,198 |
| Publicity | 180,130 | 171,873 | 171,557 |
| Curatorial and collections management | 548,095 | 545,261 | 525,148 |
| Amortization of tangible assets | 500,000 | 602,140 | 519,472 |
| Ancillary services: | | | |
| Catering and rentals | 115,023 | 86,589 | 100,757 |
| Fundraising events | 20,200 | 26,959 | 28,416 |
| Public programs and exhibitions | 242,489 | 159,035 | 224,489 |
| Donation of art and artifacts | 387,000 | 598,205 | 109,815 |
| Purchase of art and artifacts | 60,000 | 75,278 | 103,726 |
| Collection expense | 23,150 | 21,299 | 22,268 |
| Investment expense | 27,000 | 30,704 | 34,323 |
| Total expenditures | 4,174,163 | 4,521,644 | 3,883,258 |
| Annual surplus (deficit) | (216,934) | (266,050) | 1,171,866 |
| Accumulated surplus, beginning of year | 15,577,844 | 15,577,844 | 14,405,978 |
| Accumulated surplus, end of year | \$ 15,360,910 | \$ 15,311,794 | \$ 15,577,844 |

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

MUSEUM LONDON

Statement of Change in Net Financial Assets

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

| | Budget | 2016 | 2015 |
|---|--------------|--------------|--------------|
| Annual surplus (deficit) | \$ (216,934) | \$ (266,050) | \$ 1,171,866 |
| Acquisition of tangible capital assets | (370,000) | (556,514) | (1,506,044) |
| Amortization of tangible capital assets | 500,000 | 602,140 | 519,472 |
| | (86,934) | (220,424) | 185,294 |
| Change in prepaid expenses | - | 4,441 | 27,651 |
| Change in net financial assets | (86,934) | (215,983) | 212,945 |
| Net financial assets, beginning of year | 6,354,490 | 6,354,490 | 6,141,545 |
| Net financial assets, end of year | \$ 6,267,556 | \$ 6,138,507 | \$ 6,354,490 |

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

MUSEUM LONDON

Statement of Cash Flows

Year ended December 31, 2016 with comparative information for 2015

| | 2016 | 2015 |
|---|--------------|--------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus (deficit) | \$ (266,050) | \$ 1,171,866 |
| Items not involving cash: | | |
| Amortization | 602,140 | 519,472 |
| Change in employee benefits and other liabilities | 1,017 | (18,484) |
| Changes in non-cash assets and liabilities: | | |
| Accounts receivable | 239,760 | (175,833) |
| Accounts payable and accrued liabilities | (12,389) | 98,215 |
| Deferred revenue | (20,245) | 30,818 |
| Prepaid expenses | 4,441 | 27,651 |
| Net change in cash from operating activities | 548,674 | 1,653,705 |
| Capital activities: | | |
| Acquisition of tangible capital assets | (556,514) | (1,506,044) |
| Investing activities: | | |
| Investments | 191,110 | (167,538) |
| Increase (decrease) in cash | 183,270 | (19,877) |
| Cash, beginning of year | 57,950 | 77,827 |
| Cash, end of year | \$ 241,220 | \$ 57,950 |

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

MUSEUM LONDON

Notes to Financial Statements

Year ended December 31, 2016

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 for governments as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Public Accountants Canada.

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 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.

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2016

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 City 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, 2016

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, 2016

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, 2016, investments at cost were comprised of the following:

| | 2016 | 2015 |
|----------------------|---------------------|---------------------|
| Canadian bond | \$ 3,422,377 | \$ 3,505,066 |
| Canadian equity | 1,474,920 | 1,508,423 |
| US equity | 521,196 | 556,285 |
| International equity | 905,605 | 945,434 |
| | <u>\$ 6,324,098</u> | <u>\$ 6,515,208</u> |

At December 31, 2016 the approximate market value of the pooled fund investments amounted to \$6,753,768 (2015 - \$6,855,417).

3. Employee future benefits:

Employee future benefits, reported on the statement of financial position, are comprised of the following:

| | 2016 | 2015 |
|-----------------------------------|-----------|-----------|
| Vacation pay earned but not taken | \$ 91,371 | \$ 90,354 |

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, 2016 is \$91,371 (2015 - \$90,354).

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2016

4. Tangible capital assets:

| | Balance December 31, 2015 | Additions | Disposal | Write-offs | Balance December 31, 2016 |
|----------------------------|---------------------------------|-------------------|-------------|-------------------|---------------------------------|
| Cost: | | | | | |
| Land | \$ 1,175,120 | \$ - | \$ - | \$ - | \$ 1,175,120 |
| Building | 12,939,333 | 556,514 | - | 98,374 | 13,397,473 |
| Furniture and equipment | 142,296 | - | - | 6,902 | 135,394 |
| | <u>\$14,256,749</u> | <u>\$ 556,514</u> | <u>\$ -</u> | <u>\$ 105,276</u> | <u>\$14,707,987</u> |
| Accumulated amortization: | | | | | |
| Building | \$ 5,101,651 | \$ 594,834 | \$ - | \$ 98,374 | \$ 5,598,111 |
| Furniture and equipment | 27,681 | 7,306 | - | 6,902 | 28,085 |
| | <u>\$ 5,129,332</u> | <u>\$ 602,140</u> | <u>\$ -</u> | <u>\$ 105,276</u> | <u>\$ 5,626,196</u> |
| Net book value: | | | | | |
| Land | \$ 1,175,120 | | | | \$ 1,175,120 |
| Building | 7,837,682 | | | | 7,799,362 |
| Furniture and equipment | 114,615 | | | | 107,309 |
| | <u>\$ 9,127,417</u> | | | | <u>\$ 9,081,791</u> |

5. Insurance:

Museum London has accumulated works of art with an insured value of \$46,505,465 (2015 - \$48,810,662). 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, 2016

6. Accumulated surplus:

The accumulated surplus consists of the following:

| | 2016 | 2015 |
|--|---------------|---------------|
| Surplus: | | |
| Operating fund | \$ 24,257 | \$ 17,212 |
| Investment in tangible capital assets | 9,081,791 | 9,127,417 |
| Unfunded employee benefits | (91,371) | (90,354) |
| Total surplus | 9,014,677 | 9,054,275 |
| Reserve funds set aside for specific purposes by Museum London: | | |
| Operating endowment | 2,745,991 | 2,860,849 |
| Restricted funds held by Museum London include the following: | | |
| Moore acquisitions fund | 2,716,373 | 2,652,680 |
| Moore collection management fund | 274,327 | 282,879 |
| Amelia Lucy Ronalds Little fund | 148,037 | 158,304 |
| Nancy Geddes Poole fund | 101,486 | 97,919 |
| Volunteer committee general fund | 26,784 | 23,399 |
| Volunteer committee acquisitions fund | 285,664 | 276,745 |
| Centre at the Forks | (25,036) | 139,333 |
| Cohen Innovations in Culture fund | 25,714 | 25,543 |
| Wolf fund | 384 | 384 |
| Satellite Gallery | (2,607) | 5,534 |
| | 3,551,126 | 3,662,720 |
| | \$ 15,311,794 | \$ 15,577,844 |

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. As the contract for the management of Eldon House was transferred by the owner, the Corporation of The City of London, effective January 1, 2013, the Amelia Lucy Ronalds Little Fund will be transferred from Museum London to the appropriate third party once legal approvals are received. Subsequent to year end, legal approvals were obtained and the Fund was transferred from Museum London.

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2016

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 \$54,900 and at a rate of 14.60% for earnings greater than the yearly maximum pensionable earnings.

The amount contributed to OMERS for 2016 was \$109,566 (2015 - \$105,114) and is included as an expense in the statement of operations. Employees' contributions to OMERS in 2016 was \$109,566 (2015 - \$105,114).

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:

| | 2016 | 2015 |
|---------------------------------------|--------------|--------------|
| Operating fund | \$ 7,045 | \$ 42,789 |
| Investment in tangible capital assets | (45,626) | 986,572 |
| Reserve and restricted funds | (226,452) | 124,021 |
| Change in unfunded employee benefits | (1,017) | 18,484 |
| Annual surplus (deficit) | \$ (266,050) | \$ 1,171,866 |

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2016

8. Annual surplus (continued):

Statements of financial activities for the three funds follow:

(i) Operating Fund:

| | 2016 Budget | 2016 Total | 2015 Total |
|---|---------------------|---------------------|---------------------|
| Revenue: | | | |
| Federal: | | | |
| Canada Council for the Arts: | | | |
| Operating | \$ 132,000 | \$ 132,000 | \$ 132,000 |
| Acquisitions | 30,000 | 30,000 | 28,650 |
| Programs | - | 4,290 | - |
| Canadian Heritage | 15,285 | 20,744 | 23,462 |
| Other | 3,696 | 6,941 | 3,393 |
| Provincial: | | | |
| Ontario Arts Council: | | | |
| Operating grant | 151,050 | 151,050 | 159,000 |
| Ministry of Tourism and Culture | 51,954 | 51,954 | 51,954 |
| Other | 2,875 | 19,504 | 2,875 |
| Municipal | 1,638,209 | 1,634,784 | 1,613,860 |
| Community: | | | |
| Donations | 145,200 | 163,410 | 127,894 |
| Public programs | 124,660 | 101,532 | 98,089 |
| Ancillary services: | | | |
| Catering and rentals | 200,000 | 120,931 | 178,094 |
| Fundraising events | 81,100 | 43,272 | 63,944 |
| Public program and exhibition sponsorship | 39,500 | 30,077 | 58,829 |
| Investment income | 1,000 | 2,751 | 952 |
| Other | 384,700 | 338,088 | 334,838 |
| | <u>\$ 3,001,229</u> | <u>\$ 2,851,328</u> | <u>\$ 2,877,834</u> |

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2016

8. Annual surplus (continued):

(i) Operating Fund (continued):

| | 2016 Budget | 2016 Total | 2015 Total |
|--|----------------|---------------|---------------|
| Expenses: | | | |
| Operating: | | | |
| Operations | \$ 988,357 | \$ 956,164 | \$ 922,807 |
| General and administration | 876,096 | 864,847 | 792,282 |
| Public programs | 206,623 | 207,706 | 218,018 |
| Publicity | 180,130 | 171,873 | 171,557 |
| Curatorial and collections management | 548,095 | 545,261 | 525,148 |
| Ancillary services: | | | |
| Catering and rentals | 115,023 | 86,589 | 100,757 |
| Fundraising events | 20,200 | 26,959 | 28,416 |
| Exhibitions | 242,489 | 159,035 | 224,489 |
| Purchase of art and artifacts | 60,000 | 75,278 | 103,726 |
| Collection expense | 23,150 | 21,299 | 22,268 |
| | 3,260,163 | 3,115,011 | 3,109,468 |
| Net expenditures | (258,934) | (263,683) | (231,634) |
| Financing and transfers: | | | |
| Transfer from reserve and restricted funds | 258,934 | 269,711 | 292,907 |
| Employee benefits | - | 1,017 | (18,484) |
| Net financing and transfers | 258,934 | 270,728 | 274,423 |
| Change in fund balance | - | 7,045 | 42,789 |
| Surplus, beginning of year | 17,212 | 17,212 | (25,577) |
| Surplus, end of year | \$ 17,212 | \$ 24,257 | \$ 17,212 |

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2016

8. Annual surplus (continued):

(ii) Investment in tangible capital assets:

| | 2016 | 2015 |
|---|---------------------|---------------------|
| Revenue: | | |
| Municipal | \$ 381,826 | \$ 1,506,044 |
| Learning Centre Restricted Fund | 174,688 | - |
| Amortization of tangible capital assets | (602,140) | (519,472) |
| Net revenue | \$ (45,626) | \$ 986,572 |
| Change in fund balance | \$ (45,626) | \$ 986,572 |
| Opening balance | 9,127,417 | 8,140,845 |
| Ending balance | \$ 9,081,791 | \$ 9,127,417 |

(iii) Reserve and Restricted Funds:

(a) Reserve Funds:

| | 2016 | 2015 |
|----------------------------|---------------------|---------------------|
| Transfers to reserves: | | |
| Net investment revenue | \$ 94,076 | \$ 165,326 |
| Expenditure: | | |
| Transfer to operating fund | 208,934 | 203,068 |
| Change in reserve funds | (114,858) | (37,742) |
| Opening balance | 2,860,849 | 2,898,591 |
| Closing balance | \$ 2,745,991 | \$ 2,860,849 |

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2016

8. Annual surplus (continued):

(iii) Reserve and Restricted Funds:

(b) Restricted Funds:

| | 2016 | 2015 |
|--|---------------------|---------------------|
| Transfer to restricted funds: | | |
| Net investment revenue | \$ 139,445 | \$ 189,744 |
| Donations: | | |
| Learning centre | 129,923 | 130,372 |
| Other | - | 10,005 |
| Partnership contributions | 30,000 | 30,000 |
| Miscellaneous | 84 | 1,661 |
| | <u>299,452</u> | <u>361,782</u> |
| Expenditures: | | |
| Transfer to operating fund, acquisition of artwork | 40,777 | 74,839 |
| Transfer to operations, exhibitions | 20,000 | 15,000 |
| Eldon House furnishings and web-site | 17,093 | 5,659 |
| Learning Centre expenditures | 120,262 | 68,389 |
| Learning Centre tangible capital assets | 174,688 | - |
| Satellite Centre expenditures | 38,226 | 36,132 |
| | <u>411,046</u> | <u>200,019</u> |
| Change in restricted funds | (111,594) | 161,763 |
| Opening balance | 3,662,720 | 3,500,957 |
| Closing balance | <u>\$ 3,551,126</u> | <u>\$ 3,662,720</u> |

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2016

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 | \$ 3,001,229 |
| Expense: | |
| Operating budget | 3,001,229 |
| Annual operating surplus, as budgeted | - |
| Capital funding | 370,000 |
| Investment income | 199,000 |
| Donation of art and artifacts | 387,000 |
| Amortization of tangible assets | (500,000) |
| Donation of art and artifacts | (387,000) |
| Investment expense | (27,000) |
| Transfers from reserve and restricted funds | (258,934) |
| Annual surplus (deficit), revised | \$ (216,934) |

Financial Statements of

**OLD EAST VILLAGE BUSINESS
IMPROVEMENT AREA**

Year ended December 31, 2016



KPMG LLP
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Canada
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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, 2016, the statements of earnings and fund balances, 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 generally accepted accounting principles, 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, 2016, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

May 17, 2017

London, Canada

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA

Statement of Financial Position

December 31, 2016, with comparative information for 2015

| | 2016 | 2015 |
|--|------------------|------------------|
| Financial assets | | |
| Cash and short-term investments (note 2) | \$ 74,221 | \$ 96,485 |
| Accounts receivable | 1,258 | 1,997 |
| | <u>75,479</u> | <u>98,482</u> |
| Financial liabilities | | |
| Accounts payable and accrued liabilities | 1,588 | 2,473 |
| Deferred revenue | 5,632 | 33,866 |
| | <u>7,220</u> | <u>36,339</u> |
| Net financial assets | 68,259 | 62,143 |
| Non-financial assets | | |
| Tangible capital assets (note 4) | 3,264 | 4,180 |
| Prepaid expenses and deposits | 3,851 | 7,488 |
| | <u>7,115</u> | <u>11,668</u> |
| Accumulated surplus (note 3) | <u>\$ 75,374</u> | <u>\$ 73,811</u> |

See accompanying notes to financial statements.

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA

Statement of Earnings and Fund Balances

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

| | Budget | | |
|--|--------------------|------------------|------------------|
| | 2016 | 2016 | 2015 |
| Revenue: | | | |
| Requisition: | | | |
| Municipal levy - The Corporation of the City of London | \$ 14,781 | \$ 14,781 | \$ 13,895 |
| Other: | | | |
| The Corporation of the City of London | 106,102 | 141,102 | 108,507 |
| Miscellaneous | - | 28,999 | 70,268 |
| | <u>120,883</u> | <u>184,882</u> | <u>192,670</u> |
| Expenditures: | | | |
| Administration | 7,614 | 4,740 | 4,091 |
| Advertising, marketing and promotion | 8,500 | 2,781 | 2,502 |
| Amortization | - | 916 | 1,279 |
| Beautification | 8,000 | 598 | 1,792 |
| Community initiatives and appreciation | 4,511 | 4,018 | 52 |
| Equipment and building maintenance | 3,450 | - | - |
| Financial audit | 1,500 | 1,400 | 1,213 |
| HST expense | - | 1,137 | 1,907 |
| Office rental | 8,440 | 12,661 | 10,551 |
| Operating supplies and costs | 2,000 | 575 | 1,615 |
| Payroll deductions | - | 9,068 | 8,309 |
| Printing and communications | 1,500 | 631 | 1,032 |
| Purchased services | 9,058 | 8,603 | 35,335 |
| Special projects | 13,000 | 2,756 | 1,326 |
| Telephone and internet service | 2,300 | 2,064 | 2,140 |
| Training, education and development | 2,000 | - | 866 |
| Travel and transportation costs | 1,000 | 625 | 777 |
| Wages and salaries | 139,684 | 130,746 | 127,209 |
| | <u>212,557</u> | <u>183,319</u> | <u>201,996</u> |
| Annual surplus (deficit) | (91,674) | 1,563 | (9,326) |
| Accumulated surplus, beginning of year | 73,811 | 73,811 | 83,137 |
| Accumulated surplus, end of year | <u>\$ (17,863)</u> | <u>\$ 75,374</u> | <u>\$ 73,811</u> |

See accompanying notes to financial statements.

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA

Statement of Change in Net Financial Assets

December 31, 2016, with comparative information for 2015

| | 2016 | 2015 |
|---|-----------|------------|
| Annual surplus (deficit) | \$ 1,563 | \$ (9,326) |
| Amortization of tangible capital assets | 916 | 1,279 |
| | 2,479 | (8,047) |
| Acquisition of prepaid expenses | (3,975) | (5,501) |
| Use of prepaid expenses | 7,612 | 9,892 |
| | 3,637 | 4,391 |
| | 6,116 | (3,656) |
| Net financial assets, beginning of year | 62,143 | 65,799 |
| Net financial assets, end of year | \$ 68,259 | \$ 62,143 |

See accompanying notes to financial statements.

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA

Statement of Cash Flows

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

| | 2016 | 2015 |
|--|-----------|------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus (deficit) | \$ 1,563 | \$ (9,326) |
| Item not involving cash: | | |
| Amortization of tangible capital assets | 916 | 1,279 |
| Changes in non-cash operating working capital: | | |
| Accounts receivable | 739 | 3,970 |
| Accounts payable and accrued liabilities | (885) | (14,139) |
| Deferred revenue | (28,234) | (2,905) |
| Prepaid expenses and deposits | 3,637 | 4,391 |
| Decrease in cash and short-term investments | (22,264) | (16,730) |
| Cash and short-term investments, beginning of year | 96,485 | 113,215 |
| Cash and short-term investments, end of year | \$ 74,221 | \$ 96,485 |

See accompanying notes to financial statements.

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2016

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

Notes to Financial Statements (continued)

Year ended December 31, 2016

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:

| | 2016 | 2015 |
|---|-----------------|-----------------|
| Cash and short-term investments consist of: | | |
| Cash | \$ 68,182 | \$ 90,446 |
| Guaranteed investment certificates | 6,039 | 6,039 |
| | <hr/> \$ 74,221 | <hr/> \$ 96,485 |

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2016

3. Accumulated surplus:

The balance of accumulated surplus is comprised of the following:

| | 2016 | 2015 |
|-------------------------------------|-----------|-----------|
| Invested in tangible capital assets | \$ 3,264 | \$ 4,180 |
| Reserves: | | |
| Contingencies | 3,733 | 3,733 |
| Pole decorations | 5,000 | - |
| Mural maintenance | 1,936 | 1,936 |
| | 10,669 | 5,669 |
| Operating fund | 61,441 | 63,962 |
| | \$ 75,374 | \$ 73,811 |

4. Tangible capital assets:

| Cost | December 31, 2015 | Additions | Disposals | December 31, 2016 |
|------------------------|----------------------|-----------|-----------|----------------------|
| Furniture and fixtures | \$ 18,697 | \$ - | \$ - | \$ 18,697 |
| Computer hardware | 11,018 | - | - | 11,018 |
| Computer software | 3,609 | - | - | 3,609 |
| Total | \$ 33,324 | \$ - | \$ - | \$ 33,324 |

| Accumulated amortization | December 31, 2015 | Disposals | Amortization expense | December 31, 2016 |
|--------------------------|----------------------|-----------|-------------------------|----------------------|
| Furniture and fixtures | \$ 14,856 | \$ - | \$ 745 | \$ 15,601 |
| Computer hardware | 10,740 | - | 137 | 10,877 |
| Computer software | 3,548 | - | 34 | 3,582 |
| Total | \$ 29,144 | \$ - | \$ 916 | \$ 30,060 |

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2016

4. Tangible capital assets (continued):

| | Net book value December 31, 2015 | Net book value December 31, 2016 |
|------------------------|--|--|
| Furniture and fixtures | \$ 3,841 | \$ 3,096 |
| Computer hardware | 278 | 141 |
| Computer software | 61 | 27 |
| Total | \$ 4,180 | \$ 3,264 |

Financial Statements of

**THE PUBLIC UTILITY COMMISSION
OF THE CITY OF LONDON**

December 31, 2016



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, 2016, 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 generally accepted accounting principles, 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 the Public Utility Commission of The City of London as at December 31, 2016, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

May 29, 2017

London, Canada

THE PUBLIC UTILITY COMMISSION OF THE CITY OF LONDON
Statement of Financial Position
As at December 31, 2016, with comparative information for 2015

| | 2016 | 2015 |
|----------------------------------|---------------------|---------------------|
| Financial Assets: | | |
| Cash and short term deposits | \$ 1,849,225 | \$ 1,828,091 |
| Due from City of London (Note 4) | 256,606 | 240,960 |
| | 2,105,831 | 2,069,051 |
| Financial Liabilities: | | |
| Due to City of London (Note 4) | 70,970 | 105,929 |
| | 70,970 | 105,929 |
| Net financial assets | 2,034,861 | 1,963,122 |
| Non-Financial Assets: | | |
| Tangible capital assets (Note 5) | 3,331,998 | 3,519,772 |
| | 3,331,998 | 3,519,772 |
| Accumulated Surplus (Note 6) | \$ 5,366,859 | \$ 5,482,894 |

Contingent liability (Note 3)

The accompanying notes are an integral part of this financial statement

THE PUBLIC UTILITY COMMISSION OF THE CITY OF LONDON

Statement of Operations

For the year ended December 31, 2016, with comparative information for 2015

| | Budget | 2016 | 2015 |
|---|---------------------|---------------------|---------------------|
| Revenue: | | | |
| User charges | \$ 280,000 | \$ 243,724 | \$ 230,203 |
| Rents (Note 4) | 100,000 | 100,000 | 100,000 |
| Investment income | 20,000 | 21,134 | 18,935 |
| Total Revenue | 400,000 | 364,858 | 349,138 |
| Expenses: | | | |
| General Government | 515,274 | 480,893 | 487,134 |
| | 515,274 | 480,893 | 487,134 |
| Annual deficit | (115,274) | (116,035) | (137,996) |
| Accumulated surplus, beginning of year | 5,482,894 | 5,482,894 | 5,620,890 |
| Accumulated surplus, end of year | \$ 5,367,620 | \$ 5,366,859 | \$ 5,482,894 |

The accompanying notes are an integral part of this financial statement

THE PUBLIC UTILITY COMMISSION OF THE CITY OF LONDON

Statement of Change in Net Financial Assets

For the year ended December 31, 2016, with comparative information for 2015

| | Budget | 2016 | 2015 |
|---|--------------|--------------|--------------|
| Annual deficit | \$ (115,274) | \$ (116,035) | \$ (137,996) |
| Amortization of tangible capital assets | 187,774 | 187,774 | 187,772 |
| Change in net financial assets | 72,500 | 71,738 | 49,776 |
| Net financial assets, beginning of year | 1,963,122 | 1,963,122 | 1,913,346 |
| Net financial assets, end of year | \$ 2,035,622 | \$ 2,034,861 | \$ 1,963,122 |

The accompanying notes are an integral part of this financial statement

THE PUBLIC UTILITY COMMISSION OF THE CITY OF LONDON

Statement of Cash Flows

For the year ended December 31, 2016, with comparative information for 2015

| | 2016 | 2015 |
|--|--------------|--------------|
| Cash provided by (used in): | | |
| Operating Activities: | | |
| Annual deficit | \$ (116,035) | \$ (137,996) |
| Items not involving cash: | | |
| Amortization | 187,774 | 187,772 |
| Change in non-cash assets and liabilities: | | |
| Due from City of London | (15,646) | 38,575 |
| Due to City of London | (34,959) | (69,416) |
| Net change in cash from operating activities | 21,133 | 18,935 |
| Cash and cash equivalents, beginning of year | 1,828,091 | 1,809,156 |
| Cash and cash equivalents, end of year | \$ 1,849,225 | \$ 1,828,091 |

The accompanying notes are an integral part of this financial statement

THE PUBLIC UTILITY COMMISSION OF THE CITY OF LONDON

Notes to the Financial Statements

For the year ended December 31, 2016

1. Significant accounting policies:

The financial statements of 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

For the year ended December 31, 2016

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

For the year ended December 31, 2016

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 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 (due to) related parties:

| | 2016 | 2015 |
|--|-------------|--------------|
| Due to Corporation of the City of London | \$ (70,970) | \$ (105,929) |
| Due from Corporation of the City of London | 256,606 | 240,960 |
| Net receivable | \$ 185,636 | \$ 135,031 |

- (c) 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

For the year ended December 31, 2016

5. Tangible capital assets:

| Cost | Balance at December 31, 2015 (note 2) | Additions | Disposals | Balance at December 31, 2016 |
|-------------------|--|-------------|-------------|------------------------------------|
| 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, 2015 (note 2) | Disposals | Amortization expense | Balance at December 31, 2016 |
|-----------------------------|--|-------------|-------------------------|------------------------------------|
| Land | \$ - | \$ - | \$ - | \$ - |
| Land improvements | 2,217,832 | - | 187,774 | 2,405,606 |
| Total | \$ 2,217,832 | \$ - | \$ 187,774 | \$ 2,405,606 |

| | Net book value December 31, 2015 | Net book value December 31, 2016 |
|-------------------|--|--|
| Land | \$ 2,921,000 | \$ 2,921,000 |
| Land improvements | 598,772 | 410,998 |
| Total | \$ 3,519,772 | \$ 3,331,998 |

6. Accumulated surplus:

| | 2016 | 2015 |
|--|---------------------|---------------------|
| Surplus: | | |
| Invested in tangible capital assets | \$ 3,331,998 | \$ 3,519,772 |
| Total invested in tangible capital assets | 3,331,998 | 3,519,772 |
| Reserves set aside by Commission: | | |
| Contingency reserve | 2,034,861 | 1,963,122 |
| Total reserves | 2,034,861 | 1,963,122 |
| Total surplus | \$ 5,366,859 | \$ 5,482,894 |

Financial Statements of

**ELGIN AREA PRIMARY WATER
SUPPLY SYSTEM**

December 31, 2016

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, 2016, 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, 2016 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

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM
Statement of Financial Position
December 31, 2016, with comparative information for 2015

| | 2016 | 2015 |
|---|----------------------|----------------------|
| Financial assets | | |
| Due from the Corporation of the City of London (note 3) | \$ 4,729,597 | \$ - |
| Trade and other receivables | 2,677,923 | 3,145,306 |
| Total financial assets | 7,407,520 | 3,145,306 |
| Financial liabilities | | |
| Due to the Corporation of the City of London (note 3) | - | 306,222 |
| Accounts payable and accrued liabilities | 4,010,631 | 5,884,521 |
| Deferred revenue (note 4) | 1,514,691 | 2,665,401 |
| Accrued interest on long-term debt | 133,604 | 115,084 |
| Long-term debt (note 5) | 15,229,131 | 10,065,219 |
| Other liability (note 6) | 15,351 | 23,357 |
| Total financial liabilities | 20,903,408 | 19,059,804 |
| Net debt | (13,495,888) | (15,914,498) |
| Non-financial assets | | |
| Tangible capital assets (note 7) | 71,124,936 | 68,556,515 |
| Prepaid expenses | 67,108 | 63,585 |
| Total non-financial assets | 71,192,044 | 68,620,100 |
| Accumulated surplus (note 8) | \$ 57,696,156 | \$ 52,705,602 |

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ELGIN AREA PRIMARY WATER SUPPLY SYSTEM
Statement of Operations
Year ended December 31, 2016, with comparative information for 2015

| | Budget | 2016 | 2015 |
|--|----------------------|----------------------|----------------------|
| Revenues | | | |
| User charges | \$ 11,014,193 | \$ 11,041,458 | \$ 10,065,919 |
| Investment income | 6,000 | 141,903 | 132,820 |
| Transfer payments | | | |
| Provincial | - | 1,150,710 | 2,121,872 |
| Federal | - | 1,144,491 | 2,121,719 |
| Other | 4,000 | 1,162,751 | 49,231 |
| Total revenues | 11,024,193 | 14,641,313 | 14,491,561 |
| Expenses | | | |
| Salaries, wages and benefits | 528,317 | 558,851 | 518,127 |
| Materials and supplies | 4,808,333 | 5,092,429 | 4,710,557 |
| Contracted services | 113,250 | 434,588 | 234,674 |
| Rents and financial expenses | 53,400 | 50,376 | 201,314 |
| Interest on long-term debt (note 5) | 346,252 | 458,547 | 408,444 |
| Amortization of tangible capital assets (note 7) | - | 2,857,751 | 2,340,994 |
| Administrative charges | 198,218 | 198,217 | 164,116 |
| Total expenses | 6,047,770 | 9,650,759 | 8,578,226 |
| Annual surplus | 4,976,423 | 4,990,554 | 5,913,335 |
| Accumulated surplus, beginning of year (note 8) | 52,705,602 | 52,705,602 | 46,792,267 |
| Accumulated surplus, end of year (note 8) | \$ 57,682,025 | \$ 57,696,156 | \$ 52,705,602 |

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ELGIN AREA PRIMARY WATER SUPPLY SYSTEM**Statement of Net Debt**

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

| | Budget | 2016 | 2015 |
|---|-----------------|------------------------|-----------------|
| Annual surplus | \$ 4,976,423 | \$ 4,990,554 | \$ 5,913,335 |
| Acquisition of tangible capital assets | (373,787) | (5,426,172) | (14,905,626) |
| Amortization of tangible capital assets | - | 2,857,751 | 2,340,994 |
| | 4,602,636 | 2,422,133 | (6,651,297) |
| Change in prepaid expenses | - | (3,523) | (8,533) |
| Change in net debt | 4,602,636 | 2,418,610 | (6,659,830) |
| Net debt, beginning of year | (15,914,498) | (15,914,498) | (9,254,668) |
| Net debt, end of year | \$ (11,311,862) | \$ (13,495,888) | \$ (15,914,498) |

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ELGIN AREA PRIMARY WATER SUPPLY SYSTEM
Statement of Cash Flows
Year ended December 31, 2016, with comparative information for 2015

| | 2016 | 2015 |
|---|--------------------|---------------------|
| Cash provided by: | | |
| Operating activities: | | |
| Annual surplus | \$ 4,990,554 | \$ 5,913,335 |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 2,857,751 | 2,340,994 |
| Amortization of debenture discount | 19,135 | 15,320 |
| Changes in non-cash assets and liabilities: | | |
| Due from (due to) the Corporation of the City of London | (5,035,819) | 8,867,670 |
| Prepaid expenses | (3,523) | (8,533) |
| Trade and other receivables | 467,383 | (354,065) |
| Accounts payable and accrued liabilities | (1,873,890) | 2,022,458 |
| Deferred revenue | (1,150,710) | (2,121,872) |
| Accrued interest on long-term debt | 18,520 | (23,076) |
| Net change in cash from operating activities | 289,401 | 16,652,231 |
| Capital activities: | | |
| Purchase of tangible capital assets | (5,426,172) | (14,905,626) |
| Cash used in capital activities | (5,426,172) | (14,905,626) |
| Financing activities: | | |
| Proceeds from issuance of long-term debt | 6,952,127 | - |
| Long-term debt repayments | (1,807,350) | (1,738,600) |
| Decrease in other liability | (8,006) | (8,006) |
| Cash provided by (used in) financing activities | 5,136,771 | (1,746,606) |
| Net change in cash flows | \$ - | \$ - |

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ELGIN AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements
Year ended December 31, 2016

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, 2016

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, 2016

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:

| | 2016 | 2015 |
|-------------------------|--------------|--------------|
| Provincial HELP Funding | \$ 1,514,691 | \$ 2,665,401 |

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements (continued)

Year ended December 31, 2016

5. Long-term debt

(a) Long-term debt is stated as follows:

| | 2016 | 2015 |
|--|---------------|---------------|
| 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, | \$ 1,734,000 | \$ 2,532,000 |
| (b) at rates ranging from 1.85% to 3.20%, maturing September 2022. | 6,608,250 | 7,617,600 |
| (c) at rates ranging from 1.20% to 2.70%, maturing March 2026. | 7,000,000 | - |
| Total long-term debt | \$ 15,342,250 | \$ 10,149,600 |
| Less: Unamortized debenture discount | (113,119) | (84,381) |
| Net long-term debt | \$ 15,229,131 | \$ 10,065,219 |

(b) The long-term debt repayment schedule is as follows:

| | |
|-----------------|--------------|
| 2017 | \$ 2,515,328 |
| 2018 | 2,602,091 |
| 2019 | 1,751,122 |
| 2020 | 1,792,013 |
| 2021 | 1,833,654 |
| 2022 and beyond | 4,848,042 |

(c) Total interest charges for the year for long-term debt which are reported on the Statement of Operations are as follows:

| | 2016 | 2015 |
|------------------------------------|------------|------------|
| Interest | \$ 439,412 | \$ 393,124 |
| Amortization of debenture discount | 19,135 | 15,320 |
| | \$ 458,547 | \$ 408,444 |

6. Other liability

The Entity has entered into a long-term contract for landowner compensation. The liability as at December 31, 2016 is \$15,351 (2015 - \$23,357). The total principal of \$15,351 will be paid in 2017.

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements (continued)

Year ended December 31, 2016

7. Tangible capital assets

| Cost | Balance at December 31, 2015 | Additions | Disposals | Balance at December 31, 2016 |
|-------------------------------------|------------------------------------|----------------------|----------------------|------------------------------------|
| Land | \$ 1,251,559 | \$ - | \$ - | \$ 1,251,559 |
| Buildings and building improvements | 12,450,403 | 16,279,386 | 190,560 | 28,539,229 |
| Vehicles, machinery and equipment | 20,350,842 | 13,935,918 | 748,906 | 33,537,854 |
| Water infrastructure | 25,222,225 | 477,443 | - | 25,699,668 |
| Assets under construction | 25,805,476 | 333,900 | 25,600,475 | 538,901 |
| Total | \$ 85,080,505 | \$ 31,026,647 | \$ 26,539,941 | \$ 89,567,211 |

| Accumulated Amortization | Balance at December 31, 2015 | Amortization expense | Disposals | Balance at December 31, 2016 |
|-------------------------------------|------------------------------------|-------------------------|-------------------|------------------------------------|
| Land | \$ - | \$ - | \$ - | \$ - |
| Buildings and building improvements | 4,739,227 | 626,401 | 190,560 | 5,175,068 |
| Vehicles, machinery and equipment | 9,356,032 | 1,718,678 | 748,906 | 10,325,804 |
| Water infrastructure | 2,428,731 | 512,672 | - | 2,941,403 |
| Assets under construction | - | - | - | - |
| Total | \$ 16,523,990 | \$ 2,857,751 | \$ 939,466 | \$ 18,442,275 |

| | Net book value December 31, 2015 | Net book value December 31, 2016 |
|-------------------------------------|---|---|
| Land | \$ 1,251,559 | \$ 1,251,559 |
| Buildings and building improvements | 7,711,176 | 23,364,161 |
| Vehicles, machinery and equipment | 10,994,810 | 23,212,050 |
| Water infrastructure | 22,793,494 | 22,758,265 |
| Assets under construction | 25,805,476 | 538,901 |
| Total | \$ 68,556,515 | \$ 71,124,936 |

(a) Assets under construction

Assets under construction with a net book value of \$538,901 (2015 - \$25,805,476) 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.

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements (continued)

Year ended December 31, 2016

8. Accumulated surplus

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

| | 2016 | 2015 |
|---|----------------------|----------------------|
| Surplus: | | |
| Invested in tangible capital assets | \$ 48,679,722 | \$ 45,060,640 |
| Total surplus | 48,679,722 | 45,060,640 |
| Reserve funds set aside for specific purpose by the Board: | | |
| Infrastructure renewal - water operations | 9,016,434 | 7,644,962 |
| Total reserve funds | 9,016,434 | 7,644,962 |
| | \$ 57,696,156 | \$ 52,705,602 |

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, 2016

10. Budget data

Budget data presented in these financial statements are based upon the 2016 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 | \$ 11,014,193 |
| Municipal Revenue - Other | 10,000 |
| Total Revenues | 11,024,193 |
| Expenses: | |
| Personnel Costs | 508,848 |
| Administrative Expenses | 67,100 |
| Financial Expenses – Other | 151,500 |
| Financial Expenses – Interest & Discount on Long-term Debt | 346,252 |
| Financial Expenses – Debt Principal Repayments | 1,807,350 |
| Financial Expenses – Transfers to Reserves and Reserve Funds | 3,169,073 |
| Purchased Services | 275,650 |
| Materials & Supplies | 4,497,453 |
| Furniture & Equipment | 24,780 |
| Other Expenses | 198,218 |
| Recovered Expenses | (22,031) |
| Total Expenses | 11,024,193 |
| Annual Surplus (Deficit) as per Budget | \$ - |
| PSAB Reporting Requirements: | |
| Transfers to Reserves and Reserve Funds | \$ 3,169,073 |
| Debt Principal Repayments | 1,807,350 |
| Net PSAB Budget Surplus (Deficit) as per Financial Statements | \$ 4,976,423 |

Financial Statements of

**LAKE HURON AREA PRIMARY WATER
SUPPLY SYSTEM**

December 31, 2016

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, 2016, 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, 2016 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

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM
Statement of Financial Position
December 31, 2016, with comparative information for 2015

| | 2016 | 2015 |
|---|-----------------------|-----------------------|
| Financial assets | | |
| Due from the Corporation of the City of London (note 3) | \$ 20,700,907 | \$ 15,063,968 |
| Trade and other receivables | 1,053,164 | 1,833,396 |
| Total financial assets | 21,754,071 | 16,897,364 |
| Financial liabilities | | |
| Accounts payable and accrued liabilities | 2,874,777 | 2,677,410 |
| Deferred revenue (note 4) | 711,077 | 776,941 |
| Accrued interest on long-term debt | 55,884 | 59,290 |
| Long-term debt (note 5) | 9,982,226 | 11,094,378 |
| Total financial liabilities | 13,623,964 | 14,608,019 |
| Net financial assets | 8,130,107 | 2,289,345 |
| Non-financial assets | | |
| Tangible capital assets (note 6) | 158,395,013 | 162,440,770 |
| Prepaid expenses | 163,296 | 161,495 |
| Total non-financial assets | 158,558,309 | 162,602,265 |
| Accumulated surplus (note 7) | \$ 166,688,416 | \$ 164,891,610 |

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, 2016, with comparative information for 2015

| | Budget | 2016 | 2015 |
|--|-----------------------|-----------------------|-----------------------|
| Revenues | | | |
| User charges | \$ 19,551,202 | \$ 20,726,432 | \$ 18,869,892 |
| Investment income | 15,000 | 346,936 | 256,184 |
| Transfer payments | | | |
| Provincial | - | 65,864 | 668,675 |
| Federal | - | 161,614 | 684,333 |
| Other | - | 7,576 | 496,397 |
| Total revenues | 19,566,202 | 21,308,422 | 20,975,481 |
| Expenses | | | |
| Salaries, wages and benefits | 548,648 | 577,186 | 538,683 |
| Materials and supplies | 9,367,273 | 10,903,505 | 9,588,878 |
| Contracted services | 693,250 | 611,183 | 492,413 |
| Rents and financial expenses | 55,400 | 44,716 | 216,813 |
| Interest on long-term debt (note 5) | 205,129 | 202,864 | 183,099 |
| Amortization of tangible capital assets (note 6) | - | 6,973,943 | 6,338,325 |
| Administrative charges | 198,218 | 198,218 | 164,116 |
| Total expenses | 11,067,918 | 19,511,616 | 17,522,327 |
| Annual surplus | 8,498,284 | 1,796,806 | 3,453,154 |
| Accumulated surplus, beginning of year (note 7) | 164,891,610 | 164,891,610 | 161,438,456 |
| Accumulated surplus, end of year (note 7) | \$ 173,389,894 | \$ 166,688,416 | \$ 164,891,610 |

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LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM
Statement of Change in Net Financial Assets
Year ended December 31, 2016, with comparative information for 2015

| | Budget | 2016 | 2015 |
|--|---------------|---------------------|--------------|
| Annual surplus | \$ 8,498,284 | \$ 1,796,806 | \$ 3,453,154 |
| Acquisition of tangible capital assets | (505,399) | (2,928,186) | (5,679,447) |
| Amortization of tangible capital assets | - | 6,973,943 | 6,338,325 |
| | 7,992,885 | 5,842,563 | 4,112,032 |
| Change in prepaid expenses | - | (1,801) | 2,610 |
| Change in net financial assets | 7,992,885 | 5,840,762 | 4,114,642 |
| Net financial assets (debt), beginning of year | 2,289,345 | 2,289,345 | (1,825,297) |
| Net financial assets, end of year | \$ 10,282,230 | \$ 8,130,107 | \$ 2,289,345 |

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LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM
Statement of Cash Flows
Year ended December 31, 2016, with comparative information for 2015

| | 2016 | 2015 |
|--|--------------------|--------------------|
| Cash provided by: | | |
| Operating activities: | | |
| Annual surplus | \$ 1,796,806 | \$ 3,453,154 |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 6,973,943 | 6,338,325 |
| Amortization of debenture discount | 7,932 | 5,094 |
| Changes in non-cash assets and liabilities: | | |
| Due from the Corporation of the City of London | (5,636,939) | (11,362,347) |
| Prepaid expenses | (1,801) | 2,610 |
| Trade and other receivables | 780,232 | 2,548,816 |
| Accounts payable and accrued liabilities | 197,367 | (2,981,391) |
| Deferred revenue | (65,864) | (668,675) |
| Accrued interest on long-term debt | (3,406) | 36,199 |
| Net change in cash from operating activities | 4,048,270 | (2,628,215) |
| Capital activities: | | |
| Purchase of tangible capital assets | (2,928,186) | (5,679,447) |
| Cash used in capital activities | (2,928,186) | (5,679,447) |
| Financing activities: | | |
| Proceeds from issuance of long term debt | - | 8,608,262 |
| Long-term debt repayments | (1,120,084) | (300,600) |
| Cash provided by (used in) financing activities | (1,120,084) | 8,307,662 |
| Net change in cash flows | \$ - | \$ - |

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LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements

Year ended December 31, 2016

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 | 16 |
| 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, 2016

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, 2016

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:

| | 2016 | 2015 |
|-------------------------|------------|------------|
| Provincial HELP Funding | \$ 711,077 | \$ 776,941 |

5. Long-term debt

(a) Long-term debt is stated as follows:

| | 2016 | 2015 |
|---|--------------|---------------|
| 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 1.85% to 3.20%, maturing September 2022. | \$ 1,101,375 | \$ 1,269,600 |
| (b) at rates ranging from 1.60% to 3.80%, maturing September 2023. | 1,090,380 | 1,230,510 |
| (c) at rates ranging from 0.80% to 2.25%, maturing March 2025. | 7,853,271 | 8,665,000 |
| Total long-term debt | 10,045,026 | 11,165,110 |
| Less: Unamortized debenture discount | (62,800) | (70,732) |
| Net long-term debt | \$ 9,982,226 | \$ 11,094,378 |

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements (continued)

Year ended December 31, 2016

5. Long-term debt (continued)

(b) The long-term debt repayment schedule is as follows:

| | |
|-----------------|--------------|
| 2017 | \$ 1,139,741 |
| 2018 | 1,159,832 |
| 2019 | 1,180,168 |
| 2020 | 1,200,879 |
| 2021 | 1,222,078 |
| 2022 and beyond | 4,142,328 |

(c) Total charges for the year for long-term debt which are reported on the Statement of Operations are as follows:

| | 2016 | 2015 |
|------------------------------------|------------|------------|
| Interest | \$ 194,932 | \$ 178,005 |
| Amortization of debenture discount | 7,932 | 5,094 |
| | \$ 202,864 | \$ 183,099 |

6. Tangible capital assets

| Cost | Balance at December 31, 2015 | Additions | Disposals | Balance at December 31, 2016 |
|-------------------------------------|------------------------------------|--------------|--------------|------------------------------------|
| Land | \$ 1,843,513 | \$ - | \$ - | \$ 1,843,513 |
| Buildings and building improvements | 48,778,398 | 355,498 | 295,473 | 48,838,423 |
| Vehicles, machinery and equipment | 41,552,244 | 475,299 | 2,211,847 | 39,815,696 |
| Water infrastructure | 117,380,908 | - | 30,530 | 117,350,378 |
| Assets under construction | 1,088,539 | 2,153,112 | 25,193 | 3,216,458 |
| Total | \$ 210,643,602 | \$ 2,983,909 | \$ 2,563,043 | \$ 211,064,468 |

| Accumulated Amortization | Balance at December 31, 2015 | Amortization expense | Disposals | Balance at December 31, 2016 |
|-------------------------------------|------------------------------------|-------------------------|--------------|------------------------------------|
| Land | \$ - | \$ - | \$ - | \$ - |
| Buildings and building improvements | 10,445,716 | 1,758,979 | 295,473 | 11,909,222 |
| Vehicles, machinery and equipment | 15,124,713 | 3,009,633 | 2,211,847 | 15,922,499 |
| Water infrastructure | 22,632,403 | 2,205,331 | - | 24,837,734 |
| Assets under construction | - | - | - | - |
| Total | \$ 48,202,832 | \$ 6,973,943 | \$ 2,507,320 | \$ 52,669,455 |

| | Net book value December 31, 2015 | Net book value December 31, 2016 |
|-------------------------------------|--|--|
| Land | \$ 1,843,513 | \$ 1,843,513 |
| Buildings and building improvements | 38,332,682 | 36,929,201 |
| Vehicles, machinery and equipment | 26,427,531 | 23,893,197 |
| Water infrastructure | 94,748,505 | 92,512,644 |
| Assets under construction | 1,088,539 | 3,216,458 |
| Total | \$ 162,440,770 | \$ 158,395,013 |

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements (continued)

Year ended December 31, 2016

6. Tangible capital assets (continued)

(a) Assets under construction

Assets under construction with a net book value of \$3,216,458 (2015 - \$1,088,539) 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 (2015 – nil).

7. Accumulated surplus

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

| | 2016 | 2015 |
|---|----------------------|----------------------|
| Surplus: | | |
| Invested in tangible capital assets | \$144,102,760 | \$147,180,622 |
| Total surplus | 144,102,760 | 147,180,622 |
| Reserve funds set aside for specific purpose by the Board: | | |
| Infrastructure renewal - water operations | \$ 22,585,656 | \$ 17,710,988 |
| Total reserve funds | 22,585,656 | 17,710,988 |
| | \$166,688,416 | \$164,891,610 |

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, 2016

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 \$484,008 (2015 - \$748,802).

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, 2016. 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 2016 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 | \$ 19,551,202 |
| Municipal Revenues - Other | 15,000 |
| Total revenues | 19,566,202 |
| Expenses | |
| Personnel Costs | 509,196 |
| Administrative Expenses | 87,100 |
| Financial Expenses - Other | 267,500 |
| Financial Expenses - Interest & Discount on LTD | 205,129 |
| Financial Expenses - Debt Principal Repayments | 950,569 |
| Financial Expenses - Transfers to Reserves and Reserve Funds | 7,547,715 |
| Purchased Services | 1,116,500 |
| Materials & Supplies | 8,678,586 |
| Furniture & Equipment | 27,737 |
| Other Expenses | 198,218 |
| Recovered Expenses | (22,048) |
| Total expenses | 19,566,202 |
| Net surplus (deficit) as per Budget | \$ - |
| PSAB Reporting Requirements: | |
| Transfers to Reserves and Reserve Funds | \$ 7,547,715 |
| Debt principal repayments | 950,569 |
| Net PSAB Budget surplus as per Financial Statements | \$ 8,498,284 |

2016 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: 2016-V1.03

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 | |
| 28 | 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) | |
| 78 | 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 | 519-861-2480 ext 0146 |
| 0024 | Fax | 519-861-5932 |
| 0028 | Email (Required) | aswance@london.ca |
| 0030 | Website address of Municipality | www.london.ca |
| 0091 | Municipal Auditor | Ian Jeffreys |
| 0092 | Municipal Audit Firm | KPMG |
| 0096 | Municipal Auditor's Email (Required) | ijeffreys@kpmg.ca |
| 0080 | Municipal Treasurer | Anna Lisa Barbon |
| 0093 | Municipal Treasurer's Email (Required) | abarbon@london.ca |
| 0094 | Date | 8/9/2017 |

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 | OMB Method |
| 0078 | If "Other Method" is selected in line 0077, please describe method of allocating Program Support | |

| | Municipal Data 1 (#) | Data Source 2 (List) |
|------|----------------------------|----------------------------|
| 0040 | Households | 175,342 |
| 0041 | Population | 383,822 |
| 0042 | Youth Population | 25,797 |
| | | MPAC |
| | | Stats Can |
| | | Municipal |

FIR2016: London C

Schedule 10

Asmt Code: 3936

CONSOLIDATED STATEMENT OF OPERATIONS: REVENUE

MAH Code: 59101

for the year ended December 31, 2016

| STATEMENT OF OPERATIONS: REVENUE | | Own Purposes Revenue |
|---------------------------------------|---|----------------------|
| | | 1 |
| | | \$ |
| 0299 | Property Taxation Taxation - Own Purposes (SLC 26 9199 04 - 72 2899 07) For UT (SLC 28 0299 12 - 28 0299 08) | 549,965,924 |
| 0499 | Payments-In-Lieu of Taxation (SLC 26 9599 08) For UT (SLC 28 0299 08) | 8,990,880 |
| 9940 | Subtotal | 558,956,804 |
| 0510 | Estimated tax revenue | |
| 0620 | Ontario Municipal Partnership Fund (OMPF) | 0 |
| 0695 | Other | |
| 0696 | Other | |
| 0697 | Other | |
| 0698 | Other | |
| 0699 | Subtotal | 0 |
| Conditional Grants | | |
| 0810 | Ontario conditional grants (SLC 12 9910 01) | 203,616,549 |
| 0815 | Ontario Grants for Tangible Capital Assets (SLC 12 9910 05) | 1,479,600 |
| 0820 | Canada conditional grants (SLC 12 9910 02) | 2,248,804 |
| 0825 | Canada Grants for Tangible Capital Assets (SLC 12 9910 06) | 17,419,687 |
| 0830 | Deferred revenue earned (Provincial Gas Tax) (SLC 60 1042 01 + SLC 60 1045 01) | 9,283,553 |
| 0831 | Deferred revenue earned (Canada Gas Tax) (SLC 60 1047 01) | 3,619,579 |
| 0899 | Subtotal | 237,667,772 |
| 1098 | Revenue from other municipalities for Tangible Capital Assets (SLC 12 9910 07) | 0 |
| 1099 | Revenue from other municipalities (SLC 12 9910 03) | 5,291,824 |
| 1299 | Total User Fees and Service Charges (SLC 12 9910 04) | 236,291,739 |
| Licences, permits, rents, etc. | | |
| 1410 | Trailer revenue and permits | |
| 1420 | Licences and permits | 10,456,814 |
| 1430 | Rents, concessions and franchises | 22,783,624 |
| 1431 | Royalties | |
| 1432 | Green Energy | |
| 1498 | Other <input type="text" value="Program revenue"/> | 91,276 |
| 1499 | Subtotal | 33,331,714 |
| Fines and penalties | | |
| 1605 | Provincial Offences Act (POA) <i>Municipality which administers POA only</i> | 5,597,226 |
| 1610 | Other fines | 3,202,336 |
| 1620 | Penalties and interest on taxes | 4,897,496 |
| 1698 | Other <input type="text"/> | |
| 1699 | Subtotal | 13,697,058 |
| Other revenue | | |
| 1805 | Investment income | 3,195,526 |
| 1806 | Interest earned on reserves and reserve funds | 9,751,477 |
| 1811 | Gain/Loss on sale of land & capital assets | 12,465 |
| 1812 | Deferred revenue earned (Development Charges) (SLC 60 1025 01 + SLC 60 1026 01) | 17,084,142 |
| 1813 | Deferred revenue earned (Recreational land (The Planning Act)) (SLC 60 1032 01 + SLC 60 1035 01) | 255,994 |
| 1814 | Other Deferred revenue earned <input type="text"/> | |
| 1830 | Donations | 1,008,732 |
| 1831 | Donated Tangible Capital Assets (SLC 53 0610 01) | 37,473,944 |
| 1840 | Sale of publications, equipment, etc | 2,178,897 |
| 1850 | Contributions from non-consolidated entities | |
| 1865 | Other Revenues from Government Business Enterprise (ie. Dividends, etc.) | 96,930 |
| 1870 | Gaming and Casino Revenues | 4,544,021 |
| 1890 | Other <input type="text"/> | |
| 1891 | Other <input type="text"/> | |
| 1892 | Other <input type="text"/> | |
| 1893 | Other <input type="text"/> | |
| 1894 | Other <input type="text"/> | |
| 1895 | Other <input type="text" value="Development Charges Earned"/> | 74,655 |
| 1896 | Other <input type="text" value="Development Charges Earned"/> | 1,074,582 |
| 1897 | Other <input type="text" value="Other"/> | 13,903,380 |
| 1898 | Other <input type="text"/> | |
| 1899 | Subtotal | 90,654,745 |
| 1880 | Municipal Land Transfer Tax (City of Toronto Act, 2006) | |
| 1905 | Increase/Decrease in Government Business Enterprise equity | 11,089,103 |
| 9910 | TOTAL Revenues | 1,186,980,759 |

FIR2016: London C

Schedule 10

Asmt Code: 3936

CONSOLIDATED STATEMENT OF OPERATIONS: REVENUE

MAH Code: 59101

for the year ended December 31, 2016

Continuity of Accumulated Surplus/(Deficit)

| | | 1 |
|------|--|---------------|
| | | \$ |
| 2010 | PLUS: Total Revenues (SLC 10 9910 01) | 1,186,980,759 |
| 2020 | LESS: Total Expenses (SLC 40 9910 11) | 1,020,041,898 |
| 2030 | PLUS: | |
| 2040 | PLUS: | |
| 2045 | PLUS: PSAB Adjustments | |
| 2099 | Annual Surplus/(Deficit) | 166,938,861 |
| 2060 | Accumulated surplus/(deficit) at the beginning of year | 3,711,057,454 |
| 2061 | Prior period adjustments | |
| 2062 | Restated accumulated surplus/(deficit) at the beginning of year | 3,711,057,454 |
| 9950 | Accumulated surplus/(deficit) at the end of year (SLC 10 2099 01 + SLC 10 2062 01) | 3,877,996,315 |

Continuity of Government Business Enterprise Equity

| | | 1 |
|------|--|-------------|
| | | \$ |
| 6010 | Government Business Enterprise Equity, beginning of year | 172,004,671 |
| 6020 | PLUS: Net Income for Government Business Enterprise for year | 11,089,103 |
| 6060 | PLUS: Dividends | -10,000,000 |
| 6090 | Government Business Enterprise Equity, end of year | 173,093,774 |

Total of line 0899 includes:

Provincial Gas Tax Funding

| | | 1 |
|------|---|-----------|
| | | \$ |
| 4018 | Provincial Gas Tax for Transit operating expenses | 6,609,400 |
| 4019 | Provincial Gas Tax for Transit capital expenses | 2,674,152 |
| 4020 | Provincial Gas Tax | 9,283,552 |

Total of line 0899 includes:

Canada Gas Tax Funding

| | | 1 |
|--------------------------|--|-------------------|
| | | \$ |
| 4025 | General Government | 342,211 |
| Transportation Services: | | |
| 4030 | Roads - Paved | 8,047,548 |
| 4031 | Roads - Unpaved | |
| 4032 | Roads - Bridges and Culverts | 144,560 |
| 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 | 4,694,921 |
| 4061 | Wastewater treatment & disposal | 338,860 |
| 4062 | Urban storm sewer system | 160,960 |
| 4063 | Rural storm sewer system | |
| 4064 | Water treatment | |
| 4065 | Water distribution/transmission | 1,244,778 |
| 4066 | Solid waste collection | |
| 4067 | Solid waste disposal | 2,561,831 |
| 4068 | Waste diversion | |
| 4069 | Other | 386,814 |
| 4075 | Recreation Facilities - All Other | |
| 4076 | Cultural services | |
| 4080 | Commercial and industrial | |
| 4099 | Canada Gas Tax | 19,422,483 |

FIR2016: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 12
GRANTS, USER FEES AND SERVICE CHARGES
for the year ended December 31, 2016

| | 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 | 927,365 | | 22,500 | 1,836,497 | | | |
| Protection services | | | | | | | |
| 0410 Fire | | | | 255,855 | | | |
| 0420 Police | 5,360,776 | 7,812 | | 1,434,969 | | | |
| 0421 Court Security | | | | | | | |
| 0422 Prisoner Transportation | | | | | | | |
| 0430 Conservation authority | | | | | | | |
| 0440 Protective inspection and control | | | | 823,633 | | | |
| 0445 Building permit and inspection services | | | | 70,300 | | | |
| 0450 Emergency measures | | | | | | | |
| 0460 Provincial Offences Act (POA) | | | | | | | |
| 0498 Other | | | | | | | |
| 0499 Subtotal | 5,360,776 | 7,812 | 0 | 2,584,757 | 0 | 0 | 0 |
| Transportation services | | | | | | | |
| 0611 Roads - Paved | | | | 125,544 | | 7,618,017 | |
| 0612 Roads - Unpaved | | | | 3,402 | | | |
| 0613 Roads - Bridges and Culverts | | | | 14,029 | | | |
| 0614 Roads - Traffic Operations & Roadside | | | | 44,080 | | | |
| 0621 Winter Control - Except sidewalks, Parking Lots | | | | 435,304 | | | |
| 0622 Winter Control - Sidewalks, Parking Lots Only | | | | 70,727 | | | |
| 0631 Transit - Conventional | | | | 30,754,353 | | 1,500,000 | |
| 0632 Transit - Disabled & special needs | | | | 507,624 | | | |
| 0640 Parking | | | | 3,098,456 | | | |
| 0650 Street lighting | | | | | | 1,995,978 | |
| 0660 Air transportation | | | | | | | |
| 0698 Other | | | | | | | |
| 0699 Subtotal | 0 | 0 | 0 | 35,053,519 | 0 | 11,113,995 | 0 |
| Environmental services | | | | | | | |
| 0811 Wastewater collection/conveyance | 11,101 | | 14,191 | 28,192,538 | | 3,707,733 | |
| 0812 Wastewater treatment & disposal | 11,101 | | 14,191 | 28,192,538 | | | |
| 0821 Urban storm sewer system | 11,955 | | 15,283 | 30,361,194 | 89,753 | 160,960 | |
| 0822 Rural storm sewer system | | | | | | | |
| 0831 Water treatment | | | 116,141 | 37,880,580 | 682,750 | 760,083 | |
| 0832 Water distribution/transmission | | | 284,241 | 37,880,580 | 702,825 | 1,491,028 | |
| 0840 Solid waste collection | | | | 557,001 | | | |
| 0850 Solid waste disposal | | | 49,366 | 2,808,975 | | | |
| 0860 Waste diversion | | | 589,004 | 3,830,678 | | | |
| 0898 Other | 12,500 | | 8,215 | 156,380 | | | |
| 0899 Subtotal | 46,657 | 0 | 1,090,632 | 169,860,464 | 1,475,328 | 6,119,804 | 0 |
| Health services | | | | | | | |
| 1010 Public health services | 4,707,529 | 51,855 | 205,653 | | | | |
| 1020 Hospitals | | | | | | | |
| 1030 Ambulance services | | | | | | | |
| 1035 Ambulance dispatch | | | | | | | |
| 1040 Cemeteries | | | | | | | |
| 1098 Other | | | | | | | |
| 1099 Subtotal | 4,707,529 | 51,855 | 205,653 | 0 | 0 | 0 | 0 |
| Social and family services | | | | | | | |
| 1210 General assistance | 132,926,359 | 907,934 | | 1,355 | 4,272 | | |
| 1220 Assistance to aged persons | 11,985,532 | | | 5,999,814 | | | |
| 1230 Child care | 34,812,552 | 288,288 | | | | | |
| 1298 Other | | | | 126,542 | | | |
| 1299 Subtotal | 179,724,443 | 1,196,222 | 0 | 6,127,711 | 4,272 | 0 | 0 |
| Social Housing | | | | | | | |
| 1410 Public Housing | | | | 1,187,735 | | | |
| 1420 Non - Profit/Cooperative Housing | 6,842,268 | | 3,973,039 | | | | |
| 1430 Rent Supplement Programs | 4,406,538 | | | | | | |
| 1497 Other | 148,028 | | | | | | |
| 1498 Other | 350,024 | | | | | | |
| 1499 Subtotal | 11,746,858 | 0 | 3,973,039 | 1,187,735 | 0 | 0 | 0 |
| Recreation and cultural services | | | | | | | |
| 1610 Parks | | | | | | 28,217 | |
| 1620 Recreation programs | 66,230 | 29,396 | | 6,413,630 | | | |
| 1631 Recreation facilities - Golf Course, Marina, Ski Hill | | | | 2,715,999 | | | |
| 1634 Recreation facilities - All Other | 144,066 | | | 933,345 | | 152,400 | |
| 1640 Libraries | 644,302 | 24,535 | | 391,706 | | | |
| 1645 Museums | 24,329 | 9,218 | | | | | |
| 1650 Cultural services | 223,994 | 193,975 | | 674,354 | | 5,271 | |
| 1698 Other | | | | | | | |
| 1699 Subtotal | 1,102,921 | 257,124 | 0 | 11,129,034 | 0 | 185,888 | 0 |
| Planning and development | | | | | | | |
| 1810 Planning and zoning | | | | 1,428,872 | | | |
| 1820 Commercial and industrial | | 735,791 | | 7,083,150 | | | |
| 1830 Residential development | | | | | | | |
| 1840 Agriculture and reforestation | | | | | | | |
| 1850 Title drainage/shoreline assistance | | | | | | | |
| 1898 Other | | | | | | | |
| 1899 Subtotal | 0 | 735,791 | 0 | 8,512,022 | 0 | 0 | 0 |
| 1910 Other | | | | | | | |
| 9910 TOTAL | 203,616,549 | 2,248,804 | 5,291,824 | 236,291,739 | 1,479,600 | 17,419,687 | 0 |

FIR2016: London C

Asmt Code: 3936
MAH Code: 59101

Schedule 20 TAXATION INFORMATION for the year ended December 31, 2016

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 | N |

2. Capping Parameters and Results

| | Decrease - Percentage Retained | Tax Adjustment - Increases | Net Class Impact | Annualized Tax Limit | CVA Tax Limit | CVA Threshold Value for Protected Properties | CVA Threshold Value for Clawed Back Properties | Exclude Properties Previously at CVA Tax | Exclude Properties that go from Capped to Clawed Back | Exclude Properties that go from Clawed Back to Capped | |
|------|--------------------------------|----------------------------|------------------|----------------------|---------------|--|--|--|---|---|---|
| | | | | | | | | | | | 2 |
| | % | \$ | \$ | % | % | \$ | \$ | Y or N | Y or N | Y or N | |
| 0320 | M Multi-Residential | 94.6% | -4,249 | 0 | 10.0% | 10.0% | 500 | 0 | Y | Y | Y |
| 0330 | C Commercial | 91.7% | -90,398 | 0 | 10.0% | 10.0% | 500 | 0 | Y | Y | Y |
| 0340 | I Industrial | 100.0% | 0 | 0 | 10.0% | 10.0% | 500 | 0 | Y | Y | Y |

3. Graduated Taxation (Tax Bands)

| Grad. Tax Rates in Effect? | Number of Tax Bands | Low Band | | Middle Band | | |
|----------------------------|---------------------|--------------|------------------------|--------------|------------------------|--|
| | | CVA Boundary | % of Highest Band Rate | CVA Boundary | % of Highest Band Rate | |
| 2 | 3 | 4 | 5 | 6 | 7 | |
| Y or N | # | \$ | % | \$ | % | |
| 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? | Year Current Phase-In Initiated | Term of Current Phase-In | |
|------|---------------------------------|---------------------------------|--------------------------|---|
| | | | | 2 |
| | Y or N | Year | # 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 | First Due Date | Last Due Date | Installments | First Due Date | Last Due Date | |
| | 2 | 3 | 4 | 5 | 6 | 7 | |
| | # | YYYYMMDD | YYYYMMDD | # | YYYYMMDD | YYYYMMDD | |
| 1210 | R Residential | 2 | 20160229 | 20160331 | 3 | 20160630 | 20161031 |
| 1220 | M Multi-Residential | 2 | 20160229 | 20160331 | 3 | 20160630 | 20161031 |
| 1230 | F Farmland | 2 | 20160229 | 20160331 | 3 | 20160630 | 20161031 |
| 1240 | T Managed Forest | 2 | 20160229 | 20160331 | 3 | 20160630 | 20161031 |
| 1250 | C Commercial | 2 | 20160229 | 20160331 | 3 | 20160630 | 20161031 |
| 1260 | I Industrial | 2 | 20160229 | 20160331 | 3 | 20160630 | 20161031 |
| 1270 | P Pipeline | 2 | 20160229 | 20160331 | 3 | 20160630 | 20161031 |
| 1298 | Other | 2 | 20160229 | 20160331 | 3 | 20160630 | 20161031 |

FIR2016: London C
Asmt Code: 3936
MAH Code: 59101

Schedule 22
MUNICIPAL and SCHOOL BOARD TAXATION
for the year ended December 31, 2016

1. GENERAL PURPOSE LEVY INFORMATION

| RTIC RTYO | Property Class | Tax Rate Description | Tax Ratio | Percent of Full Rate | CVA Assessment | Phase-in Taxable Assessment | Tax Rates | | | Municipal Taxes | | | Education Taxes | | | TOTAL |
|--------------|------------------------------|-------------------------------|-----------|-------------------------|-------------------|--------------------------------|-----------|-----------|-----------|-----------------|-------------|------|-----------------|----|-------------|-------|
| | | | | | | | LT/ST | UT | EDUC | LT/ST | UT | EDUC | LT/ST | UT | EDUC | |
| 0 | London C | | | | | | | | | | | | | | | |
| 2001 | | | | | | | | | | | | | | | | |
| 0010 | RT 0 Residential | Full Occupied | 1.000000 | 100% | 31,818,312.815 | 31,818,312.815 | 1.174611% | 0.188000% | 0.141000% | 0.188000% | 373,741.402 | 0 | 59,818,428 | 0 | 433,559,830 | |
| 0031 | R1 0 Residential | Farm, Awaiting Devel. - Ph I | 1.000000 | 75% | 6,786,800 | 6,786,800 | 0.800958% | 0.141000% | 0.141000% | 0.800958% | 59,789 | 0 | 9,569 | 0 | 69,358 | |
| 0050 | MT 0 Multi-Residential | Full Occupied | 1.888000 | 100% | 1,970,437,901 | 1,970,437,901 | 2.217668% | 0.188000% | 0.188000% | 2.405866% | 43,697,731 | 0 | 3,704,423 | 0 | 47,402,154 | |
| 0061 | M1 0 Multi-Residential | Farm, Awaiting Devel. - Ph I | 1.000000 | 75% | 5,538,000 | 5,538,000 | 0.800958% | 0.141000% | 0.141000% | 0.800958% | 48,787 | 0 | 7,809 | 0 | 56,596 | |
| 0110 | FT 0 Farmland | Full Occupied | 0.175200 | 100% | 255,388,000 | 255,388,000 | 0.297592% | 0.047000% | 0.047000% | 0.297592% | 525,568 | 0 | 120,032 | 0 | 645,600 | |
| 0140 | TT 0 Managed Forest | Full Occupied | 0.250000 | 100% | 465,400 | 465,400 | 0.239553% | 0.047000% | 0.047000% | 0.340653% | 1,367 | 0 | 219 | 0 | 1,586 | |
| 0210 | CT 0 Commercial | Full Occupied | 1.950000 | 100% | 2,579,135,853 | 2,579,135,853 | 2.290491% | 1.400000% | 1.400000% | 3.890491% | 59,074,875 | 0 | 36,107,902 | 0 | 95,182,777 | |
| 0215 | CH 0 Commercial | Full Occupied, Shared P/L | 1.950000 | 100% | 13,615,480 | 13,615,480 | 2.290491% | 1.400000% | 1.400000% | 3.890491% | 311,861 | 0 | 190,617 | 0 | 502,478 | |
| 0240 | CU 0 Commercial | Farm, Awaiting Devel. - Ph I | 1.000000 | 75% | 1,279,000 | 1,279,000 | 0.800958% | 0.141000% | 0.141000% | 1.021958% | 11,267 | 0 | 1,803 | 0 | 13,070 | |
| 0245 | CU 0 Commercial | Excess Land | 1.950000 | 70% | 36,502,210 | 36,502,210 | 1.603344% | 0.980000% | 0.980000% | 2.583344% | 585,256 | 0 | 357,722 | 0 | 942,978 | |
| 0245 | CK 0 Commercial | Excess Land, Shared P/L | 1.950000 | 70% | 433,000 | 433,000 | 1.603344% | 0.980000% | 0.980000% | 2.583344% | 6,942 | 0 | 4,243 | 0 | 11,185 | |
| 0270 | CK 0 Commercial | Vacant Land | 1.950000 | 70% | 76,638,300 | 76,638,300 | 1.603344% | 0.980000% | 0.980000% | 2.583344% | 1,228,776 | 0 | 751,055 | 0 | 1,979,831 | |
| 0275 | CJ 0 Commercial | Vacant Land, Shared P/L | 1.950000 | 70% | 404,000 | 404,000 | 1.603344% | 0.980000% | 0.980000% | 2.583344% | 6,478 | 0 | 3,959 | 0 | 10,437 | |
| 0310 | GT 0 Office Building | Full Occupied | 1.950000 | 100% | 47,068,400 | 47,068,400 | 2.290491% | 1.400000% | 1.400000% | 3.890491% | 1,078,087 | 0 | 658,958 | 0 | 1,737,045 | |
| 0320 | DU 0 Office Building | Full Occupied | 1.950000 | 100% | 332,697,530 | 332,697,530 | 2.290491% | 1.400000% | 1.400000% | 3.890491% | 7,620,407 | 0 | 4,657,765 | 0 | 12,278,172 | |
| 0330 | DU 0 Office Building | Excess Land | 1.950000 | 70% | 1,619,530 | 1,619,530 | 1.603344% | 0.980000% | 0.980000% | 2.583344% | 25,967 | 0 | 15,871 | 0 | 41,838 | |
| 0340 | DU 0 Office Building | Full Occupied | 1.950000 | 100% | 1,038,103,806 | 1,038,103,806 | 2.290491% | 1.400000% | 1.400000% | 3.890491% | 23,777,674 | 0 | 14,533,453 | 0 | 38,311,127 | |
| 0350 | SU 0 Shopping Centre | Excess Land | 1.950000 | 70% | 1,904,466 | 1,904,466 | 1.603344% | 0.980000% | 0.980000% | 2.583344% | 30,535 | 0 | 18,664 | 0 | 49,199 | |
| 0510 | IT 0 Industrial | Full Occupied | 1.950000 | 100% | 224,079,821 | 224,079,821 | 2.290491% | 1.500000% | 1.500000% | 3.790491% | 5,132,528 | 0 | 3,361,197 | 0 | 8,493,725 | |
| 0515 | IH 0 Industrial | Full Occupied, Shared P/L | 1.950000 | 100% | 5,543,900 | 5,543,900 | 2.290491% | 1.500000% | 1.500000% | 3.790491% | 128,983 | 0 | 83,159 | 0 | 210,142 | |
| 0531 | I1 0 Industrial | Farm, Awaiting Devel. - Ph I | 1.000000 | 75% | 645,000 | 645,000 | 0.800958% | 0.141000% | 0.141000% | 1.021958% | 5,682 | 0 | 909 | 0 | 6,591 | |
| 0534 | I4 0 Industrial | Farm, Awaiting Devel. - Ph II | 1.950000 | 100% | 80,000 | 80,000 | 2.290491% | 1.500000% | 1.500000% | 3.790491% | 1,832 | 0 | 1,200 | 0 | 3,032 | |
| 0540 | IU 0 Industrial | Excess Land | 1.950000 | 70% | 5,972,100 | 5,972,100 | 1.603344% | 0.980000% | 0.980000% | 2.583344% | 95,753 | 0 | 62,707 | 0 | 158,460 | |
| 0570 | IX 0 Industrial | Vacant Land | 1.950000 | 70% | 31,125,600 | 31,125,600 | 1.603344% | 0.980000% | 0.980000% | 2.583344% | 499,066 | 0 | 325,829 | 0 | 825,895 | |
| 0610 | LI 0 Large Industrial | Full Occupied | 1.950000 | 100% | 136,596,334 | 136,596,334 | 2.290491% | 1.500000% | 1.500000% | 3.790491% | 3,128,727 | 0 | 2,048,945 | 0 | 5,177,672 | |
| 0620 | LU 0 Large Industrial | Excess Land | 1.950000 | 70% | 5,271,346 | 5,271,346 | 1.603344% | 0.980000% | 0.980000% | 2.583344% | 84,518 | 0 | 55,349 | 0 | 139,867 | |
| 0710 | PT 0 Pipeline | Full Occupied | 1.713000 | 100% | 95,035,000 | 95,035,000 | 2.017109% | 1.500000% | 1.500000% | 3.512109% | 1,912,208 | 0 | 1,425,525 | 0 | 3,337,733 | |
| 2140 | JT 0 Industrial, NConstr. | Full Occupied | 1.950000 | 100% | 31,804,950 | 31,804,950 | 2.290491% | 1.180000% | 1.180000% | 3.470491% | 728,490 | 0 | 375,298 | 0 | 1,103,788 | |
| 2145 | JU 0 Industrial, NConstr. | Excess Land | 1.950000 | 70% | 409,700 | 409,700 | 1.603344% | 0.820000% | 0.820000% | 2.423344% | 6,569 | 0 | 3,384 | 0 | 9,953 | |
| 2235 | KT 0 Large Ind. NConstr. | Full Occupied | 1.950000 | 100% | 57,314,400 | 57,314,400 | 2.290491% | 1.180000% | 1.180000% | 3.470491% | 1,312,781 | 0 | 676,310 | 0 | 1,989,091 | |
| 2240 | KU 0 Large Ind. NConstr. | Excess Land | 1.950000 | 70% | 1,321,600 | 1,321,600 | 1.603344% | 0.820000% | 0.820000% | 2.423344% | 21,190 | 0 | 10,916 | 0 | 32,106 | |
| 2440 | XU 0 Commercial, NConstr. | Full Occupied | 1.950000 | 100% | 311,448,337 | 311,448,337 | 2.290491% | 1.180000% | 1.180000% | 3.470491% | 7,133,666 | 0 | 3,675,080 | 0 | 10,808,746 | |
| 2445 | XU 0 Commercial, NConstr. | Excess Land | 1.950000 | 70% | 7,665,325 | 7,665,325 | 1.603344% | 0.820000% | 0.820000% | 2.423344% | 122,918 | 0 | 63,324 | 0 | 186,242 | |
| 2635 | YT 0 Office Buid. NConstr. | Full Occupied | 1.950000 | 100% | 3,776,220 | 3,776,220 | 2.290491% | 1.180000% | 1.180000% | 3.470491% | 86,494 | 0 | 44,559 | 0 | 131,053 | |
| 2835 | ZT 0 Shopp. Centre, NConstr. | Full Occupied | 1.950000 | 100% | 183,183,675 | 183,183,675 | 2.290491% | 1.180000% | 1.180000% | 3.470491% | 4,195,806 | 0 | 2,161,567 | 0 | 6,357,373 | |
| 2840 | ZU 0 Shopp. Centre, NConstr. | Excess Land | 1.950000 | 70% | 384,600 | 384,600 | 1.603344% | 0.820000% | 0.820000% | 2.423344% | 6,165 | 0 | 3,177 | 0 | 9,343 | |
| 9201 | | Subtotal | | | 39,287,990,399 | 39,287,990,399 | | | | | 536,434,186 | 0 | 135,341,937 | 0 | 671,776,123 | |

FIR2016: London C

Asmt Code: 3936

MAH Code: 59101

**Schedule 22
MUNICIPAL and SCHOOL BOARD TAXATION**
for the year ended December 31, 2016

| Municipal Taxes | | | Education Taxes | | TOTAL |
|-----------------|----|----|-----------------|----|-------|
| LT / ST | UT | | 14 | 15 | |
| 12 | 13 | \$ | \$ | \$ | \$ |
| 281,978 | | | -281,978 | | 0 |

4. ADJUSTMENTS TO TAXATION

7010 Adjustments for properties, shared as if Payment-in-Lieu (Hydro properties RTQ = H, J, K)

5. SUPPLEMENTARY TAXES

9799 Total of all supplementary taxes (Supps. Omits, Section 359) 7,976,176 1,976,022 9,952,198

6. AMOUNT LEVIED BY TAX RATE

9910 TOTAL Levied by Tax Rate 544,692,340 0 137,035,981 681,728,321

7. AMOUNTS ADDED TO TAX BILL

| | | | | |
|--|-----------|---|---|-----------|
| 8005 Local improvements | 919,319 | | | 919,319 |
| 8010 Sewer and water service charges | 5,032,204 | | | 5,032,204 |
| 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 | 1,980,819 | | | 1,980,819 |
| 8040 Business improvement area | | | | 0 |
| 8097 Other | | | | 0 |
| 9890 Subtotal | 7,932,342 | 0 | 0 | 7,932,342 |

8. OTHER TAXATION AMOUNTS

| | | | | |
|---|--------|---|--------|---------|
| 8045 Railway rights-of-way (RTC = W) | 43,007 | | 57,782 | 100,789 |
| 8050 Utility transmission and utility corridors (RTC = U) | | | | 0 |
| 8098 Other | | | | 0 |
| 9892 Subtotal | 43,007 | 0 | 57,782 | 100,789 |

9. TOTAL AMOUNT LEVIED

9990 TOTAL Levies 552,667,689 0 137,093,763 689,761,452

FIR2016: London C

Asmt Code: 3936
 MAH Code: 59101

Schedule 24
PAYMENTS-IN-LIEU of TAXATION
 for the year ended December 31, 2016

| Municipal PILS | | Education PILS | | TOTAL |
|----------------|----|----------------|----|-------|
| LT / ST | UT | PILS | | |
| 12 | 13 | 14 | 15 | |
| \$ | \$ | \$ | \$ | \$ |

| | | | | | |
|------|---|-----------|---|-----------|-----------|
| 9799 | Total of all supplementary PILS (Supps, Omits, Section 444) | | | | |
| 9910 | 5. PAYMENTS-IN-LIEU LEVIED BY TAX RATE | 3,748,609 | 0 | 1,410,106 | 5,158,715 |

| | | | | | |
|---|--|---------|---|---|---------|
| 6. AMOUNTS ADDED TO PAYMENTS-IN-LIEU | | | | | |
| 8005 | 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"/> | 778,696 | | | 778,696 |
| 9890 | Subtotal | 778,696 | 0 | 0 | 778,696 |

| | | | | | |
|--|---|-----------|---|--------|-----------|
| 7. OTHER PAYMENTS-IN-LIEU AMOUNTS | | | | | |
| 8045 | 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 | 36,868 | | 52,187 | 89,055 |
| 8051 | Utility transmission and utility corridors (RTC = U) - from Province | | | | 0 |
| 8055 | Institutional Payments - Heads and Beds (Mun. Act 323, 324) | 3,877,575 | | | 3,877,575 |
| 8060 | Hydro-electric Power Dams - from Province | | | | 0 |
| 8098 | Other <input type="text"/> | | | | 0 |
| 9892 | Subtotal | 3,914,443 | 0 | 52,187 | 3,966,630 |

| | | | | | |
|------|---|-----------|---|-----------|-----------|
| 9990 | 8. TOTAL PAYMENTS-IN-LIEU LEVIED | 8,441,748 | 0 | 1,462,293 | 9,904,041 |
|------|---|-----------|---|-----------|-----------|

FIR2016: London C
 Asmt Code: 3936
 MAH Code: 59101

Schedule 26
TAXATION and PAYMENTS-IN-LIEU SUMMARY
 for the year ended December 31, 2016

1. Municipal and School Board Taxation

9010 Legislated Percentage of Education Taxes distributed to each School Board (Applic. to Com, Ind, Pipelines)

| Property Class Group | Taxable Asmt. (CVA) | | Phase-In Taxable Asmt. (CVA) | | Phase-In Taxable Asmt. (Wtd & Disc CVA) | | TOTAL Taxes | | Municipal Taxes | | Education Taxes | | TOTAL | | Distribution of Education Taxes in column 6 by School Board | |
|--------------------------------------|---------------------|----------------|------------------------------|----------------|---|----------------|-------------|-------------|-----------------|------------|-----------------|---------|-------------|-----------|---|-----------|
| | 16 | 2 | 18 | 18 | 17 | 17 | 3 | 5 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 0010 Residential | 31,823,099,615 | 31,823,402,915 | 31,825,099,615 | 31,823,402,915 | 31,823,402,915 | 31,823,402,915 | 433,629,188 | 373,801,191 | 373,801,191 | 59,827,987 | 49,780,373 | 183,014 | 9,614,236 | 250,374 | 0 | 0 |
| 0050 Multi-residential | 1,975,975,901 | 3,724,340,257 | 1,975,975,901 | 3,724,340,257 | 3,724,340,257 | 3,724,340,257 | 47,458,750 | 43,746,518 | 43,746,518 | 3,712,232 | 3,489,470 | 4,142 | 213,236 | 5,362 | 0 | 0 |
| 0110 Farmland | 255,388,000 | 44,743,978 | 255,388,000 | 44,743,978 | 44,743,978 | 44,743,978 | 645,600 | 525,568 | 525,568 | 120,032 | 114,130 | 2 | 5,895 | 5 | 0 | 0 |
| 0140 Managed Forests | 465,400 | 116,350 | 465,400 | 116,350 | 116,350 | 116,350 | 1,586 | 1,367 | 1,367 | 219 | 213 | 0 | 213 | 0 | 0 | 0 |
| 0160 Other Property Classes | 34,056,928,916 | 35,592,803,500 | 34,056,928,916 | 35,592,803,500 | 35,592,803,500 | 35,592,803,500 | 481,735,124 | 418,074,644 | 418,074,644 | 63,660,480 | 53,384,186 | 187,164 | 9,833,369 | 255,761 | 0 | 0 |
| 0210 Commercial | 2,706,007,843 | 5,212,403,651 | 2,706,007,843 | 5,212,403,651 | 5,212,403,651 | 5,212,403,651 | 98,642,756 | 61,225,455 | 61,225,455 | 37,417,301 | 28,973,713 | 246,954 | 7,562,990 | 613,644 | 0 | 0 |
| 0215 Commercial New Construction | 319,114,652 | 617,786,791 | 319,114,652 | 617,786,791 | 617,786,791 | 617,786,791 | 10,995,028 | 7,256,614 | 7,256,614 | 3,738,414 | 2,894,803 | 24,674 | 757,627 | 61,310 | 0 | 0 |
| 0310 Parking Lot | 47,068,400 | 91,763,360 | 47,068,400 | 91,763,360 | 91,763,360 | 91,763,360 | 1,737,055 | 1,078,097 | 1,078,097 | 658,958 | 510,258 | 4,349 | 133,544 | 10,807 | 0 | 0 |
| 0320 Office Building | 334,317,060 | 650,970,842 | 334,317,060 | 650,970,842 | 650,970,842 | 650,970,842 | 12,320,010 | 7,646,374 | 7,646,374 | 4,673,636 | 3,618,983 | 30,846 | 947,159 | 76,648 | 0 | 0 |
| 0325 Office Building New Constructi | 3,716,220 | 7,363,629 | 3,716,220 | 7,363,629 | 7,363,629 | 7,363,629 | 131,053 | 86,494 | 86,494 | 44,559 | 34,504 | 294 | 9,030 | 731 | 0 | 0 |
| 0340 Shopping Centre | 1,040,008,272 | 2,026,902,018 | 1,040,008,272 | 2,026,902,018 | 2,026,902,018 | 2,026,902,018 | 38,360,326 | 23,808,209 | 23,808,209 | 14,552,117 | 11,288,266 | 96,044 | 2,949,132 | 238,655 | 0 | 0 |
| 0345 Shopping Centre New Constructi | 163,568,275 | 357,733,145 | 163,568,275 | 357,733,145 | 357,733,145 | 357,733,145 | 6,366,716 | 4,201,972 | 4,201,972 | 2,164,744 | 1,676,248 | 14,287 | 438,707 | 35,502 | 0 | 0 |
| 0360 Other Property Classes | 4,635,860,732 | 8,964,945,455 | 4,635,860,732 | 8,964,945,455 | 8,964,945,455 | 8,964,945,455 | 188,562,944 | 105,303,215 | 105,303,215 | 63,249,729 | 48,976,795 | 417,448 | 12,818,190 | 1,037,296 | 0 | 0 |
| 0510 Industrial | 267,447,421 | 499,045,731 | 267,447,421 | 499,045,731 | 499,045,731 | 499,045,731 | 9,897,845 | 5,661,844 | 5,661,844 | 3,836,001 | 2,970,369 | 25,318 | 777,404 | 62,910 | 0 | 0 |
| 0515 Industrial New Construction | 32,214,650 | 62,578,893 | 32,214,650 | 62,578,893 | 62,578,893 | 62,578,893 | 1,113,741 | 735,059 | 735,059 | 378,682 | 293,229 | 2,499 | 76,744 | 6,210 | 0 | 0 |
| 0610 Large Industrial | 141,867,680 | 273,558,239 | 141,867,680 | 273,558,239 | 273,558,239 | 273,558,239 | 5,317,539 | 3,213,245 | 3,213,245 | 2,104,294 | 1,629,439 | 13,888 | 426,456 | 34,510 | 0 | 0 |
| 0615 Large Industrial New Constructi | 58,636,000 | 113,567,064 | 58,636,000 | 113,567,064 | 113,567,064 | 113,567,064 | 2,021,197 | 1,333,971 | 1,333,971 | 687,226 | 532,147 | 4,536 | 139,273 | 11,271 | 0 | 0 |
| 0910 Other Property Classes | 500,165,751 | 948,749,927 | 500,165,751 | 948,749,927 | 948,749,927 | 948,749,927 | 18,150,322 | 11,144,119 | 11,144,119 | 7,006,293 | 5,425,183 | 46,241 | 1,419,877 | 114,902 | 0 | 0 |
| 0710 Pipelines | 95,035,000 | 162,794,955 | 95,035,000 | 162,794,955 | 162,794,955 | 162,794,955 | 3,337,733 | 1,912,208 | 1,912,208 | 1,425,525 | 1,103,841 | 9,408 | 288,897 | 23,379 | 0 | 0 |
| 0810 Other Property Classes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0810 Adj. for shared P/L properties | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 281,978 | 281,978 | -281,978 | -218,347 | -1,861 | -57,146 | -4,624 | 0 | 0 |
| 0910 Supplementary Taxes | 39,287,990,399 | 45,669,093,837 | 39,287,990,399 | 45,669,093,837 | 45,669,093,837 | 45,669,093,837 | 9,952,198 | 7,976,176 | 7,976,176 | 1,976,022 | 1,830,380 | 2,917 | 135,253 | 7,472 | 0 | 0 |
| 9180 Total Levied by Rate | 107,977,771 | 209,219,928 | 106,442,771 | 206,226,678 | 206,226,678 | 206,226,678 | 3,395,581 | 2,422,360 | 2,422,360 | 973,221 | 732,342 | 0 | 137,035,981 | 661,318 | 24,438,440 | 1,434,185 |
| 9190 Amts Added to Tax Bill | 13,160,000 | 25,662,000 | 13,160,000 | 25,662,000 | 25,662,000 | 25,662,000 | 455,717 | 301,429 | 301,429 | 155,288 | 110,502,038 | 44,743 | 381 | 11,710 | 948 | 0 |
| 9192 Other Taxation Amounts | 44,391,200 | 86,562,840 | 44,391,200 | 86,562,840 | 86,562,840 | 86,562,840 | 1,298,250 | 1,016,777 | 1,016,777 | 281,473 | 110,546,781 | 661,659 | 24,450,150 | 1,435,133 | 0 | 0 |
| 9199 TOTAL before Adj. | 165,528,971 | 321,444,768 | 163,993,971 | 318,451,518 | 318,451,518 | 318,451,518 | 5,150,548 | 3,740,566 | 3,740,566 | 1,409,982 | 1,103,841 | 9,408 | 288,897 | 23,379 | 0 | 0 |

2. Payments-in-Lieu of Taxation

| Property Class Group | P/L Asmt. (CVA) | | Phase-In P/L Asmt. (CVA) | | Phase-In P/L Asmt. (Wtd & Disc CVA) | | Total P/Ls Levied | | Municipal P/Ls | | Education P/Ls | |
|--------------------------------------|-----------------|-------------|--------------------------|-------------|-------------------------------------|-------------|-------------------|-----------|----------------|---|----------------|--|
| | 16 | 2 | 18 | 18 | 17 | 17 | 3 | 5 | 4 | 5 | 6 | |
| 1010 Residential | 1,435,000 | 1,435,000 | 269,000 | 269,000 | 269,000 | 269,000 | 3,283 | 3,159 | 3,159 | 0 | 124 | |
| 1050 Multi-residential | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 1110 Farmland | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 1140 Managed Forests | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 9210 Subtotal | 1,435,000 | 1,435,000 | 269,000 | 269,000 | 269,000 | 269,000 | 3,283 | 3,159 | 3,159 | 0 | 124 | |
| 1210 Commercial | 107,977,771 | 209,219,928 | 106,442,771 | 206,226,678 | 206,226,678 | 206,226,678 | 3,395,581 | 2,422,360 | 2,422,360 | 0 | 973,221 | |
| 1215 Commercial New Construction | 13,160,000 | 25,662,000 | 13,160,000 | 25,662,000 | 25,662,000 | 25,662,000 | 455,717 | 301,429 | 301,429 | 0 | 155,288 | |
| 1310 Parking Lot | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 1320 Office Building | 44,391,200 | 86,562,840 | 44,391,200 | 86,562,840 | 86,562,840 | 86,562,840 | 1,298,250 | 1,016,777 | 1,016,777 | 0 | 281,473 | |
| 1325 Office Building New Constructi | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 1340 Shopping Centre | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 1345 Shopping Centre New Constructi | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 9220 Subtotal | 165,528,971 | 321,444,768 | 163,993,971 | 318,451,518 | 318,451,518 | 318,451,518 | 5,150,548 | 3,740,566 | 3,740,566 | 0 | 1,409,982 | |
| 1510 Industrial | 304,600 | 415,779 | 304,600 | 415,779 | 415,779 | 415,779 | 4,884 | 4,884 | 4,884 | 0 | 0 | |
| 1515 Industrial New Construction | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 1610 Large Industrial | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 1615 Large Industrial New Constructi | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 9230 Subtotal | 304,600 | 415,779 | 304,600 | 415,779 | 415,779 | 415,779 | 4,884 | 4,884 | 4,884 | 0 | 0 | |
| 1718 Pipelines | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 1810 Other Property Classes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 9270 Supplementary P/Ls | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 9280 Total Levied by Rate | 167,268,571 | 323,295,547 | 164,567,571 | 319,136,297 | 319,136,297 | 319,136,297 | 5,156,715 | 3,748,609 | 3,748,609 | 0 | 1,410,106 | |
| 9290 Amts Added to P/Ls | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 9292 Other P/L Amounts | 0 | 0 | 0 | 0 | 0 | 0 | 3,966,630 | 3,914,443 | 3,914,443 | 0 | 52,187 | |
| 9299 TOTAL before Adj. | 167,268,571 | 323,295,547 | 164,567,571 | 319,136,297 | 319,136,297 | 319,136,297 | 9,904,041 | 8,441,748 | 8,441,748 | 0 | 1,462,293 | |

Part 3 contains Distribution of P/Ls by School Boards

FIR2016: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 40
CONSOLIDATED STATEMENT OF OPERATIONS: EXPENSES
for the year ended December 31, 2016

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
|--|---------------------------------------|----------------------------|-------------|---------------------|------------------------------|--------------------|--------------|-----------------------------------|------------------------------|--------------------------------|----------------------------------|----|----|----|
| | 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 | | | |
| Social Housing | | | | | | | | | | | | | | |
| 1410 Public Housing | 4,465,301 | | 1,380,663 | 6,574,658 | 488,395 | 19,431,824 | 1,518,718 | 18,434,733 | | 19,549 | 18,654,301 | | | |
| 1420 Non-Profit/Cooperative Housing | | 219,822 | 2,483,688 | 1,129,145 | 431,899 | 117,418 | 4,168,978 | 14,700,773 | | 652,932 | 15,353,745 | | | |
| 1430 Rent Supplement Programs | 1,447,427 | | 2,646,961 | 503,431 | 713,001 | | 23,549 | 12,822,974 | | 1,697,461 | 14,500,435 | | | |
| 1487 Other Social Housing | 63,382 | | 1,400,774 | 263,822 | 19,110 | | 260,856 | 3,720,864 | | 141,435 | 3,862,299 | | | |
| 1499 Affordable Housing | 5,976,690 | | 1,466,148 | 9,010,573 | 551,099 | 26,484,954 | 1,528,103 | 44,977,577 | | 218,382 | 45,195,879 | | | |
| Subtotal | | | | | | | | | | | | | | |
| Recreation and cultural services | | | | | | | | | | | | | | |
| 1610 Parks | 8,298,883 | | 2,483,688 | 1,129,145 | 431,899 | 117,418 | 4,168,978 | 14,700,773 | | 652,932 | 15,353,745 | | | |
| 1620 Recreation programs | 8,628,014 | | 2,646,961 | 503,431 | 713,001 | | 23,549 | 12,822,974 | | 1,697,461 | 14,500,435 | | | |
| 1631 Rec. Fac. - Golf Crs, Memns, Ski Hill | 1,759,362 | | 1,400,774 | 263,822 | 19,110 | | 260,856 | 3,720,864 | | 141,435 | 3,862,299 | | | |
| 1634 Rec. Fac. - All Other | 5,691,087 | | 1,815,000 | 2,841,297 | 29,951 | | 5,591,705 | 15,714,009 | | 4,489,527 | 20,184,436 | | | |
| 1640 Libraries | 14,509,469 | | 5,375,641 | 961,050 | 543,705 | | 3,282,909 | 25,142,543 | | 32,315 | 25,174,858 | | | |
| 1645 Museums | 242,282 | | 50,409 | 4,396 | 52,894 | | 8,511 | 383,474 | | 36,440 | 389,914 | | | |
| 1650 Cultural services | 1,962,754 | | 2,489,329 | 823,834 | 16,135 | 1,590,139 | 1,175,009 | 8,097,000 | | 72,239 | 8,169,239 | | | |
| 1658 Other Cultural Services | 39,258,731 | | 15,484,582 | 6,326,575 | 1,847,695 | 1,718,688 | 14,489,995 | 60,574,457 | | 5,545 | 67,651,391 | | | |
| Subtotal | | | | | | | | | | | | | | |
| Planning and development | | | | | | | | | | | | | | |
| 1810 Planning and zoning | 7,141,599 | | 135,420 | 665,501 | 282,001 | | 34,863 | 8,266,964 | | 720,786 | 8,987,770 | | | |
| 1820 Commercial and industrial | 4,414,330 | | 8,692,086 | 2,972,458 | 584,739 | 4,382,870 | 1,907,369 | 22,867,584 | | 171,917 | 23,039,501 | | | |
| 1830 Residential development | 1,513 | | 600,810 | 600,810 | | | 169,722 | 922,296 | | 16,115 | 938,471 | | | |
| 1840 Agriculture and reforestation | 425,196 | | 22,463 | 528,615 | | | 94,617 | 1,076,891 | | 73,244 | 1,144,135 | | | |
| 1850 The Agricultural/foreline assistance | | | | | | | | | | | | | | |
| 1898 Other Urban renewal | 11,968,918 | | 8,650,769 | 25,542 | 887,240 | 4,382,870 | 2,146,571 | 33,152,297 | | 643 | 26,185 | | | |
| 1899 Other | | | | | | | | | | 982,165 | 34,138,982 | | | |
| Subtotal | | | | | | | | | | | | | | |
| TOTAL | 389,757,577 | 10,382,784 | 117,365,465 | 117,871,267 | 30,386,443 | 190,885,120 | 154,372,214 | 1,020,841,880 | | 0 | 1,020,841,880 | | | |

FIR2016: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 42 ADDITIONAL INFORMATION for the year ended December 31, 2016

Additional information contained in Schedule 40

| | | 1 |
|--|---|-------------|
| | | \$ |
| Total of column 1 includes: | | |
| 5010 | Salaries and wages | 312,889,647 |
| 5020 | Employee benefits | 86,867,930 |
| 5099 | Total Salaries, Wages and Employee benefits (Not including line 5050) | 399,757,577 |
| 5050 | Salaries, Wages and Employee benefits capitalized on Schedule 51 | |
| 5098 | Total Salaries, Wages and Employee benefits (including capitalized wages) | 399,757,577 |
| Total of column 3 includes: | | |
| 5110 | Amounts for tax write-offs reported in SLC 40 0250 03 | 2,595,098 |
| Total of column 4 includes: | | |
| 5210 | Municipal Property Assessment Corporation (MPAC) | 466,798 |
| Total of column 5 includes: | | |
| 5610 | Short term interest costs | 42 |
| Total of column 6 includes: | | |
| 5810 | Grants to charitable and non-profit organizations | 3,872,441 |
| 5820 | Grants to universities and colleges | 79,418 |
| 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 <input type="text"/> | |
| 5896 | Other <input type="text"/> | |
| 5897 | Other Tourism London | 19,960,977 |
| 5898 | Other Conservation Authority-Thames & Kettle Creek | 3,516,372 |
| Total of column 11 includes: | | |
| 6010 | Payments for long term commitments and liabilities financed from the consolidated statement of operations | |

FIR2016: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 51
SCHEDULE OF TANGIBLE CAPITAL ASSETS
for the year ended December 31, 2016

ANALYSIS BY FUNCTIONAL CLASSIFICATION

COST

AMORTIZATION

| | 2016 | | | | 2016 | | | | 2016 | | | | 2016 | | | |
|---|------------------------|------------------------|---------------------------|-------------------|----------------|---------------------------|-----------------------------------|---------------------|-----------------------|-----------------------------------|-----------------------------|--|------|--|--|--|
| | Opening Net Book Value | Operating Cost Balance | Additions and Betterments | Disposals | Write Downs | 2016 Closing Cost Balance | 2016 Opening Amortization Balance | Annual Amortization | Amortization Disposal | 2016 Closing Amortization Balance | 2016 Closing Net Book Value | | | | | |
| Social Housing | 50,666,053 | 114,741,900 | 1,721,673 | 308,178 | 5 | 116,154,495 | 64,075,747 | 1,516,718 | 308,178 | 65,283,287 | 50,871,208 | | | | | |
| 1410 Public Housing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | |
| 1420 Non-Profit/Cooperative Housing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | |
| 1430 Rent Supplement Programs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | |
| 1497 Other Affordable Housing | 33,304 | 108,777 | 9,075 | 65,299 | 5 | 52,553 | 75,473 | 11,385 | 65,299 | 21,559 | 30,994 | | | | | |
| 1498 Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | |
| 1499 Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | |
| Subtotal | 50,666,053 | 114,741,900 | 1,721,673 | 308,178 | 5 | 116,154,495 | 64,075,747 | 1,516,718 | 308,178 | 65,283,287 | 50,871,208 | | | | | |
| Recreation and cultural services | 191,219,979 | 229,958,761 | 7,471,223 | 2,209,283 | 105,276 | 235,220,701 | 38,738,782 | 4,149,976 | 2,209,283 | 40,679,475 | 194,541,226 | | | | | |
| 1610 Parks | 132,674 | 204,774 | 24,897 | 7,946 | 0 | 221,725 | 72,100 | 23,549 | 7,946 | 87,703 | 134,022 | | | | | |
| 1620 Recreation programs | 2,560,264 | 6,287,335 | 29,695 | 181,841 | 0 | 6,135,189 | 3,718,071 | 260,656 | 181,841 | 3,797,086 | 2,338,103 | | | | | |
| 1631 Rec. Fac. - Golf Crs, Marina, Ski Hill | 80,225,983 | 145,444,566 | 763,800 | 2,255,413 | 0 | 143,952,973 | 65,218,983 | 5,591,765 | 2,255,413 | 68,554,975 | 75,397,598 | | | | | |
| 1634 Rec. Fac. - All Other | 26,967,011 | 58,270,020 | 2,005,350 | 1,784,750 | 0 | 58,489,620 | 31,303,009 | 3,282,509 | 1,784,750 | 32,801,168 | 25,689,452 | | | | | |
| 1640 Libraries | 13,470 | 38,729 | 12,832 | 0 | 0 | 51,561 | 25,259 | 10,434 | 0 | 35,693 | 15,866 | | | | | |
| 1645 Museums | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | |
| 1650 Cultural services | 13,633,211 | 25,185,384 | 1,083,768 | 259,326 | 105,276 | 25,904,550 | 11,552,173 | 1,189,537 | 364,602 | 12,357,108 | 13,547,442 | | | | | |
| 1698 Other | 6,615 | 10,176 | 0 | 0 | 0 | 10,176 | 3,561 | 1,020 | 0 | 4,581 | 5,595 | | | | | |
| 1699 Other | 314,768,127 | 465,399,765 | 11,391,165 | 6,698,559 | 105,276 | 469,997,095 | 150,631,638 | 14,489,986 | 6,803,835 | 158,317,789 | 311,669,306 | | | | | |
| Subtotal | 191,219,979 | 229,958,761 | 7,471,223 | 2,209,283 | 105,276 | 235,220,701 | 38,738,782 | 4,149,976 | 2,209,283 | 40,679,475 | 194,541,226 | | | | | |
| Planning and development | 104,739 | 353,187 | 23,427 | 99,981 | 0 | 276,633 | 248,448 | 34,863 | 99,981 | 183,330 | 93,303 | | | | | |
| 1810 Planning and zoning | 30,301,017 | 55,181,966 | 14,772,954 | 13,606 | 0 | 70,954,520 | 25,080,947 | 1,907,369 | 13,606 | 27,788,316 | 43,166,204 | | | | | |
| 1820 Commercial and industrial | 1,416,385 | 2,196,745 | 2,533 | 0 | 0 | 2,183,139 | 778,360 | 109,722 | 0 | 874,476 | 1,308,653 | | | | | |
| 1830 Residential development | 1,366,245 | 1,883,243 | 0 | 0 | 0 | 1,883,276 | 517,096 | 94,617 | 0 | 611,715 | 1,274,561 | | | | | |
| 1840 Agriculture and reforestation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | |
| 1850 The drainage/stormwater assistance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | |
| 1898 Other | 33,190,386 | 60,615,241 | 14,798,914 | 113,587 | 0 | 75,300,568 | 27,424,853 | 2,146,571 | 113,587 | 29,457,837 | 45,842,731 | | | | | |
| 1899 Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | |
| Subtotal | 104,739 | 353,187 | 23,427 | 99,981 | 0 | 276,633 | 248,448 | 34,863 | 99,981 | 183,330 | 93,303 | | | | | |
| Total Tangible Capital Assets | 3,314,573,171 | 5,122,213,687 | 263,120,952 | 61,158,423 | 105,276 | 5,324,070,940 | 1,807,640,514 | 154,373,214 | 53,321,368 | 1,906,662,360 | 3,415,378,560 | | | | | |

FIR2016: London C

Schedule 51

Asmt Code: 3936

SCHEDULE OF TANGIBLE CAPITAL ASSETS

MAH Code: 59101

for the year ended December 31, 2016

SEGMENTED BY ASSET CLASS

| | | 2016 Opening Net Book Value (NBV) 1 \$ | 2016 Closing Net Book Value (NBV) 11 \$ |
|-------------------------------|---|--|---|
| General Capital Assets | | | |
| 2005 | Land | 405,173,867 | 416,153,866 |
| 2010 | Land Improvements | 72,061,163 | 72,722,378 |
| 2020 | Buildings | 323,865,334 | 334,135,253 |
| 2030 | Machinery & Equipment | 80,890,369 | 89,504,913 |
| 2040 | Vehicles | 4,645,767 | 5,846,901 |
| 2097 | Other <input type="text"/> | 0 | |
| 2098 | Other <input type="text"/> Computers | 11,966,715 | 13,883,481 |
| 2099 | Total General Capital Assets | 898,603,215 | 932,246,792 |
| Infrastructure Assets | | | |
| 2205 | Land | 0 | |
| 2210 | Land Improvements | 0 | |
| 2220 | Buildings | 190,790,760 | 182,035,206 |
| 2230 | Machinery & Equipment | 73,670,143 | 67,421,121 |
| 2240 | Vehicles | 43,687,733 | 44,460,509 |
| 2250 | Linear Assets | 2,107,821,320 | 2,189,214,952 |
| 2297 | Other <input type="text"/> | 0 | |
| 2298 | Other <input type="text"/> | 0 | |
| 2299 | Total Infrastructure Assets | 2,415,969,956 | 2,483,131,788 |
| 9920 | Total Tangible Capital Assets | 3,314,573,171 | 3,415,378,580 |
| 2405 | Construction-in-progress | 171,699,282 | 198,662,494 |
| 9921 | Total Tangible Capital Assets and Construction-in-progress | 3,486,272,453 | 3,614,041,074 |

FIR2016: London C

Schedule 51

Asmt Code: 3936

SCHEDULE OF TANGIBLE CAPITAL ASSET: CONSTRUCTION-IN-PROGRESS

MAH Code: 59101

for the year ended December 31, 2016

ANALYSIS BY FUNCTIONAL CLASSIFICATION

| | | COST | | | |
|-------------|---|----------------------|----------------------|-------------------------|----------------------|
| | | 2016 Opening Balance | Expenditures in 2016 | Less Assets Capitalized | 2016 Closing Balance |
| | | 1 | 2 | 3 | 4 |
| | | \$ | \$ | \$ | \$ |
| 0299 | General government | 2,974,525 | 4,325,824 | 2,591,618 | 4,708,731 |
| | Protection services | | | | |
| 0410 | Fire | 0 | 2,142,934 | | 2,142,934 |
| 0420 | Police | 748,892 | 343,804 | 506,574 | 586,122 |
| 0421 | Court Security | 0 | | | 0 |
| 0422 | Prisoner Transportation | 0 | | | 0 |
| 0430 | Conservation authority | 0 | | | 0 |
| 0440 | Protective inspection and control | 39,912 | 41,046 | | 80,958 |
| 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 | | 0 | | | 0 |
| | Subtotal | 788,804 | 2,527,784 | 506,574 | 2,810,014 |
| | Transportation services | | | | |
| 0611 | Roads - Paved | 24,540,654 | 23,363,506 | 20,545,236 | 27,358,924 |
| 0612 | Roads - Unpaved | 0 | | | 0 |
| 0613 | Roads - Bridges and Culverts | 453,850 | 463,629 | 427,962 | 489,517 |
| 0614 | Roadways - Traffic Operations & Roadside | 964,622 | 485,532 | 915,161 | 534,993 |
| 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 | 89,081 | 45,586 | 74,565 | 60,102 |
| 0650 | Street lighting | 1,255,181 | 334,829 | 1,240,626 | 349,384 |
| 0660 | Air transportation | 0 | | | 0 |
| 0698 | Other | 0 | | | 0 |
| 0699 | | 0 | | | 0 |
| | Subtotal | 27,303,388 | 24,693,082 | 23,203,550 | 28,792,920 |
| | Environmental services | | | | |
| 0811 | Wastewater collection/conveyance | 15,149,555 | 13,671,693 | 14,130,238 | 14,691,010 |
| 0812 | Wastewater treatment & disposal | 13,571,320 | 25,425,155 | 2,797,781 | 36,198,694 |
| 0821 | Urban storm sewer system | 24,534,626 | 12,883,968 | 13,130,664 | 24,287,930 |
| 0822 | Rural storm sewer system | 0 | | | 0 |
| 0831 | Water treatment | 14,819,444 | 2,035,941 | 14,159,926 | 2,695,459 |
| 0832 | Water distribution/transmission | 66,851,199 | 17,113,310 | 11,842,394 | 72,122,115 |
| 0840 | Solid waste collection | 0 | | | 0 |
| 0850 | Solid waste disposal | 133,998 | 17,355 | 94,823 | 56,530 |
| 0860 | Waste diversion | 0 | | | 0 |
| 0898 | Other | 0 | | | 0 |
| 0899 | | 0 | | | 0 |
| | Subtotal | 135,060,142 | 71,147,422 | 56,155,826 | 150,051,738 |
| | 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 | | 0 | | | 0 |
| | Subtotal | 0 | 0 | 0 | 0 |
| | Social and family services | | | | |
| 1210 | General assistance | 0 | 12,817 | | 12,817 |
| 1220 | Assistance to aged persons | 0 | 292,953 | | 292,953 |
| 1230 | Child care | 0 | | | 0 |
| 1298 | Other | 0 | | | 0 |
| 1299 | | 0 | | | 0 |
| | Subtotal | 0 | 305,770 | 0 | 305,770 |
| | 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 | | 0 | | | 0 |
| | Subtotal | 0 | 0 | 0 | 0 |
| | Recreation and cultural services | | | | |
| 1610 | Parks | 585,787 | 578,620 | 346,800 | 817,607 |
| 1620 | Recreation programs | 0 | | | 0 |
| 1631 | Rec. Fac - Golf Crs, Marina, Ski Hill | 0 | | | 0 |
| 1634 | Rec. Fac - All Other | 1,218,785 | 9,538,973 | 6,100 | 10,751,658 |
| 1640 | Libraries | 0 | | | 0 |
| 1645 | Museums | 0 | | | 0 |
| 1650 | Cultural services | 333,268 | 330,200 | 325,495 | 337,973 |
| 1698 | Other | 0 | | | 0 |
| 1699 | | 0 | | | 0 |
| | Subtotal | 2,137,840 | 10,447,793 | 678,395 | 11,907,238 |
| | Planning and development | | | | |
| 1810 | Planning and zoning | 0 | | | 0 |
| 1820 | Commercial and Industrial | 3,434,583 | 4,299 | 3,434,583 | 4,299 |
| 1830 | Residential development | 0 | 81,784 | | 81,784 |
| 1840 | Agriculture and reforestation | 0 | | | 0 |
| 1850 | Tile drainage/shoreline assistance | 0 | | | 0 |
| 1898 | Other | 0 | | | 0 |
| 1899 | | 0 | | | 0 |
| | Subtotal | 3,434,583 | 86,083 | 3,434,583 | 86,083 |
| 1910 | Other | 0 | | | 0 |
| 9910 | Total Construction-In-Progress | 171,699,282 | 113,533,758 | 86,570,546 | 198,662,494 |

FIR2016: 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, 2016

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (NET DEBT)

| | | 1 |
|------|--|---------------------|
| | | \$ |
| 1010 | Annual Surplus/(Deficit) (SLC 10 2099 01) | 166,938,861 |
| 1020 | Acquisition of tangible capital assets | -253,385,959 |
| 1030 | Amortization of tangible capital assets (SLC 51 9910 08) | 154,373,214 |
| 1031 | Contributed (Donated) tangible capital assets | -37,473,944 |
| 1032 | Change in construction-in-progress | |
| 1040 | (Gain)/Loss on sale of tangible capital assets | 4,062,133 |
| 1050 | Proceeds on sale of tangible capital assets | 4,724,821 |
| 1060 | Write-downs of tangible capital assets | |
| 1070 | Other | |
| 1071 | Other | |
| 1099 | Subtotal | -127,699,735 |
| 1210 | Change in supplies inventories | 221,713 |
| 1220 | Change in prepaid expenses | 822,983 |
| 1230 | Other | |
| 1299 | Subtotal | -1,044,696 |
| 1410 | (Increase)/decrease in net financial assets/net debt | 38,194,430 |
| 1420 | Net financial assets (net debt), beginning of year | 197,000,457 |
| 9910 | Net financial assets (net debt), end of year | 235,194,887 |

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) | 676,923 |
| 0260 | Construction Financing Debentures | |
| 0265 | Infrastructure Ontario | |
| 0297 | Other | |
| 0298 | Other | |
| 0299 | Subtotal | 676,923 |
| 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) | 97,717,119 |
| 0410 | Municipal User Fees & Service Charges | |
| 0415 | Development Charges (SLC 61 0299 08) | 17,084,142 |
| 0416 | Recreation land (The Planning Act) (SLC 60 1032 01) | 255,994 |
| 0419 | Donations | |
| 0420 | Other | |
| 0446 | Proceeds from the sale of Tangible Capital Assets, etc | |
| 0447 | Investment income | |
| 0448 | Prepaid special charges | |
| 0495 | Other | |
| 0496 | Other | |
| 0497 | Other | |
| 0498 | Other | |
| 0501 | Subtotal | 115,069,755 |
| Government Transfers | | |
| 0425 | Capital Grants: Federal (SLC 12 9910 06 - (SLC 10 4099 01 - SLC 60 1047 01) | 1,616,783 |
| 0430 | Capital Grants: Provincial (SLC 12 9910 05 - (SLC 10 4019 01 - SLC 60 1045 01) | 1,479,601 |
| 0435 | Capital Grants: Other Municipalities (SLC 12 9910 07) | 0 |
| 0440 | Canada Gas Tax (SLC 10 4099 01) | 19,422,483 |
| 0445 | Provincial Gas Tax (SLC 10 4019 01) | 2,674,152 |
| 0502 | Subtotal | 25,193,019 |
| 0499 | Subtotal | 140,262,774 |
| 0610 | Contributed (Donated) tangible capital assets | 37,473,944 |
| 9920 | Total Capital Financing | 178,413,641 |
| 0610 | Unexpended Capital Financing or (Unfinanced Capital Outlay) | -112,446,262 |

FIR2016: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 54
CONSOLIDATED STATEMENT OF CASH FLOW - INDIRECT METHOD

for the year ended December 31, 2016

*** 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**

| | | 2016 Actual 1 \$ |
|-------------------------------|---|---------------------------|
| Operating Transactions | | |
| 2010 | Annual Surplus/(Deficit) (SLC 10 2099 01) | 166,938,861 |
| 2020 | Non-cash items including amortization | 143,756,197 |
| 2021 | Contributed (Donated) tangible capital assets | -37,473,944 |
| 2022 | Change in non-cash assets and liabilities | 20,665,805 |
| 2030 | Prepaid expenses | -622,725 |
| 2040 | Change in deferred revenue | 51,162,384 |
| 2096 | Other <input type="text"/> | |
| 2097 | Other <input type="text"/> | |
| 2098 | Other <input type="text"/> | |
| 2099 | Cash provided by operating transactions | 344,426,578 |
| Capital Transactions | | |
| 0610 | Proceeds on sale of tangible capital assets | 4,724,821 |
| 0620 | Cash used to acquire tangible capital assets | -252,709,036 |
| 0630 | Change in construction-in-progress | |
| 0698 | Other <input type="text"/> | |
| 0699 | Cash applied to capital transactions | -247,984,215 |
| Investing Transactions | | |
| 0810 | Proceeds from portfolio investments | |
| 0820 | Portfolio investments | -104,821,522 |
| 0898 | Other <input type="text"/> | 11,249,628 |
| 0899 | Cash provided by / (applied to) investing transactions | -93,571,894 |
| Financing Transactions | | |
| 1010 | Proceeds from long term debt issues | 26,894,851 |
| 1020 | Principal long term debt repayment | -56,755,981 |
| 1030 | Temporary loans | |
| 1031 | Repayment of temporary loans | |
| 1096 | Other <input type="text"/> | 0 |
| 1097 | Other <input type="text"/> | |
| 1098 | Other <input type="text"/> | |
| 1099 | Cash applied to financing transactions | -29,861,130 |
| 1210 | Increase in cash and cash equivalents | -26,990,661 |
| 1220 | Cash and cash equivalents, beginning of year | 357,263,642 |
| 9920 | Cash and cash equivalents, end of year | 330,272,981 |

| | | 2016 Actual 1 \$ |
|--|--|---------------------------|
| Cash and cash equivalents represented by: | | |
| 1401 | Cash | 300,160,981 |
| 1402 | Temporary borrowings | |
| 1403 | Short term investments | 30,112,000 |
| 1404 | Other <input type="text"/> | |
| 9940 | Cash and cash equivalents, end of year | 330,272,981 |
| Cash: | | |
| 1501 | Unrestricted | 106,066,834 |
| 1502 | Restricted | 224,206,147 |
| 1503 | Unallocated | |
| 9950 | Cash and cash equivalents, end of year | 330,272,981 |

2010-21-03

FIR2016: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 60 CONTINUITY OF RESERVES AND RESERVE FUNDS

for the year ended December 31, 2016

| | Obligatory Res. Funds, Deferred Rev. | Discretionary Res. Funds | Reserves |
|--|---|--------------------------|--------------------|
| | 1 | 2 | 3 |
| | \$ | \$ | \$ |
| 0299 Balance, beginning of year | 179,490,021 | 453,351,808 | 120,962,656 |
| 0310 Allocation of Surplus | | 105,076,034 | 25,958,459 |
| 0315 Allocation of Surplus : for operating | | 92,272,575 | 27,303,153 |
| 0320 Allocation of Surplus : for capital | | 12,803,459 | -1,344,694 |
| Development Charges Act | | | |
| 0610 Non-discounted services | 57,437,172 | | |
| 0620 Discounted services | 4,398,160 | | |
| 0630 Credits utilized (Development Charges Act) (SLC 61 0299 05) | 0 | | |
| 0699 Subtotal Development Charges Act | 61,835,332 | | |
| 0810 Lot levies | | | |
| 0820 Subdivider contributions | | | |
| 0830 Recreational land (the Planning Act) | 1,385,676 | | |
| 0841 Investment Income | 3,355,045 | 8,876,731 | 953,575 |
| 0860 Gasoline Tax - Province | 9,701,719 | | |
| 0861 Building Code Act, 1992 (Section 1.9.1.1 (d)) | | | |
| 0862 Gasoline Tax - Federal | 6,461,408 | | |
| 0864 Building Canada Fund (BCF) | | | |
| 0870 Inter - Reserve Fund / Reserves Transfer | | | |
| 0895 Other | | | |
| 0896 Other | | | |
| 0897 Other | | | |
| 0898 Other | | | |
| 9940 TOTAL Revenues & Surplus | 82,739,180 | 113,952,765 | 26,912,034 |
| Less: Utilization of reserve funds and reserves (transfers) | | | |
| 1012 For acquisition of tangible capital asset | | 91,755,453 | 5,961,666 |
| 1015 For current operations | 1,517,230 | 9,492,558 | 1,139,976 |
| 1025 Development Charges earned to tangible capital asset acquisition (SLC 61 0299 08) | 17,084,142 | | |
| 1026 Development Charges earned to operations (SLC 61 0299 07) | 0 | | |
| 1032 Recreational land (the Planning Act) earned to tangible capital asset acquisition | 255,994 | | |
| 1035 Recreational land (the Planning Act) earned to operations | | | |
| 1042 Deferred revenue earned (Provincial Gas Tax) for Transit (Operations) | 6,609,400 | | |
| 1045 Deferred revenue earned (Provincial Gas Tax) for Transit (Capital) | 2,674,153 | | |
| 1047 Deferred revenue earned (Canada Gas Tax) | 3,619,579 | | |
| 1055 Development Charges Act - Credits Provided (SLC 61 0299 10) | 74,655 | | |
| 1070 Inter - Reserve Fund / Reserves Transfer | | -1,000,924 | 1,000,924 |
| 0910 Less: Utilization (deferred revenue recognized) | 31,835,153 | 100,247,087 | 8,102,566 |
| 2099 Balance, end of year | 230,394,048 | 467,057,486 | 139,772,124 |

2010-11-01

FIR2016: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 60 CONTINUITY OF RESERVES AND RESERVE FUNDS

for the year ended December 31, 2016

Totals in line 2099 are analysed as follows:

| | Obligatory Res. Funds, Deferred Rev. 1 \$ | Discretionary Res. Funds 2 \$ | Reserves 3 \$ |
|--|--|-------------------------------------|---------------------|
| 5010 Working funds | | | 13,317,651 |
| 5020 Contingencies | | 221,272 | 112,676,752 |
| Asset Replacement funds for: Sewer & Water | | | |
| 5030 Sewer | | | |
| 5040 Water | | | |
| 5050 Replacement of equipment | | 19,456,323 | 133,961 |
| 5060 Sick leave | | 3,107,292 | 14,652 |
| 5070 Insurance | | 14,203,466 | |
| 5080 Workplace Safety and Insurance Board (WSIB) | | 12,564,514 | |
| 5090 Post-employment benefits | | 3,551,126 | |
| 5091 Tax rate stabilization | | | |
| 5630 Lot levies | | | |
| 5660 Parking revenues | | 534,397 | |
| 5670 Debenture repayment | | | |
| 5680 Exchange rate stabilization | | | |

Per Service Purpose:

| | | | |
|--|--|-------------|-----------|
| 5205 General government | | 29,809,745 | 2,004,641 |
| 5210 Protection services | | 4,406,556 | 424,768 |
| Transportation services: | | | |
| 5215 Roadways | | | |
| 5216 Winter Control | | | |
| 5220 Transit | | 5,154,473 | 9,154,150 |
| 5221 Parking | | | |
| 5222 Street lighting | | | |
| 5223 Air transportation | | | |
| Environmental services: | | | |
| 5225 Wastewater system | | 86,139,799 | |
| 5230 Storm water system | | 3,832,287 | |
| 5235 Waterworks system | | 69,876,244 | |
| 5240 Solid waste collection | | | |
| 5245 Solid waste disposal | | 11,935,351 | |
| 5246 Waste diversion | | 1,249,530 | |
| 5250 Health services | | | 24,007 |
| 5255 Social and family services | | 11,218,115 | 206,074 |
| 5260 Social housing | | 16,865,600 | |
| Recreation and cultural services: | | | |
| 5265 Parks | | 3,248,338 | |
| 5266 Recreation programs | | | |
| 5271 Recreation facilities - Golf Course, Marina, Ski Hill | | 342,800 | |
| 5274 Recreation facilities - All Other | | 122,736 | |
| 5275 Libraries | | 2,570,328 | 135,568 |
| 5276 Museums | | | |
| 5277 Cultural services | | 3,899,366 | |
| 5280 Planning and development | | 140,850,228 | 1,306,855 |
| 5290 Other <input type="text"/> Other <input type="text"/> | | 21,897,600 | 373,045 |

Obligatory Deferred Revenue:

| | | | |
|--|-------------|-------------|-------------|
| 5610 Development Charges Act - Non-discounted services | 109,596,649 | | |
| 5620 Development Charges Act - Discounted services | 61,107,190 | | |
| 5640 Subdivider contributions | | | |
| 5650 Recreational land (the Planning Act) | 2,792,849 | | |
| 5661 Building Code Act, 1992 (Section 1.9.1.1 (d)) | | | |
| 5690 Gasoline Tax - Province | 28,896,968 | | |
| 5691 Gasoline Tax - Federal | 28,000,392 | | |
| 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 | 230,394,048 | 467,057,486 | 139,772,124 |

FIR2016: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 61
DEVELOPMENT CHARGES RESERVE FUNDS
for the year ended December 31, 2016

| | 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 | 821,350 | 1,081,112 | 25,454 | | 1,106,566 | | 523,271 | | 1,333 | 524,604 | 1,403,312 | |
| 0210 Fire Protection | 2,035,453 | 169,102 | 39,394 | | 208,496 | | 384,995 | | 250 | 385,245 | 1,858,704 | |
| 0215 Police Protection | 2,191,215 | 604,698 | 10,108 | | 614,806 | | 93,921 | -1,221,057 | 505 | -1,314,473 | 4,120,494 | |
| 0220 Roads and Structures | 31,280,384 | 29,454,088 | 826,210 | | 30,280,298 | | 5,598,335 | 80,211 | 38,346 | 5,716,892 | 55,831,790 | |
| 0225 Transit | 3,693,616 | 682,583 | 65,378 | | 747,961 | | -287,488 | 0 | 787 | -286,701 | 4,128,478 | |
| 0230 Wastewater | 26,881,423 | 6,877,355 | 323,074 | | 7,200,429 | | 6,707,622 | 1,846,425 | 9,357 | 8,563,404 | 25,318,448 | |
| 0235 Stormwater | 27,453,163 | 13,619,389 | 550,866 | | 14,170,285 | | -584,075 | -24,864 | 15,421 | -693,518 | 42,316,966 | |
| 0240 Water | 14,019,428 | 2,279,240 | 284,935 | | 2,564,175 | | 153,861 | | 3,063 | 156,924 | 16,426,679 | |
| 0245 Emergency Medical Services | 0 | 0 | 0 | | 0 | | 0 | | 0 | 0 | 0 | |
| 0250 Home for the Aged | 0 | 0 | 0 | | 0 | | 0 | | 0 | 0 | 0 | |
| 0255 Daycare | 0 | 0 | 0 | | 0 | | 0 | | 0 | 0 | 0 | |
| 0260 Housing | 0 | 0 | 0 | | 0 | | 0 | | 0 | 0 | 0 | |
| 0265 Parkland Development | 0 | 0 | 0 | | 0 | | 0 | | 0 | 0 | 0 | |
| 0270 GO Transit | 0 | 0 | 0 | | 0 | | 0 | | 0 | 0 | 0 | |
| 0275 Library | 3,693,026 | | 68,080 | | 68,080 | | | | 35 | 35 | 3,761,071 | |
| 0280 Recreation | 12,979,842 | 3,715,577 | 242,265 | | 3,957,842 | | 2,138,203 | 393,867 | 3,510 | 2,535,580 | 14,402,104 | |
| 0285 Development Studies | 0 | 0 | 0 | | 0 | | 0 | | 0 | 0 | 0 | |
| 0286 Parking | 0 | 0 | 0 | | 0 | | 0 | | 0 | 0 | 0 | |
| 0287 Animal Control | 0 | 0 | 0 | | 0 | | 0 | | 0 | 0 | 0 | |
| 0288 Municipal Cemeteries | 0 | 0 | 0 | | 0 | | 0 | | 0 | 0 | 0 | |
| 0290 Urban Works | 419,902 | 3,352,178 | 9,100 | | 3,361,278 | | 2,643,339 | | 2,048 | 2,645,387 | 1,135,793 | |
| 0295 Other | 0 | 0 | 0 | | 0 | | 0 | | 0 | 0 | 0 | |
| 0296 Other | 0 | 0 | 0 | | 0 | | 0 | | 0 | 0 | 0 | |
| 0297 Other | 0 | 0 | 0 | | 0 | | 0 | | 0 | 0 | 0 | |
| TOTAL | 124,657,022 | 61,835,332 | 2,444,884 | 0 | 64,280,216 | 0 | 17,084,142 | 1,074,562 | 74,655 | 18,233,379 | 170,703,839 | |

FIR2016: London C

Schedule 70

Asmt Code: 3936

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MAH Code: 59101

for the year ended December 31, 2016

| Financial Assets | | 1 |
|-------------------------------------|---|-----------------------------|
| | | \$ |
| 0299 | Cash and cash equivalents | 330,272,981 |
| Accounts receivable | | |
| 0410 | Canada | 11,529,584 |
| 0420 | Ontario | 4,707,840 |
| 0430 | Upper-tier | |
| 0440 | Other municipalities | 1,617,697 |
| 0450 | School boards | 3,705,331 |
| 0490 | Other receivables | 32,619,081 |
| 0499 | | Subtotal 54,179,533 |
| Taxes receivable | | |
| 0610 | Current year's levies | 14,820,410 |
| 0620 | Previous year's levies | 6,520,308 |
| 0630 | Prior year's levies | 1,020,386 |
| 0640 | Penalties and interest | 2,207,374 |
| 0690 | LESS: Allowance for uncollectables | 6,358,411 |
| 0699 | | Subtotal 18,210,067 |
| Investments * | | |
| 0805 | Canada | 121,447,185 |
| 0810 | Ontario | 43,594,516 |
| 0815 | Municipal | |
| 0820 | Government business enterprises | 173,093,773 |
| 0828 | Other | 400,088,277 |
| 0829 | | Subtotal 738,223,751 |
| Debt Recoverable from Others | | |
| 0861 | Municipalities (SLC 74 0630 01) | 8,400,909 |
| 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 | |
| 0868 | Other | |
| 0845 | | Subtotal 8,400,909 |
| Other financial assets | | |
| 0830 | Inventories held for resale | 173,771 |
| 0831 | Land held for resale | 32,545,208 |
| 0835 | Notes receivable | 2,537,271 |
| 0840 | Mortgages receivable | |
| 0850 | Deferred taxes receivable | 8,387 |
| 0890 | Other | 6,866,629 |
| 0898 | | Subtotal 42,131,266 |
| 9930 | TOTAL Financial Assets | 1,191,418,507 |
| 8010 | * Market value of Investments included in Line 0829 | 745,616,810 |

FIR2016: London C

Schedule 70

Asmt Code: 3936

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MAH Code: 59101

for the year ended December 31, 2016

| Liabilities | | | \$ |
|--|---|--|---------------|
| Temporary loans | | | |
| 2010 | Operating purposes | | |
| Tangible Capital Assets | | | |
| 2020 | Canada | | |
| 2030 | Ontario | | |
| 2040 | Other | | |
| 2099 | | Subtotal | 0 |
| Accounts Payable | | | |
| 2210 | Canada | | 2,572,764 |
| 2220 | Ontario | | 10,818,339 |
| 2230 | Upper-tier | | |
| 2240 | Other municipalities | | 4,305,979 |
| 2250 | School boards | | 140,820 |
| 2260 | Interest on debt | | 1,932,650 |
| 2270 | Trade accounts payable | | 123,851,519 |
| 2290 | Other | | 32,009,012 |
| 2299 | | Subtotal | 175,631,083 |
| 2301 | Estimated Tax Liabilities (PS3510) | | |
| Deferred revenue | | | |
| 2410 | Obligatory reserve funds (SLC 60 2099 01) | | 230,394,048 |
| 2490 | Other | | 28,361,687 |
| 2499 | | Subtotal | 258,755,735 |
| Long term liabilities | | | |
| 2610 | Debt issued | | 319,374,670 |
| 2620 | Debt payable to others | | 16,168,718 |
| 2630 | Lease purchase agreements (Tangible capital leases) | | 1,381,189 |
| 2640 | Other | | |
| 2650 | Other | | |
| 2660 | LESS: Debt issued on behalf of Government Business Enterprise | | |
| 2699 | | Subtotal | 336,924,577 |
| Solid Waste Management Facility Liabilities | | | |
| 2799 | Solid waste landfill closure and post-closure | | 34,437,000 |
| Post employment benefits | | | |
| 2810 | Accumulated sick leave | | 3,199,823 |
| 2820 | Accrued vacation pay | | 16,300,532 |
| 2830 | Accrued pensions payable | | |
| 2840 | Accrued Workplaces Safety and Insurance Board claims (WSIB) | | 43,296,917 |
| 2898 | Other Post retirement benefit | | 86,377,953 |
| 2899 | | Subtotal post employment benefits | 149,175,225 |
| Liability for contaminated sites | | | |
| 2910 | Remediation costs of contaminated sites | | 1,380,000 |
| 9940 | | TOTAL Liabilities | 956,223,620 |
| 9945 | | Net Financial Assets / Net Debt (Total Financial Assets LESS Total Liabilities) | 235,194,887 |
| Non-Financial Assets | | | |
| 6210 | Tangible Capital Assets (SLC 51 9921 11) | | 3,614,041,074 |
| 6250 | Inventories of Supplies | | 4,174,533 |
| 6260 | Prepaid Expenses | | 24,585,821 |
| 6299 | | Total Non-Financial Assets | 3,642,801,428 |
| 9970 | | Total Accumulated Surplus/(Deficit) | 3,877,996,315 |
| Analysis of the Accumulated Surplus/(Deficit) | | | |
| 6410 | Equity in Tangible Capital Assets | | 3,645,205,090 |
| 6420 | Reserves and Reserve Funds (SLC 60 2099 02 + SLC 60 2099 03) | | 606,829,610 |
| 6430 | General Surplus/ (Deficit) | | |
| 6431 | Unexpended capital financing | | -22,884,288 |
| 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 | | 20,240 |
| 5076 | Other | | |
| 5077 | Other Covent Garden Market | | 1,502,293 |
| 5078 | Other | | |
| 5079 | Other Museum | | 60,888 |
| 5098 | | Total Local Boards | 1,583,421 |
| 5080 | Equity in Government Business Enterprises (SLC 10 6090 01) | | 173,093,774 |
| 6601 | Unfunded Employee Benefits | | -151,397,500 |
| 6602 | Unfunded Landfill closure costs | | -34,437,000 |
| 6603 | Unfunded Remediation costs of contaminated sites | | -1,300,000 |
| 6610 | Other Net long term debt | | -287,227,660 |
| 6620 | Other | | |
| 6630 | Other | | -51,469,132 |
| 6640 | Other | | |
| 6699 | | Total Other | -625,831,292 |
| 9971 | | Total Accumulated Surplus/(Deficit) | 3,877,996,315 |

FIR2016: London C

Single/Lower-Tier ONLY Schedule 72

Asmt Code: 3936

CONTINUITY OF TAXES RECEIVABLE

MAH Code: 59101

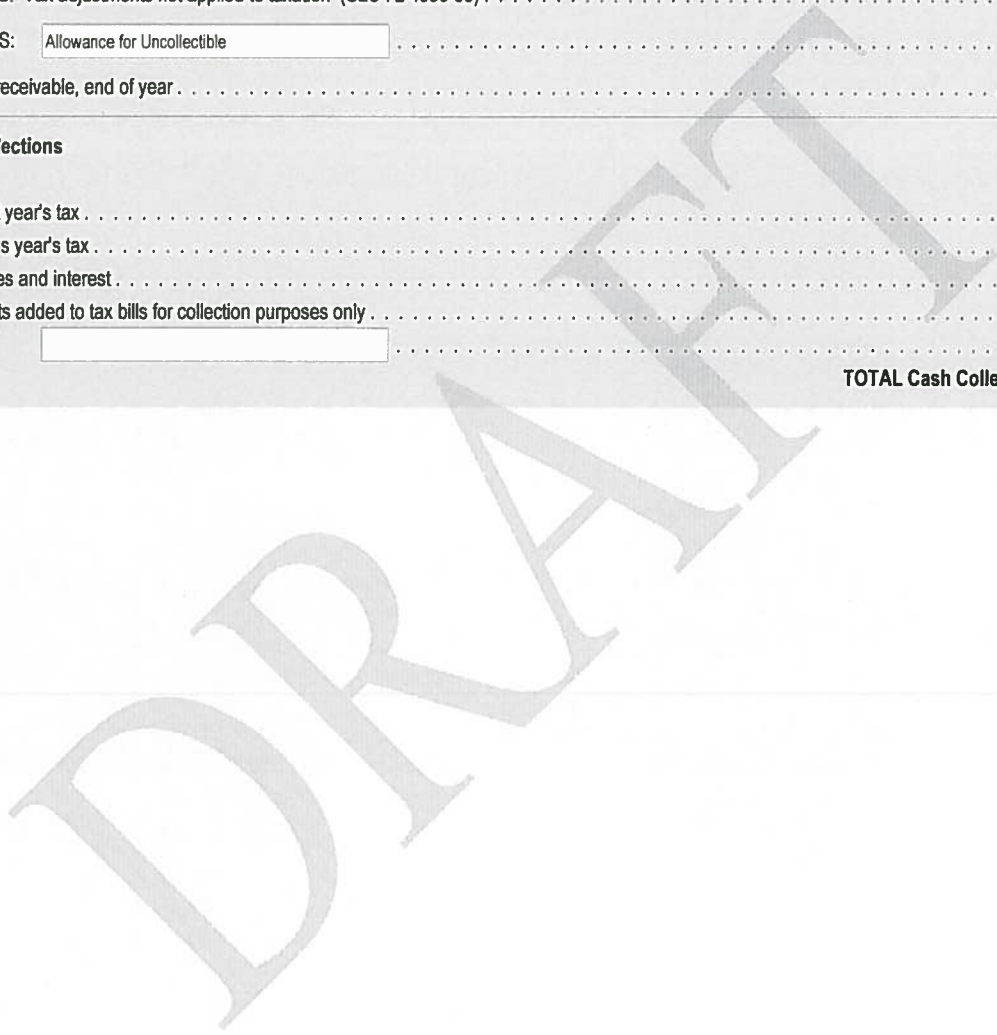
for the year ended December 31, 2016

Continuity of Taxes Receivable

| | | 9 |
|------|--|-------------|
| | | \$ |
| 0210 | Taxes receivable, beginning of year | 12,750,618 |
| 0215 | PLUS: Amounts added to tax bills for collection purposes only | 2,345,567 |
| 0220 | PLUS: Tax amounts levied in the year (SLC 26 9199 03) | 689,761,452 |
| 0225 | PLUS: Current Year Penalties and Interest | 1,838,765 |
| 0240 | LESS: Total cash collections (SLC 72 0699 09) | 678,826,413 |
| 0250 | LESS: Tax adjustments before allowances (SLC 72 2899 09) | 8,378,174 |
| 0260 | LESS: Tax adjustments not applied to taxation (SLC 72 4999 09) | -5,076,663 |
| 0280 | PLUS: <input type="text" value="Allowance for Uncollectible"/> | -6,358,411 |
| 0290 | Taxes receivable, end of year | 18,210,067 |

Cash Collections

| | | 9 |
|------|---|-------------|
| | | \$ |
| 0610 | Current year's tax | 666,692,642 |
| 0620 | Previous year's tax | 6,280,600 |
| 0630 | Penalties and interest | 4,181,895 |
| 0640 | Amounts added to tax bills for collection purposes only | 1,671,276 |
| 0690 | Other <input type="text"/> | |
| 0699 | TOTAL Cash Collections | 678,826,413 |



FIR2016: London C

Asmt Code: 3936

MAH Code: 59101

Single/Lower-Tier ONLY Schedule 72
CONTINUITY OF TAXES RECEIVABLE
 for the year ended December 31, 2016

| | SCHOOL BOARDS | | | | | | TOTAL Education | Lower-Tier (Single-Tier) | Upper-Tier | TOTAL Tax Adjustment |
|--|--|-----------------|--------------------|-------------------|-----------|---|-----------------|--------------------------|------------|----------------------|
| | English - Public | French - Public | English - Separate | French - Separate | Other | | | | | |
| Tax Adjustments Applied to Taxation | | | | | | | | | | |
| 1099 | Municipal Act (353, 354, 357, 358, RIF) | 16,282 | 701,851 | 38,213 | | | 6,113,610 | | 10,308,158 | |
| 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 | |
| 1810 | Rebates to Commercial properties (Mun. Act 362) | | | | | | | | 0 | |
| 1820 | Rebates to Industrial properties (Mun. Act 362) | | | | | | | | 0 | |
| 1899 | Subtotal | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2099 | Rebates for Charities (Mun. Act 361) | 190,094 | 1,379 | 50,408 | 3,844 | | 465,261 | | 710,986 | |
| 2299 | Vacant Unit Rebates (Mun. Act 364) | 954,200 | 6,584 | 256,474 | 18,878 | | 1,966,718 | | 3,202,854 | |
| 2399 | Reduction for Heritage Property (Mun. Act 365.2) | | | | | | | | 0 | |
| 2690 | Other LEGIONS | | | | | | | | 42,841 | |
| 2891 | Other MUNICIPAL HOUSING | | | | | | | | 486,996 | |
| 2892 | Other Less: Prior Yr. Tax Adj Allowance | | | | | | | | -6,373,661 | |
| 2893 | Other | | | | | | | | 0 | |
| 2899 | Tax adjustments before allowances | 4,582,496 | 24,245 | 1,008,733 | 60,935 | 0 | 2,701,765 | 0 | 8,378,174 | |
| Tax Adjustments Not Applied to Taxation | | | | | | | | | | |
| 4010 | Tax sale, Tax registration accounts | | | | | | | | | |
| 4210 | Tax Deferral - Low income seniors and Disabled persons (Mun. A | 37 | | | | | 205 | | 242 | |
| 4420 | Net Impact of 5% Capping Limit Program | | | | | | | | 0 | |
| 4890 | Other | | | | | | | | 0 | |
| 4891 | Other | | | | | | | | 0 | |
| 4999 | Tax Adjustments Not Applied to Taxation | 37 | 0 | 0 | 0 | 0 | -5,076,700 | 0 | -5,076,663 | |
| Additional Information | | | | | | | | | | |
| 6010 | Recovery of Tax Deferrals | 46 | | | | | 850 | | 896 | |
| 7010 | Entitlement of School Boards | 105,964,294 | 637,454 | 23,441,417 | 1,374,198 | 0 | 131,417,363 | | | |

FIR2016: London C

Schedule 74

Asmt Code: 3936

LONG TERM LIABILITIES AND COMMITMENTS

MAH Code: 59101

for the year ended December 31, 2016

1. Debt burden of the municipality

| | | 1 |
|---|--|-------------|
| | | \$ |
| All outstanding debt issued by the municipality, predecessor municipalities and consolidated entities | | |
| 0210 | To Ontario and agencies | 78,118,762 |
| 0220 | To Canada and agencies | 13,091,058 |
| 0230 | To Others | 245,714,757 |
| 0297 | Other <input type="text"/> | |
| 0298 | Other <input type="text"/> | |
| 0299 | Subtotal | 336,924,577 |
| 0499 | PLUS: All debt assumed by the municipality from others | |
| LESS: All debt assumed by others | | |
| 0610 | Ontario | |
| 0620 | School boards | |
| 0630 | Other Municipalities | 8,400,909 |
| 0640 | Government Business Enterprises | |
| 0697 | Other <input type="text"/> | |
| 0698 | Other <input type="text"/> | |
| 0699 | Subtotal | 8,400,909 |
| 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 | 328,523,668 |

2. Debt burden of the municipality: Analysed by debt instrument

| | | |
|------|--|-------------|
| 1210 | Sinking fund debentures | |
| 1220 | Installment (serial) debentures | 310,973,761 |
| 1230 | Long term bank loans | |
| 1240 | Lease purchase agreements (Tangible capital leases) | 1,381,188 |
| 1250 | Mortgages | |
| 1280 | Construction Financing Debentures | |
| 1297 | Other <input type="text"/> OMEX & Capital Grants | 12,914,559 |
| 1298 | Other <input type="text"/> Urban Works | 3,254,160 |
| 9920 | TOTAL Net Long Term Liabilities of the Municipality | 328,523,668 |

3. Debt burden of the municipality: Analysed by function

| | | |
|-----------------------------------|--|-------------|
| 1405 | General government | 8,061,515 |
| 1410 | Protection services | 19,487,358 |
| Transportation services: | | |
| 1415 | Roadways | 71,980,247 |
| 1416 | Winter Control | |
| 1420 | Transit | 21,893,258 |
| 1421 | Parking | |
| 1422 | Street Lighting | 577,254 |
| 1423 | Air Transportation | |
| Environmental services: | | |
| 1425 | Wastewater system | 52,545,982 |
| 1430 | Storm water system | 34,905,982 |
| 1435 | Waterworks system | 18,605,006 |
| 1440 | Solid Waste collection | |
| 1445 | Solid Waste disposal | |
| 1446 | Waste diversion | |
| 1450 | Health services | |
| 1455 | Social and family services | 15,859,290 |
| 1460 | Social housing | |
| Recreation and cultural services: | | |
| 1465 | Parks | 4,124,626 |
| 1466 | Recreation programs | |
| 1471 | Recreation facilities - Golf Course, Marina, Ski Hill | |
| 1474 | Recreation facilities - All Other | 42,702,585 |
| 1475 | Libraries | 9,421,975 |
| 1476 | Museums | |
| 1477 | Cultural services | |
| 1480 | Planning and development | 12,915,849 |
| 1490 | Other long term liabilities | 15,462,743 |
| 9930 | TOTAL Net Long Term Liabilities of the Municipality | 328,523,668 |

FIR2016: London C

Schedule 74

Asmt Code: 3936

LONG TERM LIABILITIES AND COMMITMENTS

MAH Code: 59101

for the year ended December 31, 2016

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 2017 | 46,773,825 | 7,609,847 | 4,068,384 | 709,509 | | | 5,387,157 | 970,586 |
| 3220 | Year 2018 | 41,206,375 | 6,369,029 | 4,174,456 | 602,546 | | | 4,734,557 | 837,229 |
| 3230 | Year 2019 | 38,751,155 | 5,233,240 | 4,294,147 | 481,518 | | | 4,820,721 | 728,741 |
| 3240 | Year 2020 | 37,401,534 | 4,138,563 | 4,424,921 | 346,618 | | | 4,911,975 | 610,821 |
| 3250 | Year 2021 | 34,049,811 | 3,078,379 | 2,020,748 | 198,564 | | | 5,008,139 | 481,612 |
| 3260 | Years 2022 to 2026 | 65,439,584 | 4,601,997 | 3,728,439 | 188,339 | | | 12,325,388 | 848,023 |
| 3270 | Years 2027 onwards | 4,389,852 | 170,758 | | | | | 612,500 | 54,401 |
| 3280 | Int. to be earned on sink. funds . | | | | | | | | |
| 3299 | TOTAL | 268,012,136 | 31,201,813 | 22,711,095 | 2,527,094 | 0 | 0 | 37,800,437 | 4,531,413 |

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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Asmt Code: 3936
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Schedule 80
STATISTICAL INFORMATION
for the year ended December 31, 2016

| | | Full-Time Funded | Part-Time Funded | Seasonal Employees |
|--|--|---------------------|---------------------|--------------------|
| | | Positions 1 # | Positions 2 # | 3 # |
| 1. Municipal workforce profile | | | | |
| Employees of the Municipality | | | | |
| 0205 | Administration | 191 00 | | 8 00 |
| 0210 | Fire | 388 00 | 0 00 | 0 00 |
| 0211 | Uniform | 333 00 | | |
| 0212 | Civilian | 55 00 | | |
| 0215 | Police | 833 00 | 2 00 | 0 00 |
| 0216 | Uniform | 623 00 | 2 00 | |
| 0217 | Civilian | 210 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 | 805 00 | 5 00 | 168 00 |
| 0227 | Ambulance | 0 00 | 0 00 | 0 00 |
| 0228 | Uniform | | | |
| 0229 | Civilian | | | |
| 0230 | Health Services | | | |
| 0235 | Homes for the Aged | 155 00 | 195 00 | |
| 0240 | Other Social Services | 341 00 | 7 00 | 8 00 |
| 0245 | Parks and Recreation | 106 00 | | 1,522 00 |
| 0250 | Libraries | | | |
| 0255 | Planning | 45 00 | | |
| 0290 | Other | 216 00 | 2 00 | 7 00 |
| 0298 | Subtotal | 3,080 00 | 211 00 | 1,713 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 | 537 00 | | |
| 0325 | Public Works | | | |
| 0327 | Ambulance | 0 00 | 0 00 | 0 00 |
| 0328 | Uniform | | | |
| 0329 | Civilian | | | |
| 0330 | Health Services | 259 00 | | |
| 0335 | Homes for the Aged | | | |
| 0340 | Other Social Services | | | |
| 0345 | Parks and Recreation | | | |
| 0350 | Libraries | 174 00 | | |
| 0355 | Planning | 432 00 | | |
| 0390 | Other | | | |
| 0398 | Subtotal | 1,402 00 | 0 00 | 0 00 |
| 0399 | TOTAL | 4,482 00 | 211 00 | 1,713 00 |

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Asmt Code: 3936

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Schedule 80
STATISTICAL INFORMATION
for the year ended December 31, 2016

2. Selected investments of own sinking funds as at Dec. 31

0610 Own sinking funds

| Own Municipality | Other Munic. School Boards | Provincial | Federal |
|------------------|----------------------------|------------|---------|
| 1 | 2 | 3 | 4 |
| \$ | \$ | \$ | \$ |
| | | | |

3. Municipal procurement this year

1010 Total construction contracts awarded

1020 Construction contracts awarded at \$100,000 or greater

| Number of Contracts | Value of Contracts |
|---------------------|--------------------|
| 1 | 2 |
| # | \$ |
| 620 | 193 489 233 |
| 182 | 183 673 867 |

4. Building permit information

1210 Residential properties

1220 Multi-Residential properties

1230 All other property classes

1299

Subtotal

| Number of Building Permits | Total Value of Building Permits |
|----------------------------|---------------------------------|
| 1 | 2 |
| # | \$ |
| 2,883 | 416 827 991 |
| 201 | 459 621 280 |
| 1 628 | 533 670 416 |
| 4 712 | 1 410 119 687 |

5. Insured value of physical assets

1410 Buildings

1420 Machinery and equipment

1430 Vehicles

1497 Other Contents

1498 Other

1499

Subtotal

| 1 |
|---------------|
| \$ |
| 1 072 400 388 |
| 27 442 254 |
| 49 515 357 |
| 934 857 735 |
| 2 084 215 734 |

6. Total Dollar Losses due to Structural Fires

1510 Losses due to structural fires, averaged over 3 yrs (2014 - 2016)

| 1 |
|-----------|
| \$ |
| 9 957 095 |

DRAFT

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**Schedule 80
STATISTICAL INFORMATION**

for the year ended December 31, 2016

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 | 13,219,082 | |
| 1602 | Recycling | Waste diversion | 0860 | 10,710,456 | |
| 1603 | Animal Control Services | Protective inspection and control | 0440 | 348,670 | |
| 1604 | Ontario Works Employment Services | General assistance | 1210 | 6,603,432 | |
| 1605 | | | | | |
| 1606 | | | | | |
| 1607 | | | | | |
| 1608 | | | | | |
| 1609 | | | | | |
| 1610 | | | | | |

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FIR2016: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 80 STATISTICAL INFORMATION

for the year ended December 31, 2016

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 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 \$ |
|------|----------------------------------|------------------------------------|---------------------|--|---|--|
| 0801 | Lake Huron Water Supply System | Water Board | 0802 | 84% | | |
| 0802 | Elgin Water Supply System | Water Board | 0802 | 56% | | |
| 0803 | | | | | | |
| 0804 | | | | | | |
| 0805 | | | | | | |
| 0806 | | | | | | |
| 0807 | | | | | | |
| 0808 | | | | | | |
| 0809 | | | | | | |
| 0810 | | | | | | |
| 0811 | | | | | | |
| 0812 | | | | | | |
| 0813 | | | | | | |
| 0814 | | | | | | |
| 0815 | | | | | | |
| 0816 | | | | | | |
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| 0827 | | | | | | |
| 0828 | | | | | | |
| 0829 | | | | | | |
| 0830 | | | | | | |
| 0831 | | | | | | |
| 0832 | | | | | | |
| 0833 | | | | | | |
| 0834 | | | | | | |
| 0835 | | | | | | |
| 0836 | | | | | | |
| 0837 | | | | | | |
| 0838 | | | | | | |
| 0839 | | | | | | |
| 0840 | | | | | | |
| 0841 | | | | | | |
| 0842 | | | | | | |
| 0843 | | | | | | |
| 0844 | | | | | | |
| 0845 | | | | | | |
| 0846 | | | | | | |
| 0847 | | | | | | |
| 0848 | | | | | | |
| 0849 | | | | | | |

2016-V1.03

FIR2016: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 80 STATISTICAL INFORMATION

for the year ended December 31, 2016

(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 Munc. 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 | Eldon 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% | | |

FIR2016: 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, 2016

NOTE: THE ESTIMATED ANNUAL REPAYMENT LIMIT IS EFFECTIVE JANUARY 01, 2018

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) | 56,755,981 |
| 0220 | Interest (SLC 74 3099 02) | 10,302,794 |
| 0299 | Subtotal | 67,058,775 |
| 0610 | Payments for Long Term Commitments and Liabilities financed from the consolidated statement of operations (SLC 42 6010 01) | 0 |
| 9910 | Total Debt Charges | 67,058,775 |

| | | 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 | 67,058,775 |

| | | 1 |
|---------------------------------|--|--------------------|
| | | \$ |
| 1610 | Total Revenues (* Sale of Hydro Utilities Removed) (SLC 10 9910 01) | 1,186,980,759 |
| 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 + SLC 10 0815 01) | 205,096,149 |
| 2220 | Canada Grants, including Grants for Tangible Capital Assets (SLC 10 0820 01 + SLC 10 0825 01) | 19,668,491 |
| 2225 | Deferred revenue earned (Provincial Gas Tax) (SLC 10 0830 01) | 9,283,553 |
| 2226 | Deferred revenue earned (Canada Gas Tax) (SLC 10 0831 01) | 3,619,579 |
| 2230 | Revenue from other municipalities, including Revenue for Tangible Capital Assets (SLC 10 1099 01 + SLC 10 1098 01) | 5,291,824 |
| 2240 | Gain/Loss on sale of land & capital assets (SLC 10 1811 01) | 12,465 |
| 2250 | Deferred revenue earned (Development Charges) (SLC 10 1812 01) | 17,084,142 |
| 2251 | Deferred revenue earned (Recreation Land (The Planning Act)) (SLC 10 1813 01) | 255,994 |
| 2253 | Other Deferred revenue earned (SLC 10 1814 01) | 0 |
| 2252 | Donated Tangible Capital Assets (SLC 53 0610 01) | 37,473,944 |
| 2254 | Increase / Decrease in Government Business Enterprise equity (SLC 10 1905 01) | 11,089,103 |
| 2299 | Subtotal | 308,875,244 |
| 2410 | Fees and Revenue for Joint Local Boards for Homes for the Aged | 0 |
| 2610 | Net Revenues | 878,105,515 |
| 2620 | 25% of Net Revenues | 219,526,379 |
| 9930 | ESTIMATED ANNUAL REPAYMENT LIMIT | 152,467,604 |

For Illustration Purposes Only

Annual Interest Rate @ Term years =