



Financial Report 2017

THE CORPORATION OF THE CITY OF LONDON

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2017 City of London at a Glance

City of London.....



At a Glance

387,275
Population

423.43 km²
Land Area

3,661
Lane KM of
Paved Road

Aaa

2017 Credit Rating Provided by
Moody's Investors

5.9%

2017 Unemployment Rate*
(Canada Rate is 6.3%)

62.0%

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

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*Statistics Canada



THE CORPORATION OF THE CITY OF LONDON

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Message from the City Treasurer



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

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

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

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

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

Sincerely,

A handwritten signature in black ink, appearing to read 'A. Barbon', with a long horizontal flourish extending to the right.

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

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Financial Reporting

External Audit

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

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

Consolidated Financial Statements Overview

The Consolidated Financial Statements include the following individual statements:

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

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

Consolidated Statement of Financial Position

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

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

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

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

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

Consolidated Statement of Operations and Accumulated Surplus

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

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

Consolidated Statement of Net Financial Assets (Debt)

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

City of London Budget

Budgetary Process

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

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

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

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



Financial Management

Capital Financing Policies

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

Investment Policy

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

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

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



Property Taxation Policy

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

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

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

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

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

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

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

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

Future Tax Policy

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

Credit Rating provided by Moody's Investors Services

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

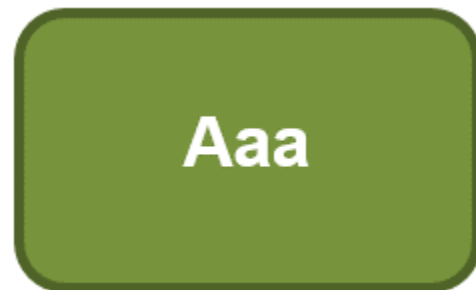
The rating process involves a review of the City's annual audited consolidated financial statements, the Financial Information Return (FIR) that is filed annually with the Ministry of Municipal Affairs, the 2016-2019 approved multi-year budget and the annual budget update and forecasts. Moody's also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

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

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

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

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



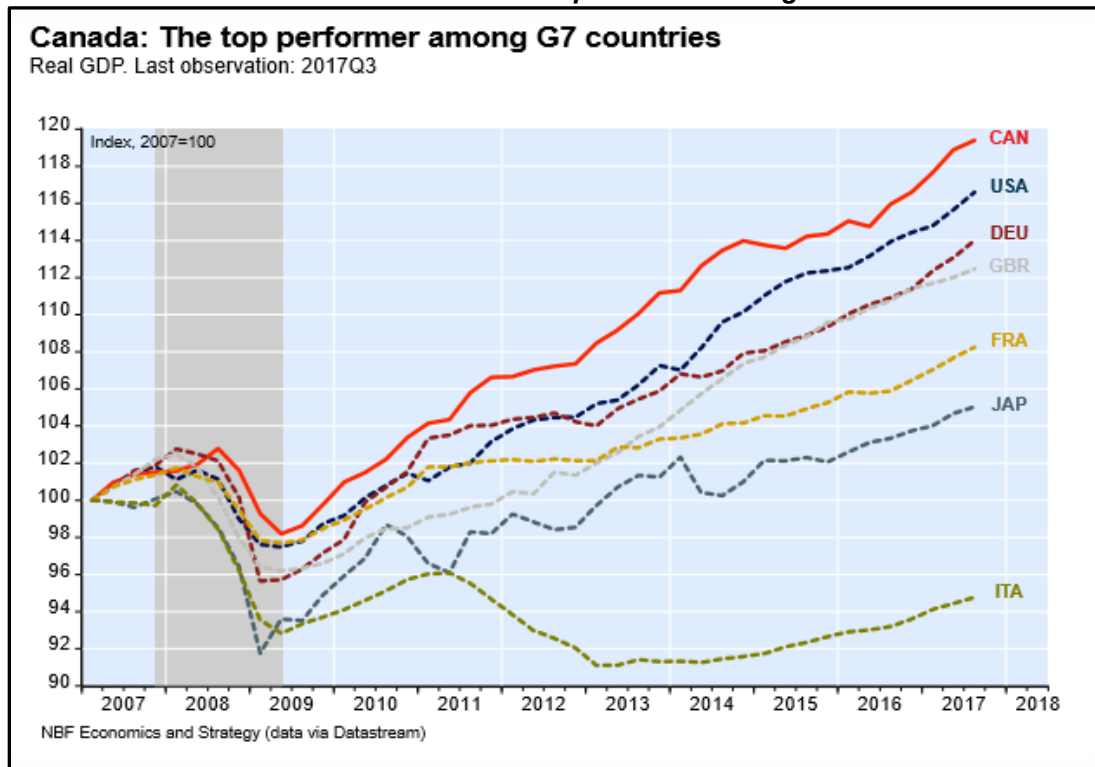
**2017 Credit Rating Provided by
Moody's Investors Service**



Economic Overview

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

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



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

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

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

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

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

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

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

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

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

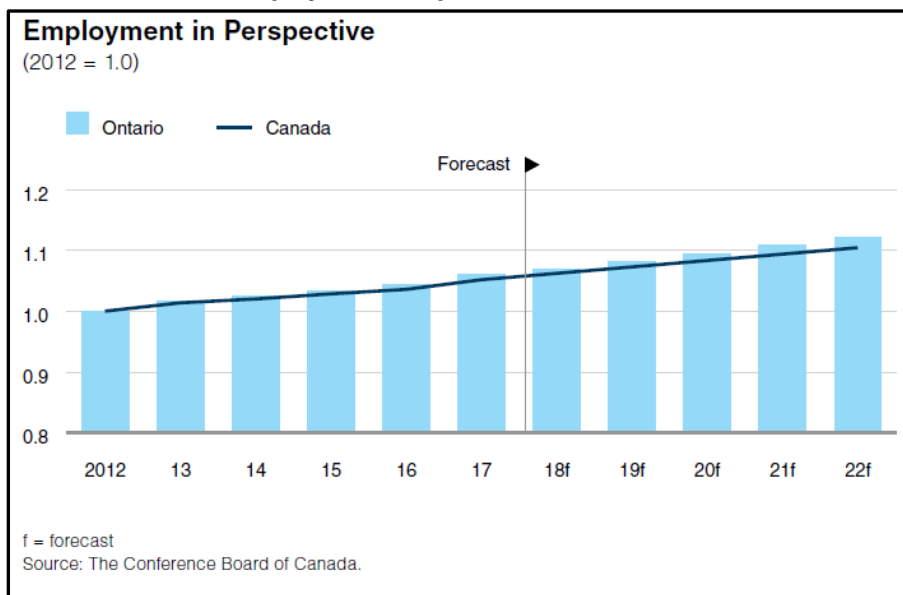
⁸ The Conference Board of Canada: Metropolitan Outlook 2: London, Winter 2018

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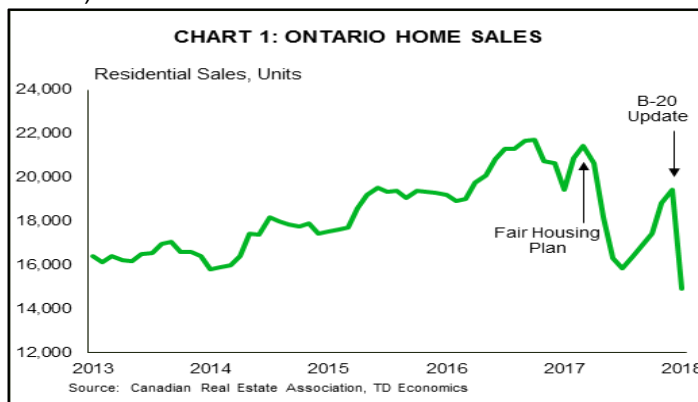
business climate, resulting from high electricity prices and government policies (i.e. the carbon tax and rising minimum wage), which raise business input costs⁹. Ontario’s move toward a \$15 minimum wage will lift the incomes of low-income workers but will incur some job losses¹⁰. London’s employment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

Chart 2: Employment Perspective – Prior Year and Forecast



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

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



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

Chart 3: Six year Overview Ontario Home Sales

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

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

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

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

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

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

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



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

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

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

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

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

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

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

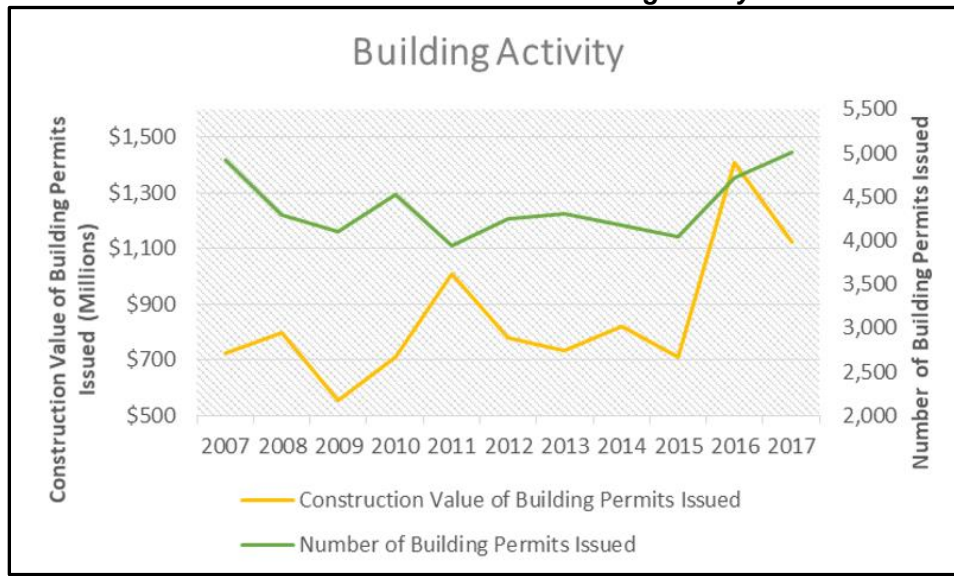
²⁰ RBC Economic Outlook 2018

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

The City of London Building Activity and Assessment Growth

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

Chart 4: 11 Year Overview of Building Activity



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

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



²² City of London. Summary Listings of Building Construction Activity

²³ BMA. (2017). Municipal Study

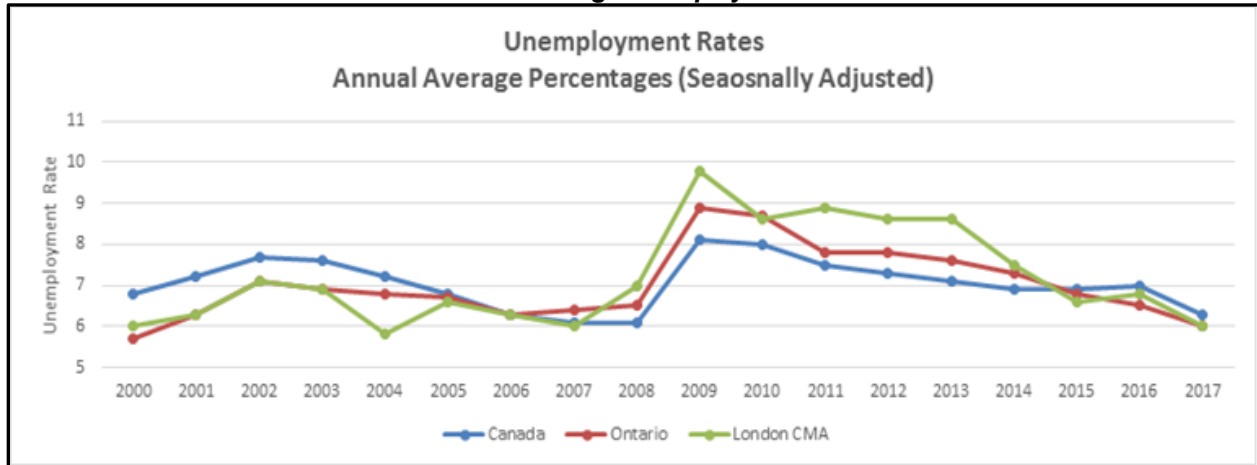
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Unemployment Rate

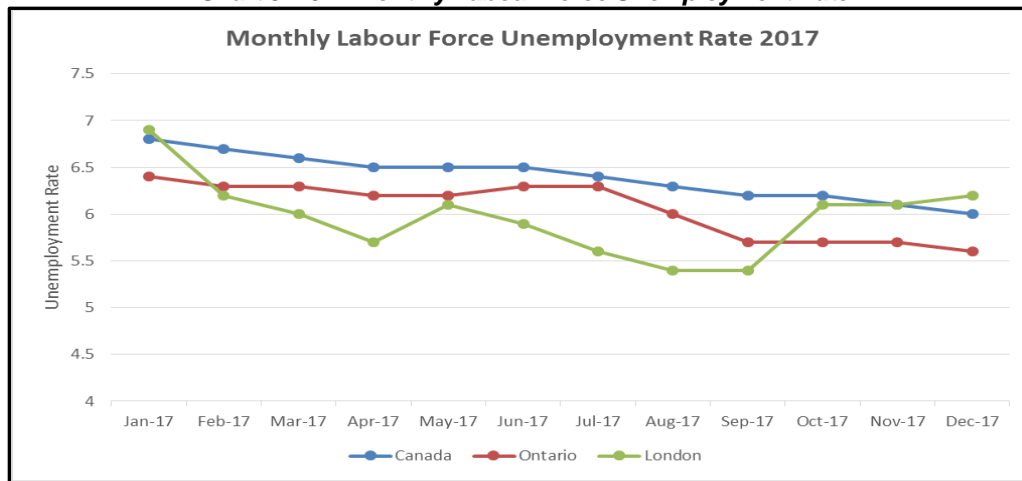
On a national level the unemployment rate was 6.3% in 2017 decreasing from 7% in 2016 mainly due to the gains attributable to full-time work²⁴. Canada's unemployment rate is predicted to remain around 6.3% in 2019²⁵. The provincial unemployment rate declined to 6% in 2017 decreasing from 6.5% in 2016²⁶.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

Chart 5: Annual Average Unemployment Rate



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

Chart 6: 2017 Monthly Labour Force Unemployment Rate



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

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

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

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

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

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

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

Table 1: Municipal Comparison

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

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

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

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

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2017

2017 Financial Results

Financial Results Summary

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

Net Financial Assets

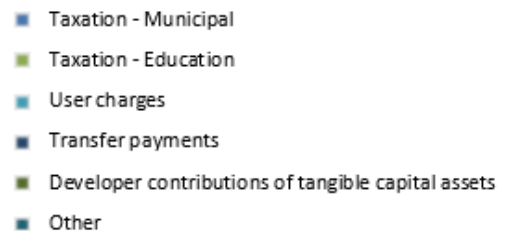
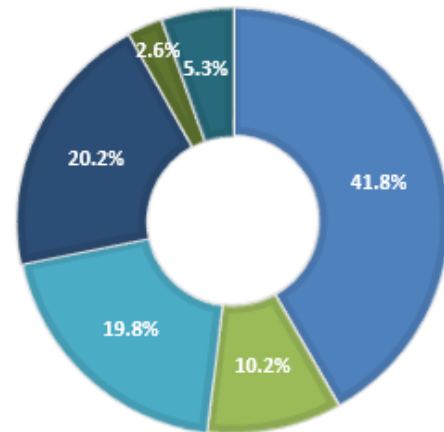
The City's financial position improved to a net financial asset position of \$273 million in 2017, representing an increase of \$38 million over 2016. The net financial assets are the difference between the financial assets and financial liabilities. This means that the City's financial assets are larger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

Total Revenues

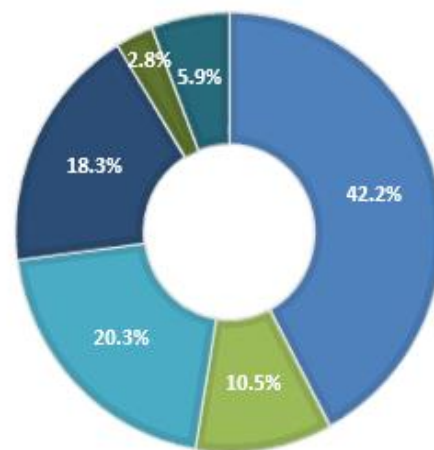
Total revenues are \$1,250 million in 2017, up \$63 million (5.3%) compared to 2016. This is mainly as a result of:

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

2017 REVENUES



2016 REVENUES



Total Expenses

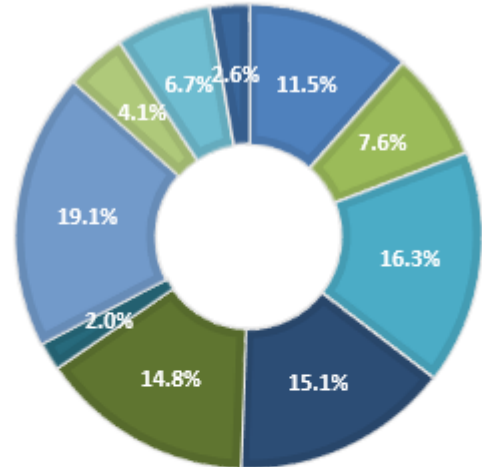
Total expenses are \$1,084 million in 2017, up \$64 million (6.3%) compared to 2016. This is mainly due in part to:

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

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

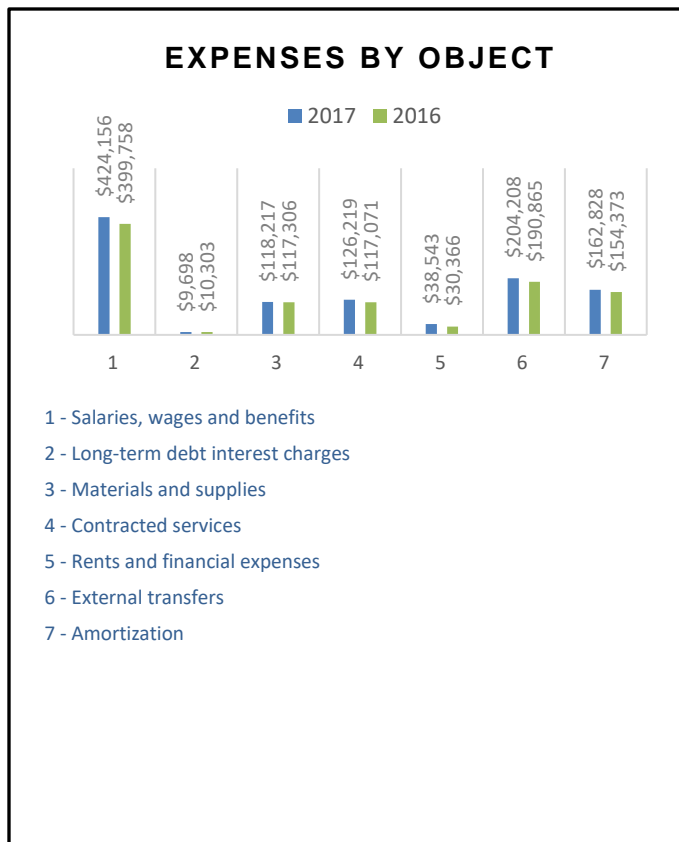
Expenses can also be illustrated by account object, grouping similar accounts together by expense category. The table below provides a view of the expenses from this perspective.

2017 EXPENSES



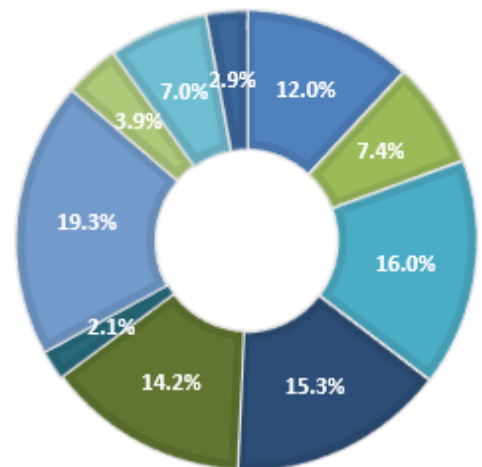
- Education transfer
- General government
- Protection to persons and property
- Transportation services
- Environmental services
- Health services
- Social and family services
- Social housing
- Recreation and cultural services
- Planning and development

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



- 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

2016 EXPENSES



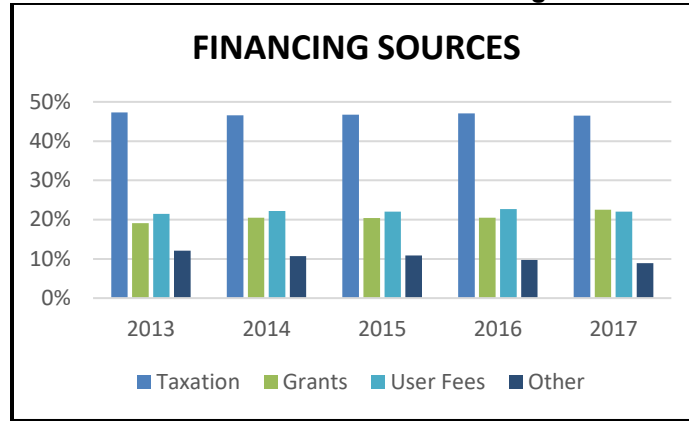
THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2017

Financing Sources for Municipal Operations

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

Chart 8: Five Year Overview of Financing Services



Property Tax Rates and Assessment Growth

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

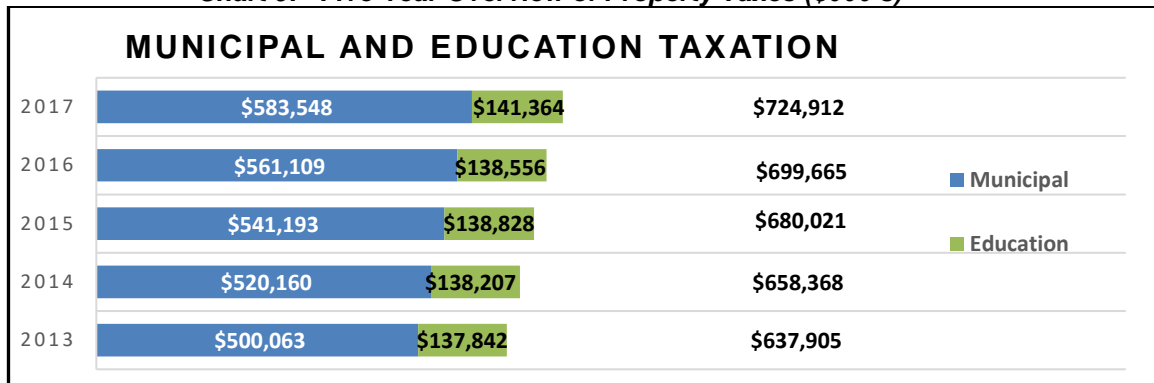
For 2017, assessment weighted with applicable tax ratios and using consistent valuation dates increased by .91%.

COMPARATIVE PROPERTY TAXES

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

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

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



THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2017

Capital Additions and Disposals

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

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

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

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

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

Annual Surplus and Accumulated Surplus

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



THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2017

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

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

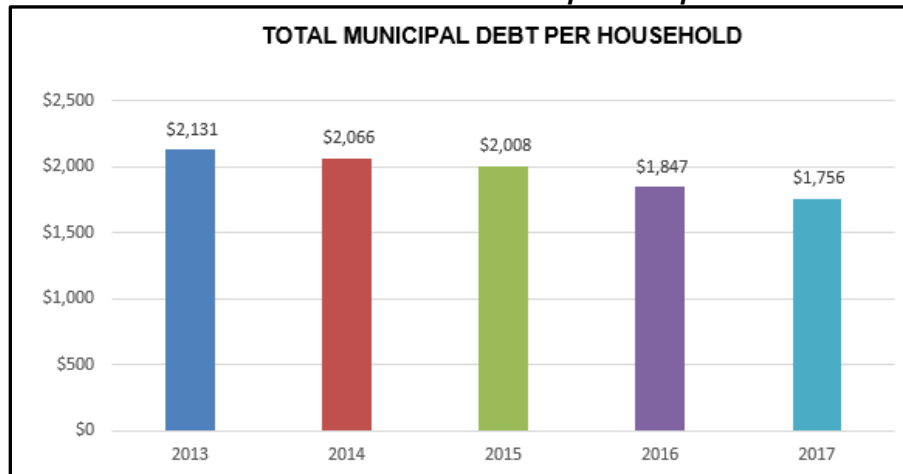
The amounts issued financed the following major activities:

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


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

During the year, debt substitution totaled \$7.0 million (2016 - \$7.4 million) as a result of an allocation of a portion of the debt servicing cost budget and funding allocations from the operating property tax supported budget surplus and assessment growth funding in accordance with the Council approved Surplus/Deficit and Assessment Growth Policies.

Chart 10: Five Year Overview of Municipal Debt per Household



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



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

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2017

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

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

Future Balances on Existing Debt and Long-term Liabilities

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

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

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

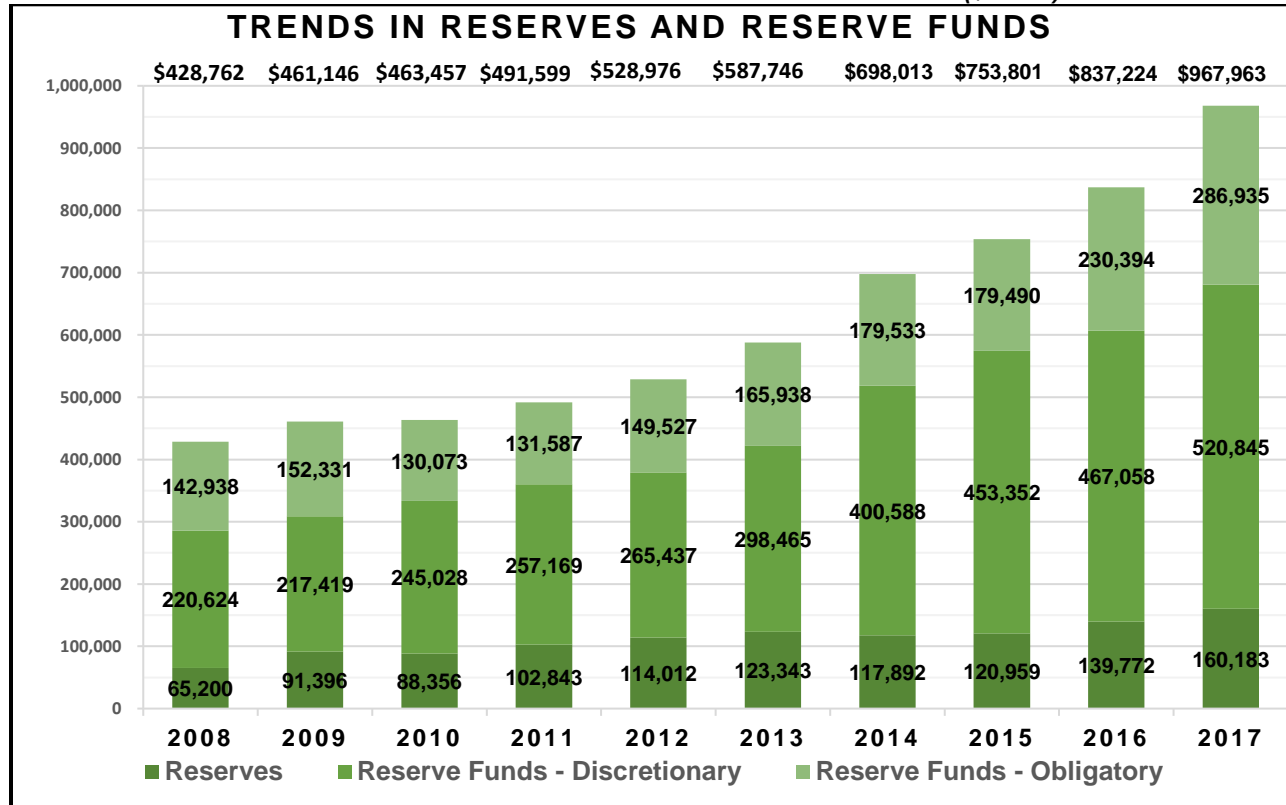
THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2017

Reserves and Reserve Funds

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

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



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

Reserves increased by \$20 million over 2016 balances.

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

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2017

Five Year Review and General Statistics

Five Year Review (\$000's)

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

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2017

General Statistics and Indicators

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

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

Sources of Information

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

(b) Municipal Property Assessment Corporation

(c) Provided by City's Building Division

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

(e) Statistics Canada June 2017 and June 2018

(f) Statistics Canada June 2017 and June 2018

Consolidated Financial Statements of

THE CORPORATION OF THE CITY OF LONDON

December 31, 2017

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Statements

Year ended December 31, 2017

INTRODUCTION

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

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

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

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

The audited Consolidated Financial Statements for City operations include:

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



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Canada
Tel 519 672-4800
Fax 519 672-5684

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of the Corporation of the City of London, which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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



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

Opinion

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

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

London, Canada

June 26, 2018

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

(all dollar amounts in thousands of dollars)

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

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

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

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

(all dollar amounts in thousands of dollars)

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

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

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

(all dollar amounts in thousands of dollars)

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

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

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

(all dollar amounts in thousands of dollars)

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

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements

Year ended December 31, 2017

(all dollar amounts in thousands of dollars)

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

1. Significant Accounting Policies

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

a) Basis of Consolidation

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

(i) Consolidated Entities

The following local Boards or Commissions are consolidated:

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

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

(ii) Equity Accounting

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

The government business enterprises and partnerships during the year were:

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2017

(all dollar amounts in thousands of dollars)

(iii) Proportionate Consolidation

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

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

(iv) Accounting for School Board Transactions

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

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

(v) Trust Funds

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

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

b) Basis of Accounting

(i) Accrual Accounting

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

(ii) Deferred Revenue

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

(iii) Land Held For Resale

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

(iv) Non-Financial Assets

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

i) Tangible Capital Assets

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

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

Amortization is charged using the half year rule in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

ii) Contributions of tangible capital assets

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

iii) Works of art and cultural and historic assets

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

iv) Interest capitalization

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

v) Leased tangible capital assets

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

vi) Inventories of supplies

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

(v) Budget Figures

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

(vi) Use of Estimates

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

c) Government Transfers

(i) Revenues

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

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

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

(ii) Expenses

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2017

(all dollar amounts in thousand of dollars)

d) Tax Revenues

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

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

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

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

e) Financial Instruments

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

f) Investments

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

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

g) Contaminated sites:

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

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

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

h) Employee Benefits Payable

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

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

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

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

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

i) Loan Guarantees

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2017

(all dollar amounts in thousand of dollars)

j) Environmental Provisions

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

k) Provision for Landfill Rehabilitation

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

l) Accumulated Surplus

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

m) Future Accounting Changes

(i) Related Party Disclosures

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

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

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

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

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2017

(all dollar amounts in thousand of dollars)

(ii) Inter-entity Transactions

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

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

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

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

(iii) Foreign Currency Translation

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

(iv) Financial Instruments

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

2. Cash and Cash Equivalents

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

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

3. Taxes Receivable

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

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

4. Investments

Investments are comprised of the following:

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

THE CORPORATION OF THE CITY OF LONDON
Notes to the Consolidated Financial Statements (continued)
Year ended December 31, 2017
(all dollar amounts in thousand of dollars)

5. Loan Receivable

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

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

6. Investment in Government Business Enterprises and Partnerships

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

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

a) Investment in London Hydro Inc.

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

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

i) Regulated Business Operations and Distribution Rates

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

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2017

(all dollar amounts in thousand of dollars)

ii) Regulatory Balances

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

iii) Commitments

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

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

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

iv) Credit Facilities

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

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

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

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

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

v) Related Party Transactions

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

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

vi) International Financial Reporting Standards (“IFRS”)

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

b) Fair-City Joint Venture Partnership

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

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

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

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

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

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

c) City-YMCA Joint Venture Partnership

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

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

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

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

Construction of this facility was completed in October 2010.

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

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

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Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2017

(all dollar amounts in thousand of dollars)

7. Deferred Revenue

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

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

8. Long-term Liabilities

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

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

9. Long-term Debt

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

a) Long-term debt is as follows:

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

Principal repayments are summarized as follows:

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

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

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

10. Capital Lease Obligations

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

11. Urban Works Payable

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

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

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

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Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2017

(all dollar amounts in thousand of dollars)

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

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

The continuity breakdown is as follows:

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

The estimated future repayments of developer claims are as follows:

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

12. Employee Benefits Payable

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

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

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

a) Post Employment and Post-Retirement Benefits

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

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

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

The benefit obligation continuity is as follows:

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

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

b) Workplace Safety and Insurance Board Obligation

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

c) Liability for Vacation Credits

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

d) Liability for Vested Sick Leave Benefits

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

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

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Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2017

(all dollar amounts in thousand of dollars)

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

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

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

e) Pension Agreements

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

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

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

13. Landfill Closure and Post-Closure Liability

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

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

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

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

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

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

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

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

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

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Year ended December 31, 2017

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14. Tangible Capital Assets

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

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

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

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Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2017

(all dollar amounts in thousand of dollars)

a) Assets under Construction

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

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

b) Contributed Tangible Capital Assets

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

c) Tangible Capital Assets Disclosed at Nominal Values

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

d) Works of Art and Historical Treasures

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

e) Write-down of Tangible Capital Assets

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

f) Assets under Shared Control

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

Each partner will invest in the project as follows:

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

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

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

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Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2017

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

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

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

15. Accumulated Surplus

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

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

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

16. Contingent Liabilities

a) Legal Actions

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

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

b) Public Liability and Property Loss Self Insurance

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

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

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

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

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

17. Loan Guarantees

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

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

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

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

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

18. Commitments

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

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

c) Contractual Obligations

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

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

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Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2017

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

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

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

d) Derivatives

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

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

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

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

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

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

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2017

(all dollar amounts in thousand of dollars)

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

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

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

19. Provincial Offences Court Administration and Prosecution

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

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

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

THE CORPORATION OF THE CITY OF LONDON
Notes to the Consolidated Financial Statements (continued)
Year ended December 31, 2017
(all dollar amounts in thousand of dollars)

20. Budget Data

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

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

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

THE CORPORATION OF THE CITY OF LONDON
Notes to the Consolidated Financial Statements (continued)
Year ended December 31, 2017
(all dollar amounts in thousand of dollars)

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

21. Revenues

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

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

22. Expenses by Object

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

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

23. Liability for Contaminated Sites

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

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

24. Segmented Information

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

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

a) Protection

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

b) Transportation Services

Transportation Services are comprised of year-round road maintenance, parking, traffic signals and street lighting. Activities include the maintenance of roadsides defined as sidewalks, walkways, boulevards and the urban forest. This service is responsible for the operational integrity of the roadway system through year-round surface maintenance and winter maintenance, including snow and ice control. Parking supports the controlled movement of vehicles to benefit London businesses and residents through policy and operational efforts. Traffic signal services provide the planning, design, operation and maintenance of the Corporation's street lights and traffic signal network including a computerized traffic signal control system.

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

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

c) Environmental Services

i) Water and Wastewater Utilities

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

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

ii) Solid Waste and Recycling

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2017

(all dollar amounts in thousand of dollars)

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.

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2017

(all dollar amounts in thousand of dollars)

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. The Operating Fund reports on municipal services that are funded primarily by property taxation. Taxation and payments-in-lieu of taxes are apportioned to General Revenue Fund Services based on the Fund's net surplus. User charges, Government transfers, transfer from other funds and other revenues have been taken from the allocations on schedule 12 of the Financial Information Return.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1. The segmented information reports total revenues and expenses by segment.

THE CORPORATION OF THE CITY OF LONDON
Consolidated Schedule of Segment Disclosure - Operating Revenues
For the year ended December 31, 2017, with 2016 comparatives (in thousands of dollars)

	REVENUES					TOTAL 2017	TOTAL 2016
	Taxation	User Charges	Government Transfers	Developer Contributions	Other	Actuals	Actuals
General Government	581,481	4,035	982	-	38,771	625,269	606,499
Fire		245	-	-	1,062	1,307	641
Police		2,063	5,692	-	1,240	8,995	8,345
Other Protection Services		11,012	13	-	5,523	16,548	16,956
Total Protection Services	-	13,320	5,705	-	7,825	26,850	25,941
Transit		31,733	22,684	-	280	54,697	42,046
Other Transportation Services		3,973	6,602	10,912	9,891	31,378	34,787
Total Transportation Services	-	35,706	29,286	10,912	10,171	86,074	76,832
Water/Waste Water		166,562	19,433	23,370	5,999	215,364	205,062
Solid Waste		9,118	663	-	-	9,781	8,004
Total Environmental Services	-	175,680	20,096	23,370	5,999	225,145	213,066
Public Health Services		-	4,678	-	3	4,681	4,966
Ambulance Services		-	-	-	-	-	-
Total Health Services	-	-	4,678	-	3	4,681	4,966
General Assistance		292	144,999	-	372	145,663	134,178
Assistance to aged persons		6,029	12,231	-	-	18,260	17,986
Child Care		-	36,920	-	-	36,920	35,101
Total Social and Family Services	-	6,321	194,150	-	372	200,843	187,265
Social Housing	-	11,413	22,453	-	61	33,927	27,860
Parks and Recreation		18,229	1,585	2,477	1,820	24,111	25,369
Libraries		481	730	-	2,177	3,388	1,434
Cultural Services		2,551	1,764	-	1,307	5,622	3,876
Total Recreation and Cultural Services	-	21,261	4,079	2,477	5,304	33,121	30,679
Planning, Development and Compliance	-	8,212	180	-	5,925	14,317	13,873
Total Revenue	581,481	275,947	281,608	36,759	74,432	1,250,228	1,186,981

THE CORPORATION OF THE CITY OF LONDON
Consolidated Schedule of Segment Disclosure - Operating Expenses
For the year ended December 31, 2017, with 2016 comparatives (in thousands of dollars)

	EXPENSES						TOTAL 2017	TOTAL 2016
	Salaries, Wages & Benefits	Materials	Contracted Services	External Transfers	Amortization	Other	Actuals	Actuals
General Government	46,555	13,216	10,556	4	10,967	12,013	93,311	86,092
Fire	59,061	2,051	511	-	3,149	424	65,196	59,414
Police	96,644	6,150	1,545	-	4,633	512	109,484	102,429
Other Protection Services	14,421	3,493	1,617	4,157	285	797	24,770	23,332
Total Protection Services	170,126	11,694	3,673	4,157	8,067	1,733	199,450	185,175
Transit	46,810	7,771	5,750	10,514	12,131	651	83,627	77,679
Other Transportation Services	21,204	19,945	8,779	3	42,668	9,079	101,678	99,745
Total Transportation Services	68,014	27,716	14,529	10,517	54,799	9,730	185,305	177,424
Water/Waste Water	24,536	29,041	14,123	90	66,133	14,551	148,474	134,906
Solid Waste	8,156	6,663	12,477	1,798	2,549	1,445	33,088	29,624
Total Environmental Services	32,692	35,704	26,600	1,888	68,682	15,996	181,562	164,530
Public Health Services	4,458	454	589	4,734	109	281	10,625	11,400
Ambulance Services	-	-	14,412	-	-	-	14,412	13,219
Total Health Services	4,458	454	15,001	4,734	109	281	25,037	24,619
General Assistance	22,374	632	6,965	131,493	439	2,669	164,572	156,077
Assistance to aged persons	18,993	2,807	981	212	1,323	879	25,195	24,533
Child Care	1,960	954	23,824	17,879	5	147	44,769	42,887
Total Social and Family Services	43,327	4,393	31,770	149,584	1,767	3,695	234,536	223,497
Social Housing	6,430	1,694	12,021	28,194	1,536	590	50,465	44,978
Parks and Recreation	23,662	7,712	4,856	433	10,093	1,919	48,675	46,968
Libraries	14,188	4,427	862	-	3,281	1,022	23,780	25,143
Cultural Services	2,221	2,751	1,397	1,633	1,239	43	9,284	8,462
Total Recreation and Cultural Services	40,071	14,890	7,115	2,066	14,613	2,984	81,739	80,573
Planning, Development and Compliance	12,483	8,457	4,954	3,064	2,289	1,217	32,464	33,153
Total Expenses	424,156	118,218	126,219	204,208	162,829	48,239	1,083,869	1,020,041
Annual Surplus							166,359	166,940



London
CANADA

**City of London
Financial Report
2017**