



# Financial Report 2018

THE CORPORATION OF THE CITY OF LONDON

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# THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report  
Year ended December 31, 2018

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2018 City of London at a Glance

# City of London...



## At a Glance

**393,167**  
Population

**423.43 km<sup>2</sup>**  
Land Area

**3,713**  
Lane KM of  
Paved Road

**61.0%**

**5.6%**

**Aaa**

2018 Labour Participation Rate  
(Canada's Rate is 65.4%)<sup>xi</sup>

2018 Unemployment Rate  
(Canada Rate is 5.8%)<sup>xi</sup>

2018 Credit Rating  
Provided by Moody's  
Investors

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## Message from the City Treasurer



*Photo 1: City Treasurer, Anna Lisa Barbon*

His Worship Mayor Ed Holder,  
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 (the City) for the year ended December 31, 2018.

The financial statements have been prepared in accordance with Canadian Public Sector accounting standards 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.

This annual financial report serves as an opportunity to communicate to stakeholders, residents and local businesses regarding the Municipality's 2018 financial performance. This report also highlights the City's significant financial policies, budget process and provides additional details about the City's financial results in the past year. The 2018 results continue London's history of strong financial leadership in business planning and long-term financial management.

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 met 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. 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.

### Accounting and Financial Reporting Requirements

The City's financial statements are prepared on a full accrual accounting basis; the same basis of accounting used by the federal and provincial governments. The City continues to account for tangible capital assets, which was adopted in 2009, which provides information for accountability and stewardship and provides critical information on the City's significant investment in assets.

## 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, 2018.
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 Change in Net Financial Assets	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.

## **Financial Reporting (continued)**

### **Consolidated Financial Statements Overview (continued)**

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 20 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, 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 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 2018 budget values presented in this statement have been adjusted to reflect the differences between amounts as budgeted at the City on a modified "cash

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## Financial Reporting (continued)

### Consolidated Statement of Operations and Accumulated Surplus (continued)

requirements" basis and amounts now recorded in these financial statements.

Note 20 to the Consolidated Financial Statements 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

The Consolidated Statement of Net Financial Assets 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.



Photo 2: Victoria Park

## 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 (4) year period (2016-2019) and is linked to Municipal Council's Strategic Plan. Council also approved 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 (4) 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 2019 was approved in February 2019.

The budget is presented as a service based budget which categorizes the organization into ten service programs: Culture Services; 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. The City's Municipal Council approved the Surplus/Deficit Policy which provides framework for the allocation of surpluses and funding for deficits.



Photo 3: City Hall Gardens



Photo 4: Old East Village Tile Wall

## **Financial Management**

### **Capital Financing Policies**

The City uses a balanced approach to finance capital projects, consistent with the Council approved Capital Budget and Financing Policy and Debt Management Policy. 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. Service improvements are funded by all three tax and rate supported sources (capital levy, reserve fund and debt). As per the Capital Budget and Financing Policy, the City continues to increase capital levy financing on lifecycle projects to limit the debt burden on future generations and provide for intergenerational equity. Furthermore, consistent with the Debt Management Policy, the capital plan ensures that debt is at a level that will not impair the financial position or the credit rating of the City.

### **Investment Policy**

The City 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 shall remain sufficiently liquid to meet daily operating cash flow requirements and limit temporary borrowing. The portfolio shall be structured to maintain a proportionate ratio of short, medium and long-term maturities to meet the funding requirements of the City.

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 is guided by four (4) principles as follows:

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

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

## **Financial Management (continued)**

### **Property Taxation Policy (continued)**

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 2018, 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 is continued in 2019. The City also reduced Commercial and Industrial tax ratios in 2018 and 2019 from 1.95 to 1.92.

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 was no tax mitigation in the industrial and multi-residential property tax system and only a very few properties had tax increases capped in the commercial property class. No properties will have tax decreases clawed back in any property class in 2019. 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.



*Photo 5: Central London Public Library*



## **Credit Rating provided by Moody's Investors Service**

Moody's Investors Service (Moody's) typically reviews the credit worthiness of the City of London annually and then assigns the City a credit rating. Moody's is a leading provider of credit ratings, research and risk analysis. The firm's ratings and analysis track debt covering more than 135 sovereign nations, approximately 5,000 non-financial corporate issuers, 4,000 financial institutions issuers, 18,000 public finance issuers, 11,000 structured finance transactions and 1,000 infrastructure and project finance issuers.

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 rating opinion published September 19, 2018, the City has maintained its Aaa credit rating with a stable outlook.

The City has proudly held the Aaa rating since 1977, making 2018 the 42nd 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 42 consecutive years is a testament to the success of the City's prudent, conservative approach to fiscal planning.



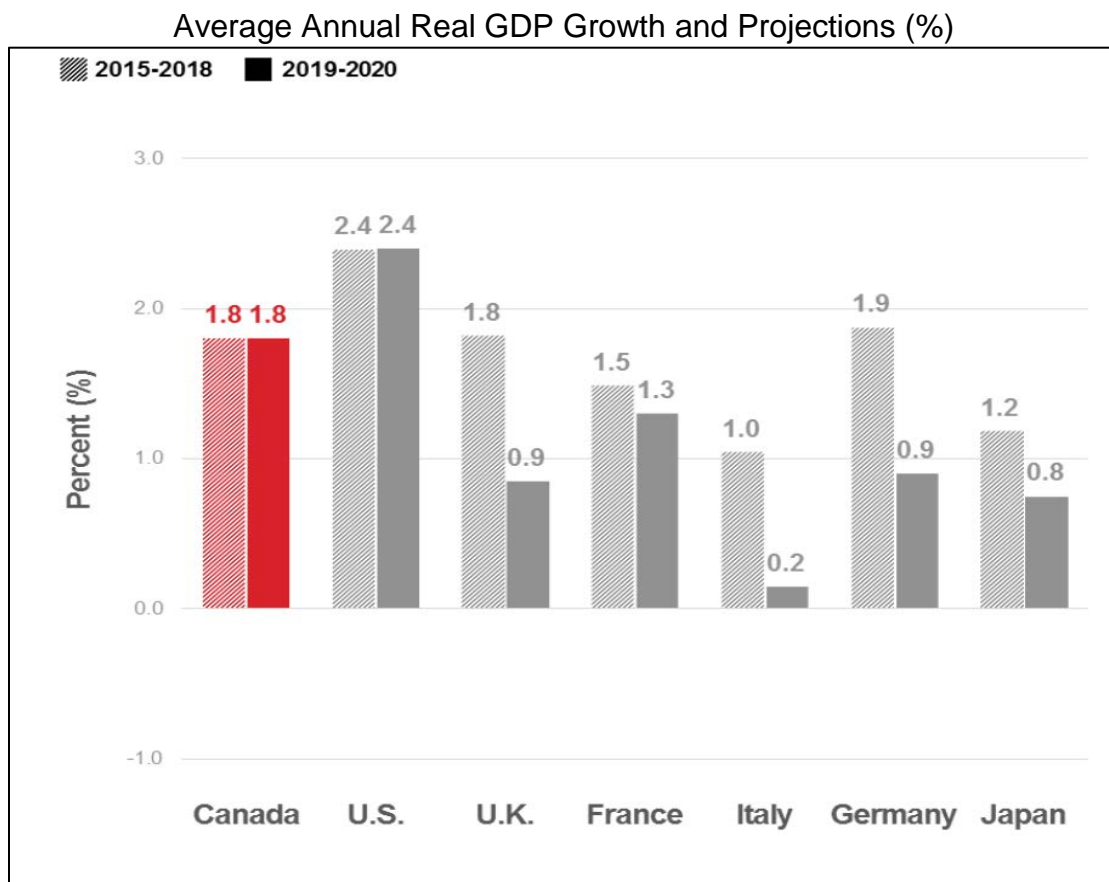
*Figure 1: 2018 Credit Rating Provided by Moody's Investor Service.*



*Photo 6: Victoria Park Skating*

## Economic Overview

Despite the global slowdown, Canada's economic prospects are strong. According to the Organization for Economic Co-operation & Development (OECD), Canada's average annual real Gross Domestic Product (GDP) growth from 2015-2018 ranked high among G7 countries and is forecast to be the second highest in the G7 in 2019-2020<sup>i</sup>. The Canadian economy grew by an estimated 2.1% in 2018 and is projected to post growth of 1.9% in 2019. Household spending has been driving gross domestic product growth over the last several years but is easing in the face of high household debt loads, rising interest rates, and soft wage growth. Energy exports will decline, with government-mandated production cuts taking effect in Alberta and low investment taking a toll on future production<sup>Error! Bookmark not defined.i</sup>.



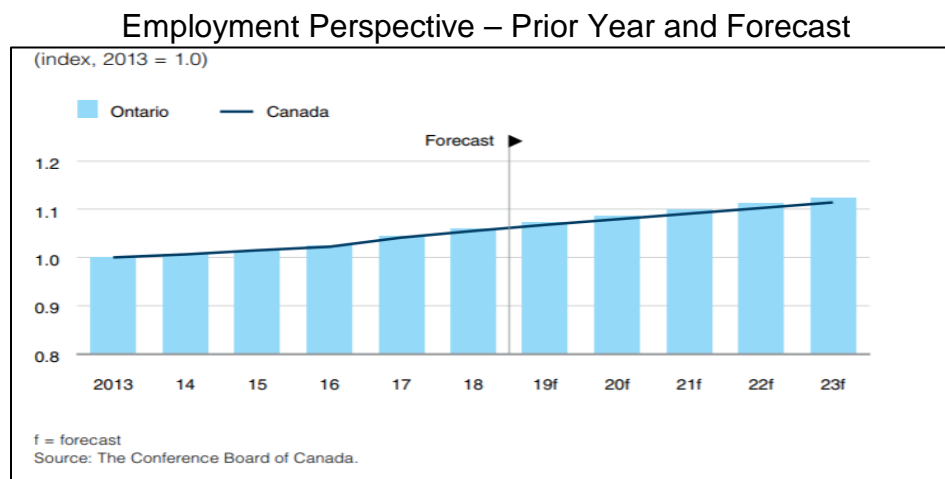
*Figure 2: Average Annual Real GDP Growth and Projections (%)*

*Source: Global Affairs Canada – Think Canada Report, March, 2019*<sup>Error! Bookmark not defined.</sup>

## Economic Overview (continued)

### Employment Perspective

As per the Conference Board of Canada, Ontario's real GDP was forecast to rise 1.8% in 2018 and a further 2.0% in 2019. In turn, the unemployment rate should ease to an average of 5.6% in 2019 and 5.5% in 2020. Ontario's population is expected to increase by 1.4% and 1.3% in 2018 and 2019, respectively<sup>ii</sup>.



*Figure 3: Employment Perspective – Prior Year and Forecast*

*Source: The Conference Board of Canada: Metropolitan Outlook 2: London, Winter 2019<sup>ii</sup>*

Ontario's gains continued at a robust pace in 2018, despite a 21% increase in the provincial minimum wage (to \$14 per hour) last January. Hiring has slowed in key sectors such as construction, manufacturing, retail and wholesale trade, and professional, scientific, and technical services. Although other sectors such as utilities, transportation, education, and accommodation and food services have still been adding jobs. All told, it is expected that modest employment gains of 1.2% in 2019 and 1.3% in 2020<sup>ii</sup>.

### Investment Outlook

A healthy outlook for investment will somewhat offset the drag of weaker consumer spending on Ontario's GDP growth. Total real investment spending expanded by an estimated 2.9% in 2018, and is expected to grow by a further 2.2% in 2019 and 4.1% in 2020. Much of the uncertainty affecting Ontario's investment outlook was eliminated by the Canada–United States–Mexico Agreement (CUSMA) trade deal. Pending congressional approval, this should ensure continued access to the U.S. market for Ontario exports, and some of the provisions in the new trade agreement could be an improvement over NAFTA. Ontario's investment outlook will also benefit from spending by the high-tech industry<sup>ii</sup>.

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## Economic Overview (continued)

### London Outlook

Dominant Industries in London

Class*	Industry	Employees (000s)
4411-4543	Retail trade	29.3
2311-29	Construction	16.5
7221-24	Food and beverage services	15.8
6211-19	Ambulatory health care services	12.5
6111	Primary and secondary schools	12.3
6220	Hospitals	12.1
6112-17	Post-secondary education	10.9
3361-69	Transportation equipment manufacturing	10.1
5511, 5611-12, 5615-17, 5619, 5621-29	Other management and administrative services	9.0
4111-91	Wholesale trade	8.0

Table 1: Dominant Industries in London

Source: Statistics Canada

\*North American Industrial Classification System

London's healthy economic performance in recent years has in part been driven by strong growth in the region's key manufacturing sector. A depreciated Canadian dollar and healthy U.S. demand, particularly for automobiles, have helped drive strong output growth in the sector. Although U.S. vehicle sales are anticipated to decline over the forecast, manufacturing will continue to post moderate gains thanks to key contracts and strong business investment<sup>ii</sup>. Supported by key industrial projects and strong new home construction, including 2017's 28-year high level of housing starts, the region's construction industry is also expected to grow at a healthy pace. Meanwhile, solid performances in the health care sector, the professional, scientific, and technical services industry, and the finance, insurance, and real estate industry will help make up for middling performances in other services industries, driving moderate but consistent gains in London's overall services sector in the near term. Despite the economy's steady GDP gains over the last few years, London's job market has logged an uneven performance. After growing by 3.7% in 2015—an addition of nearly 9,000 jobs—employment contracted by 2.4% in 2016 and 0.1% in 2017. Fortunately, the job market bounced back and expanded by 2.9% in 2018, making up for the job losses of the previous two (2) years. Gains are expected to continue in the near term, though the pace of growth is expected to fall to 1.3% this year and 0.3% in 2020. Meanwhile, the jobless rate is forecast to edge up from 5.5% in 2018 and hold steady at 5.6% this year and next before inching up to 5.8% by the end of the forecast<sup>ii</sup>.

## Economic Overview (continued)

### London Outlook (continued)

#### Employment Market Variability in London

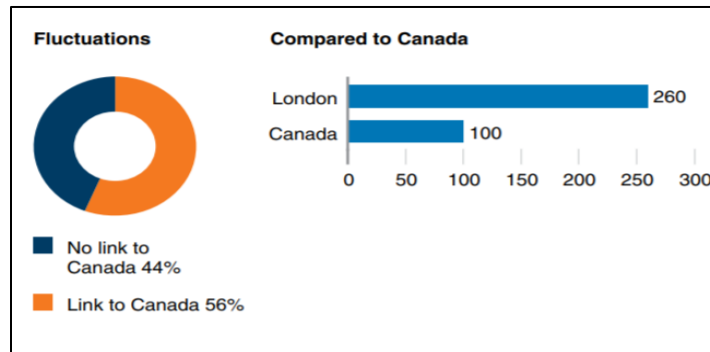


Figure 4: Employment Market Variability in London

Source: The Conference Board of Canada: Metropolitan Outlook 2: London, Winter 2019

#### Six (6) Year Overview, Ontario Home Sales



Figure 5: Six Year Overview, Ontario Home Sales

Source: Canadian Real Estate Association, TD Economics

In 2018 private investment turned around and started posting gains, however the levels remain weak. 2019 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 contributions<sup>iii</sup>. 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 economy<sup>iv</sup>.

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## Economic Overview (continued)

### London Outlook (continued)

Total real exports have risen modestly since mid-2014, as solid growth in exports of services and energy commodities have been offset by weakness in non-energy good exports<sup>iv</sup>. 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 exports<sup>iv</sup>. Higher energy exports were the key driver of the modest increase in overall export growth in 2018<sup>iii</sup>. The volume of non-commodity exports fell in 2018 after hitting the highest level in close to a decade the previous year<sup>iii</sup>. Canada's export sector will continue to be uneven in 2019, with growth being fuelled largely by the energy and services sectors.

### The City of London Building Activity and Assessment Growth

Since 2007, the City has processed building permits with an average total construction value of \$851.8 million, and a total value of \$1.01 billion in 2018<sup>v</sup>. This represents a 10.3% decrease over 2017 construction values.

On a per capita basis, London generated building permit value per capita greater than the median at the provincial and regional (i.e. Southwest Ontario) levels in 2017, placing it at a mid-level ranking among other municipalities in Ontario<sup>vi</sup>.

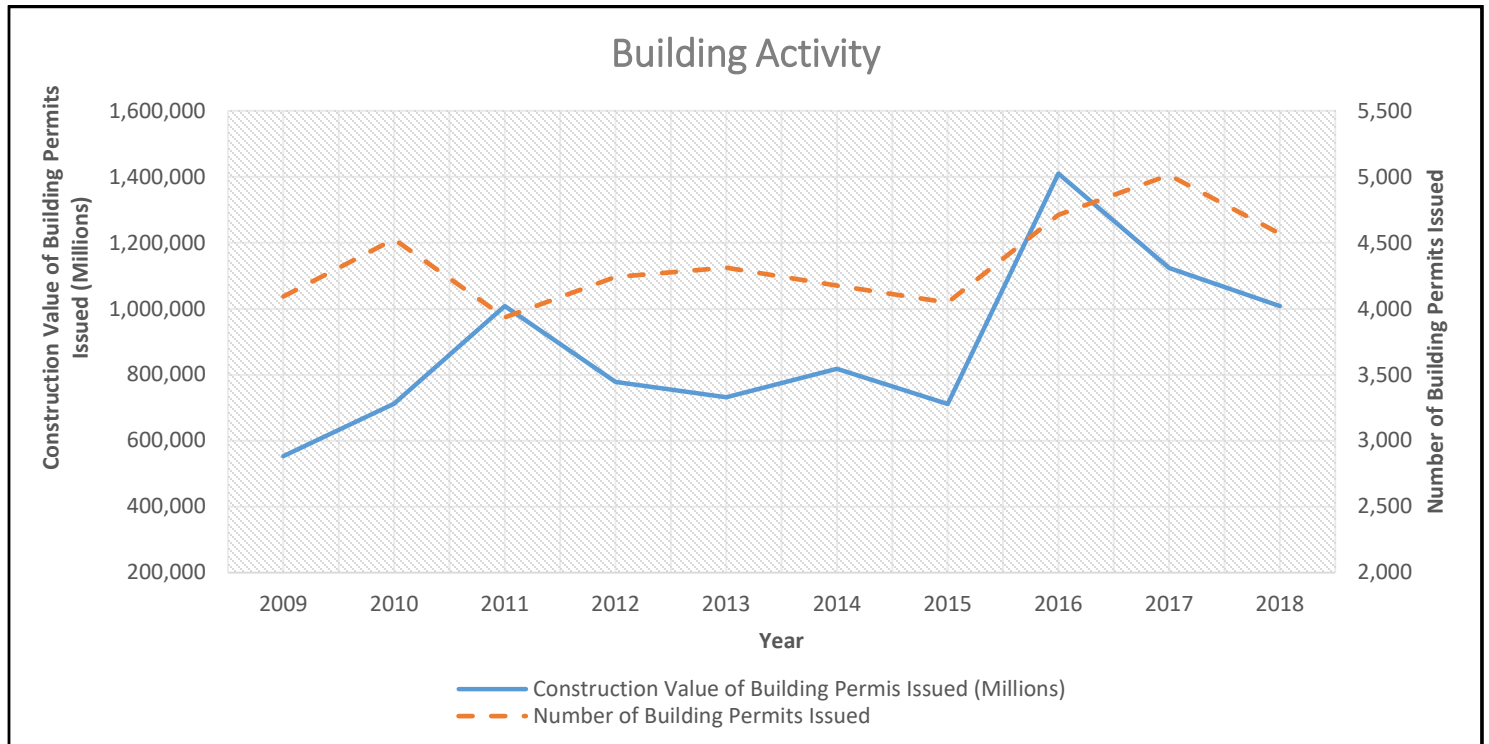


*Photo 7: Downtown London Night Lights*

## Economic Overview (continued)

### The City of London Building Activity and Assessment Growth (continued)

The City's weighted assessment growth was 1.27% for the year 2018, and 1.96% for 2019. Assessment growth in London generated approximately \$7.1 million in property tax revenue in 2018.



*Figure 6: 10 Year Overview of Building Activity*

Source: City's Planning and Environment Committee, Building Division Monthly Report for December

## Economic Overview (continued)

### Manufacturing Outlook

Between 2013 and 2017, London's manufacturing sector saw average annual output gains of 3.4%, leaving far behind the annual contractions of 2006–09. Last year, the sector expanded by a solid 2.8%. Though we expect gains to moderate to 2.4% this year and 2.0% in 2020, growth will sit comfortably above the 10-year average annual rate of 1.2%. Because we anticipate manufacturing will grow steadily over the forecast, output is forecast to finally surpass its 2005 high by 2021. After their collapse in the 2008–09 financial crisis, U.S. vehicle sales rose steadily from 2010 on until finally hitting a record high in 2016. Although vehicle sales are anticipated to weaken, the decline will be gradual, with demand for light vehicles to average just above 16 million units annually through the end of the forecast. These sales levels are consistent with moderate output growth in London's automotive manufacturing industry<sup>ii</sup>.



*Figure 7: Current State and Forecast Risk of London's Manufacturing*

Meanwhile, the outlook for the manufacturing sector is even brighter outside the automotive sector. Last year, London's Nestlé ice-cream plant hired an additional 150 full-time employees on the heels of a \$52-million expansion. Continued strong ice cream demand also prompted Nestlé to launch a 9,000-square-foot addition. At the same time, thanks in part to a \$7-million investment from the Ontario government, Dr. Oetker started hiring an additional 100 employees last year in order to nearly double production at its London plant. One entry into Canada's burgeoning cannabis market is High Park, which recently opened a \$10-million, 56,000-square-foot facility in the region. Currently with 75 employees, the business plans to expand and develop new products over the next five years. Political uncertainties and United States protectionism continues to be a threat to various industries, as tariff and trade disputes remain. Additionally, overall declines in auto sales and defence markets may continue to challenge London manufacturing. In 2019, Maple Leaf Foods announced it will be building a new fresh poultry processing plant that is expected to employ 1,450 people in the region once construction is completed in 2021<sup>ii</sup>.



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## Economic Overview (continued)

### Unemployment Rate

Job gains will moderate to 1.3% in 2019 and 0.3% in 2020 after reaching 2.9% last year. After falling 5.5% in 2018, the unemployment rate will rest at 5.6% this year, and a similar rate of 5.6% is expected in 2020 as well<sup>ii</sup>.

Economic Indicators, 2016-2023

	2016	2017	2018	2019	2020	2021	2022	2023
Real GDP at basic prices (2007 \$ millions)	20,377	20,763	21,110	21,494	21,869	22,294	22,700	23,086
Real GDP at basic prices % change	2.0	1.9	1.7	1.8	1.7	1.9	1.8	1.7
Total employment (000s)	246	246	253	256	257	260	262	265
Total employment % change	-2.4	-0.1	2.9	1.3	0.3	1.1	1.0	1.1
Unemployment rate (%)	7.0	5.9	5.5	5.6	5.6	5.6	5.8	5.8
Household income per capita (\$)	43,468	44,273	45,604	46,459	47,275	48,517	49,820	51,146
Household income per capita % change	2.0	1.9	3.0	2.1	1.6	2.6	2.7	2.7
Population (000s)	513	522	530	536	542	548	554	560
Population % change	1.4	1.7	1.5	1.2	1.1	1.1	1.1	1.0
Total housing starts	3,116	3,967	2,679	2,933	2,906	2,817	2,736	2,600
Retail sales (\$ million)	7,798	8,396	8,691	9,020	9,270	6,534	9,781	10,042
Retail sales % change	6.8	7.7	3.5	3.8	2.8	2.8	2.6	2.7
CPI (2002 = 1.000)	1.297	1.319	1.352	1.382	1.411	1.440	1.470	1.498
CPI % change	1.8	1.7	2.6	2.2	2.1	2.1	2.0	2.0

Table 2: Economic Indicators, 2016-2023

Source: The Conference Board of Canada; Statistics Canada; CMHC Housing Time Series Database.

## 2018 Financial Results

### Financial Results Summary

The City's financial position remained stable during 2018, with the City's cash and investments increasing by \$118 million to a combined total of \$1,056 million, compared to \$938 million in 2017. 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 \$401 million in 2018, representing an increase of \$128 million over 2017. 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 \$1,423 million in 2018, up \$173 million (13.8%) compared to 2017. This is mainly as a result of:

- Tax and user charges revenues were \$891 million, up \$34 million (3.9%) compared to 2017;
- Transfer payments were \$331 million, up \$50 million (17.7%) compared to 2017, predominantly in the areas of transportation, water and wastewater, and social housing. Also contributing to transfer payments were provincial uploading in social and family services.

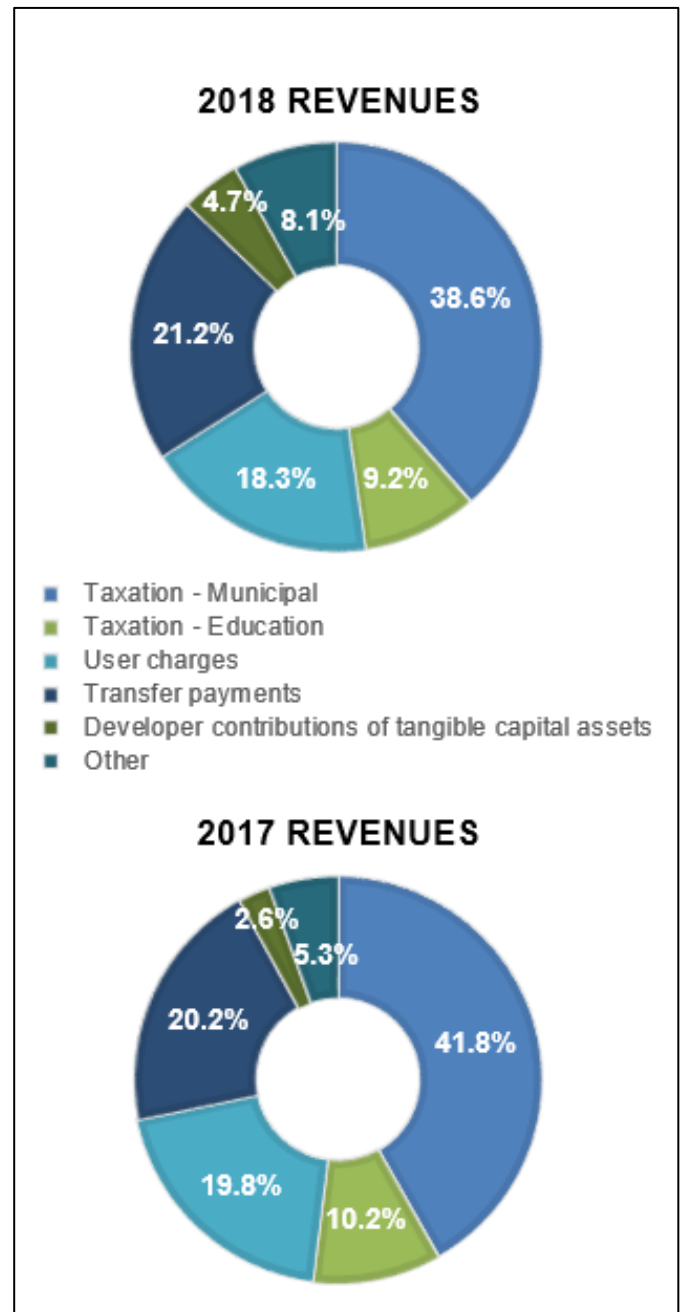


Figure 8: 2018 and 2017 Revenues

# THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report  
Year ended December 31, 2018

## 2018 Financial Results (continued)

### Total Expenses

Total expenses are \$1,150 million in 2018, up \$67 million (6.1%) compared to 2017. This is mainly due in part to:

- An increase of \$5 million for environmental services, \$4 million for social housing, \$4 million for recreation and culture, \$20 million for social and family services and \$27 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.

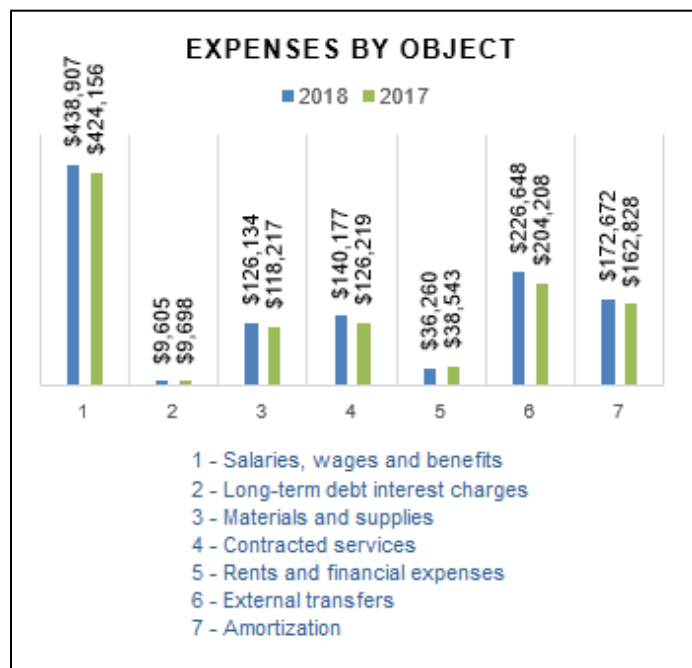


Figure 9: Expenses by Object (\$'000's)

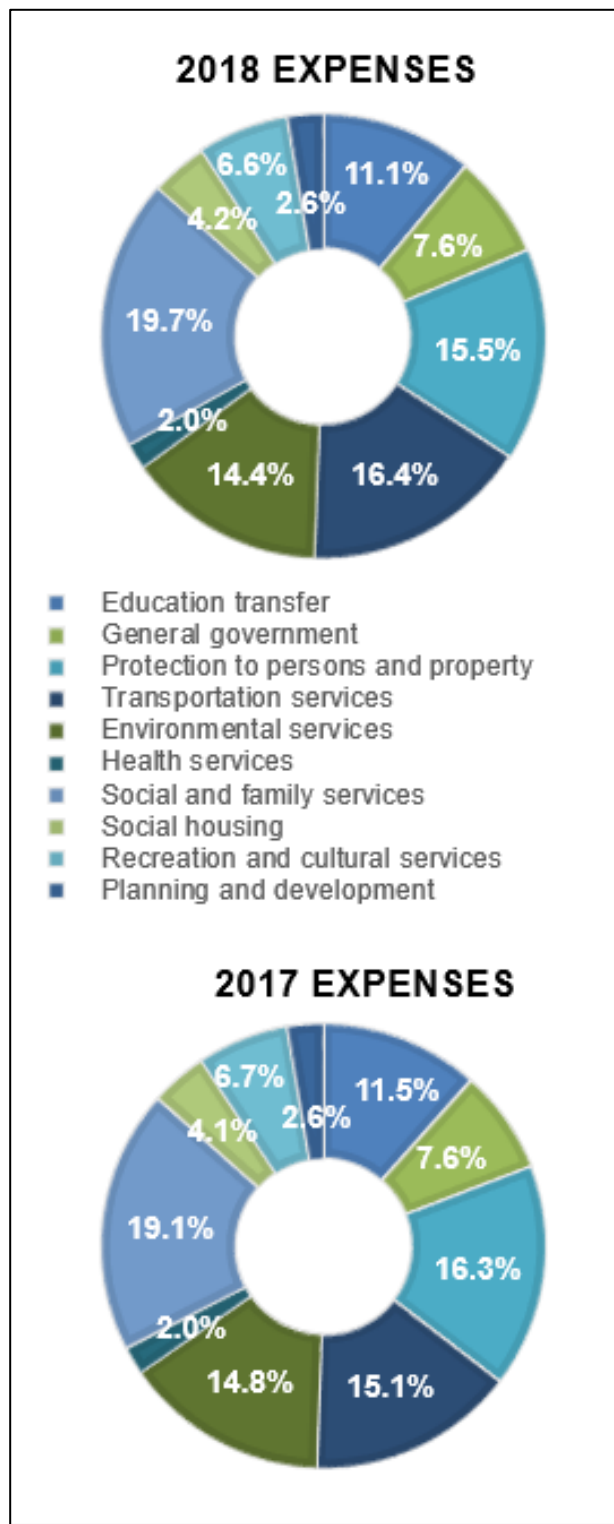


Figure 10: 2018 and 2017 Expenses

# THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report  
Year ended December 31, 2018

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## 2018 Financial Results (continued)

### 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.

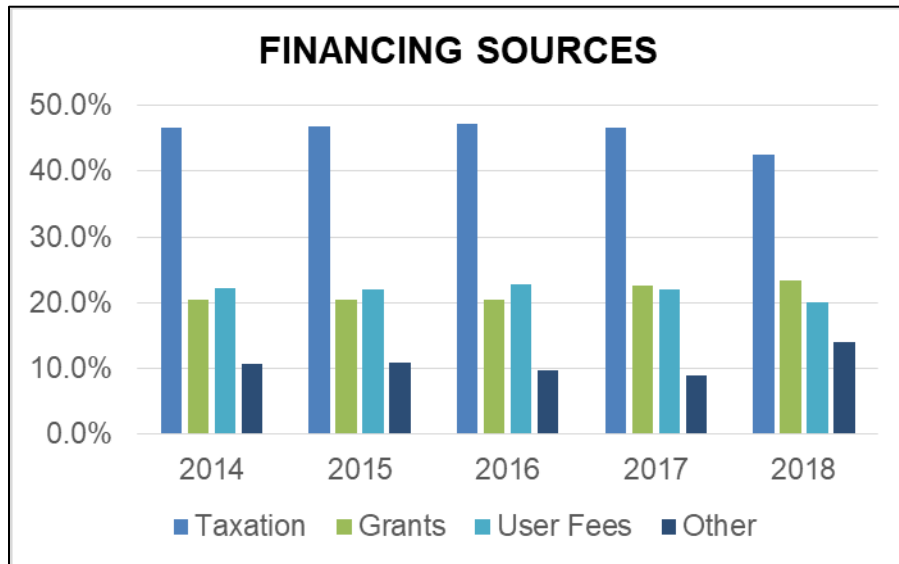


Figure 11: Five (5) Year Overview of Financing Services

### Property Tax Rates and Assessment Growth

City Council approved a tax levy of \$580 million, representing an increase over 2017 of 4.0%. When assessment growth, tax policy and education taxes are taken into consideration, the property tax increase translated into a 1.3% increase in the total tax bill for the typical residential property owner. The table below reflects the taxes on a residential property with an assessed value of \$235,000 in 2018 and an average value increase from 2017.

For 2018, assessment weighted with applicable tax ratios and using consistent valuation dates increased by 1.27%.

#### COMPARATIVE PROPERTY TAXES

	2018	2017
Municipal	\$2,775	\$2,722
Education	399	412
Total	\$3,174	\$3,134

# THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report  
Year ended December 31, 2018

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## 2018 Financial Results (continued)

### Property Tax Rates and Assessment Growth (continued)

This next chart reflects property taxes collected for the past five (5) 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.

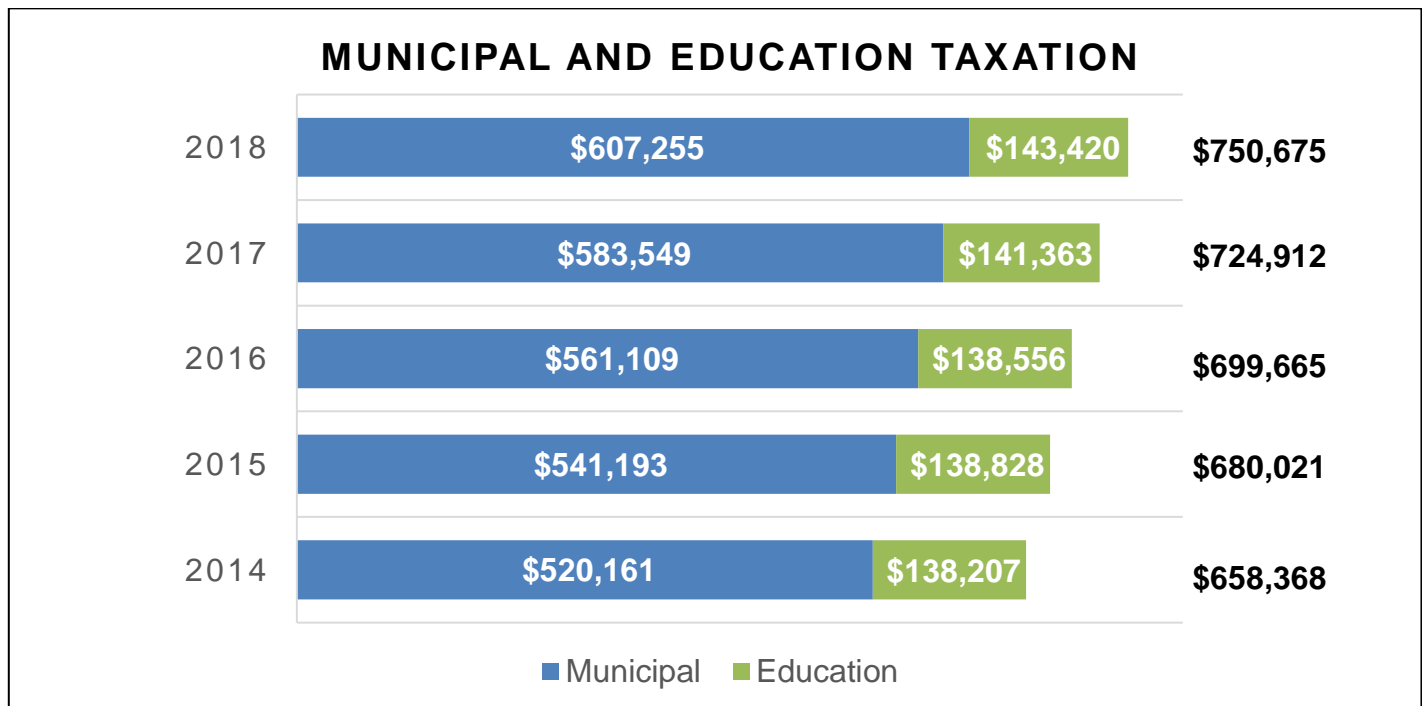


Figure 12: Five (5) year Overview of Property Taxes (\$000's)  
Source: 2018 Financial Information Return, Schedule 26A

# THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report  
Year ended December 31, 2018

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## 2018 Financial Results (continued)

### Capital Additions and Disposals

During 2018, additions to our completed capital assets were \$397 million versus \$309 million in 2017. The City also disposed of capital assets of \$65 million compared to \$77 million in 2017. There was also a net decrease in assets still under construction of \$73 million in 2018. The following table reflects where the largest net additions in 2018 were, excluding assets still under construction:

#### NET CAPITAL ASSET INCREASES RANKED BY 2018 SPENDING (\$000's)

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1.	Roads and Bridges Infrastructure	\$73,519
2.	Water and Wastewater Infrastructure	58,288
3.	Facilities and Improvements	46,589
4.	Vehicles, Machinery, Equipment and Furniture	22,656
5.	Land, Landfill and Land Improvements	16,905

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*Table 3: Largest Net Additions, 2018 (\$000's)*

In 2018 amortization expense recorded was \$173 million and accumulated amortization of \$57 million was removed upon disposal of the assets.

This resulted in a 2018 net book value of \$3,893 million for the City's tangible capital assets, compared to \$3,750 million for 2017.

### Annual Surplus and Accumulated Surplus

The annual surplus for the consolidated entity for 2018 was \$272 million (2017 - \$166 million). This results in an increase to the City's Accumulated Surplus for 2018 to \$4,317 million (2017 - \$4,044 million).

# THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report  
Year ended December 31, 2018

## 2018 Financial Results (continued)

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

In 2018, the City issued debt of \$55 million through public debentures, which is an increase from 2017 when \$41 million was issued, which included an amount on behalf of the joint water boards.

The amounts issued financed the following major activities:

Debenture Issuance (\$000's)	Public Debentures
General Municipal Activities (Roads, Transit, Recreation)	\$ 35,954
Wastewater Infrastructure	19,046
	\$ 55,000

Table 4: Debenture Amounts Issued

The City issued public debentures at an average cost of 2.976% over a 10-year term.

During the year, debt substitution totaled \$7.0 million (2017 - \$7.0 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.

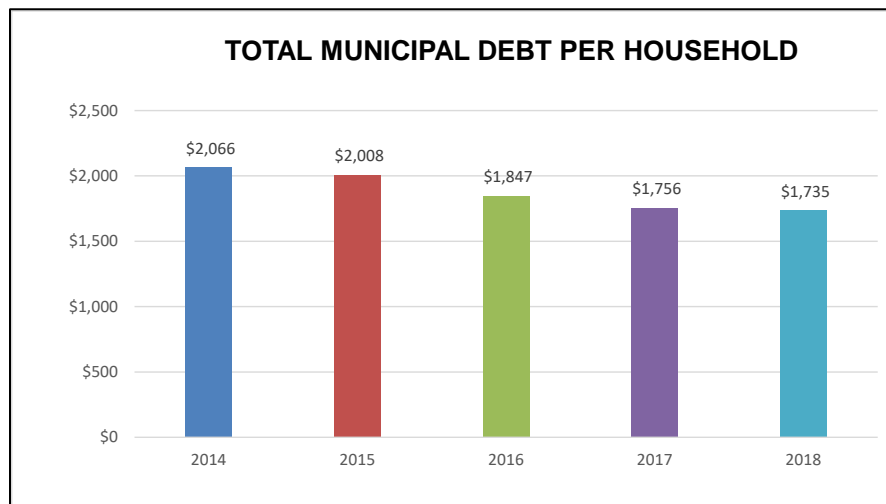


Figure 13: Five (5) Year Overview of Municipal Debt per Household

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

# THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report  
Year ended December 31, 2018

## 2018 Financial Results (continued)

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

#### General Municipal Debt and Long-term Liabilities and Discretionary Reserves and Reserve Funds per Household as at December 31 (\$000's)

	2014	2015	2016	2017	2018
Total Tax Supported Debt (\$)	239,697	225,909	205,690	192,732	<b>184,684</b>
Total Rate Supported Debt (\$)	116,174	122,250	118,198	117,883	<b>126,443</b>
Total Debt (\$)	355,871	348,159	323,888	310,615	<b>311,127</b>
Number of Households	172,281	173,415	175,342	176,859	<b>179,342</b>
Total Debt per Household (\$)	2,066	2,008	1,847	1,756	<b>1,735</b>
Discretionary Reserve Funds & Reserves (\$)	518,480	574,311	606,830	681,028	<b>761,075</b>
Discretionary Reserve Funds & Reserves Per Household (\$)	3,010	3,312	3,461	3,851	<b>4,244</b>

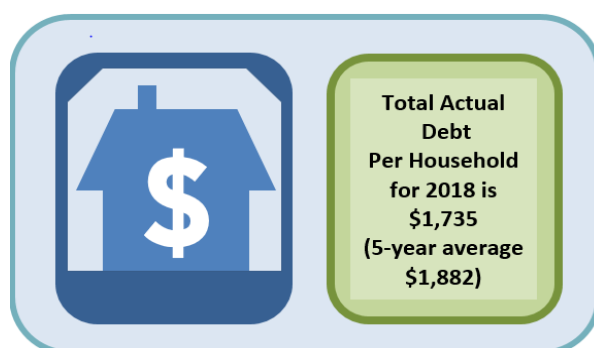


Figure 14: Total Actual Debt per Household, 2018



**THE CORPORATION OF THE CITY OF LONDON**

Consolidated Financial Report  
 Year ended December 31, 2018

**2018 Financial Results (continued)****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, 2018. The current obligation will be met by 2032.

Principal Balances Remaining on Outstanding Debentures (\$000's)

	2018	2019	2020	2021	2022	2023
General Municipal	171,114	138,097	106,543	77,716	56,145	38,039
Discretionary Reserve Funds	14,561	10,239	5,786	3,752	1,656	490
<b>Total Tax Supported Debt</b>	<b>185,675</b>	<b>148,336</b>	<b>112,329</b>	<b>81,468</b>	<b>57,801</b>	<b>38,529</b>
Water	15,638	13,141	10,592	7,989	5,572	3,909
Sewer	50,346	41,663	33,008	24,662	19,456	15,217
Obligatory Reserve Funds	61,029	53,066	44,960	36,696	29,541	22,914
<b>Total Rate Supported Debt</b>	<b>127,013</b>	<b>107,870</b>	<b>88,560</b>	<b>69,347</b>	<b>54,569</b>	<b>42,040</b>
<b>Total Long-term Debt and Liabilities</b>	<b>312,688</b>	<b>256,206</b>	<b>200,889</b>	<b>150,815</b>	<b>112,370</b>	<b>80,569</b>
<b>Less Unamortized Discount</b>	<b>(1,561)</b>	<b>(1,289)</b>	<b>(1,018)</b>	<b>(772)</b>	<b>(544)</b>	<b>(363)</b>
<b>Total Long-term Debt and Liabilities, net of Unamortized Discount</b>	<b>311,127</b>	<b>254,917</b>	<b>199,871</b>	<b>150,043</b>	<b>111,826</b>	<b>80,206</b>
<b>Percentage Remaining</b>	<b>100%</b>	<b>82%</b>	<b>64%</b>	<b>48%</b>	<b>36%</b>	<b>26%</b>

Table 5: Principal Balances Remaining on Outstanding Debentures as at December 31, 2018 (\$000's)

# THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report  
Year ended December 31, 2018

## 2018 Financial Results (continued)

### Reserves and Reserve Funds

At December 31, 2018, the City of London had combined Reserves, and Discretionary and Obligatory Reserve Funds of \$1,049 million (\$98 million and \$951 million respectively). These balances reflect a net increase of \$81 million from December 2017, 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 following table shows the ten year trend in year-end equity balances. The table below does not include the effect of budgeted commitments made, which would reduce balances significantly.

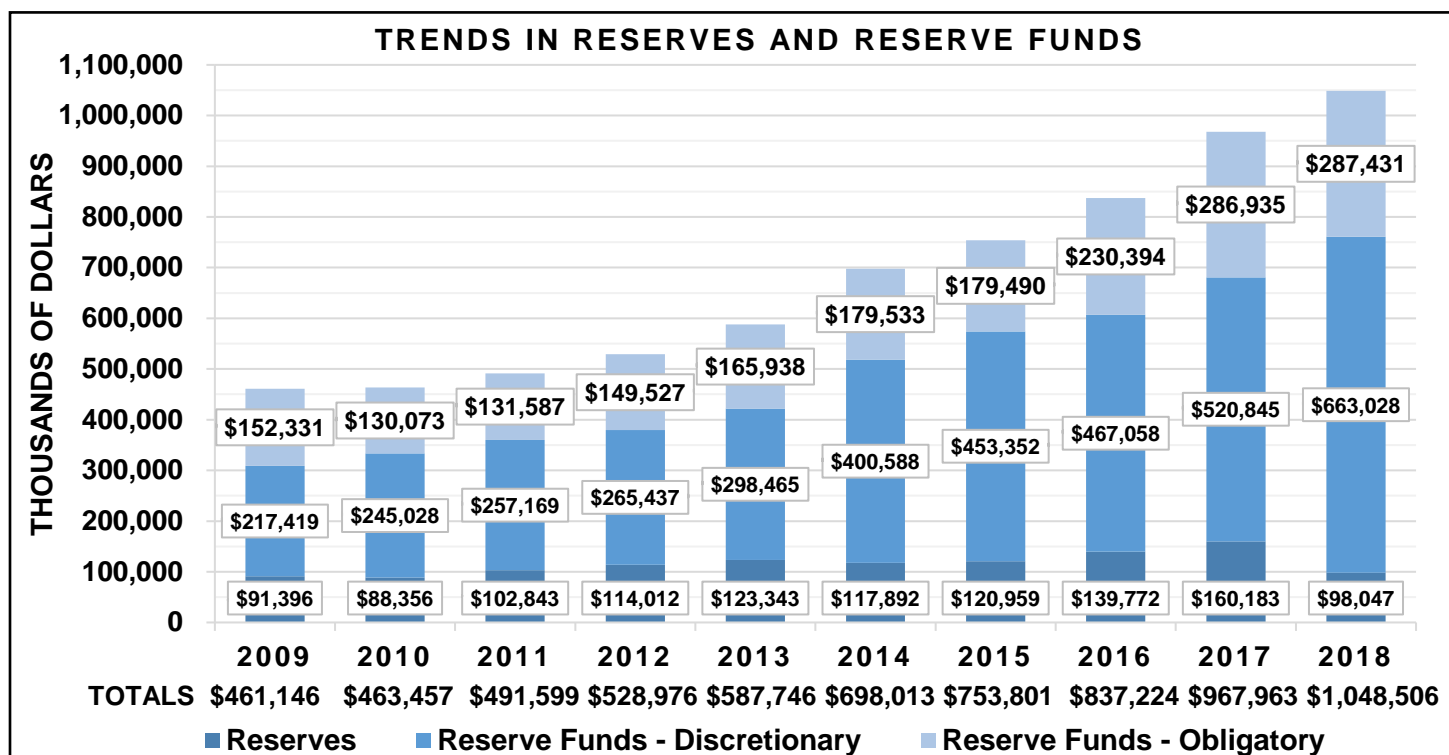


Figure 15: Ten Year Overview of Reserves and Reserve Funds (\$000's)

In 2018, Reserve Funds grew by \$143 million, reaching \$951 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 decreased by \$62 million over 2017 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 of tangible capital assets.

# THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report  
Year ended December 31, 2018

## Five Year Review and General Statistics

### Five Year Review (\$000's)

	2018	2017	2016	2015	2014
TAXATION (including education)					
Residential & Farm	\$522,543	\$507,405	\$494,636	\$477,128	\$457,611
Commercial & Industrial	228,132	217,507	205,029	202,893	200,757
	<b>\$750,675</b>	<b>\$724,912</b>	<b>\$699,665</b>	<b>\$680,021</b>	<b>\$658,368</b>
TOTAL TAXES RECEIVABLE	<b>\$29,792</b>	<b>\$28,937</b>	<b>\$31,388</b>	<b>\$34,897</b>	<b>\$35,007</b>
TAX ARREARS					
Percentage of Current Levy	4.0%	4.0%	4.5%	5.1%	5.3%
TAX RATES (%) (including all area rates & education)					
Residential	1.350819	1.360444	1.362611	1.366710	1.367795
Multi-Residential	2.290515	2.361127	2.405666	2.479835	2.509294
Commercial	3.618981	3.693816	3.690491	3.714835	3.766294
Industrial	3.618981	3.693816	3.790491	3.814835	4.145845
TOTAL LONG TERM DEBT					
General Municipal Rates	\$163,414	\$164,844	\$170,906	\$184,389	\$191,654
Water Rates	15,638	18,927	18,724	16,916	11,118
Sewer Rates	50,346	55,551	61,922	70,416	74,463
Municipal Reserve Funds	75,590	62,653	60,869	62,227	61,748
	<b>\$304,988</b>	<b>\$301,975</b>	<b>\$312,421</b>	<b>\$333,948</b>	<b>\$338,983</b>
DEBT PRINCIPAL & INTEREST REPAYMENTS					
Principal	\$51,987	\$49,361	\$48,422	\$44,202	\$44,922
Interest and debenture discount	9,605	9,698	10,303	10,985	11,514
	<b>\$61,592</b>	<b>\$59,059</b>	<b>\$58,725</b>	<b>\$55,187</b>	<b>\$56,436</b>
DEBT ISSUED	<b>\$55,000</b>	<b>\$41,000</b>	<b>\$30,048</b>	<b>\$40,500</b>	<b>\$30,000</b>
ASSESSMENT GROWTH	1.27%	0.91%	1.20%	1.17%	1.22%
TANGIBLE CAPITAL ASSETS ADDITIONS	<b>\$502,850</b>	<b>\$457,929</b>	<b>\$377,697</b>	<b>\$317,708</b>	<b>\$313,293</b>
TANGIBLE CAPITAL ASSETS AMORTIZATION	<b>\$172,672</b>	<b>\$162,828</b>	<b>\$154,373</b>	<b>\$147,713</b>	<b>\$142,784</b>
NET BOOK VALUE TANGIBLE CAPITAL ASSETS	<b>\$3,892,797</b>	<b>\$3,749,717</b>	<b>\$3,614,041</b>	<b>\$3,486,341</b>	<b>\$3,403,974</b>
ANNUAL SURPLUS	<b>\$272,392</b>	<b>\$166,359</b>	<b>\$166,940</b>	<b>\$144,808</b>	<b>\$117,376</b>
CONSOLIDATED ACCUMULATED SURPLUS	<b>\$4,316,747</b>	<b>\$4,044,355</b>	<b>\$3,877,996</b>	<b>\$3,711,056</b>	<b>\$3,566,248</b>
RESERVES, DISCRETIONARY & OBLIGATORY RESERVE FUNDS	<b>\$1,048,506</b>	<b>\$967,963</b>	<b>\$837,224</b>	<b>\$753,801</b>	<b>\$698,013</b>

# THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report  
Year ended December 31, 2018

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## Five Year Review and General Statistics (continued)

### General Statistics and Indicators

While the following table provides statistics that 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.

	2018	2017
<b>GENERAL STATISTICS:</b>		
Population <sup>vii</sup>	<b>393,167</b>	387,275
Area in Acres	<b>104,632</b>	104,632
Number of Households <sup>viii</sup>	<b>179,342</b>	176,859
Number of Properties <sup>viii</sup>	<b>157,305</b>	154,988
Building Permit Values (\$000's) <sup>ix</sup>	<b>\$1,008,066</b>	\$1,123,805
Average Home Selling Price <sup>x</sup>		
London and St. Thomas	<b>\$369,110</b>	\$329,765
Ontario	<b>\$569,048</b>	\$584,279
Canada	<b>\$488,044</b>	\$508,717
Unemployment Rates (Annual Averages) <sup>xi</sup>		
London	<b>5.6%</b>	5.9%
Ontario	<b>5.6%</b>	6.0%
Canada	<b>5.8%</b>	6.3%
CPI Canada (percentage change) <sup>xi</sup>	<b>2.3%</b>	1.6%
Real GDP Canada (percentage change) <sup>xi</sup>	<b>2.3%</b>	3.1%

*Table 6: General Statistics and Indicators*

# THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report  
Year ended December 31, 2018

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## Definitions

**Amortization** – the systematic allocation of the historical cost of a tangible capital asset over its useful life.<sup>xii</sup>

**Accumulated Amortization** – the total amortization pertaining to a tangible capital asset from the time the asset was placed into service until the date of the financial statement.<sup>xii</sup>

**Assets under Construction** – tangible capital assets under construction at the end of the fiscal year that have not been put into service (e.g., engineered structures, buildings, land improvements).<sup>xii</sup>

**Consolidated Financial Statements** – statements containing financial information for the municipality and its owned or controlled organizations (e.g., fire, library).<sup>xix</sup>

**Contributed Assets** – assets that have been transferred or donated to the municipality and that will provide a future economic benefit.<sup>xii</sup>

**Deferred Revenue** – income received that will not be recorded as revenue until certain transactions or events take place.<sup>xii</sup>

**Development charges** - a revenue tool designed to help municipalities to pay for a portion of growth-related capital costs incurred to provide services to new residents and businesses. Some of the services for which a municipality may charge a development charge include roads, water and wastewater, police and fire services, and transit. Development charges pay for increased capital costs relating to growth. They do not pay for operating costs or for the future repair of infrastructure.<sup>xiii</sup>

**Equity in Tangible Capital Assets** – the net book value of recorded tangible capital assets less capital debt.<sup>xii</sup>

**Expenditure** – an outlay of cash, payment or disbursement.<sup>xii</sup>

**Expense** – the cost to the municipality of an activity. This can be cash or non-cash cost (e.g., wages, materials, amortization).<sup>xii</sup>

**Financial Assets** – current cash resources plus any items or holdings that are expected to be converted into cash in the future.<sup>xii</sup>

**Government Transfers** – entitlements, transfers under cost-share agreements, and/or grants from other levels of government.<sup>xii</sup>

## THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report  
Year ended December 31, 2018

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### Definitions (continued)

**Net Book Value** – the total cost of a tangible capital asset minus the accumulated amortization and any write-down of the asset.<sup>xii</sup>

**Net Financial Assets (Net Debt)** – an amount equal to the total financial assets less the total liabilities.<sup>xii</sup>

**Reserves and reserve funds** - are included in the accumulated surplus of the municipality. They are both used, among other things, to account for transactions which, for legal or policy reasons, require that amounts specifically earmarked for a project or purpose be identified and spent on that project or activity. Usually, the purpose is specified when the reserve or reserve fund is established. Reserve fund uses generally are not converted to other uses without council's approval.<sup>xiii</sup>

**Statement of financial position** - provides information about the municipality's financial position in terms of its assets (what the municipality owns or controls) and liabilities (what the municipality owes) at the end of the fiscal year or accounting period. It reports the municipality's net debt, and its accumulated surplus or deficit, because these figures are indicators that can be used to assess a municipality's financial position.

Net debt shows the amount of future revenues that will have to be raised to pay for past transactions and events. The accumulated surplus/deficit is the primary indicator of the resources (financial and physical) the municipality has available to provide future services.<sup>xiii</sup>

**Statement of operations** - reports the revenues, expenses, results, and surplus or deficit from operations in the fiscal year or accounting period. The statement shows the cost of municipal services provided in the period, the revenues recognized in the period and the difference between them. It summarizes cost-of-service information at a functional level – for example, social services, recreation, general government, transportation and protection, to name a few.<sup>xiii</sup>

**Statement of change in net financial assets (debt)** - explains the difference between the annual surplus or deficit and the change in net financial assets (debt). It tracks what the municipality has spent to acquire tangible capital assets and inventories of supplies. It reports on the disposal of tangible capital assets and the use of inventory.<sup>xiii</sup>

**Statement of cash flow** - identifies where cash came from, shows how cash was used and provides details on changes in cash and cash equivalents since the previous reporting period. Sources and uses of cash are reported by major activity: operations, capital transactions (acquisitions and disposals), investments (purchases and disposals), and financing (debt proceeds and payments).<sup>xiii</sup>

**Tangible Capital Assets** – non-financial assets having a physical substance that are held for use in the supply of goods and services, have economic lives beyond the accounting period, are used on a continuing basis and are not for sale in the ordinary course of operations (e.g., bridge, snow plow).<sup>xii</sup>

## THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report  
Year ended December 31, 2018

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### Endnotes

- <sup>i</sup> Global Affairs Canada, Excellent Economic Fundamentals, <https://www.international.gc.ca/economist-economiste/invest/invest-Canada.aspx?lang=eng>
- <sup>ii</sup> Conference Board of Canada, Metropolitan Outlook2: London – Winter 2019, <https://www.conferenceboard.ca/e-library/abstract.aspx?did=10163&AspxAutoDetectCookieSupport=1>
- <sup>iii</sup> RBC Economic Research, Economic and Financial Market Outlook, March 2018, [http://www.rbc.com/economics/economic-reports/pdf/quarterly-economic-update/fcst\\_mar2018.pdf](http://www.rbc.com/economics/economic-reports/pdf/quarterly-economic-update/fcst_mar2018.pdf)
- <sup>iv</sup> Government of Canada, Budget Plan, <https://www.budget.gc.ca/2018/docs/plan/toc-tdm-en.html>
- <sup>v</sup> City of London. Summary Listings of Building Construction Activity, <http://www.london.ca/city-hall/meetings/pages/default.aspx>
- <sup>vi</sup> BMA. (2018). Municipal Study, <https://www.london.ca/city-hall/master-plans-reports/reports/Documents/BMA%20Municipal%20Study%202018.pdf>
- <sup>vii</sup> Provided by City's Planning Service Area and Statistics Canada, May 2019, <https://www.statcan.gc.ca/eng/start>
- <sup>viii</sup> Municipal Property Assessment Corporation, <https://www.mpac.ca/>, 2018 year-end assessment roll, November 2018
- <sup>ix</sup> Provided by City's Building Division
- <sup>x</sup> London-St. Thomas Real Estate Board and The Canadian Real Estate Association, <https://www.lstar.ca/> and <https://www.crea.ca/>
- <sup>xi</sup> Statistics Canada, June 2019 and June 2018, <https://www.statcan.gc.ca/eng/start>
- <sup>xii</sup> Ministry of Municipal Affairs and Housing, Common Language Guide to Municipal Financial Statements (Toronto: Queen's Printer for Ontario, 2016), <http://www.mah.gov.on.ca/AssetFactory.aspx?did=15792>
- <sup>xiii</sup> Ministry of Municipal Affairs and Housing, "The Fiscal Context," The Ontario Municipal Councillor's Guide 2018, <https://www.ontario.ca/document/ontario-municipal-councillors-guide-2018/9-fiscal-context>





Consolidated Financial Statements of

**THE CORPORATION OF THE CITY OF LONDON**

And Independent Auditors' Report thereon

December 31, 2018



# THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Statements

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

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## 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 Chartered Professional Accounts (CPA) of 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, 2018.

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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## INDEPENDENT AUDITORS' REPORT

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

### ***Opinion***

We have audited the consolidated financial statements of the Corporation of the City of London (the "Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2018
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018, 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.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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





### ***Other Information***

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the "Financial Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the "Financial Report" as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.







Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.





- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

London, Canada

June 26, 2019



**THE CORPORATION OF THE CITY OF LONDON**  
**Consolidated Statement of Financial Position**  
**As at December 31, 2018, with comparative information for 2017**

(all dollar amounts in thousands of dollars)

	2018	2017
<b>Financial assets</b>		
Cash and cash equivalents (Note 2)	\$ 490,040	\$ 400,503
Accounts receivable		
Taxes receivable (Note 3)	23,072	22,374
Other receivables	80,299	66,313
Land held for resale	33,899	32,928
Investments (Note 4)	565,851	537,238
Loan receivable (Note 5)	24,130	24,393
Investment in government business enterprises and partnerships (Note 6)	189,381	180,977
<b>Total financial assets</b>	<b>1,406,672</b>	<b>1,264,726</b>
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	170,387	165,010
Deferred revenue (Note 7)	319,839	317,043
Accrued interest on long-term debt	2,051	2,305
Long-term liabilities (Note 8)	7,700	10,100
Long-term debt (Note 9)	303,427	300,515
Capital lease obligations (Note 10)	1,082	1,835
Urban works payable (Note 11)	2,162	3,826
Employee benefits payable (Note 12)	159,545	154,874
Landfill closure and post-closure liability (Note 13)	39,190	36,692
<b>Total financial liabilities</b>	<b>1,005,383</b>	<b>992,200</b>
<b>Net financial assets</b>	<b>401,289</b>	<b>272,526</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 14)	3,892,797	3,749,717
Inventories of supplies	4,840	4,543
Prepaid expenses	17,821	17,569
<b>Total non-financial assets</b>	<b>3,915,458</b>	<b>3,771,829</b>
<b>Accumulated surplus (Note 15)</b>	<b>\$ 4,316,747</b>	<b>\$ 4,044,355</b>

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, 2018, with comparative information for 2017**

(all dollar amounts in thousands of dollars)

	<b>Budget</b>	<b>2018</b>	<b>2017</b>
<b>Revenues</b>			
Net municipal taxation	\$ 596,888	\$ <b>604,712</b>	\$ 581,481
User charges	277,770	<b>286,353</b>	275,948
Transfer payments			
Provincial	258,272	<b>269,676</b>	245,325
Federal	22,883	<b>56,016</b>	30,965
Other municipalities	5,542	<b>5,644</b>	5,317
Investment income	3,574	<b>18,628</b>	12,167
Penalties and interest	6,538	<b>7,984</b>	8,225
Development charges earned	20,475	<b>50,086</b>	13,747
Developer contributions of tangible capital assets (Note 14)	44,041	<b>73,284</b>	36,759
Other	29,150	<b>37,007</b>	27,411
Equity in earnings of government business enterprises and partnerships (Note 6)	5,362	<b>13,405</b>	12,883
<b>Total revenues</b>	<b>1,270,495</b>	<b>1,422,795</b>	1,250,228
<b>Expenses</b>			
General government	98,898	<b>97,739</b>	93,311
Protection to persons and property	204,978	<b>200,632</b>	199,450
Transportation services	190,161	<b>212,543</b>	185,306
Environmental services	171,960	<b>186,257</b>	181,562
Health services	25,687	<b>25,580</b>	25,037
Social and family services	264,029	<b>254,943</b>	234,535
Social housing	45,919	<b>54,161</b>	50,465
Recreation and cultural services	82,746	<b>85,456</b>	81,848
Planning and development	27,572	<b>33,092</b>	32,355
<b>Total expenses</b>	<b>1,111,950</b>	<b>1,150,403</b>	1,083,869
<b>Annual surplus</b>	158,545	<b>272,392</b>	166,359
<b>Accumulated surplus, beginning of year</b>	4,044,355	<b>4,044,355</b>	3,877,996
<b>Accumulated surplus, end of year</b>	\$ 4,202,900	\$ <b>4,316,747</b>	\$ 4,044,355

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, 2018, with comparative information for 2017**

(all dollar amounts in thousands of dollars)

	<b>Budget</b>	<b>2018</b>	<b>2017</b>
<b>Annual surplus</b>	\$ 158,545	\$ 272,392	\$ 166,359
Acquisition of tangible capital assets	(259,685)	<b>(250,019)</b>	(276,037)
Developer contributions of tangible capital assets	(44,040)	<b>(73,284)</b>	(36,759)
Amortization of tangible capital assets	149,300	<b>172,672</b>	162,828
Proceeds from sale of tangible capital assets	-	<b>7,581</b>	15,458
Gain on disposal of tangible capital assets	-	<b>(30)</b>	(1,166)
	<b>(154,425)</b>	<b>(143,080)</b>	<b>(135,676)</b>
Change in inventories of supplies	-	<b>(297)</b>	(368)
Change in prepaid expenses	-	<b>(252)</b>	7,072
	-	<b>(549)</b>	6,704
<b>Change in net financial assets</b>	4,120	<b>128,763</b>	37,387
<b>Net financial assets, beginning of year</b>	272,526	<b>272,526</b>	235,139
<b>Net financial assets, end of year</b>	\$ 276,646	\$ 401,289	\$ 272,526

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, 2018, with comparative information for 2017**

(all dollar amounts in thousands of dollars)

	2018	2017
<b>Cash provided by (used in)</b>		
<b>Operating Activities</b>		
Annual surplus	\$ 272,392	\$ 166,359
<b>Items not involving cash</b>		
Amortization of tangible capital assets	172,672	162,828
Developer contributions of tangible capital assets	(73,284)	(36,759)
Gain on disposal of tangible capital assets	(30)	(1,166)
Change in employee benefits payable	4,671	5,699
Change in landfill closure and post-closure liability	2,498	2,255
Equity in earnings of government business enterprises and partnerships	(14,220)	(13,785)
Amortization of debenture discount	(101)	(13)
<b>Change in non-cash assets and liabilities</b>		
Taxes receivable	(698)	2,656
Other receivables	(13,986)	(11,960)
Land held for resale	(971)	(383)
Accounts payable and accrued liabilities	5,377	(9,990)
Deferred revenue	2,796	58,287
Accrued interest on long-term debt	(254)	373
Urban works payable	(1,664)	572
Inventories of supplies	(297)	(368)
Prepaid expenses	(252)	7,072
<b>Net change in cash from operating activities</b>	<b>354,649</b>	<b>331,677</b>
<b>Capital Activities</b>		
Proceeds from sale of tangible capital assets	7,581	15,458
Acquisition of tangible capital assets	(250,019)	(274,401)
<b>Net change in cash from capital activities</b>	<b>(242,438)</b>	<b>(258,943)</b>
<b>Investing Activities</b>		
Net decrease (increase) in investments	(28,613)	5,650
Repayment of loans receivable	263	387
Repayment of promissory note receivable from government business enterprises	855	803
Government business enterprises and partnerships	(39)	99
Dividends from London Hydro Inc. (Note 6 (a)(v))	5,000	5,000
<b>Net change in cash from investing activities</b>	<b>(22,534)</b>	<b>11,939</b>
<b>Financing Activities</b>		
Long-term debt issued	55,000	38,915
Long-term debt repayments	(51,987)	(49,361)
Repayments of long-term liabilities	(2,400)	(2,815)
Repayments of capital lease obligations	(753)	(1,182)
<b>Net change in cash from financing activities</b>	<b>(140)</b>	<b>(14,443)</b>
<b>Net change in cash and cash equivalents</b>	<b>89,537</b>	<b>70,230</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>400,503</b>	<b>330,273</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 490,040</b>	<b>\$ 400,503</b>

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, 2018

(all dollar amounts in thousands of dollars)

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

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

## THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

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### 1. Significant Accounting Policies (continued)

#### a) Basis of Consolidation (continued)

##### (ii) Equity Accounting

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

The government business enterprises and partnerships during the year were:

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

##### (iii) Proportionate Consolidation

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

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

##### (iv) Accounting for School Board Transactions

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

During the year, **\$143,420** of taxation was collected on behalf of school boards (2017 - \$141,363) and remitted to the school boards during the year.

# THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

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## 1. Significant Accounting Policies (continued)

### a) Basis of Consolidation (continued)

#### (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 **\$4,301** (2017 - \$4,344).

### 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.

# THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

## 1. Significant Accounting Policies (continued)

### b) Basis of Accounting (continued)

#### (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.

#### a) 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:

*Table 1: Tangible Capital Asset Useful Life*

<b>Asset</b>	<b>Useful Life – Years</b>
Landfill and land improvements	5 – 40
Buildings and building improvements	10 – 40
Leasehold improvements	Lease term
Machinery, equipment and furniture	5 - 20
Vehicles	5 - 7
Water and wastewater infrastructure	10 - 100
Roads infrastructure	10 - 80
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.

#### b) 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.

# THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

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## 1. Significant Accounting Policies (continued)

### b) Basis of Accounting (continued)

#### (iv) Non-Financial Assets (continued)

##### c) 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.

##### d) Interest Capitalization

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

##### e) 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.

##### f) 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.

## THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

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### 1. Significant Accounting Policies (continued)

#### b) Basis of Accounting (continued)

##### (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 ratios 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 Provincial and Federal senior levels of government as a result of an allocation of gas tax funds.

# THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

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## 1. Significant Accounting Policies (continued)

### c) Government Transfers (continued)

#### (ii) Expenses

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

### d) Tax Revenues

In 2018 the Corporation received **\$604,712** (2017 - \$581,481) 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.).

## THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

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### 1. Significant Accounting Policies (continued)

#### 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:

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



## THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

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### 1. Significant Accounting Policies (continued)

#### 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, 2018

(all dollar amounts in thousands of dollars)

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### 1. Significant Accounting Policies (continued)

#### 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) Adoption of New Accounting Policies

##### (i) Related Party Disclosures

The Corporation adopted Public Sector Accounting Standard PS2200 *Related Party Disclosures* effective as of January 1, 2018. Under PS2200, 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.

## THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

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### 1. Significant Accounting Policies (continued)

#### m) Adoption of New Accounting Policies (continued)

##### (i) Related Party Disclosures (continued)

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.

The adoption of this standard did not result in an accounting policy change, and did not result in any adjustments to the financial statements as at January 1, 2018.

##### (ii) Inter-entity Transactions

The Corporation adopted Public Sector Accounting Standard PS3420 *Inter-entity Transactions*, effective January 1, 2018. The standard 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. 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.

The adoption of this standard did not result in an accounting policy change, and did not result in any adjustments to the Financial Statements as at January 1, 2018.

## THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

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### 1. Significant Accounting Policies (continued)

#### n) Future Accounting Changes

##### (i) 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.

##### (ii) 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.

## THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

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### 1. Significant Accounting Policies (continued)

#### n) Future Accounting Changes (continued)

##### (iii) Restructuring Transactions

The standard, PS 3430 *Restructuring Transactions*, prescribes measurement standards and disclosure requirements when a restructuring transaction exists. A restructuring transaction in the public sector differs from an acquisition as they generally include either no or nominal payment. It also differs from a government transfer as the recipient would be required to assume the related program or operating responsibilities. The standard requires that assets and liabilities are to be measured at their carrying amount. It also prescribes financial statement presentation and disclosure requirements. This standard is effective for fiscal periods beginning on or after April 1, 2018. The Corporation has not yet determined what, if any, financial reporting implications may arise from this standard.

##### (iv) Asset Retirement Obligations

In August 2018, PSAB issued the new standard, Section PS 3280, *Asset Retirement Obligations*. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets such as buildings with asbestos, and solid waste landfill sites by public sector entities. The new accounting standard has resulted in a withdrawal of the existing Section PS 3270, *Solid Waste Landfill Closure and Post-Closure Liability*.

An asset retirement obligation would be recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

Public sector entities would be required to capitalize asset retirement obligations associated with fully amortized tangible capital assets, except in the following instances:

- Asset retirement obligations associated with unrecognized tangible capital assets should be expensed;
- Asset retirement obligations associated with tangible capital assets no longer in productive use should be expensed.

# THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

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## 1. Significant Accounting Policies (continued)

### n) Future Accounting Changes (continued)

#### (iv) Asset Retirement Obligations (continued)

The estimate of a liability should include costs directly attributable to asset retirement activities. Costs would include post-retirement operations, maintenance and monitoring that are an integral part of the retirement of the tangible capital asset. It would also include costs of tangible capital assets acquired as part of asset retirement activities to the extent those assets have no alternative use.

The new Section is to apply to fiscal years beginning on or after April 1, 2021. Earlier adoption is permitted. This Section may be applied retroactively or prospectively. If retroactive application is selected, a public sector entity may choose to apply certain transitional provisions provided in the Section. The Corporation has not yet determined what, if any, financial reporting implications may arise from this standard.

#### (v) Revenue

In June 2018, PSAB approved Section PS 3400, *Revenue*. The framework is focused on two categories of revenue - exchange and unilateral. Transactions which give rise to one or more performance obligations are considered to be exchange transactions. Performance obligations are defined as enforceable promises to provide goods or services to a payer as a result of exchange transactions. Revenue from an exchange transaction would be recognized when the public sector entity has satisfied the performance obligation(s), at a point in time or over a period of time. If no performance obligations are present, the transaction would represent unilateral revenue, and be recognized when the public sector entity has the authority to claim or retain an inflow of economic resources and a past event gives rise to a claim of economic resources. Excluded from this standard are reporting of contributions and appropriations which continue to be accounted for as government transfers, and tax revenues, interest, dividends, gains and restricted assets.

The proposed new section is expected to apply to fiscal years beginning on or after April 1, 2022, and be accounted for as a change in accounting policy applied retroactively with restatement of prior periods. 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, 2018

(all dollar amounts in thousands of dollars)

**2. Cash and Cash Equivalents***Table 2: Cash and Cash Equivalents*

	<b>2018</b>	<b>2017</b>
Cash on deposit	<b>\$479,882</b>	\$355,155
Cash equivalents	<b>10,158</b>	45,348
	<b>\$490,040</b>	\$400,503

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, the balances are as follows:

*Table 3: Taxes Receivable*

	<b>2018</b>	<b>2017</b>
Taxes receivable	<b>\$28,057</b>	\$27,377
Penalties and interest	<b>1,735</b>	1,560
Allowance for doubtful accounts	<b>(6,720)</b>	(6,563)
	<b>\$23,072</b>	\$22,374

## THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

### 4. Investments

Investments are comprised of the following:

*Table 4: Investments*

	2018	2018	2017	2017
	Cost	Market Value	Cost	Market Value
Pooled investment funds	\$ 6,769	\$ 6,744	\$ 3,253	\$ 4,021
Government fixed income	119,927	117,890	113,277	111,967
Corporate fixed income	326,568	327,377	293,618	294,666
Asset backed securities	109,112	108,560	124,904	123,367
Other investments	3,475	3,475	2,186	2,186
	<b>\$565,851</b>	<b>\$564,046</b>	<b>\$537,238</b>	<b>\$536,207</b>

### 5. Loan Receivable

*Table 5: Loan Receivable*

	2018	2017
Subordinate Loan – City of London Arena Trust	<b>\$24,130</b>	\$24,393

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, **\$263** (2017 - \$387) was received as a payment on the loan.



## THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

### 6. Investment in Government Business Enterprises and Partnerships

The Corporation holds a 100% interest in London Hydro Inc., a 41.4289% (2017 – 41.4289%) 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:

*Table 6: Investment in Government Business Enterprises and Partnerships*

		2018	2017
London Hydro Inc.	a)	\$169,329	\$159,833
Fair-City Joint Venture Partnership	b)	4,603	5,196
City-YMCA Joint Venture Partnership	c)	15,449	15,948
		<b>\$189,381</b>	<b>\$180,977</b>

#### a) Investment in London Hydro Inc.

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

*Table 7: Investment in London Hydro Inc. – Financial Position*

	2018	2017
<b>Financial Position</b>		
Current assets	\$ 79,563	\$ 82,519
Capital assets	329,275	306,167
Total assets	408,838	388,686
Regulatory balances	17,166	5,832
Total assets and regulatory balance	426,004	394,518
Current and other liabilities	63,675	62,417
Deferred revenue	35,452	29,955
Post-employment benefits	13,895	15,213
Long-term debt	141,522	118,826
Total liabilities	254,544	226,411
Regulatory balances	2,131	8,274
Total liabilities and regulatory balances	256,675	234,685
<b>Net assets</b>	<b>\$169,329</b>	<b>\$159,833</b>

**THE CORPORATION OF THE CITY OF LONDON**

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

**6. Investment in Government Business Enterprises and Partnerships (continued)****a) Investment in London Hydro Inc. (continued)***Table 8: Investment in London Hydro Inc. - Results of Operations*

	2018	2017
<b>Results of Operations</b>		
Revenues	<b>\$423,843</b>	\$448,758
Operating expenses	<b>(419,840)</b>	(433,720)
Other income (expenses)	<b>(2,261)</b>	23
Income tax expense	<b>(4,312)</b>	(4,553)
Net movement in regulatory balances	<b>17,066</b>	3,544
Net earnings	<b>14,496</b>	14,052
Dividends	<b>(5,000)</b>	(5,000)
Net assets, beginning of year	<b>159,833</b>	150,781
Net Assets, End of Year –		
<b>Investment in London Hydro Inc.</b>	<b>\$169,329</b>	\$159,833

**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, 2018

(all dollar amounts in thousands of dollars)

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### 6. Investment in Government Business Enterprises and Partnerships (continued)

#### a) Investment in London Hydro Inc. (continued)

##### 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 2018 totalled **\$17,166** (2017 - \$5,832). Net regulatory credit balances for 2018 totalled **\$2,131** (2017 - \$8,274).

##### iii) Commitments

The Company has provided **\$6,600** (2017 - \$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 **\$700** (2017 - \$23,200).

The Company has committed to operating lease agreements with future minimum non- cancellable annual lease payments of **\$1,104** (2017 - \$1,126).

##### iv) Credit Facilities

The Company has an uncommitted operating revolving line of credit facility of \$40,000. As at December 31, 2018 the amount drawn under this facility was **nil** (2017 - nil).

The Company has a committed 364 day extendible operating revolving loan facility of \$30,000. The amount drawn under this facility was **\$15,000** (2017 - \$30,000). The loan has a maturity date of March 31, 2021.

The unsecured, committed extendible revolving loan in the amount of \$30,000 outstanding at December 31, 2017 was subsequently repaid with additional borrowing in the amount of **\$40,000** obtained February 1, 2018. The additional borrowing is under an interest rate swap agreement for an unsecured loan. Interest only payments are due quarterly and commenced March 2018. The principal is due at maturity. The agreement is a fixed rate swap and matures along with the debt in June 2022.

## THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

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### 6. Investment in Government Business Enterprises and Partnerships (continued)

#### a) Investment in London Hydro Inc. (continued)

##### iv) Credit Facilities (continued)

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 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, 2018 is **\$1,522** (2017 - \$3,826).

At December 31, 2018, the Company would be required to pay **\$1,200** (2017 - \$900) if it wished to cancel the swap agreements.

##### v) Related Party Transactions

The Corporation has contracted with London Hydro Inc. to provide billing and collection services for water and wastewater charges on a cost recovery basis. Expenses for the year were **\$4,490** (2017 - \$4,430) and are included on the consolidated statement of operations. At December 31, 2018, the Corporation has a receivable of **\$14,300** (2017 - \$13,319) for water and wastewater charges collected by London Hydro Inc. Miscellaneous receivables of **\$1,667** (2017 - \$212) are also outstanding at year end.

The Corporation, on behalf of the Public Utility Commission, charged London Hydro Inc. rent, totalling **\$100** (2017 - \$100).

The Corporation received **\$5,000** (2017 - \$5,000) 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.

**THE CORPORATION OF THE CITY OF LONDON**

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

**6. Investment in Government Business Enterprises and Partnerships (continued)****b) Fair-City Joint Venture Partnership**

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

*Table 9: Fair-City Joint Venture Partnership – Financial Position*

	<b>2018</b>	2017
<b>Financial Position</b>		
Current assets	<b>\$ 1,641</b>	\$ 1,829
Capital assets	<b>11,263</b>	11,755
	<b>12,904</b>	13,584
Accrued liabilities	<b>1,851</b>	2,035
Deferred capital contributions	<b>3,019</b>	3,152
Long-term debt	<b>3,523</b>	4,518
Total liabilities	<b>8,393</b>	9,075
Net assets	<b>\$ 4,511</b>	\$ 3,879

**THE CORPORATION OF THE CITY OF LONDON**

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

**6. Investment in Government Business Enterprises and Partnerships (continued)****b) Fair-City Joint Venture Partnership (continued)***Table 10: Fair-City Joint Venture Partnership - Results of Operations*

	2018	2017
<b>Results of Operations</b>		
Revenues	<b>\$4,028</b>	\$3,883
Operating expenses	<b>3,489</b>	3,325
Net earnings	<b>539</b>	558
Net earnings available to the Corporation	<b>223</b>	231
Distribution for employee future benefit re-measurements	<b>39</b>	(4)
Corporation's portion of earning retained in Joint Venture	<b>262</b>	227
Corporation's investment in Fair-City Joint Venture's net assets, beginning of year	<b>1,607</b>	1,475
Adjustment due to change in Corporation's share during year	-	(95)
Corporation's investment in Fair-City Joint Venture's net assets, end of year	<b>1,869</b>	1,607
Promissory note due to the Corporation	<b>2,734</b>	3,589
<b>Investment in Fair-City Joint Venture Partnership</b>	<b>\$4,603</b>	\$5,196

**i) Contributions to Joint Venture**

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.

## THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

### 6. Investment in Government Business Enterprises and Partnerships (continued)

#### b) Fair-City Joint Venture Partnership (continued)

##### i) Contributions to Joint Venture (continued)

The Corporation's equity interest as at June 30, 2018 was 41.4289% (2017 – 41.4289%). The Venturers agreed to apply any change in the equity interest, prospectively, to the first day in the year that the threshold is met and to each year thereafter that subsequent repayment thresholds are met. In the current year **nil** (2017 - nil) of profit was available and distributed to the Corporation.

##### ii) Related Party Transactions

The Corporation has an Ice Rental Agreement with the Fair-City Joint Venture Partnership for 240 hours per year. **\$1,836** was paid for ice rental in 2018 (2017 - \$1,800), which was recorded as an expense in the consolidated statement of operations.

The partnership has a term loan, payable to the Corporation, bearing interest at 6.377%, payable in monthly blended payments of \$88, due October 1, 2021, secured by a general security agreement over all assets. The balance outstanding at December 31, 2018 is **\$2,734** (2017 - \$3,589). During the year, the partnership paid interest to the Corporation in the amount of **\$202** (2017 - \$254), which was recorded as investment income 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:

*Table 11: City-YMCA Joint Venture Partnership - Financial Position*

	2018	2017
<b>Financial Position</b>		
Capital assets	<b>\$27,135</b>	\$27,135
Accumulated amortization	<b>(6,097)</b>	(5,419)
Net Assets	<b>\$21,038</b>	\$21,716

**THE CORPORATION OF THE CITY OF LONDON**

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

**6. Investment in Government Business Enterprises and Partnerships (continued)****c) City-YMCA Joint Venture Partnership (continued)***Table 12: City-YMCA Joint Venture Partnership - Results of Operations*

	2018	2017
<b>Results of Operations</b>		
Amortization of capital assets	\$ 678	\$ 678
Net loss	(678)	(678)
Net assets, beginning of year	21,716	22,394
Net assets, end of year	21,038	21,716
Corporation's portion of net assets	15,449	15,948
<b>Investment in City-YMCA Joint Venture Partnership</b>	<b>\$15,449</b>	<b>\$15,948</b>

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.



**THE CORPORATION OF THE CITY OF LONDON**

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

**7. Deferred Revenue**

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

*Table 13: Deferred Revenue*

	2018	2017
<b>Funds deferred to future periods for specific purposes by legislation, regulation or agreement:</b>		
Development Charges Act		
- Recreation and transit	\$ 24,954	\$23,473
- Capital infrastructure	200,985	197,945
Federal and Provincial gas tax	54,411	59,086
Recreational land ( <i>The Planning Act</i> )	3,173	2,600
Capital infrastructure for cultural services	3,908	3,381
	<b>287,431</b>	<b>286,935</b>
<b>Other deferred revenue:</b>		
Subsidy advances from Provincial Ministries for future periods	21,397	17,860
Prepaid deposits	531	380
Prepayment of recreation programs, facility rentals, memberships	2,297	2,154
Vacancy rebate allowances	1,701	2,764
Boards and commissions	6,249	6,730
Other deferred revenues	233	220
	<b>\$319,839</b>	<b>\$317,043</b>

**THE CORPORATION OF THE CITY OF LONDON**

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

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**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.

*Table 14: Long-term Liabilities*

	Last year of obligation	<b>2018</b>	2017
Fanshawe College	2022	<b>\$7,400</b>	\$9,800
OMEX Insurance	2021	<b>300</b>	300
		<b>\$7,700</b>	\$10,100

## THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

### 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.

Long-term debt is as follows:

*Table 15: Long-term Debt*

	2018	2017
Long-term debt issued by the Corporation at various rates of interest ranging from 0.90% to 5.88% (2017 - 0.80% to 5.88%), with maturity dates ranging from December 2021 to March 2028.	<b>\$254,988</b>	\$236,595
Long-term debt issued to Infrastructure Ontario programs at various rates of interest ranging from 2.45% to 4.44% (2017 – 2.45% to 4.44%), with maturity dates ranging from March 2020 to March 2030.	<b>48,946</b>	63,533
Long-term debt issued to Canada Mortgage and Housing Corporation at an interest rate of 3.23%, with a maturity date of March 2021.	<b>5,300</b>	6,957
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% (2017 – 2.00% to 2.25%), with maturity dates ranging from April 2026 to May 2032.	<b>3,784</b>	4,160
Long-term debt, assumed by unconsolidated local Boards, and other municipalities, municipal enterprises and utilities.	<b>(8,030)</b>	(9,270)
Total long-term debt	<b>304,988</b>	301,975
Less: Unamortized debenture discount	<b>(1,561)</b>	(1,460)
Net long-term debt	<b>\$303,427</b>	\$300,515

**THE CORPORATION OF THE CITY OF LONDON**

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

**9. Long-term Debt (continued)**

Principal repayments are summarized as follows:

*Table 16: Principal Repayment Summary*

<b>Recoverable from</b>	2019	2020	2021	2022	2023	Beyond	<b>Total</b>
General	\$30,417	\$29,095	\$26,386	\$21,371	\$18,106	\$38,039	<b>\$163,414</b>
Water	2,497	2,549	2,603	2,417	1,663	3,909	<b>15,638</b>
Sewer	8,683	8,654	8,346	5,207	4,239	15,217	<b>50,346</b>
Discretionary	4,322	4,453	2,034	2,096	1,166	490	<b>14,561</b>
Obligatory	7,963	8,106	8,264	7,155	6,627	22,914	<b>61,029</b>
	<b>\$53,882</b>	<b>\$52,857</b>	<b>\$47,633</b>	<b>\$38,246</b>	<b>\$31,801</b>	<b>\$80,569</b>	<b>\$304,988</b>

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

*Table 17: Principal Repayments - Total Charges*

	<b>2018</b>	2017
Interest on long-term debt	<b>\$9,288</b>	\$9,404
Amortization of debenture discount	<b>268</b>	245
Interest on capital lease obligations	<b>49</b>	49
	<b>\$9,605</b>	\$9,698

**THE CORPORATION OF THE CITY OF LONDON**

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

**10. Capital Lease Obligations***Table 18: Capital Lease Obligations*

	2018	2017
2018	\$ -	\$ 802
2019	462	462
2020	310	310
2021	256	256
2022	111	111
Minimum lease payments	1,139	1,941
Less amount representing interest at 3.25% (2017 – 3.25%)	57	106
Present value of net minimum capital lease payments	<b>\$1,082</b>	<b>\$1,835</b>

**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 Funds.

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, 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 Urban Works Reserve Funds, including a reliance on development charges received as the source for repayment. Payments for the infrastructure projects are made from both the Urban Works General Reserve Fund and the Urban Works Storm Management Reserve Fund. At December 31, there is **\$5,602** (2017 - \$4,275) in the Urban Works General Reserve Fund and **\$5,889** (2017 - \$4,542) in the Urban Works Storm Water Management Reserve Fund to fund this liability.

**THE CORPORATION OF THE CITY OF LONDON**

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

**11. Urban Works Payable (continued)**

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

*Table 19: Urban Works - Liability*

	2018	2017
In excess of the payment cap rules	<b>\$1,280</b>	\$ 494
Completed but no claim received	<b>882</b>	3,332
	<b>\$2,162</b>	<b>\$3,826</b>

The continuity breakdown is as follows:

*Table 20: Urban Works - Continuity Breakdown*

		Roads	Sanitary Sewers	Storm Sewer	Storm Water	Total
<b>Urban Works Payable</b>	<b>Dec 31, 2016</b>	<b>\$1,053</b>	<b>\$192</b>	<b>\$254</b>	<b>\$1,755</b>	<b>\$3,254</b>
<b>Expenses:</b>						
Value of construction work completed	2017	682	(159)	-	1,976	2,499
<b>Payments:</b>						
From Urban Works Reserve Funds	2017	(614)	-	-	(1,313)	(1,927)
<b>Urban Works Payable</b>	<b>Dec 31, 2017</b>	<b>1,121</b>	<b>33</b>	<b>254</b>	<b>2,418</b>	<b>3,826</b>
<b>Expenses:</b>						
Value of construction work completed	2018	356	140	584	109	1,189
<b>Payments:</b>						
From Urban Works Reserve Funds	2018	(1,011)	(155)	(797)	(890)	(2,853)
<b>Urban Works Payable</b>	<b>Dec 31, 2018</b>	<b>\$ 466</b>	<b>\$ 18</b>	<b>\$ 41</b>	<b>\$1,637</b>	<b>\$2,162</b>

## THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

### 11. Urban Works Payable (continued)

The estimated future repayments of developer claims are as follows:

*Table 21: Urban Works - Estimated Future Developer Claims Repayment*

2019	\$2,162
<b>Total</b>	<b>\$2,162</b>

On July 24, 2018, the City resolved at its municipal council meeting to implement the full retirement of the Urban Works Reserve Funds with the adoption of the 2019 Development Charges By-law. Prior approved claims and those claims that were subject to the payment cap rules will be paid out in 2019 to help facilitate the wind-up of the reserve funds. Where no claim has been submitted prior to the adoption of the 2019 Development Charges By-law, these claims submitted for eligible work will be funded from the respective City Services Reserve Fund.

### 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:

*Table 22: Employee Benefits Payable*

		2018	2017
Post-employment and post-retirement benefits	a)	\$ 92,558	\$ 89,764
Workplace Safety and Insurance Board			
Obligation	b)	48,817	46,710
Vacation credits	c)	16,450	16,187
Vested sick leave benefits	d)	1,720	2,213
		<b>\$159,545</b>	<b>\$154,874</b>

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 **\$106,159** (2017 - \$20,404), and the reserve balances at the end of the year are **\$5** (2017 - \$70,380) to fund these obligations.

**THE CORPORATION OF THE CITY OF LONDON**

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

**12. Employee Benefits Payable (continued)****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, 2018.

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

*Table 23: Post-Employment and Post-Retirement Benefits – Assumptions*

	2018	2017
	%	%
Discount rate	3.25	3.25
Rate of compensation increase	2.00	1.90
Healthcare cost increases	4.00 – 7.00	4.00 - 7.00

The benefit obligation continuity is as follows:

*Table 24: Employee Benefits Payable - Benefit Obligation Continuity*

Liability for post-employment and post-retirement benefits:	2018	2017
Accrued benefit obligation, January 1	<b>\$82,603</b>	\$79,121
Current period benefit cost	4,552	4,377
Retirement interest expense	2,758	2,643
Plan amendment	644	-
Actuarial gain	(5,099)	-
Benefits paid	(3,771)	(3,538)
Accrued benefit obligation, December 31	81,687	82,603
Unamortized actuarial gain (loss)	10,871	7,161
Liability for post-employment and post-retirement benefits	<b>\$92,558</b>	\$89,764
Post-employment and post-retirement benefits expense:		
Current period benefit cost	<b>\$ 4,552</b>	\$ 4,377
Retirement interest expense	2,758	2,643
Plan amendment	644	-
Amortization of actuarial (gain) loss	(1,389)	(96)
Total post-employment and post-retirement benefit expense	<b>\$ 6,565</b>	\$ 6,924



## THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

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### 12. Employee Benefits Payable (continued)

#### a) Post-Employment and Post-Retirement Benefits (continued)

The actuarial loss is amortized over the expected average remaining service life of the related employee group of 14 years (2017 – 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, 2018, 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, 2018 is **\$16,450** (2017 - \$16,187).

#### 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 **\$1,720** (2017 - \$2,213) at December 31, 2018. During the year **\$736** (2017 - \$609) 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, 2018 is **\$1,852** (2017 - \$2,546), and the reserves balance is **\$5** (2017 - \$5). An amount of **\$42** (2017 - \$38) has been contributed in the current year.

## THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

### 12. Employment Benefits Payable (continued)

#### d) Liability for Vested Sick Leave Benefits (continued)

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 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:

*Table 25: Employee Benefits Payable - Anticipated Future Payments*

2019	\$1,501
2020	205
2021	14
<b>Total</b>	<b>\$1,720</b>

#### 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 4,468 (2017 – 4,421) 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 2018 was **\$31,729** (2017 - \$32,508) for current service. Employer's contributions for current service are included as an expense in the consolidated statement of operations.

## THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

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### 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.

## THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

### 13. Landfill Closure and Post-Closure Liability (continued)

Key assumptions in determining the liability at December 31, 2018 for landfills are as follows:

*Table 26: Landfill Closure Key Assumptions*

Active (W12A) landfill is expected to reach capacity in 2026	
Remaining capacity of active (W12A) as at December 31, 2018	1.5 million tonnes
Expected closing cost in 2018 dollars	\$1,800
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

The liability as at December 31, 2018 is comprised of:

*Table 27: Landfill Closure and Post-Closure Liability*

	2018	2017
Active landfill (W12A) closure, site rehabilitation and monitoring obligation	\$29,734	\$27,364
Closed landfills site rehabilitation and monitoring obligation	9,456	9,328
	<b>\$39,190</b>	<b>\$36,692</b>

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, 2018 is **\$17,537** (2017 - \$14,792).

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 submission of the proposed Amended Terms of Reference for approval by the Minister of the Environment, Conservation and Parks. 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.

**THE CORPORATION OF THE CITY OF LONDON**

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

**14. Tangible Capital Assets**

Cost	Balance at December 31, 2017	Additions	Disposals	Balance at December 31, 2018
Land	\$ 427,042	\$ 16,211	\$ 3,554	\$ 439,699
Landfill and land improvements	150,923	12,815	5,815	157,923
Building and building improvements	1,007,185	73,030	2,514	1,077,701
Leasehold improvements	3,243	5,260	-	8,503
Machinery, equipment and furniture	402,155	47,634	10,495	439,294
Vehicles	127,299	14,717	8,525	133,491
Water Infrastructure	747,795	40,588	3,133	785,250
Wastewater infrastructure	1,395,524	59,808	1,628	1,453,704
Roads infrastructure	1,273,737	121,819	26,026	1,369,530
Computers	17,304	4,713	1,959	20,058
Computers under capital lease	4,148	-	1,219	2,929
Assets under construction	202,632	106,255	179,547	129,340
<b>Total</b>	<b>\$5,758,987</b>	<b>\$502,850</b>	<b>\$244,415</b>	<b>\$6,017,422</b>

Accumulated Amortization	Balance at December 31, 2017	Amortization Expense	Amortization Disposal	Balance at December 31, 2018
Land	\$ -	\$ -	\$ -	\$ -
Landfill and Improvements	78,544	7,948	5,196	81,296
Buildings and building improvements	453,680	31,491	2,837	482,334
Leasehold improvements	1,430	533	-	1,963
Machinery, equipment and furniture	237,501	28,891	10,492	255,900
Vehicles	68,072	10,705	8,429	70,348
Water infrastructure	241,490	16,125	2,821	254,794
Wastewater infrastructure	441,800	25,037	994	465,843
Roads infrastructure	476,279	45,644	23,370	498,553
Computers	8,229	5,324	1,959	11,594
Computers under capital lease	2,245	974	1,219	2,000
Assets under construction	-	-	-	-
<b>Total</b>	<b>\$2,009,270</b>	<b>\$ 172,672</b>	<b>\$ 57,317</b>	<b>\$2,124,625</b>

	Net book value December 31, 2017	Net book value December 31, 2018
Land	\$ 427,042	\$ 439,699
Landfill and land improvements	72,379	76,627
Buildings and building improvements	553,505	595,367
Leasehold improvements	1,813	6,540
Machinery, equipment and furniture	164,654	183,394
Vehicles	59,227	63,143
Water infrastructure	506,305	530,456
Wastewater infrastructure	953,724	987,861
Roads infrastructure	797,458	870,977
Computers	9,075	8,464
Computers under capital lease	1,903	929
Assets under construction	202,632	129,340
<b>Total</b>	<b>\$3,749,717</b>	<b>\$3,892,797</b>

## THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

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### 14. Tangible Capital Assets (continued)

#### a) Assets under construction

Assets under construction having a value of **\$129,340** (2017 - \$202,632) 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 estimated fair value at the date of contribution. The value of contributed assets received during the year is **\$73,284** (2017 - \$36,759) comprised predominantly of roads infrastructure in the amount of **\$33,896** (2017 - \$10,912) and water and wastewater infrastructure in the amount of **\$37,833** (2017 - \$23,370).

#### 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 **\$6,293** (2017 - \$8,078).

## THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

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### 14. Tangible Capital Assets (continued)

#### f) Assets under Shared Control

During 2016, the Corporation entered into a joint arrangement with the YMCA of Southwestern 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, includes a community centre, recreation centre and public library branch and features an indoor pool, double pad arena, gymnasium and community centre space in the southwest area of the City.

Each partner proposed to invest in the project as follows:

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

The Library had a portion of the facility built and designed as a public library. The Library has 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 arrangement.

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

Title of the land and building remains 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.

**THE CORPORATION OF THE CITY OF LONDON**

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

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**14. Tangible Capital Assets (continued)**

**f) Assets under Shared Control (continued)**

Total project costs of **\$53,207** have been offset by contributions from the YMCA of \$9,200 and Library of \$4,556. The net project costs of \$39,451 have been accounted for in the Corporation and capitalized or expensed as follows:

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Capitalized as:	
Land	<b>\$ 5,155</b>
Building	<b>26,425</b>
Equipment	<b>7,663</b>
 Expensed as:	
Contracted services	<b>208</b>
<hr/> Total	<hr/> <b>\$39,451</b>

The YMCA and the Library have recorded additions of leasehold improvements in their respective accounting records equal to their contributions.

This new facility opened to the public in the fall of 2018.



**THE CORPORATION OF THE CITY OF LONDON**

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

**15. Accumulated Surplus**

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

*Table 28: Accumulated Surplus*

	2018	2017
<b>Surplus:</b>		
Invested in tangible capital assets	<b>\$3,925,615</b>	\$3,783,449
Other	<b>(68,665)</b>	(126,750)
Local boards	<b>2,496</b>	2,044
Equity in government business enterprise	<b>189,381</b>	180,977
Unfunded		
Landfill closure and post-closure liability and liability for contaminated sites	<b>(40,040)</b>	(37,542)
Employee benefits payable	<b>(161,807)</b>	(157,249)
Net long-term debt	<b>(291,308)</b>	(281,602)
Total surplus	<b>3,555,672</b>	3,363,327
<b>Reserves set aside by Council</b>		
Working capital	-	13,219
Contingencies	<b>65,268</b>	111,289
General operations	<b>32,779</b>	35,675
Total reserves	<b>98,047</b>	160,183
<b>Reserve funds set aside for specific purpose by Council</b>		
Contingencies	<b>80,394</b>	-
Infrastructure renewal	<b>196,624</b>	174,271
Acquisition of vehicles	<b>28,170</b>	26,302
Acquisition of facilities	<b>22,702</b>	18,271
Recreational programs & facilities	<b>317</b>	382
Self-insurance (Note 16b)	<b>14,158</b>	13,927
Sick leave (Note 12d)	<b>1,852</b>	2,546
Industrial over sizing	<b>15,745</b>	16,703
Other purposes	<b>228,262</b>	195,330
Special purpose (Note 18(g)(iii))	<b>74,804</b>	73,113
Total reserve funds	<b>663,028</b>	520,845
<b>Accumulated surplus</b>	<b>\$4,316,747</b>	<b>\$4,044,355</b>

## THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

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### 15. Accumulated Surplus (continued)

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, 2018, 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 and London & Middlesex Community Housing Inc.

The Corporation has made a provision for a reserve fund for self-insurance which as at December 31, 2018 amounted to **\$14,158** (2017 - \$13,927) and is reported in Note 15 of the consolidated financial statements. The contribution for the year of **\$4,990** (2017 - \$4,703) has been reported in the individual revenues on the consolidated statement of operations.

## THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

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### 16. Contingent Liabilities (continued)

#### b) Public Liability and Property Loss Self Insurance (continued)

Claims expensed during the year amounting to **\$4,759** (2017 - \$4,979) 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, 2018 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** (2017 - \$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, 2018 is **\$2,214** (2017 - \$2,656).

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 Southwestern Ontario, related to the Stoney Creek Community Centre. The outstanding principal of this loan at December 31, 2018 is **\$2,073** (2017 - \$2,376).

The Corporation has entered into an agreement which, under certain conditions, guarantees to assume the purchase and payment of block power from the Ontario Electricity Market on behalf of the Lake Huron Primary Water Supply System (Market Participant). The Corporation, in its capacity as Administering Municipality for the Joint Water Board, has guaranteed payment to the Independent Electricity System Operator (IESO) on behalf of the Market Participant. This guarantee is limited to **\$764**. 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, 2018 that the Corporation will need to make any payments as a result of providing the guarantees.

# THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

## 18. Commitments

### a) London Middlesex Suburban Roads Commission

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 2018 was **\$1,138** (2017 - \$1,139). Payments are based on the base year of 1997 at \$1,000 and are calculated contingent on annual assessment and tax rate increases.

### b) Rehabilitation and Redevelopment Tax Grant Programs

The Corporation has future commitments on the various Rehabilitation and Redevelopment Programs, which are programs that allow for future reductions in property taxes. The future commitments are as follows:

*Table 29: Future Tax Grant Program Commitments*

2019	\$ 797
2020	1,120
2021	1,020
2022	824
2023	645
Beyond	1,207
<b>Total</b>	<b>\$5,613</b>

### c) Fleet, Equipment and Premises Commitments

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

*Table 30: Fleet, Equipment and Premises Commitments*

2019	\$ 14,179
2020	5,318
2021	4,811
2022	2,872
2023	2,216
Beyond	15,150
<b>Total</b>	<b>\$ 44,546</b>

**THE CORPORATION OF THE CITY OF LONDON**

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

**18. Commitments (continued)****d) Facilities and Infrastructure Commitments**

The Corporation has the following outstanding commitments remaining on facilities and infrastructure contracts as at December 31, 2018:

*Table 31: Facilities and infrastructure Commitments*

	<b>2018</b>	2017
Roads	<b>\$48,427</b>	\$47,230
Sanitary Sewer	<b>28,092</b>	31,517
Storm Sewer	<b>19,485</b>	17,549
Water	<b>18,814</b>	18,155
Recreation Facilities	<b>16,306</b>	17,085
General Government	<b>6,212</b>	5,347
Waste Disposal and Recycling	<b>2,053</b>	1,141
Fire, Provincial Offences and Emergency Measures	<b>1,594</b>	808
Parks	<b>1,562</b>	3,240
Commercial and Industrial	<b>978</b>	1,457
Cultural Facilities	<b>776</b>	584
Social Housing	<b>79</b>	-
Library Facilities	-	319
	<b>\$144,378</b>	\$144,432

These amounts represent uncompleted portions of contracts, as at December 31, 2018, on major projects. The majority of payments on these outstanding commitments will be made in the next three (3) to five (5) years.

**e) Affordable Housing Programs**

The Corporation is responsible for the delivery and administration of affordable housing programs in the City of London and the County of Middlesex. The Corporation has entered into various Municipal Contribution Agreements related to Affordable Housing Programs.

As at December 31, 2018, the Corporation has outstanding commitments remaining on these agreements of **\$21,944** (2017 - \$17,395).

## THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

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### 18. Commitments (continued)

#### f) Derivatives

The Corporation has the following derivative contracts as at December 31, 2018:

- Contract, expiring October 31, 2019, for average daily natural gas purchases of 210 gigajoules, with a remaining contract value of **\$272** (2017 - \$598).

This derivative contract was purchased to provide price certainty and represents approximately 44% of the Corporation's natural gas needs for 2019. The value of this contract is not reflected as an asset or liability in these consolidated financial statements.

- Contract with one block, negotiated May 5, 2017, with a daily electricity purchase of 24 megawatt hours, covering the period of November 1, 2018 to August 31, 2021, with a remaining contract cost of **\$690** (2017 - \$220 under contract expired October 31, 2018).

This derivative contract was purchased to provide price certainty for 26% 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.

#### g) Public Utility Commission Dissolution

##### i) Reporting entity history

Pursuant to the *Electricity Act, 1998* (Ontario), the various undertakings and activities of The Hydro-Electric Commission of the City of London were segregated and a substantial portion transferred on November 1, 2000 to separate companies incorporated under the *Business Corporations Act* (Ontario) with the Corporation as the sole shareholder. The name of the Commission was changed to The Public Utility Commission of the City of London (the Commission) effective November 1, 2000, and the Commission has been at all material times and continues to be one and the same corporate and legal entity with the status of a municipal service board under subsection 195(1) of the *Municipal Act, 2001*. The composition of the Commission had previously been in accordance with section 22 of the London-Middlesex Act 1992, was re-established effective December 9, 2003 pursuant to subsection 195(9) of the *Municipal Act, 2001*. Members of the Commission are such persons who had been appointed by the Municipal Council of the Corporation of the City of London.

Certain property containing historic coal tar deposits was excluded from the transfer on November 1, 2000 and had been retained since then by the Commission.

## THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

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### 18. Commitments (continued)

#### g) Public Utility Commission Dissolution (continued)

##### i) Reporting entity history (continued)

The Corporation, the sole shareholder of the Commission, resolved, at its Municipal Council meeting on October 16, 2018, to dissolve the Public Utility Commission of the City of London, effective on that date. The by-law enacts that the assets and liabilities of the Commission become those of the Corporation, without compensation.

The tangible capital assets have been disposed of in the Commission and have been transferred to the Corporation at their net book value. The remaining net financial assets have been transferred to the Corporation at cost.

##### ii) Contingent liability

The Commission was liable for the environmental remediation of the land. The coal tar material present in land held by the Commission was attributable to coal gasification works existing at this location between approximately 1850 and 1930 and identified in a 1987 inventory of coal gasification sites in Ontario by the provincial Ministry of the Environment (MOE).

The Commission was engaged in an ongoing environmental remediation program and related risk management strategy that addresses the presence of historic coal tar in a section of the bed and bank of the south branch of the Thames River and in two adjacent parcels of Commission-owned land. In this context:

- A collection system was completed in November 2000 to intercept coal tar-impacted ground water for treatment by an on-site facility which is situated on the smaller parcel.
- A hard-surfaced parking lot was constructed on the larger of the two parcels and is being operated as a municipal parking lot.
- Coal tar removal and river bed rehabilitation has been satisfactorily completed and a monitoring program which started in 2004 is in place.

With the dissolution of the Commission, the Corporation will assume responsibility for the ongoing environmental remediation program and management strategy.

Future costs for the remediation include operations of the coal tar treatment system, which will carry an ongoing monthly cost for an indeterminate time.

**THE CORPORATION OF THE CITY OF LONDON**

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

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**18. Commitments (continued)**

**g) Public Utility Commission Dissolution (continued)**

iii) Promissory note

A promissory note from London Hydro Inc. to the Corporation was assigned to the Commission subject to several conditions. On November 28, 2014, the promissory note was extinguished through payment by London Hydro to the 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 reserve fund is held by the Corporation 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 incidentals costs related thereto.

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.

iv) Related party transactions

As a result of the dissolution of the Commission, financial and non-financial assets were transferred to the Corporation as follows:

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Tangible capital assets, transferred at net book value	\$ 3,050,338
Net financial assets, transferred at cost	2,185,889
	<hr/> \$ 5,236,227 <hr/>



## THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

### 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*.

Table 32: Charges Laid Under the Provincial Offences Act

	2018	2017
<b>Revenues</b>		
Fines	\$6,152	\$5,514
Transfer payments - provincial	4	12
<b>Total revenues</b>	<b>6,156</b>	<b>5,526</b>
<b>Expenses</b>		
Salary, wages and benefits	1,620	1,627
County share of net revenues	376	294
Occupancy costs	321	322
Provincial government cost recovery	490	468
Administration costs	1,242	1,127
Equipment and maintenance	236	182
<b>Total expenses</b>	<b>4,284</b>	<b>4,020</b>
<b>Excess of revenues over expenses</b>	<b>\$1,872</b>	<b>\$1,506</b>

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

### 20. Budget Data

Budget data presented in these consolidated financial statements is based upon the 2018 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 CORPORATION OF THE CITY OF LONDON**

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

**20. Budget Data (continued)**

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

*Table 33: Approved Budget per Consolidated Financial Statements*

	<b>Total</b>	<b>Tax</b>	<b>Water</b>	<b>Wastewater</b>
<b>Net Budget PSAB Surplus</b>	<b>\$158,545</b>	<b>\$89,313</b>	<b>\$30,386</b>	<b>\$38,846</b>
<b>Public Sector Accounting Board (PSAB) Reporting Requirements:</b>				
<b>Addback (deduct) from Net Budget PSAB Surplus:</b>				
<b>Transfers:</b>				
Transfers to Capital	<b>(82,965)</b>	(44,767)	(20,090)	(18,108)
Transfers from Reserves and Reserve Funds	<b>8,258</b>	8,258	-	-
Transfers to Reserves and Reserve Funds	<b>(95,052)</b>	(58,133)	(11,311)	(25,608)
	<b>(169,759)</b>	<b>(94,642)</b>	<b>(31,401)</b>	<b>(43,716)</b>
<b>Budget Adjustments:</b>				
Government Grants and Subsidies	<b>22,840</b>	22,840	-	-
Expenses related to Government Grants and Subsidies	<b>(23,300)</b>	(21,388)	(507)	(1,405)
Transfers to Capital	<b>(1,504)</b>	(1,504)	-	-
Transfers from Reserves and Reserve Funds	<b>501</b>	501	-	-
Transfers to Reserves and Reserve Funds	<b>(1,463)</b>	(449)	507	1,405

**THE CORPORATION OF THE CITY OF LONDON**

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

**20. Budget Data (continued)***Table 32: Approved Budget per Consolidated Financial Statements (continued)*

	<b>Total</b>	<b>Tax</b>	<b>Water</b>	<b>Wastewater</b>
<b>Debt Principal Repayments:</b>	<b>(41,210)</b>	<b>(31,455)</b>	<b>(349)</b>	<b>(9,406)</b>
<b>PSAB Adjustments:</b>				
Capital program funding earned in year	<b>(21,364)</b>	(14,355)	(1,845)	(5,164)
Capital projects not resulting in capital assets	<b>24,479</b>	15,057	3,088	6,334
Amortization	<b>133,983</b>	76,014	14,390	43,579
Developer contributions - assumed capital assets	<b>(44,040)</b>	(14,496)	(5,824)	(23,720)
Loss on disposal of capital assets	<b>2,756</b>	761	821	1,174
Obligatory reserve fund deferred revenue earned	<b>(23,337)</b>	(14,474)	(680)	(8,183)
Government Business Enterprises adjustments	<b>(5,362)</b>	(5,362)	-	-
Landfill liability	<b>1,540</b>	1,540	-	-
Employee future benefits liability	<b>6,529</b>	6,137	136	256
	<b>75,184</b>	<b>50,822</b>	<b>10,086</b>	<b>14,276</b>
<b>Boards and Commissions Budget</b>				
<b>PSAB Surplus</b>	<b>(22,760)</b>	<b>(14,038)</b>	<b>(8,722)</b>	<b>-</b>
<b>Net Surplus per 2018 Approved Budget</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**THE CORPORATION OF THE CITY OF LONDON**

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

**20. Budget Data (continued)**

*Table 32: Approved Budget per Consolidated Financial Statements (continued)*

	<b>Total</b>	<b>Tax</b>	<b>Water Wastewater</b>	
<b>Net Surplus per 2018 Approved Budget – Comprised of:</b>				
<b>Revenues:</b>				
Property Tax	<b>\$579,532</b>	\$579,532	\$ -	\$ -
Government Grants and Subsidies	<b>217,609</b>	217,568	-	41
User Fees	<b>219,422</b>	46,583	77,778	95,061
Municipal Revenues – Other	<b>69,220</b>	68,753	154	313
Municipal Revenues – Transfers from Reserves and Reserve Funds	<b>7,757</b>	7,757	-	-
<b>Total Revenues</b>	<b>1,093,540</b>	<b>920,193</b>	<b>77,932</b>	<b>95,415</b>
<b>Expenses:</b>				
Personnel Costs	<b>366,589</b>	342,364	9,057	15,168
Administrative Expenses	<b>12,367</b>	6,332	2,435	3,600
Financial Expenses – Other	<b>10,711</b>	10,638	73	-
Financial Expenses – Interest and Discount on long-term debt	<b>7,724</b>	5,717	58	1,949
Financial Expenses – Debt Principal Repayments	<b>41,210</b>	31,455	349	9,406
Financial Expenses – Transfers to Reserves and Reserve Funds	<b>96,515</b>	57,684	11,818	27,013
Financial Expenses – Transfers to Capital	<b>81,461</b>	43,263	20,090	18,108
Purchased Services	<b>188,985</b>	182,357	3,139	3,489
Materials and Supplies	<b>73,767</b>	36,025	26,335	11,407
Furniture and Equipment	<b>29,608</b>	24,316	1,943	3,349
Transfers	<b>200,372</b>	200,372	-	-
Other Expenses	<b>8,237</b>	608	2,762	4,867
Recovered Expenses	<b>(24,006)</b>	(20,938)	(127)	(2,941)
<b>Total Expenses</b>	<b>1,093,540</b>	<b>920,193</b>	<b>77,932</b>	<b>95,415</b>
<b>Net Surplus per 2018 Approved Budget</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**THE CORPORATION OF THE CITY OF LONDON**

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

**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:

*Table 34: Revenue Classifications*

	2018	2017
<b>Net municipal taxation and user charges</b>		
Net municipal taxation	\$595,322	\$572,396
Payments-in-lieu-of-taxes	9,390	9,085
	<b>604,712</b>	581,481
User charges	286,353	275,948
	<b>\$891,065</b>	\$857,429
<b>Transfer payments</b>		
Operating	\$ 5,734	\$ 8,003
Capital infrastructure	50,282	22,962
<b>Government of Canada - total</b>	<b>56,016</b>	30,965
Conditional – operating	262,002	238,907
Capital infrastructure	7,674	6,418
<b>Province of Ontario - total</b>	<b>269,676</b>	245,325
<b>Other municipalities</b>	<b>5,644</b>	5,317
	<b>\$331,336</b>	\$281,607
<b>Investment income</b>		
Investment income - operating	\$6,834	\$ 3,659
Investment income - reserves and reserve funds	11,794	8,508
	<b>\$ 18,628</b>	\$ 12,167
<b>Other revenues</b>		
Provincial Offences Fines	\$ 6,152	\$ 5,514
Ontario Lottery & Gaming Corporation	4,870	4,811
Municipal accommodation tax	851	-
Other contributions - operating	13,588	6,275
Other contributions - capital	9,664	2,882
Donations	1,311	1,387
Miscellaneous sales	572	6,542
	<b>\$ 37,007</b>	\$ 27,411

## THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

### 22. Expenses by Object

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

*Table 35: Expenses by Object*

	2018	2017
Salaries, wages and fringe benefits	\$ 438,907	\$424,156
Long-term debt interest charges	9,605	9,698
Materials and supplies	131,360	118,217
Contracted services	140,000	126,219
Rents and financial expenses	36,205	38,543
External transfers	221,654	204,208
Amortization	172,672	162,828
<b>Total expenses by object</b>	<b>\$1,150,403</b>	<b>\$1,083,869</b>

### 23. Liability for Contaminated Sites

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

Reports indicate that remediation will be required and has been estimated at \$850 (2017 – \$1,239). 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.

## THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

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### 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.

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'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.

## THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

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### 24. Segmented Information (continued)

#### 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.



## THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

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### 24. Segmented Information (continued)

#### c) Environmental Services (continued)

##### ii) Solid Waste and Recycling

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

#### d) Health Services

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

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

#### e) Social and Family Services

As the Consolidated Municipal Service Manager, the Community Services Department is legislated to deliver the Province's Ontario Works program to qualified residents within the City of London; homelessness funding to local emergency shelters and administers the distribution of child care fee subsidies to families in need and wage subsidies to local child care agencies.

The Department also delivers Council-directed social services, including the London CARES initiative and the Child and Youth Agenda in partnership with community agencies and groups. The Department operates the Dearness Home long term care facility; an Adult Day Program and Home Help Services.

## **THE CORPORATION OF THE CITY OF LONDON**

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

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### **24. Segmented Information (continued)**

#### **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.

## THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

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### 24. Segmented Information (continued)

#### i) Planning, Development and Compliance

##### a) 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.

##### b) 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.

##### c) 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.

## **THE CORPORATION OF THE CITY OF LONDON**

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2018

(all dollar amounts in thousands of dollars)

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### **24. Segmented Information (continued)**

#### **i) Planning, Development and Compliance (continued)**

##### **d) 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.

### **25. Comparative Figures**

Certain comparative figures have been reclassified to conform to the 2018 financial statement presentation.

**THE CORPORATION OF THE CITY OF LONDON**  
**Consolidated Schedule of Segment Disclosure - Operating Revenues**  
**For the year ended December 31, 2018, with comparative information for 2017 (in thousands of dollars)**

	<b>REVENUES</b>						
	Taxation	User Charges	Government Transfers	Developer Contributions	Other	TOTAL 2018 Actuals	TOTAL 2017 Actuals
<b>General Government</b>	604,712	3,691	2,031	42	58,856	669,332	625,269
Fire	-	229	-	-	-	229	1,307
Police	-	1,499	6,094	-	1,415	9,008	8,995
Other Protection Services	-	10,905	4	-	6,159	17,068	16,548
<b>Total Protection Services</b>	-	12,633	6,098	-	7,574	26,305	26,850
Transit	-	32,128	22,162	-	325	54,615	54,697
Other Transportation Services	-	4,532	25,844	33,895	33,419	97,690	31,378
<b>Total Transportation Services</b>	-	36,660	48,006	33,895	33,744	152,305	86,075
Water/Waste Water	-	173,895	25,883	37,833	17,906	255,517	215,364
Solid Waste	-	10,672	763	-	-	11,435	9,781
<b>Total Environmental Services</b>	-	184,567	26,646	37,833	17,906	266,952	225,145
<b>Health Services</b>	-	-	4,849	-	150	4,999	4,681
General Assistance	-	279	148,638	-	296	149,213	145,663
Assistance to aged persons	-	6,188	12,634	-	-	18,822	18,260
Child Care	-	-	54,914	-	-	54,914	36,920
<b>Total Social and Family Services</b>	-	6,467	216,186	-	296	222,949	200,843
<b>Social Housing</b>	-	10,981	21,964	-	132	33,077	33,927
Parks and Recreation	-	18,155	3,592	1,514	3,335	26,596	24,111
Libraries	-	526	697	-	871	2,094	3,388
Cultural Services	-	2,733	912	-	1,663	5,308	5,622
<b>Total Recreation and Cultural Services</b>	-	21,414	5,201	1,514	5,869	33,998	33,121
<b>Planning, Development and Compliance</b>	-	9,940	355	-	2,583	12,878	14,317
<b>Total Revenue</b>	604,712	286,353	331,336	73,284	127,110	1,422,795	1,250,228

THE CORPORATION OF THE CITY OF LONDON  
 Consolidated Schedule of Segment Disclosure - Operating Expenses  
 For the year ended December 31, 2018, with comparative information for 2017 (in thousands of dollars)

	EXPENSES						TOTAL 2017 Actuals
	Salaries, Wages & Benefits	Materials	Contracted Services	External Transfers	Amortization	Other	
<b>General Government</b>	50,987	13,737	11,332	234	11,343	10,106	97,739
Fire	57,416	2,160	509	-	3,295	(259)	63,121
Police	98,199	6,117	1,562	-	5,076	423	111,377
Other Protection Services	15,111	3,559	1,814	4,512	283	855	26,134
<b>Total Protection Services</b>	<b>170,726</b>	<b>11,836</b>	<b>3,885</b>	<b>4,512</b>	<b>8,654</b>	<b>1,019</b>	<b>200,632</b>
Transit	50,346	19,769	7,232	-	12,765	690	90,802
Other Transportation Services	22,479	22,091	19,878	3	46,438	10,852	121,741
<b>Total Transportation Services</b>	<b>72,825</b>	<b>41,860</b>	<b>27,110</b>	<b>3</b>	<b>59,203</b>	<b>11,542</b>	<b>212,543</b>
Water/Waste Water	25,432	30,803	15,169	67	69,267	11,498	152,236
Solid Waste	8,724	7,128	13,087	1,158	2,425	1,499	34,021
<b>Total Environmental Services</b>	<b>34,156</b>	<b>37,931</b>	<b>28,256</b>	<b>1,225</b>	<b>71,692</b>	<b>12,997</b>	<b>186,257</b>
Public Health Services	4,411	419	766	4,863	105	281	10,845
Ambulance Services	-	-	14,735	-	-	-	14,735
<b>Total Health Services</b>	<b>4,411</b>	<b>419</b>	<b>15,501</b>	<b>4,863</b>	<b>105</b>	<b>281</b>	<b>25,580</b>
General Assistance	21,203	576	6,490	135,474	459	2,734	166,936
Assistance to aged persons	19,453	3,031	824	215	1,292	767	25,582
Child Care	2,474	808	24,455	34,276	3	409	62,425
<b>Total Social and Family Services</b>	<b>43,130</b>	<b>4,415</b>	<b>31,769</b>	<b>169,965</b>	<b>1,754</b>	<b>3,910</b>	<b>254,943</b>
<b>Social Housing</b>	<b>6,999</b>	<b>1,145</b>	<b>12,469</b>	<b>31,018</b>	<b>1,726</b>	<b>804</b>	<b>54,161</b>
Parks and Recreation	24,958	7,744	5,841	520	11,256	2,740	53,059
Libraries	14,664	4,272	663	-	3,502	943	24,044
Cultural Services	2,450	2,379	508	1,588	1,313	115	8,353
<b>Total Recreation and Cultural Services</b>	<b>42,072</b>	<b>14,395</b>	<b>7,012</b>	<b>2,108</b>	<b>16,071</b>	<b>3,798</b>	<b>85,456</b>
<b>Planning, Development and Compliance</b>	<b>13,601</b>	<b>5,622</b>	<b>2,666</b>	<b>7,726</b>	<b>2,124</b>	<b>1,353</b>	<b>33,092</b>
<b>Total Expenses</b>	<b>438,907</b>	<b>131,360</b>	<b>140,000</b>	<b>221,654</b>	<b>172,672</b>	<b>45,810</b>	<b>1,150,403</b>
<b>Annual Surplus</b>							<b>272,392</b>





**London**  
CANADA

**City of London  
Financial Report  
2018**