

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
Financial assets		
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
Total financial assets	1,406,672	1,264,726
Financial liabilities		
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
Total financial liabilities	1,005,383	992,200
Net financial assets	401,289	272,526
Non-financial assets		
Tangible capital assets (Note 14)	3,892,797	3,749,717
Inventories of supplies	4,840	4,543
Prepaid expenses	17,821	17,569
Total non-financial assets	3,915,458	3,771,829
Accumulated surplus (Note 15)	\$ 4,316,747	\$ 4,044,355

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)

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

	Budget	2018	2017
Annual surplus	\$ 158,545	\$ 272,392	\$ 166,359
Acquisition of tangible capital assets	(259,685)	(250,019)	(276,037)
Developer contributions of tangible capital assets	(44,040)	(73,284)	(36,759)
Amortization of tangible capital assets	149,300	172,672	162,828
Proceeds from sale of tangible capital assets	-	7,581	15,458
Gain on disposal of tangible capital assets	-	(30)	(1,166)
	(154,425)	(143,080)	(135,676)
Change in inventories of supplies	-	(297)	(368)
Change in prepaid expenses	-	(252)	7,072
	-	(549)	6,704
Change in net financial assets	4,120	128,763	37,387
Net financial assets, beginning of year	272,526	272,526	235,139
Net financial assets, end of year	\$ 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
Cash provided by (used in)		
Operating Activities		
Annual surplus	\$ 272,392	\$ 166,359
Items not involving cash		
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)
Change in non-cash assets and liabilities		
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
Net change in cash from operating activities	354,649	331,677
Capital Activities		
Proceeds from sale of tangible capital assets	7,581	15,458
Acquisition of tangible capital assets	(250,019)	(274,401)
Net change in cash from capital activities	(242,438)	(258,943)
Investing Activities		
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
Net change in cash from investing activities	(22,534)	11,939
Financing Activities		
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)
Net change in cash from financing activities	(140)	(14,443)
Net change in cash and cash equivalents	89,537	70,230
Cash and cash equivalents, beginning of year	400,503	330,273
Cash and cash equivalents, end of year	\$ 490,040	\$ 400,503

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 (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	\$1,280	\$ 494
Completed but no claim received	882	3,332
	\$2,162	\$3,826

The continuity breakdown is as follows:

Table 20: Urban Works - Continuity Breakdown

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

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
Total	\$2,162

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
		\$159,545	\$154,874

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)

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
Total	\$5,758,987	\$502,850	\$244,415	\$6,017,422

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	-	-	-	-
Total	\$2,009,270	\$ 172,672	\$ 57,317	\$2,124,625

	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
Total	\$3,749,717	\$3,892,797

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 (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)

15. Accumulated Surplus

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

Table 28: Accumulated Surplus

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

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
Total	\$5,613

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
Total	\$ 44,546

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

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