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AUDITORS' REPORT

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

We have audited the consolidated statement of financial position of the Corporation of the City of London as at December 31, 2008 and the consolidated statements of financial activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the City of London as at December 31, 2008 and the results of its financial activities and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

London, Canada

May 27, 2009

THE CORPORATION OF THE CITY OF LONDON
Consolidated Statement of Financial Position
As At December 31, 2008
(all dollar amounts in thousands of dollars)

	2008	2007
Financial Assets		
Cash and short-term investments (Note 3)	\$ 316,824	\$ 298,622
Taxes receivable (Note 4)	24,009	26,278
Other receivables	35,448	45,999
Long-term investments (Note 5)	90,419	50,825
Loans receivable (Note 6)	30,386	31,393
Investment in government business enterprises (Note 7)	218,727	214,391
Total Financial Assets	715,813	667,508
Financial Liabilities		
Accounts payable and accrued liabilities	99,960	102,220
Deferred revenue (Note 8)	159,388	137,694
Accrued interest on long-term debt (Note 9)	2,800	3,007
Net long-term debt (Note 9)	307,551	340,263
Long-term liabilities (Note 10)	7,680	9,180
Urban works payable (Note 11)	38,966	38,599
Employee benefits payable (Note 12)	95,181	90,233
Solid waste landfill closure and post-closure liability (Note 13)	22,832	22,694
Total Financial Liabilities	734,358	743,890
Net Financial Liabilities	(18,545)	(76,382)
Non-Financial Assets		
Prepaid expenses	11,228	9,183
Other	2,769	2,552
Total Non-Financial Assets	13,997	11,735
Net Liabilities	\$ (4,548)	\$ (64,647)
Contingent Liabilities, Guarantees and Commitments (Notes 14, 15, 16)		
Municipal Position		
Amounts To Be Recovered		
From reserves and reserve funds	\$ (56,525)	\$ (44,876)
From future revenues	(333,247)	(371,063)
Total Amounts To Be Recovered (Note 17)	(389,772)	(415,939)
Fund Balances		
Operating fund (Note 18)	2,518	2,810
Investment in government business enterprises (Note 7)	218,727	214,391
Capital fund (Note 18)	(121,845)	(112,211)
Reserves and reserve funds (Schedule 3)	285,824	246,302
Total Fund Balances	385,224	351,292
Total Municipal Position	\$ (4,548)	\$ (64,647)

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

THE CORPORATION OF THE CITY OF LONDON
Consolidated Statement of Financial Activities
For the year ended December 31, 2008
(all dollar amounts in thousands of dollars)

	2008	2007
Revenues		
Net municipal taxation	\$ 442,927	\$ 421,319
User charges	193,789	184,803
Transfer payments	240,749	183,811
Investment income	15,021	17,196
Other	38,971	51,724
Lot levies earned	10,041	8,553
Government business enterprises net earnings (Note 7)	6,793	7,126
Total Revenues (Note 22)	948,291	874,532
Expenditures		
Operating fund expenditures - Schedule 1 (Note 23)	697,681	668,381
Capital fund expenditures - Schedule 2 (Note 23)	187,401	175,104
Reserve and reserve funds expenditures - Schedule 3	3,112	3,383
Total Expenditures	888,194	846,868
Net revenues	60,097	27,664
Financing and Transfers		
Proceeds of long-term debt	6,099	47,718
Long-term debt repayments	(37,160)	(35,141)
Transfer from amounts to be recovered	16	(33)
Decrease in accrued interest on long-term debt	(207)	(80)
Increase in employee benefits payable	4,949	11,079
Increase in solid waste landfill closure and post-closure liability	138	942
Net increase (decrease) in amounts to be recovered	(26,165)	24,485
Increase in fund balances	33,932	52,149
Fund balances - beginning of year	351,292	299,143
Fund balances - end of year	\$ 385,224	\$ 351,292

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

THE CORPORATION OF THE CITY OF LONDON
Consolidated Statement of Cash Flows
For the year ended December 31, 2008
(all dollar amounts in thousands of dollars)

	2008	2007
Operating Activities		
Net revenues	\$ 60,097	\$ 27,664
Items not affecting cash		
Government business enterprises net earnings	(6,793)	(7,126)
Amortization of debenture discount	349	73
Non-cash working capital		
Taxes receivable	2,269	(6,773)
Trade and other receivables	10,551	(7,159)
Prepaid expenses	(2,045)	(216)
Other non-financial assets	(217)	(148)
Accounts payable and accrued liabilities	(2,260)	17,033
Deferred revenue	21,694	27,901
Accrued interest on long-term debt	(207)	(80)
Urban works payable	367	7,854
Employee benefits payable	4,948	11,079
Solid waste landfill closure and post-closure liability	138	942
Net increase in non-cash activities	28,794	43,380
Net increase in cash from operating activities	88,891	71,044
Investing Activities		
(Increase) in long-term investments	(39,592)	(13,715)
Decrease in loans receivable	1,007	446
Decrease in promissory note receivable from government business enterprises	457	428
Dividends from London Hydro Inc.	2,000	2,000
Net decrease in cash from investing activities	(36,128)	(10,841)
Financing Activities		
Long-term debt issued	6,099	47,718
Long-term debt repayments	(39,160)	(38,168)
Long-term liabilities repayments	(1,500)	(1,500)
Net increase (decrease) in cash from financing activities	(34,561)	8,050
Increase in cash and short-term investments	18,202	68,253
Cash and short-term investments - beginning of year	298,622	230,369
Cash and short-term investments - end of year	\$ 316,824	\$ 298,622

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

1. Significant Accounting Policies

The consolidated financial statements of the Corporation of the City of London (the "Corporation") are prepared by management, in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies are as follows:

a) Reporting Entity

These consolidated statements reflect the assets, liabilities, revenues and expenditures of the operating fund, capital fund, reserve funds and reserves of the Corporation and include the activities of all committees of Council and the boards, municipal enterprises and utilities that are accountable to the Corporation for the administration of their financial affairs and resources and are owned or controlled by the Corporation.

(i) Consolidated Entities

The following local boards are consolidated:

London Police Services Board
London Transit Commission
London Public Library Board
London & Middlesex Housing Corporation
Old East Village Business Improvement Area
London Downtown Business Association
London Convention Centre Corporation
Covent Garden Market Corporation
Public Utility Commission
Museum London

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

(ii) Equity Accounting

Government business enterprises are accounted for by the modified equity method. Under the modified equity method, the accounting principles of government business enterprises are not adjusted to conform to the Corporation's accounting principles and inter-organizational transactions and balances are not eliminated. However, inter-organizational gains and losses are eliminated on assets remaining with the government reporting entities at the reporting date.

The government business enterprises during the year were:

London Hydro Inc.
Fair-City Joint Venture Partnership

(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 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 the Province and the County of Middlesex.

(iv) Accounting for School Board Transactions

Although the Corporation collects taxation on behalf of the School Boards, the taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards are not reflected in these financial statements.

(v) Trust Funds

Trust funds and their related operations administered by the Corporation are not included in the Consolidated Statement of Financial Position nor have their operations been included on the Consolidated Statement of Financial Activities, as they are reported on the Trust Fund Statements of Continuity and Balance Sheets.

b) Basis of Accounting

(i) Accrual Accounting

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

(ii) Capital Assets

The cost of acquiring capital assets is reported as an expenditure on the Consolidated Statement of Financial Activities in the year of acquisition. Additional information is provided in note 25 regarding tangible capital assets.

(iii) Amounts to be Recovered

The balance referred to as "Amounts to be recovered", includes balances for certain accrued interest on long-term debt, outstanding net long-term debt supporting capital expenditures, accrued liabilities for employee benefits and the solid waste landfill closure and post-closure liability. Detail of amounts to be recovered from future revenues is provided in note 17.

(iv) Deferred Revenue

The Corporation receives contributions pursuant to legislation, regulations or agreement 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 expenditures are incurred or services performed.

(v) Budget Figures

London City Council completes separate budget reviews for tax supported operating and capital, as well as, water and sewer budgets each year. The approved operating budgets for 2008 are reflected on the Consolidated Schedule of Current Operations. For capital spending, budgets are set for individual projects with funding for these activities determined annually, transferred from reserve funds or by the application of grants or other funds available to apply to capital projects. As many capital projects are carried out over a number of years, the annualized budget information on the Consolidated Schedule of Capital Operations represents the budget portion of expenditures in the current year only. Budgeted figures on the Consolidated Schedule of Reserves and Reserve Funds are estimated based on the net transfers to or from the Current and Capital budgets.

(vi) Use of Estimates

The preparation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenditures during the year. These estimates and assumptions, including employee benefits payable, assessment appeals, claims provisions, landfill closure and post-closure liabilities, are based on management's best information and judgment and may differ significantly from future actual results.

c) Government Transfer Revenue

Government transfer revenue is recorded once it is authorized by the transferring government and the Corporation is eligible to receive the transfer. Any amount received but restricted is recorded as deferred revenue in accordance with Section 3100 of the Public Sector Accounting Handbook and recognized as revenue in the period in which the resources are used for the purpose specified.

Government transfers include social assistance program funding representing 80% of certain social service program costs, social service administration funding covering 50% of certain administration costs and transfers for social housing totaling approximately 20% of costs of the program.

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

d) Pension Agreements

- (i) The Corporation makes contributions to the Ontario Municipal Employees' Retirement System Pension Fund (OMERS), which is a multi-employer plan, on behalf of its employees. 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 2008 was **\$18,686** (2007 - \$16,278) for current service. Employer's contributions for current service are included as an expenditure in the Consolidated Statement of Financial Activities.

- (ii) Effective February 2, 1989, the London Transit Commission commenced participation in OMERS for all active employees at that date, as well as for all new employees. The predecessor contributory defined benefit pension plan which covered substantially all Commission employees up to January 31, 1989 is continued for pension benefits earned to that date.

e) Tax Revenues

In 2008 the Corporation received **\$442,927** (2007 - \$421,319) 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 MPAC 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 rising 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.).

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.

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) Employee Benefits Payable

The contributions to a multi-employer, defined benefit pension plan are expensed when contributions are due.

The costs of termination benefits and compensated absences are recognized when the event that obligates the City occurs; costs include projected future income payments, health care 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.

h) Recent Accounting Pronouncements

i) Segment Disclosures

In April 2006, the Public Sector Accounting Board introduced Section 2700, Segment Disclosures. This section establishes standards on how to provide for meaningful segmented reporting in government financial statements and is applicable to financial statements for fiscal years beginning on or after April 1, 2007.

Segmented information on the Consolidated Schedule of Current Operations is presented in note 24.

2. Transactions On Behalf of Others

- a) During the year, **\$157,857** of taxation was collected on behalf of school boards (2007 - \$157,549) and remitted to the school boards during the year.
- b) Trust funds administered by the Corporation amounting to **\$2,912** (2007 - \$2,750) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Financial Activities.

3. Cash and Short-term Investments

The carrying amounts of short-term investments are summarized as follows:

	2008 \$	2007 \$
Cash	300,755	145,026
Short-term investments	16,069	153,596
	<u>316,824</u>	<u>298,622</u>

Short-term investments are comprised mainly of bankers' acceptances, guaranteed investment certificates and term deposits. The 2008 investments mature on dates ranging from June 6, 2009 to October 15, 2009 and yield interest rates from 3.82% to 4.00% (2007 4.70% to 4.75%). The carrying value, together with the accrued interest on short-term investments, approximates their market value at December 31, 2008.

4. Taxes Receivable

Taxes receivable are net of allowance for doubtful accounts. Balance as at December 31:

	2008 \$	2007 \$
Taxes receivable	28,718	31,264
Penalties and interest	1,923	1,782
Allowance for doubtful accounts	<u>(6,632)</u>	<u>(6,768)</u>
	<u>24,009</u>	<u>26,278</u>

5. Long-Term Investments

Long-term investments are comprised of the following:

	2008 \$	2007 \$
Museum London – pooled investment funds (market value 2008 - \$4,790; 2007 - \$5,719)	5,465	5,319
Investment in own securities (market value 2008 - \$277; 2007 - \$267)	249	249
Securities held for reinvestment (market value 2008 - \$54,761; 2007 - \$26,940)	53,243	26,965
One Fund Pooled Equity (market value 2008 - \$7,392; 2007 - \$10,380)	10,000	10,000
Securities intended to be held until maturity (market value 2008 - \$20,594; 2007 - \$7,615)	20,583	7,260
Other long-term investments (market value 2008 - \$881; 2007 - \$1,035)	879	1032
	<u>90,419</u>	<u>50,825</u>

Long-term investments include federal treasury bills and bonds, provincial bonds, corporate bonds and units of pooled investment funds. Security maturities range from 2009 – 2016 with interest rates ranging from 3.55% to 5.75%.

The cost of certain investments exceeds market values at December 31, 2008. Given the current volatility of the investment marketplace, management is monitoring the situation, but is of the opinion that the loss in value is a temporary decline.

6. Loans Receivable

	2008 \$	2007 \$
Non-interest bearing, 10-year loan to the Western Fair Association to construct the Equestrian Tunnel repayable in annual installments of \$275,000 - matures December 31, 2011	1,100	1,375
Subordinate Loan – City of London Arena Trust	29,286	30,018
	<u>30,386</u>	<u>31,393</u>

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 John Labatt Centre 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, \$732 (2007 - \$446) was received as a payment on the loan.

7. Investment in Government Business Enterprises

The Corporation holds a 100% interest in London Hydro Inc. and a 50% interest in the Fair-City Joint Venture Partnership as follows:

		2008 \$	2007 \$
London Hydro Inc.	a)	204,444	199,651
Fair-City Joint Venture Partnership	b)	14,283	14,740
		<u>218,727</u>	<u>214,391</u>

a) Investment in London Hydro Inc.

	2008 \$	2007 \$
Financial Position		
Current assets	80,366	75,894
Regulatory assets	1,185	3,749
Capital assets	185,381	176,245
Future income taxes	8,140	7,451
Total assets	<u>275,072</u>	<u>263,339</u>
Current liabilities	41,367	40,067
Regulatory liabilities	11,501	6,324
Deferred revenue	8,723	8,666
Employee future benefits	9,037	8,631
Long-term debt due to City of London	70,000	70,000
Total liabilities	<u>140,628</u>	<u>133,688</u>
Net assets	<u>134,444</u>	<u>129,651</u>
Financial Activities		
Revenues	52,335	51,657
Operating expenses	(43,389)	(40,172)
Other income	720	375
Income tax	(2,873)	(4,734)
Net earnings	6,793	7,126
Dividends	(2,000)	(2,000)
Net assets, beginning of year	<u>129,651</u>	<u>124,525</u>
Net assets, end of year	<u>134,444</u>	<u>129,651</u>
Add back promissory note due to the Corporation	<u>70,000</u>	<u>70,000</u>
Investment in London Hydro Inc.	<u>204,444</u>	<u>199,651</u>

i) **Regulatory Assets and Liabilities**

The Ontario Energy Board allows distribution companies to recover amounts incurred in preparation for opening of the electricity market, as well as amounts comprising variances between amounts charged by the Independent Electricity Market operator and amounts charged to retail customers. Net regulatory amounts recoverable totalled **\$1,185** (2007 - \$3,749). The current portion recoverable is **\$395** (2007 - \$3,269). Net regulatory liabilities for 2008 were **\$11,501** (2007 - \$6,324).

Variances accumulated prior to January 1, 2004 in the amount of **\$9,900** plus allowed interest are included in regulatory assets that were approved for rate recovery in December 2004.

ii) **Bank Indebtedness**

London Hydro Inc. has utilized **\$6,600** (2007 - \$13,200) in bank standby letters of credit issued to the independent Electricity System Operator, as required by regulation.

b) **Fair-City Joint Venture Partnership**

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 has repaid **\$5,000** of the above-noted loan, the Corporation's equity interest will decrease proportionately based on additional repayments, until the loan is completely repaid and the equity interest has decreased to 30%. During the first five years of operation, 100% of profits were paid to the Western Fair Association. In the current year there was no profit available for distribution to the Corporation.

Summary financial information is as follows:

	2008	2007
	\$	\$
Financial Position		
Current assets	1,376	1,144
Capital assets	17,279	17,262
	<u>18,655</u>	<u>18,406</u>
Accrued liabilities	898	702
Reserves	381	315
Partners' capital	757	800
Long term debt	9,044	9,515
Total liabilities	<u>11,080</u>	<u>11,332</u>
Net Assets	<u>7,575</u>	<u>7,074</u>
Financial Activities		
Revenues	3,382	3,662
Operating expenses	2,815	3,227
Net earnings	567	435
Capital (reduction) contribution to reserve	66	140
Net earnings (loss) available to venturers	501	295
Net assets, beginning of year	7,074	6,779
Net assets, end of year	<u>7,575</u>	<u>7,074</u>
City's Portion of Net Assets	5,000	5,000
Promissory note due to City of London	9,283	9,740
Investment in Fair-City Joint Venture Partnership	<u>14,283</u>	<u>14,740</u>

8. Deferred Revenue

Deferred revenue on the Consolidated Statement of Financial Position is comprised of the following:

	2008	2007
	\$	\$
Funds deferred to future periods for specific purposes by legislation, regulation or agreement:		
Development Charges Act		
- Recreation and transit	76,872	69,001
- Capital infrastructure	12,946	11,751
Federal and Provincial Gas Tax	37,964	31,331
Recreational Land (The Planning Act)	2,309	2,630
Capital infrastructure for transit and cultural services	<u>12,847</u>	<u>2,631</u>
	<u>142,938</u>	<u>117,344</u>
Other deferred revenue:		
Subsidy advances from Provincial Ministries for future periods	6,875	10,871
Prepaid Deposits	3,128	3,732
Other Deferred Revenues	<u>6,447</u>	<u>5,747</u>
	<u>159,388</u>	<u>137,694</u>

9. Net Long-term Debt

Provincial legislation restricts the use of long-term debt to financing capital expenditures 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 board. The debt is a joint and several obligation of the Corporation and the respective board.

a) Net long-term debt is as follows:

	<u>2008</u>	<u>2007</u>
	\$	\$
Long-term debt issued by the Corporation at various rates of interest ranging from 3.00% to 6.45% (2007 - 3.00% to 6.45%)	220,951	257,598
Long-term debt issued by Ontario Infrastructure Projects Corporation at various rates of interest ranging from 2.40% to 2.82% (2007 - 2.40% to 2.69%)	91,008	54,064
Advances issued by Ontario Infrastructure Projects Corporation at various rates of interest ranging from 2.48% to 2.60% (2007 - 2.48% to 2.60%)	-	34,025
Long-term debt, assumed by unconsolidated local boards, other municipalities, municipal enterprises and utilities	(4,408)	(5,424)
Net long-term debt at the end of the year	<u>307,551</u>	<u>340,263</u>

The \$34,025 Ontario Infrastructure Projects Corporation advances were converted into Long-term debt in 2008 and form part of the \$91,008 of debt issued by Ontario Infrastructure Projects Corporation.

Principal repayments are summarized as follows:

Recoverable From	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Beyond</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$	\$
General municipal revenues	21,947	20,155	20,708	19,606	15,162	66,789	164,367
Water user rates	5,785	273	288	303	320	1,906	8,875
Sewer user rates	7,144	6,333	6,457	6,347	4,847	42,706	73,834
Benefiting landowners	209	188	190	175	157	205	1,124
Discretionary reserve funds	4,981	5,166	5,370	5,025	4,190	26,999	51,731
Obligatory reserve funds	982	924	931	905	912	2,966	7,620
Total Net Long-Term Debt	<u>41,048</u>	<u>33,039</u>	<u>33,944</u>	<u>32,361</u>	<u>25,588</u>	<u>141,571</u>	<u>307,551</u>

b) Total charges for the year for net long-term debt which are reported on the Consolidated Statement of Financial Activities are as follows:

	<u>2008</u>	<u>2007</u>
	\$	\$
Principal repayments	37,160	35,141
Interest and amortization of debenture discount	15,581	15,539
	<u>52,741</u>	<u>50,680</u>

c) Accrued interest as at December 31, 2008 is **\$2,800** (2007 - \$3,007).

10. Long-term Liabilities

The Corporation has committed to two capital grants. Although most capital grants are subject to annual budget approval and are therefore not liabilities, the Corporation has committed to the following capital grants which are included in long-term liabilities. The Corporation has also entered into a funding agreement for municipal infrastructure works, repayable over an established time frame in the agreement.

	Last year of commitment:	2008 \$	2007 \$
University of Western Ontario	2012	3,500	4,500
Fanshawe College	2010	1,000	1,500
Municipal Infrastructure Works Agreement		3,180	3,180
Total Long-term Liabilities		7,680	9,180

11. Urban Works Payable – Capital Outlay to be Recovered in Future

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 is shared through development charge collections administered by the Corporation through the Urban Works Reserve Fund (the 'Fund').

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

As at December 31st of each year, the value of all completed work is recognized as a liability in the Consolidated Statement of Financial Position. Repayment of this liability remains subject to all of the rules of the Fund, including a reliance on Development charges as the source for repayment. At December 31st there is **\$593** (2007 - \$670) in the Urban Works Reserve Fund and **\$5,023** (2007 - \$4,521) in the Urban Works Storm Water Management Reserve Fund to fund this liability.

		<u>Roads</u> \$	<u>Sanitary</u> <u>Sewer</u> \$	<u>Storm</u> <u>Sewer</u> \$	<u>Storm</u> <u>Water</u> \$	<u>Total</u> \$
Capital Fund Balance (Urban Works)	Dec 31, 2006	(6,875)	(5,790)	(10,292)	(7,788)	(30,745)
Expenditures :						
Value of Construction Work Completed	2007	(8,624)	(3,480)	(1,538)	(4,728)	(18,370)
Financing :						
From Urban Works Reserve Fund	2007	3,249	2,916	2,211	2,140	10,516
Capital Fund Balance (Urban Works)	Dec 31, 2007	(12,250)	(6,354)	(9,619)	(10,376)	(38,599)
Expenditures :						
Value of Construction Work Completed	2008	(1,754)	(6,774)	(1,592)	(2,589)	(12,709)
Financing :						
From Urban Works Reserve Fund	2008	4,169	2,016	3,655	2,502	12,342
Capital Fund Balance (Urban Works)	Dec 31, 2008	(9,835)	(11,112)	(7,556)	(10,463)	(38,966)

The estimated future payments are as follows:

2009	2010	2011	2012	2013	Beyond	Total
\$	\$	\$	\$	\$	\$	\$
10,094	9,664	9,371	7,287	1,071	1,479	38,966

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:

		2008	2007
		\$	\$
Post employment and post retirement benefits	a)	44,435	40,271
Workplace Safety and Insurance Board Obligation	b)	27,729	26,966
Vacation credits	c)	12,205	11,896
Vested sick benefits	d)	10,812	11,100
		<u>95,181</u>	<u>90,233</u>

Reserve funds and reserves have been established to partially provide for these employee benefits payable. The Reserve Fund balances at the end of the year are \$15,135 (2007 - \$13,959), and the Reserve balances at the end of the year are \$21,719 (2007 - \$16,558).

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 financial statements are based on the most recent actuarial valuation as at December 31, 2006, with the results extrapolated to December 31, 2008.

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

	2008	2007
	%	%
Discount rate	5.0	5.0
Rate of compensation increase	3.0	3.0
Healthcare cost increases	5.0 - 10.0	5.0 - 10.0

The benefit obligation continuity is as follows:

	2008 \$	2007 \$
Liability for post employment and post retirement benefits		
Accrued benefit obligation, January 1	55,296	52,603
Current period benefit cost	2,265	2,158
Retirement interest expenditure	2,667	2,523
Benefits paid	(1,925)	(1,988)
Accrued benefit obligation, December 31	58,303	55,296
Unamortized actuarial loss	(13,868)	(15,025)
Liability for post employment and post retirement benefits	<u>44,435</u>	<u>40,271</u>
Post employment and post retirement benefits expense		
Current period benefit cost	2,265	2,158
Retirement interest expenditure	2,667	2,523
Amortization of actuarial loss	1,157	1,073
Total post employment and post retirement benefit expense	<u>6,089</u>	<u>5,754</u>

The actuarial loss is amortized over the expected average remaining service life of the related employee group of 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 amount is determined using the estimated value of future benefit costs provided by WSIB and any additional information known to the Corporation about future obligations.

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, 2008 is \$12,205 (2007 - \$11,896).

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 \$10,812 (2007 - \$11,100) at the end of the year. During the year \$1,103 (2007 - \$989) was paid to employees who left the Corporation's employment.

Reserve funds and reserves have been established to partially provide for this past service liability. The Reserve Funds balance at the end of the year is \$7,277 (2007 - \$7,287), the Reserves balance at the end of the year is \$149 (2007 - \$136). An amount of \$1,106 (2007 - \$1,168) has been contributed in the current year and is reported on the Consolidated Statement of Financial Activities.

Anticipated payments over the next five years to employees who are eligible to retire are:

2009 \$	2010 \$	2011 \$	2012 \$	2013 \$	Thereafter \$	Total \$
<u>2,728</u>	<u>1,522</u>	<u>1,486</u>	<u>1,209</u>	<u>1,779</u>	<u>2,088</u>	<u>10,812</u>

13. Solid Waste Landfill Closure and Post-Closure Liability

The Public Sector Accounting Handbook Section 3270: Solid Waste Landfill Closure and Post-Closure Liability, sets 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 expenditures relating to those activities required when the site or phase stops accepting waste.

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

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

Key assumptions in determining the liability at December 31, 2008 for landfills are as follows:

Active (W12A) landfill is expected to reach capacity in 2023	
Remaining capacity of active (W12A) as at December 31, 2008	3.6 million tonnes
Expected closing cost in 2008 dollars	\$2,000
Inflation rate	3.0%
Discount rate	5.0%
Estimated time required for post-closure care - active landfill	75 years
Estimated remaining time required for post-closure care – closed landfills	40-45 years

	<u>2008</u>	<u>2007</u>
	\$	\$
Active landfill (W12A) closure, site rehabilitation and monitoring obligation	13,421	13,048
Closed landfills site rehabilitation and monitoring obligation	9,411	9,646
	<u>22,832</u>	<u>22,694</u>

A Reserve Fund has been established to partially provide for this sanitary landfill site closure and post-closure liability. The Reserve Fund balance at the end of the year is **\$13,667** (2007 - \$12,322).

14. Contingent Liabilities

a) Legal Actions

As at December 31, 2008, 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 financial statements.

Estimated costs to settle claims are based on available information and projections of estimated future expenditures developed from the Corporation's historical experience. Claims are reported as an operating expenditure in the year of the loss, where the costs are deemed to be likely and can be reasonably determined. Claims 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 for liability claims. The insured and self-insured boards are: Museum London, London Convention Centre Corporation, Covent Garden Market Corporation, London Police Services Board, Middlesex-London Health Unit, London Transit Commission and London & Middlesex Housing Corporation.

The Corporation has made provision for a reserve fund for self insurance which as at December 31, 2008 amounted to **\$15,106** (2007 - \$14,101) and is reported on the Consolidated Statement of Financial Position. The contribution for the year of **\$4,027** (2007 - \$5,126) has been reported in the individual revenues on the Consolidated Statement of Financial Activities.

Claims expensed during the year amounting to **\$3,022** (2007 - \$5,117) have been reported with individual expenditures on the Consolidated Statement of Financial Activities. The payment of these expenditures was funded through the Self Insurance Reserve Fund.

There were unsettled liability claims against the Corporation as at December 31, 2008 to be paid from the Self Insurance Reserve Fund. In the opinion of legal counsel, the probable outcome of these claims cannot be determined at this time.

15. Loan Guarantees

The Corporation has entered into an agreement which guarantees the borrowings of the Grand Theatre up to a maximum of **\$750** (2007 - \$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 million loan from 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, 2008 is **\$5,800** (2007 - \$6,050).

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

16. Commitments

a) Section 474.18 of the Municipal Act, 2001, requires that the Corporation make annual payments to the County of Middlesex for an indefinite period as compensation for the reduction of income due to the dissolution of the London-Middlesex Suburban Roads Commission. The amount paid in 2008 is **\$1,163** (2007 - \$1,163). Payments are based on the base year of 1997 at \$1,000 and are calculated contingent on annual assessment and tax rate increases.

b) The Corporation has future commitments on the Downtown Rehabilitation Program, which is a program that allows for future reductions in property taxes. The future commitments are as follows:

2009	2010	2011	2012	2013	Beyond	Total
\$	\$	\$	\$	\$	\$	\$
899	1,651	2,145	1,828	1,447	3,445	11,415

c) Contractual Obligations

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

2009	2010	2011	2012	2013	Beyond	Total
\$	\$	\$	\$	\$	\$	\$
<u>19,864</u>	<u>6,279</u>	<u>4,167</u>	<u>1,780</u>	<u>799</u>	<u>67</u>	<u>32,956</u>

The Corporation has the following outstanding commitments remaining on facilities and infrastructure contracts as at December 31, 2008:

	2008	2007
	\$	\$
Sanitary Sewer	9,905	12,067
Police	8,151	19,819
Roads	7,654	5,238
Water	5,381	4,046
Storm Sewer	5,314	2,366
Recreation Facilities	4,324	334
General Government	2,593	-
Waste Disposal and Recycling	1,827	3,851
Commercial and Industrial	1,363	1,083
Transit	795	-
Cultural Facilities	530	-
Planning	-	348
Fire	-	128
	<u>47,837</u>	<u>49,280</u>

The majority of payments on these outstanding commitments will be made in 2009.

d) Derivatives

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

- Contract, expiring October 31, 2009, for average daily natural gas purchases of 189 gigajoules, with a remaining contract value of \$512
- Contract, expiring April 30, 2009, for average daily electricity purchases of 22.8 megawatt hours, with a remaining contract value of \$53

These derivative contracts were purchased to provide price certainty for the majority of the Corporation's natural gas and electricity needs over the terms of the contracts. The values of these contracts are not reflected as assets or liabilities in these financial statements.

17. Amounts to be Recovered

Amounts to be recovered in future years comprise the gross amounts of the following liabilities as at December 31, some of which have been partially funded through reserve funds:

	<u>2008</u> \$	<u>2007</u> \$
Accrued interest on long-term debt	(916)	(1,107)
Net long-term debt and liabilities	(315,231)	(349,443)
Employee benefits payable	(95,181)	(90,233)
Landfill site rehabilitation and monitoring	(22,832)	(22,694)
Included in loans receivable	24,194	25,355
Included in investment in government business enterprises	12,514	13,003
Included in capital fund balance	<u>7,680</u>	<u>9,180</u>
Amounts to be Recovered	<u>(389,772)</u>	<u>(415,939)</u>

18. Fund Balances at the End of the Year

a) At the end of the year on the Consolidated Statement of Financial Position, the fund balances are as follows:

	<u>2008</u> \$	<u>2007</u> \$
Operating Fund:		
For general reduction of taxation and user charges	<u>2,518</u>	<u>2,810</u>
Capital Fund:		
Acquisition of capital assets to be recovered through Urban Works Reserve Fund user fees	(39,033)	(38,669)
Acquisition of capital assets to be financed from the proceeds of long-term debt	(108,021)	(79,069)
Acquisition of capital assets to be recovered through reserves and reserve funds	(9,433)	(10,290)
Acquisition of capital assets to be recovered through grants and donations	(15,559)	(8,337)
Funds available for the acquisition of capital assets	<u>50,201</u>	<u>24,154</u>
Unfinanced capital operations	<u>(121,845)</u>	<u>(112,211)</u>

- b) Section 401 of the Municipal Act, 2001 prescribes that the Lieutenant Governor in Council may make regulations prescribing debt and financial obligation limits for municipalities. A Corporation must still obtain Ontario Municipal Board approval for the issue of any debt that will cause it to exceed the prescribed annual repayment limits.

Those pending issues of long-term debt and commitments to be financed from revenues beyond the term of Council are covered by by-law. The principal and interest payments required to service existing and pending issues and commitments are well within the debt repayment limit prescribed by the Ministry of Municipal Affairs.

19. Related Party Transactions

The Corporation has contracted with London Hydro Inc. to provide billing and collection services for water and sewer charges on a cost recovery basis. Expenditures for the year were **\$3,437** (2007 - \$3,346) and are included on the Consolidated Statement of Financial Activities. At December 31, 2008, the Corporation has a receivable of **\$8,269** (2007 - \$8,213) for water and sewer charges collected by London Hydro Inc.

The Corporation also charged London Hydro Inc. rent totalling **\$100** (2007 - \$100) and received interest of **\$4,200** (2007 - \$4,200) on the promissory note receivable. Both amounts were recorded as revenues on the Consolidated Statement of Financial Activities. The Corporation also received **\$2,000** (2007 - \$2,000) in dividend payments, which were recorded as a reduction in the investment in government business enterprises.

The Corporation also has an Ice Rental Agreement with the Fair-City Joint Venture Partnership for 240 hours per year. **\$1,553** was paid for ice rental in 2008 (2007 - \$1,513), which was recorded as an expenditure in the Consolidated Statement of Financial Activities.

20. Provincial Offences Court Administration and Prosecution

On March 26, 2001, pursuant to Bill 108, the Corporation of the City of London 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 City of London. 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 City was required to establish its own administration, prosecution office and courtrooms to deal with charges laid under the Provincial Offences Act.

	<u>2008</u> \$	<u>2007</u> \$
Revenues		
Fines	<u>5,666</u>	<u>5,689</u>
Expenditures		
Salary, wages and benefits	1,314	1,274
County share of net revenues	352	345
Occupancy costs	284	286
Provincial government cost recovery	438	365
Administration costs	984	1,154
Equipment and maintenance	<u>277</u>	<u>267</u>
Total expenditures	<u>3,649</u>	<u>3,691</u>
Net revenues over expenditures	<u>2,018</u>	<u>1,997</u>

These results comprise part of the operating fund balance and are included in the Consolidated Schedule of Current Operations.

21. Child Care and Hostel Subsidy Balance Reconciliation

The Corporation has a Service Contract with the Ministry of Community and Social Services and the Ministry of Children's Services. A reconciliation report summarizes, by business unit code, all revenues and expenditures and identifies any resulting surplus or deficit that relates to the Service Contract. A review of this report shows child care and hostel services to be in a surplus position as at December 31, 2008. Any unspent amounts are reflected as accounts payable and accrued liabilities in the Consolidated Statement of Financial Position.

Program Funded	2008 Subsidy Received \$	2008 Subsidy Spent \$	Unspent Funds \$
Child Care – Day Nurseries Act	20,133	20,133	-
Early Learning Child Care	2,100	2,100	-
Best Start Child Care	6,022	6,022	-
Homelessness Programs	524	524	-
Domiciliary Hostels	213	211	2
Energy Emergency	69	69	-
Water Filter	33	33	-
Total	29,094	29,092	2

22. Revenues

The following is a breakdown of the Corporation's revenues:

	2008 \$	2007 \$
Net municipal taxation and user charges		
Net municipal taxation	434,516	412,969
Payments-in-lieu-of-taxes	8,411	8,350
	<u>442,927</u>	<u>421,319</u>
User charges	193,789	184,803
	<u>636,716</u>	<u>606,122</u>
Transfer payments		
Operating	1,690	1,157
Gasoline tax	10,963	9,412
Transit funding	10,206	9,630
Government of Canada – total	<u>22,859</u>	<u>20,199</u>
Unconditional	15,653	14,051
Conditional – operating	149,296	130,496
Infrastructure	39,784	9,732
Gasoline tax	8,951	5,080
Province of Ontario – total	<u>213,684</u>	<u>159,359</u>
Other municipalities	<u>4,206</u>	<u>4,253</u>
	<u>240,749</u>	<u>183,811</u>

Investment income		
Investment Income - operating	3,323	4,055
Investment Income - capital	4,468	5,152
Investment Income - reserves	7,230	7,989
	<u>15,021</u>	<u>17,196</u>
Other revenues		
Fines, penalties and interest	7,198	7,119
Provincial Offences Fines	5,692	5,689
Government Business Enterprises	4,275	4,300
Ontario Lottery & Gaming Corporation	4,274	4,077
Miscellaneous – operating	5,615	6,684
Water System Access Fee	4,447	16,719
Other financing	7,470	7,136
	<u>38,971</u>	<u>51,724</u>

23. Expenditures by Object

The following is a summary of the current and capital expenditures by object of expenditures:

	2008	2007
	\$	\$
Current expenditures consist of:		
Salaries, wages and fringe benefits	326,914	317,300
Net long-term debt interest charges	11,987	12,056
Materials and supplies	108,882	107,464
Contracted Services	83,010	73,674
Rents and financial expenses	18,972	15,147
External transfers	148,006	142,740
Total Current Expenditures	<u>697,681</u>	<u>668,381</u>
Capital expenditures consist of:		
Salaries, wages and fringe benefits	1,356	270
Net long-term debt interest charges	416	77
Materials and supplies	54,498	42,347
Contracted services	131,131	131,308
External transfers	-	1,100
Total Capital Expenditures	<u>187,401</u>	<u>175,102</u>

24. Segmented Information

The City of London 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.

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

a) Protection

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

b) Transportation Services

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

The London Transit Commission serves as an agent for the City of London responsible for the delivery of public transit services for 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 City of London'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 City'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 City's wastewater and drainage infrastructure. Services include the operation of pollution control plants and sewage pumping stations for the treatment of sanitary sewage, year-round maintenance of sanitary and storm sewer systems and planning and implementation of capital works to provide new services and improve existing systems. All services are delivered in an environmentally and fiscally responsible manner while maintaining sustainability of the infrastructure.

ii) Solid Waste and Recycling

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

d) Health Services

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

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

e) Social and Family Services

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

The Department also delivers Council-directed social services, including the London CARES initiative and the Child and Youth Agenda in partnership with community agencies and groups.

The Department operates the Dearness Home long term care facility; an Adult Day Program and Home Help Services.

f) Social Housing

The Housing Division is responsible for establishing and maintaining a system for administering mortgage and rent subsidies for social housing providers; receiving and evaluating financial reports of housing providers; assessing extraordinary financial requests from housing providers; responding to requests for technical support from housing providers and reviewing housing providers operations to ensure compliance with the Social Housing Reform 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. The Culture Office promotes collaboration, communication and the sharing of knowledge and resources for the purpose of generating economic prosperity through cultural vitality.

i) Planning

The Planning and Development Department provides a wide range of building and planning services. The Planning Division manages the efficient and timely processing of development applications, promotes a high standard of urban design and land use efficiency; processes subdivision, condominium, consent and minor variance applications; develops, implements, monitors and updates Official Plan policies; undertakes research and provides geographical information system functions; promotes natural heritage protection; plans and designs parks and major open space linkages; supports heritage conservation and Downtown revitalization and maintains a high standard of analysis and policy formulation. The Building Division ensures high quality building construction through the enforcement of the Ontario Building Code as well as improving the quality of life for the citizens of London through By-law and Property Standards enforcement and Site Plan approvals.

For each reported segment, revenues and expenditures 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 expenditures by segment and shows the eliminated transactions that occurred between controlled entities separately to reconcile to the expenditures shown on the Consolidated Schedule of Current Operations. Additional information is provided in the Consolidated Schedules of Segment Disclosures for Operating Revenues – Schedule 4 and Expenditures – Schedule 5.

25. Future Accounting Standards

a) Tangible Capital Assets

Tangible capital assets are currently reported as an expenditure on the Consolidated Statement of operations in the year of acquisition. Effective for the fiscal year beginning January 1, 2009, Public Sector Accounting Board Handbook Section 3150, Tangible Capital Assets, requires the Corporation along with all other local governments, to recognize tangible capital assets on the Consolidated Statement of Financial Position and any amortization, gains or losses on disposal and impairments on the Consolidated Statement of Operations. These expenditures were previously reported as an expense in the Consolidated Statement of Operations.

The Corporation has undertaken an inventory of all its tangible capital assets and has identified the following major asset classes within each category (General or Infrastructure):

- Land
- Land Improvements
- Buildings & Building Improvements
- Leasehold Improvements
- Vehicles
- Machinery & Equipment
- Computer Hardware
- Computer Software
- Linear

The Corporation has prepared draft accounting policies for tangible capital assets and is in the process of reviewing and approving these policies. Development of asset inventories including valuation and amortization of the Corporation's assets is currently underway. The approval and implementation of these accounting policies will be completed in adequate time to allow for recognition of the Corporation's tangible capital assets on the Consolidated Statement of Financial Position for the year ending December 31, 2009.

b) Financial Statement Presentation

Effective January 1, 2009, local governments are required to adopt the full accrual basis of accounting. Consistent with this change, Public Sector Accounting Board Handbook Section 1200 Financial Statement Presentation, requires all governments to provide a Statement of Financial Position, a Statement of Operations, a Statement of Changes in Net Debt and a Statement of Cash Flows. The Statement of Financial Position must present the non-financial assets including tangible capital assets, net debt and accumulated surplus or deficit. Current year budget and actual figures are to be presented on the Statement of Operations and the Statement of Changes in Net Debt. Any information regarding funds and reserves is to be reported in the notes or schedules only.

26. Comparative Figures

Certain comparative figures have been reclassified to conform to the 2008 financial statement presentation.

THE CORPORATION OF THE CITY OF LONDON
Consolidated Schedule of Current Operations - Schedule 1
For the year ended December 31, 2008
(all dollar amounts in thousands of dollars)

	2008 Budget	2008 Actual	2007 Actual
	(Unaudited)		
Revenues			
Net municipal taxation	\$ 434,555	\$ 442,927	\$ 421,319
User charges	200,116	193,789	184,803
Transfer payments	190,957	170,844	149,957
Investment income	4,645	3,323	4,055
Other	22,142	27,054	27,868
Total Revenues	852,415	837,937	788,002
Expenditures			
General government	62,980	61,090	62,377
Protection to persons and property (Note 20)	141,389	142,876	137,752
Transportation services	114,758	99,191	93,432
Environmental services	82,941	74,547	73,105
Health services	20,075	19,448	17,617
Social and family services (Note 21)	183,242	187,809	178,681
Social housing	36,384	38,992	37,410
Recreation and cultural services	57,225	57,011	52,178
Planning and development	15,426	16,717	15,829
Total Expenditures	714,420	697,681	668,381
Net revenues	137,995	140,256	119,621
Financing and Transfers			
Long-term debt repayments	(33,138)	(33,149)	(31,751)
Transfers to reserves and reserve funds	(37,345)	(79,117)	(67,393)
Transfers to capital fund	(69,720)	(35,243)	(34,342)
Transfer from amounts to be recovered	-	16	(33)
Dividends transferred from equity in London Hydro Inc. (Note 7)	2,000	2,000	2,000
Decrease in accrued interest on long-term debt	(127)	(142)	(91)
Increase in employee benefits payable	-	4,949	11,079
Increase in solid waste landfill closure and post-closure liability	-	138	942
Total net financing and transfers	(138,330)	(140,548)	(119,589)
Increase (decrease) in operating fund balance	(335)	(292)	32
Operating fund - beginning of year	2,810	2,810	2,778
Operating fund - end of year	\$ 2,475	\$ 2,518	\$ 2,810

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

THE CORPORATION OF THE CITY OF LONDON
Consolidated Schedule of Capital Operations - Schedule 2
For the year ended December 31, 2008
(all dollar amounts in thousands of dollars)

	2008 Budget	2008 Actual	2007 Actual
	(Unaudited)		
Revenues			
Transfer payments	\$ 11,869	\$ 69,905	\$ 33,854
Investment income	-	4,468	5,152
Other	4,694	11,917	23,855
Lot levies earned	-	10,041	8,553
Total Revenues	16,563	96,331	71,414
Expenditures			
General government	3,684	9,532	3,510
Protection to persons and property	9,408	17,408	9,390
Transportation services	89,094	50,133	46,248
Environmental services	74,066	87,263	89,893
Health services	-	660	276
Social and family services	987	309	1,571
Social housing	3,627	4,254	5,630
Recreational and cultural services	17,166	12,814	15,332
Planning and development	2,434	5,028	3,252
Total Expenditures	200,466	187,401	175,102
Net expenditures	(183,903)	(91,070)	(103,688)
Financing and Transfers			
Proceeds of long-term debt	-	6,099	47,718
Long-term debt repayments	-	(982)	(252)
Transfers from reserves and reserve funds	4,422	41,085	35,222
Transfers from operating fund	69,720	35,243	34,342
Decrease in accrued interest on long-term debt	-	(9)	63
Total net financing and transfers	74,142	81,436	117,093
Increase (decrease) in capital fund balance	(109,761)	(9,634)	13,405
Capital fund balance - beginning of year	(112,211)	(112,211)	(125,616)
Capital fund balance - end of year	\$ (221,972)	\$ (121,845)	\$ (112,211)

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

THE CORPORATION OF THE CITY OF LONDON
Consolidated Schedule of Reserves and Reserve Funds - Schedule 3
For the year ended December 31, 2008
(all dollar amounts in thousands of dollars)

	2008 Budget	2008 Actual	2007 Actual
(Unaudited)			
Revenues			
Investment income	-	\$ 7,230	\$ 7,989
Total Revenues	-	7,230	7,989
Expenditures			
Interest on long-term debt	-	3,112	3,344
Other	-	-	39
Total Expenditures	-	3,112	3,383
Net revenues	-	4,118	4,606
Financing and Transfers			
Long-term debt repayments	-	(3,029)	(3,139)
Transfers from operating fund	37,345	79,117	67,393
Transfers to capital fund	(4,422)	(41,085)	(35,222)
Proceeds from promissory note of government business enterprise	-	457	428
Decrease in accrued interest on long-term debt	-	(56)	(52)
Total net financing and transfers	32,923	35,404	29,408
Increase in reserve and reserve funds balance	32,923	39,522	34,014
Reserves and reserve funds balance - beginning of year	246,302	246,302	212,288
Reserves and reserve funds balance - end of year	\$ 279,225	\$ 285,824	\$ 246,302
Analysed as follows:			
Reserves set aside for specific purposes by Council:			
Working capital	-	\$ 8,101	\$ 8,101
Contingencies	-	44,014	36,432
General operations	-	13,085	11,544
Total Reserves	-	65,200	56,077
Reserve funds set aside for specific purposes by Council:			
Infrastructure renewal	-	87,800	74,267
Acquisition of vehicles	-	13,664	13,998
Acquisition of facilities	-	14,549	13,966
Recreational programs and facilities	-	434	575
Self insurance	-	15,106	14,101
Sick leave	-	7,277	7,287
Industrial oversizing	-	24,265	26,864
Other purposes	-	57,529	39,167
Total Reserve Funds	-	220,624	190,225
Total Reserves and Reserve Funds	-	\$ 285,824	\$ 246,302

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

THE CORPORATION OF THE CITY OF LONDON
 Consolidated Schedule of Segment Disclosure - Operating Revenues
 For the year ended December 31, 2008, with 2007 comparatives (in thousands of dollars)

	REVENUES					TOTAL 2007 Actuals
	Taxation	User Charges	Government Transfers	Other	TOTAL 2008 Actuals	
General Government	442,927	1,376	25,910	23,649	493,862	467,722
Fire	-	279	-	145	424	422
Police	-	1,611	3,544	-	5,155	4,611
Other Protection Services	-	262	-	11,398	11,660	12,054
Total Protection Services	-	2,152	3,544	11,543	17,239	17,087
Transit	-	26,843	22,484	3,629	52,956	63,218
Other Transportation Services	-	3,682	-	2,830	6,512	6,311
Total Transportation Services	-	30,525	22,484	6,459	59,468	69,529
Water/Waste Water	-	106,240	29	1,319	107,588	101,516
Solid Waste	-	3,244	1,671	22	4,937	4,068
Total Environmental Services	-	109,484	1,700	1,341	112,525	105,584
Public Health Services	-	3	24,501	2,538	27,042	23,549
Ambulance Services	-	-	-	-	-	-
Total Health Services	-	3	24,501	2,538	27,042	23,549
General Assistance	-	6	76,935	-	76,941	71,171
Assistance to aged persons	-	4,912	9,162	-	14,074	13,860
Child Care	-	153	32,158	1	32,312	26,834
Total Social and Family Services	-	5,071	118,255	1	123,327	111,865
Social Housing	-	255	18,946	13,320	32,521	38,919
Parks and Recreation	-	8,766	165	7,095	16,026	15,288
Libraries	-	362	17,517	677	18,556	17,756
Cultural Services	-	841	411	945	2,197	1,230
Total Recreation and Cultural Services	-	9,969	18,093	8,717	36,779	34,274
Planning and Development	-	12,398	1,649	2,931	16,978	16,341
Eliminations	-	-	-	-	(82,344)	(96,868)
Consolidated	442,927	171,233	235,082	70,499	837,397	788,002

THE CORPORATION OF THE CITY OF LONDON
 Consolidated Schedule of Segment Disclosure - Operating Expenditures
 For the year ended December 31, 2008, with 2007 comparatives (in thousands of dollars)

	EXPENDITURES						Total 2007 Actuals
	Salaries, Wages & Benefits	Materials	Contracted Services	External Transfers	Other	Total 2008 Actuals	
General Government	31,136	12,388	11,103	38	6,361	61,026	62,377
Fire	44,474	2,151	139	-	1,050	47,814	46,543
Police	73,177	5,568	595	-	970	80,310	77,748
Other Protection Services	6,961	3,103	956	2,859	873	14,752	13,461
Total Protection Services	124,612	10,822	1,690	2,859	2,893	142,876	137,752
Transit	32,504	14,276	2,581	-	1,753	51,114	68,599
Other Transportation Services	19,984	16,658	3,107	0	7,505	47,254	44,613
Total Transportation Services	52,488	30,934	5,688	0	9,258	98,368	113,212
Water/Waste Water	23,125	21,782	3,660	17	5,437	54,021	55,761
Solid Waste	8,603	4,012	5,727	-	2,184	20,526	17,344
Total Environmental Services	31,728	25,794	9,387	17	7,621	74,547	73,105
Public Health Services	19,211	2,946	1,291	-	4,672	28,120	21,741
Ambulance Services	-	-	8,895	-	-	8,895	8,709
Total Health Services	19,211	2,946	10,186	-	4,672	37,015	30,450
General Assistance	15,931	3,480	5,002	102,475	1,434	128,322	125,622
Assistance to aged persons	15,963	2,351	175	208	2,136	20,833	20,915
Child Care	1,659	221	24,865	11,704	205	38,654	32,144
Total Social and Family Services	33,553	6,052	30,042	114,387	3,775	187,809	178,681
Social Housing	8,200	8,382	16,054	21,421	2,980	57,037	55,170
Parks and Recreation	18,262	6,114	3,329	236	2,645	30,585	28,857
Libraries	12,742	5,064	704	-	201	18,711	17,916
Cultural Services	1,657	1,608	1,087	2,018	103	6,473	4,477
Total Recreation and Cultural Services	32,661	12,786	5,120	2,254	2,949	55,769	51,250
Planning and Development	10,946	6,219	2,949	2,593	1,397	24,104	18,644
Eliminations						(40,870)	(52,260)
Consolidated	344,535	116,323	92,219	143,569	41,906	697,681	668,381