



Financial Report 2020

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, 2020

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2020 City of London at a Glance

City of London...



At a Glance

402,659
Population

423.43 km²
Land Area

3,749
**Lane KM of
Paved Road**

61.0%

8.8%

Aaa

2020 Labour Participation Rate
(Canada's Rate is 64.1%)^v

2020 Unemployment Rate
(Canada Rate is 9.5%)^v

2020 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, 2020.

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 2020 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 through the impacts of an unprecedented global pandemic. The 2020 results continue London's history of strong financial leadership in business planning and long-term financial management positioning the Corporation well to support economic and social recovery in light of continued uncertainty. We are committed to providing high standards of fiscal excellence at the City of London.

My sincere thanks to the Finance staff, all Service Areas, and Boards and Commissions for their assistance and cooperation in the preparation of this report as well as to 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 "ALB".

Anna Lisa Barbon, CPA, CGA,
Deputy City Manager, Finance Supports

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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 report from the external auditor 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, 2020.
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.

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report

Year ended December 31, 2020

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 by which financial assets are available to fund future obligations.

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 2020 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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Consolidated Financial Report

Year ended December 31, 2020

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

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report

Year ended December 31, 2020

City of London Budget

Budgetary Process

In March 2020, Municipal Council approved the City of London's second Multi-Year Budget (operating and capital) that covers a four (4) year period (2020-2023) 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 approves 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 continue to provide Municipal Council the opportunity to adjust the budget to provide flexibility for special events or circumstances that require funding and resource adjustments.

The budget is presented on a modified accrual basis of accounting which is a combination of the cash basis accounting and the accrual basis of accounting. This approach balances the projected outflow of cash with the inflow of cash. For consolidated financial statement purposes, in accordance with standards set out by the Public Sector Accounting Board, the financial statements are prepared on a full accrual basis.

Further, the budget is presented as a service based budget which currently 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 along with inclusion of additional investment or reduction business cases. Prior to final deliberations on the budget, the public is engaged and informed of the budget and public input is solicited to aid 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 Surplus/Deficit Policy provides framework for the allocation of surpluses and funding of deficits.

2020 represented the first year of the 2020 to 2023 Multi-Year Budget cycle. The City of London adopted and approved its 2021 Annual Budget Update in January 2021. The budget update also included the 10 year capital forecast to 2030.



Photo 3: Ivey Park

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Consolidated Financial Report

Year ended December 31, 2020

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, Reserve and Reserve Fund Policy and Debt Management Policy. Sources of capital financing include; tax and rate supported capital levy ("pay as you go"), reserve funds, debt, 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). By 2022, the City will have eliminated the use of debt as a source of financing on lifecycle capital projects, limiting the debt burden on future generations while providing 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 conforms to the applicable legislation under the *Municipal Act, 2001* and associated regulations. The City's investment portfolio remains sufficiently liquid to meet daily operating cash flow requirements and limits the requirement for temporary borrowing. The portfolio aims to 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. The City's investment diversification is guided 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 for internally managed investments 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. 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.

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Financial Management (continued)

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.

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 2020, 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 2021 when equalization is achieved without adjusting tax ratios due to an assessment freeze. The City also reduced Commercial and Industrial tax ratios in 2020 from 1.92 to 1.91.

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. No properties had tax decreases clawed back in any property class in 2020, nor will there be capping adjustments in future years. 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.

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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 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 approved Multi-Year Budget, associated Annual Budget Updates 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 meeting with the City and interviews with senior management and the Mayor or Deputy Mayor.

As published in Moody's credit rating opinion on September 30, 2020, the City has maintained its Aaa credit rating with a stable outlook.

The City has proudly held the Aaa rating since 1977, making 2020 the 44th 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 44 consecutive years is a testament to the success of the City's prudent, conservative approach to fiscal planning.

Aaa

Figure 1: 2020 Credit Rating Provided by Moody's Investor Service.



Photo 4: Forks of the Thames

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report

Year ended December 31, 2020

Economic Overview

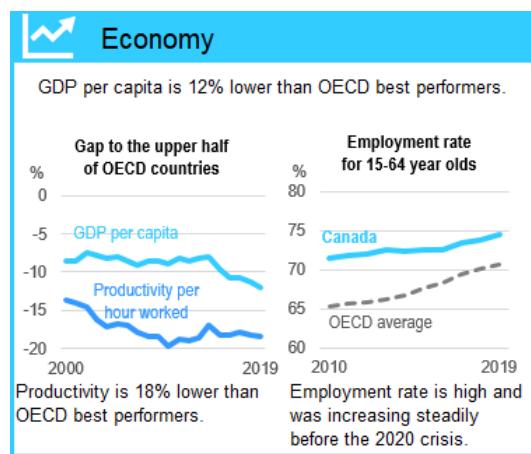


Figure 2: Productivity and Employment Rate per Capita

According to the Organisation for Economic Co-operation Development (OECD) Economic Outlook for December 2020, recovery from an output decline of 5.4% in 2020 will be muted by drag from regional restrictions to combat COVID-19 outbreaks and continued disruption to travel, hospitality and related sectors, leading to output growth of 3.5% in 2021. These developments will be echoed by a slow labour market recovery and low consumer price inflation. With vaccination against the virus set to become general in the latter half of 2021, diminished restrictions and a recovery in hard-hit sectors will support growth in 2022. Growth of the public debt burden will slow.

Federal, provincial, and territorial governments, along with the central bank, have been appropriately reactive to the evolving economic conditions. Going forward, governments need greater

emphasis on encouraging employment and business recovery, including through green investment and through tackling long-standing structural issues that impede Canada's business sector. (Source: OECD Economic Outlook, Volume 2020 Issue 2)

Rapid Initial Recovery

Economic activity picked up sharply following the start of an ease of restrictions in May 2020. Monthly gross domestic product (GDP) troughed at 18% below pre-crisis levels in April; by July, the gap was only around 6%. Activity in some sectors including retail and wholesale trade, returned to pre-crisis levels by the end of 2020. The large injection of support to household incomes has played a substantial role; indeed, the income increases outstripped consumption and the household saving rate has risen substantially.

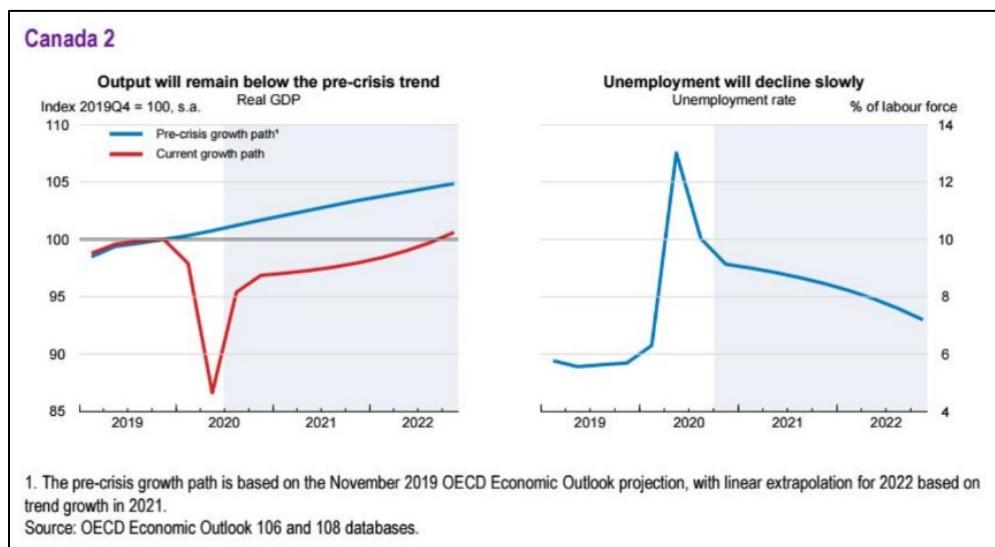


Figure 3: The projected recovery in GDP

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Economic Overview (continued)

A partial rebound of global oil prices helped the resource sector. However, the pace of recovery in output and employment is slowing, and demand is weak in some sectors and there are signs of a fall in consumer confidence. National accounts data show that activity in the arts, entertainment, and recreation sector and in the accommodation and food services sector are still well below pre-crisis levels. In addition, structural shifts prompted by the pandemic, such as the accelerated shift to online retailing (e-commerce sales approximately doubled during lockdown), are bringing adjustment costs. The Bank of Canada's Business Outlook Survey shows business sentiment to have improved in the third quarter but remain negative. Consumer price inflation continues to be subdued. Meanwhile house price growth has been strong with housing purchases boosted, in part, by lower interest rates. (Source: OECD Economic Outlook, Volume 2020 Issue 2)

The Economic Recovery is Expected to Slow Considerably

On a national level, it is estimated that emergency health measures such as the shutdown of various commercial sectors, at peak was around 20% of economic activity. Reduced activity in service sectors, such as wholesale, retail, and the food and accommodation sector, accounted for most of the output reduction. Shutdown in the transport equipment sector of manufacturing also played a role, reflecting decisions by major automobile producers to halt production temporarily. (Source: OECD Economic Outlook, Volume 2020 Issue 1)

The wage subsidy programs provided to employers will help limit employment losses, but unemployment will increase substantially. Consumer-price inflation is expected to be dented by the downturn. Recovery from the recession will be sluggish, especially if there are further outbreaks of the virus and related shutdowns. Neither output nor employment levels will have returned to pre-crisis levels by the end of the projection period in 2022. (Source: OECD Economic Outlook, Volume 2020 Issue 1)

The projections envisage that localized containment measures will weigh on growth until vaccination against the virus becomes general. Activity in the travel, leisure and hospitality sectors will remain significantly below pre-crisis levels. Uncertainty about economic prospects will damp household consumption and business investment. Consumer price inflation is expected to remain below the 2% target. The financial deficit will decline in 2021 and 2022 as tax revenues recover and need for household and business support declines. Nevertheless, there will be a further increase in the ratio of public debt to GDP. (Source: OECD Economic Outlook, Volume 2020 Issue 2)

Canada	Current prices CAD billion	Percentage changes, volume (2012 prices)				
		2017	2018	2019	2020	2021
GDP at market prices	2 141.1	2.0	1.7	-5.4	3.5	2.0
Private consumption	1 240.4	2.1	1.6	-6.1	4.4	2.1
Government consumption	444.1	3.0	2.1	-0.1	2.0	1.3
Gross fixed capital formation	486.8	1.2	-0.4	-6.4	2.1	2.2
Final domestic demand	2 171.3	2.1	1.3	-4.9	3.4	1.9
Stockbuilding ¹	17.2	-0.2	0.1	-2.0	-0.5	0.0
Total domestic demand	2 188.5	1.9	1.4	-6.8	2.9	2.0
Exports of goods and services	672.5	3.1	1.3	-8.5	5.1	2.0
Imports of goods and services	719.9	2.6	0.6	-12.8	3.1	2.0
Net exports ¹	-47.4	0.1	0.2	1.6	0.5	0.0
<i>Memorandum items</i>						
GDP deflator	—	1.8	1.9	-0.1	0.4	1.0
Consumer price index	—	2.2	2.0	0.6	0.7	1.2
Core consumer price index ²	—	1.9	2.1	0.9	0.3	1.2
Unemployment rate (% of labour force)	—	5.8	5.7	9.6	8.7	7.7
Household saving ratio, net (% of disposable income)	—	1.7	2.9	15.0	8.5	5.4
General government financial balance (% of GDP)	—	-0.4	-0.3	-15.6	-11.3	-5.8
General government gross debt (% of GDP)	—	93.8	94.3	121.5	131.2	135.4
Current account balance (% of GDP)	—	-2.5	-2.0	-1.9	-1.7	-1.7

1. Contributions to changes in real GDP, actual amount in the first column.

2. Consumer price index excluding food and energy.

Source: OECD Economic Outlook 108 database.

Figure 4: Projections Economic Recovery Rates from 2017- 2022

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Year ended December 31, 2020

Economic Overview (continued)

Risks will remain elevated. As elsewhere, there are uncertainties on the scale and economic impact of the future containment measures and the timing of a vaccine rollout. These issues will particularly affect the pace of recovery in the hard-hit sectors, such as travel and hospitality. Another key uncertainty is the extent to which households will unwind the elevated saving ratio through consumption or hold back due to caution about prospects. For Canada, the future path of oil price and demand is also a key source of uncertainty and risk. Canada's economic recovery from the COVID-19 crisis will depend as well on developments in the United States given the close economic ties between the two countries. In financial markets, while a liquidity crisis has been averted so far, risks remain. (Source: OECD Economic Outlook, Volume 2020 Issue 2)

Economic Policy Now Needs to Nurture Business Opportunities, Job Creation and Well-being

Nurturing recovery in the business sector should be a key priority. Support should focus on the viable segments of those sectors heavily scarred by the crisis, but also on reallocation by encouraging positive shifts in the structure of economic activity, including through employment-intensive green investment projects and retraining programs. Structural issues that have long held back the productivity and competitiveness of Canada's business sector, such as non-tariff barriers to trade across provinces and territories, should be addressed. In addition, the coverage, responsiveness, and effectiveness of social welfare programs should be improved. The Canada Emergency Response Benefit (CERB) scheme was, in part, introduced because of gaps in the coverage of federal employment insurance and modest safety net welfare benefit provisions in many provinces and territories. The follow-up measures to the withdrawal of CERB address some gaps, including support for the self-employed, but the broad issue of modest support remains. Further progress, that can be focused on the municipal level, in improving access to affordable childcare and housing should be made. (Source: OECD Economic Outlook, Volume 2020 Issue 2)

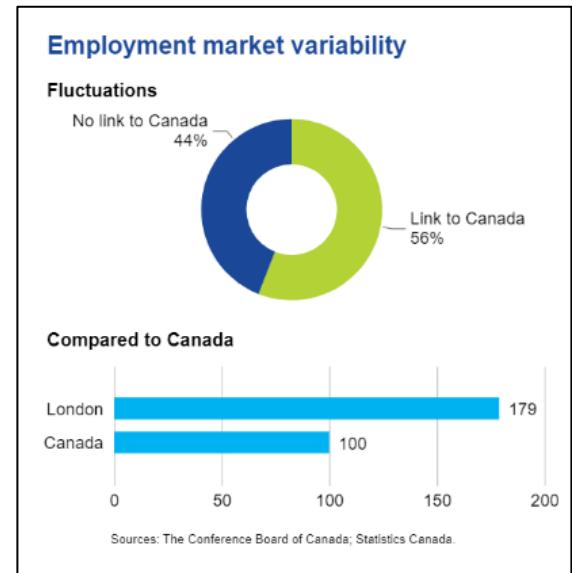


Figure 5: Employment Market Variability

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Economic Overview (continued)

Canadian Outlook

As per the most recent Canadian Outlook from the Conference Board of Canada (April 28, 2021), it is expected that Canada's economy will expand by 5.8% this year and 4.0% in 2022, thanks to the rollout of vaccines, which has led to a gradual reopening of the economy and boosted confidence.

The federal fiscal deficit will improve from the \$219 billion recorded in 2020 but will remain uncomfortably high. The Bank of Canada will keep interest rate hikes on hold until the early part of 2023, as inflation, while spiking higher in the spring of this year, will remain in the Bank's 2.0% target range through the medium term.

As of Spring 2021, The Canadian economy has already recovered close to 80% of the jobs lost during the severe recession last year and the unemployment rate stood at 8.2% in February, down from double-digits in the spring and summer of 2020. (Source: Canadian Outlook from the Conference Board of Canada, April 28, 2021)

Ontario Two-Year Outlook

The Conference Board of Canada predicts that real GDP in Ontario will advance by 4.5% in 2021 and 3.5% in 2022, following a 5.5% drop in 2020. The third wave of the COVID pandemic has prompt further lockdowns and represents a significant forecast risk. Ontario cases have soared and include the newer, more virulent strains of the virus.

Economic indicators for the first quarter are mixed, pointing to tepid growth. Many industries continue to struggle with COVID-related issues. Government programs have supported household incomes, but much of that income has gone into savings. This could sharply boost household spending over the next year.

Ontario's housing markets are red hot, and London is no different. Accelerating price growth increases the risk of a correction. Business investment will rebound in 2021, fuelled by new residential spending and resumed outlays on machinery and equipment. Growth in Ontario's population will approach its 10-year average in 2023–25 after a brief lull in 2021–22.

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Economic Overview (continued)

Major City Insights – London

Key economic indicators								
Economic indicator	2018	2019	2020e	2021	2022	2023	2024	2025
Real GDP at basic prices (2012 \$ millions)	23,217	23,660	22,249	23,439	24,497	24,972	25,378	25,903
Total employment (000s)	253	251	252	260	266	270	274	279
Unemployment rate (per cent)	5.4	5.5	8.9	7.0	6.4	6.1	5.9	5.7
Household income per capita (\$)	44,981	45,458	49,210	47,513	48,669	49,976	51,264	52,634
Population (000s)	533	545	553	558	564	572	579	587
Total housing starts	2,679	3,415	3,436	3,772	3,756	3,630	3,498	3,365
Retail sales (\$ millions)	8,740	8,818	9,011	9,621	10,329	10,726	11,065	11,403
Consumer price index (2002 = 1.000)	1.350	1.375	1.385	1.408	1.441	1.470	1.502	1.532

Shaded area represents forecast data.
e = estimate
Sources: The Conference Board of Canada; Statistics Canada; CMHC Housing Time Series Database.

Figure 6: Key Economic Indicators from 2018 -2025

The Conference Board of Canada Major City Insights report dated March 30, 2021 states that while London's retail activity and construction held up well in 2020, its manufacturing sector struggled mightily, leading to a tough year overall for the city's economy. The region's real GDP shrank by 6.0% in 2020 but will rise by 5.3% in 2021 and 4.5% in 2022. Economic growth will average 1.9% between 2023 and 2025. With fewer COVID-19 restrictions than in larger cities in the province over the course of 2020 and early 2021, retail activity remained relatively strong. Retail sales increased by an estimated 2.2% in 2020. (Source: Conference Board of Canada Major City Insights: London, March 30, 2021)

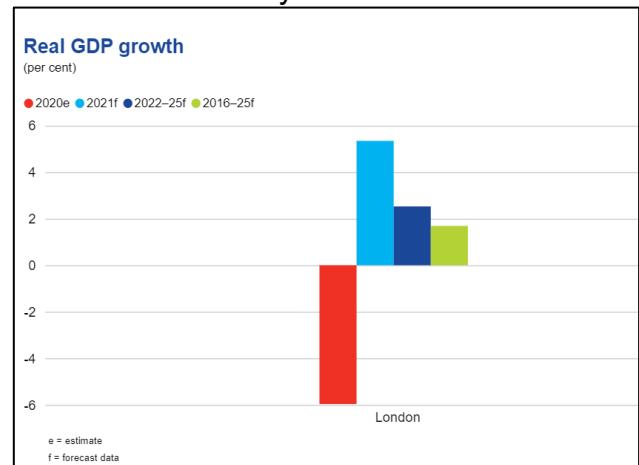


Figure 7: Real GDP Growth

It is expected that retail activity will stay strong over the next two years as well, with sales rising by 6.8% in 2021 and 7.4% in 2022. The city's manufacturing industry struggled in 2020, as many factories closed in the late spring due to pandemic restrictions. Automotive manufacturing continued to struggle significantly in the summer as well. In all, manufacturing output declined by 11.9% in 2020 but is set to rise by 9.8% in 2021. (Source: Conference Board of Canada Major City Insights: London, March 30, 2021)

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report

Year ended December 31, 2020

Economic Overview (continued)

London's information technology sector expanded significantly through the pandemic as local businesses upgraded work-from-home arrangements. Overall, information and cultural employment (which includes both information technology and cultural workers) saw robust growth last year, as strength on the information technology side likely masked declines on the culture production side, in line with the shutdowns. (Source: Conference Board of Canada Major City Insights: London, March 30, 2021)

Real GDP ranking (out of 29 CMAs)				
City	2020 ranking	2021 ranking	2022–25 ranking	2016–25 ranking
London	#19	#15	#10	#16

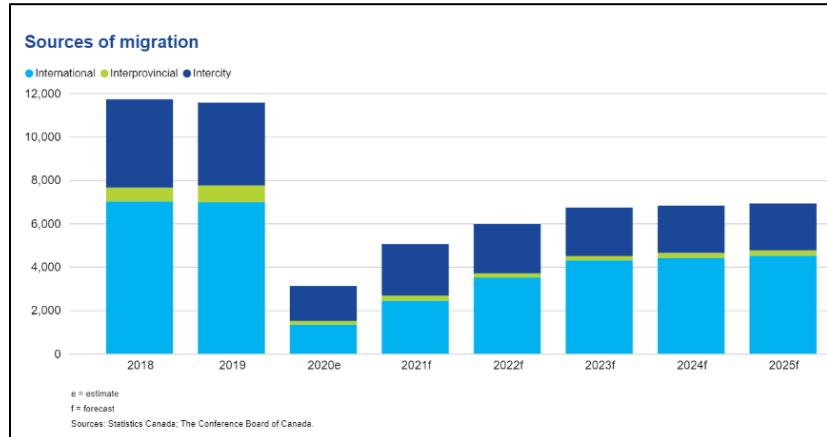
Shaded area represents forecast data.

Figure 8: Real GDP Ranking

Population Growth and Educational Economic Drivers

Despite the pandemic holding back international immigration across Canada, London's population grew by a solid 7,500 or 1.4% in 2020. Still, this was a far cry from the 12,500 new residents in 2019. It is expected immigration will get back on target over the new few years, supporting an average forecast increase in population of 6,900 people annual between 2021 and 2025. There is downside risk for London's education industry and the city's overall economy for 2021 and through the medium term.

The pandemic has enabled remote studying, which could weigh on international students coming to live in London. Collectively, these students are significant contributors to the economy, and a smaller student presence long term would weigh on the city's economy in the coming years. (Source: Conference Board of Canada Major City Insights: London, March 30, 2021)



Labour Force Forecast

Figure 9: Sources of Migration from 2018 - 2025

London seemed to weather the peak employment decline better than other peer cities. At the lowest point, employment was 30,000 people (or 12%) down from its pre-pandemic level in March. The national peak employment decline was 16%. London's better performance was in part due to strength in its goods sector, particularly construction. Construction employment rose by an astounding 47% between March and December 2020, in part to the City's hot housing market. (Source: Conference Board of Canada Major City Insights: London, March 30, 2021)

Various sectors although fared differently, in transportation equipment manufacturing (which includes automotive parts and manufacturing), employment declined by 66% between February and March 2020.

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Year ended December 31, 2020

Economic Overview (continued)

Although employment recovered through the rest of the year, another decline in December meant employment in that month was still down 37% from pre-pandemic levels. Overall, employment edged up by 0.2% last year, a win considering the pandemic. It is expected that London's employment profile will remain strong over the next few years as it continues to attract immigrants and the information technology and construction sectors continue to perform well. The forecast for employment is a rise by 8,300 jobs (3.3%) in 2021 and 5,600 jobs (2.2%) in 2022. (Source: Conference Board of Canada Major City Insights:

Sectoral employment (000s)	2018	2019	2020e	2021	2022	2023	2024	2025
Total employment	253.0	251.2	251.6	260.0	265.6	269.7	274.3	278.9
Manufacturing	31.6	34.2	31.5	34.8	37.7	38.2	38.4	38.7
Construction	17.5	17.7	19.4	20.1	18.6	18.9	19.3	19.7
Primary and utilities	3.7	3.2	6.1	4.9	4.2	4.1	4.1	4.1
Wholesale and retail trade	42.4	37.5	30.8	35.8	39.2	39.7	40.5	41.4
Transportation and warehousing	11.4	10.9	12.4	11.9	11.9	12.1	12.3	12.5
Information and cultural industries	3.4	3.1	3.2	2.9	2.6	2.7	2.8	2.8
Finance, insurance, real estate, business, building, and other support services	28.2	28.9	27.6	29.3	29.2	29.5	30.1	30.5
Professional, scientific and technical services	14.8	17.0	20.6	19.9	18.7	19.1	19.6	20.0
Educational services	22.2	21.6	22.5	22.3	23.1	23.2	23.3	23.4
Health care and social assistance	38.5	37.5	38.9	39.3	39.4	39.8	40.5	41.6
Arts, entertainment and recreation	4.9	5.0	5.9	5.5	5.5	5.8	6.0	6.1
Accommodation and food services	17.7	15.1	14.6	14.8	17.0	17.8	18.2	18.5
Other services (except public administration)	9.5	10.1	8.9	9.8	10.5	10.7	11.0	11.3
Public administration	7.0	9.4	9.4	8.6	8.0	8.1	8.3	8.4

Shaded area represents forecast data
e = estimate
Sources: The Conference Board of Canada; Statistics Canada.

Figure 10: Sectoral Employment from 2017 – 2024 projections

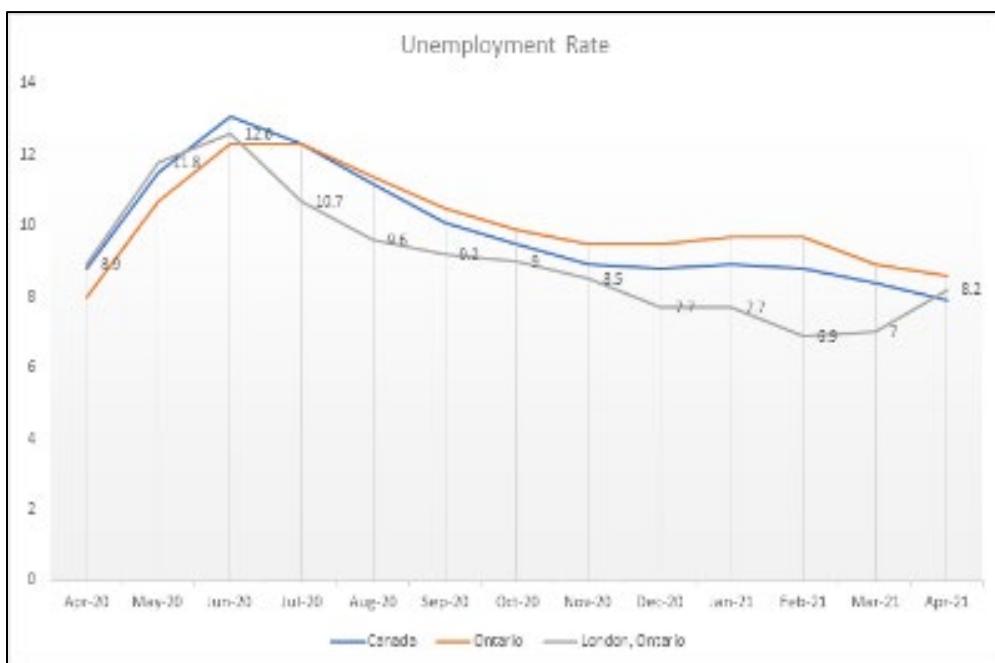
THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report

Year ended December 31, 2020

Economic Overview (continued)

London, Winter March 30, 2021) As the pandemic continues, the unemployment rate has naturally risen, but largely because of an increased labour force. as a result, the unemployment rate averaged 9.8% in 2020, well above the 5.5% in 2019. Last year's flat employment and growing labour force were a positive indicator for what's to come-suggesting that the workers are there and that there is room for employment growth as companies begin hiring again. It is expected that London's economy will perform well over the next few years, and as a result, unemployment rate is estimated to fall to 7% in 2021 and 6.4% in 2022. (Source: Conference Board of Canada Major City Insights: London, March 30, 2021)



Source: Statistics Canada. Table 14-10-0380-01 Labour force characteristics, three-month moving average, seasonally adjusted

Figure 11: Unemployment Trends as of April 2020

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Consolidated Financial Report

Year ended December 31, 2020

Economic Overview (continued)

Construction and Real Estate

London continues to have a red-hot housing market, despite the pandemic. In December 2020, the Multiple Listing Service (MLS) resale price index was up by 23% over the last 12 months. Housing starts have also performed well. Although starts slowed during the early spring last year as the pandemic took hold, a recovery was well under way by the third quarter of 2020.

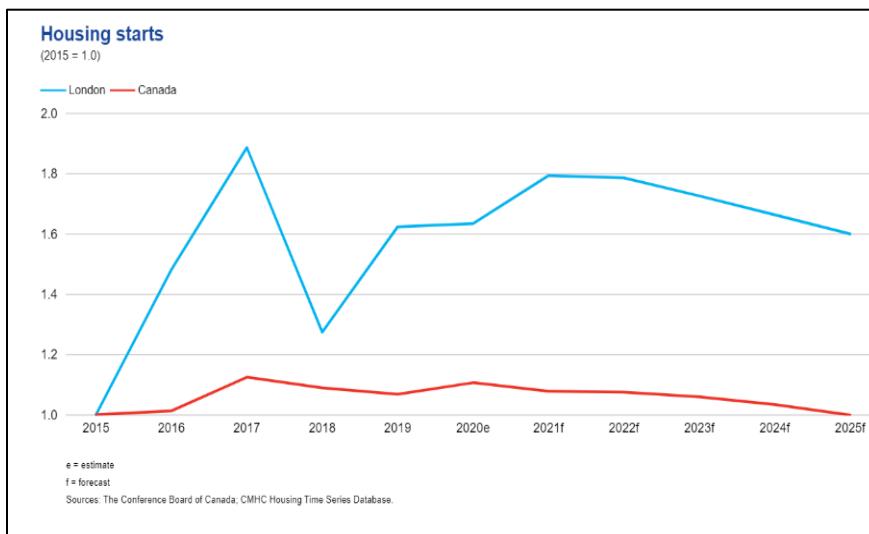


Figure 12: Construction Industry Performance Trends

In all, housing starts reached 3,440 units in 2020, in part to a strong 2nd half of the year. The forecasted housing starts are:

- 3,770 units in 2021
- 3,760 units in 2022
- 3,500 units in 2023
- 3,500 units in 2024
- 3,500 units in 2025

London's diversified economy, its attractiveness to immigrants, and the proximity to the Greater Toronto Area means it will continue to attract newcomers provincially, nationally, and internationally. (Source: Conference Board of Canada Major City Insights: London, March 30, 2021)

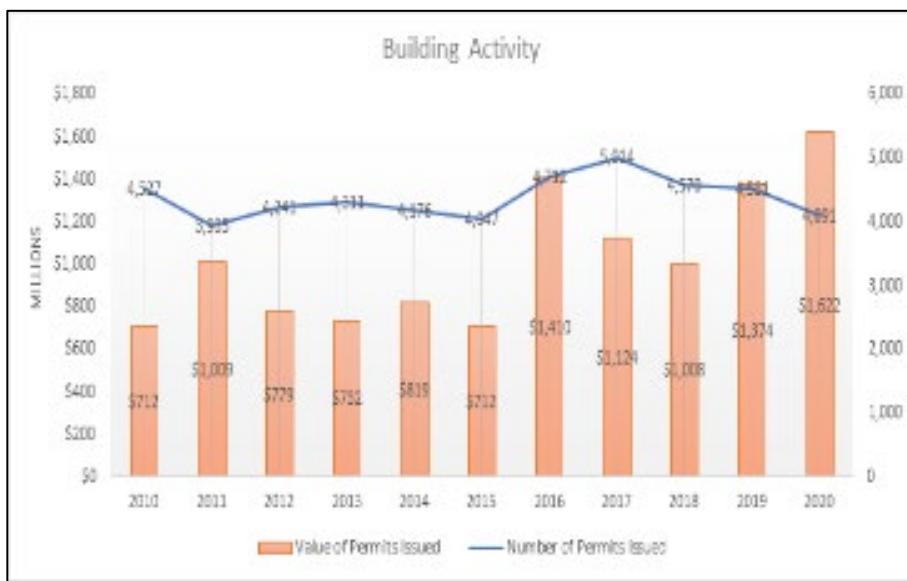
THE CORPORATION OF THE CITY OF LONDON

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Year ended December 31, 2020

Economic Overview (continued)

The forecast is less optimistic commercially in London. Many local manufacturers are likely to struggle through the next few years as the automobile industry recalibrates to a work-from-home economy that requires less reliance on cars, thereby spending little investment upgrades and expansions at the individual ownership level. Overall, output in the construction industry has declined by 0.1% since the start of 2020, largely due to closures at the peak of the pandemic's first wave. A strong housing market will lead construction output to recover by 3.9% in 2021 and 2.3% in 2022. (Source: Conference Board of Canada Major City Insights: London, March 30, 2021). In 2020 the City of London issued building permits worth a total construction value of \$1.6 billion, an all-time record. The past 5-year average construction value was \$1.31 billion. In 2020 a total of 4,091 permits were issued. The past 5-year average number of building permits was 4,584.



Source: City of London Development and Compliance Services, Building Division, May 2021

Figure 13: Building Permits Issued from 2010 - 2020

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report

Year ended December 31, 2020

2020 Financial Results

Financial Results Summary

2020 (millions)	Budget	Actual	Variance
Revenues	1,413	1,420	7
Expenses	1,218	1,161	(57)
Surplus	195	259	64

Table 1: Financial Results Summary

The City's financial position remained stable during 2020, with the City's cash and investments increasing by \$211 million to a combined total of \$1,444 million, compared to \$1,233 million in 2019. 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 \$674 million in 2020, representing an increase of \$152 million over 2019. 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 \$1,420 million in 2020, down \$1 million (0.11%) compared to 2019. This is mainly as a result of:

- Tax and transfer payments were \$982 million, up \$46 million (5.0%) compared to 2019;
- User charges were \$277 million, down \$16 million (5.6%) compared to 2019, predominantly in the areas of transportation, and recreation and cultural services.

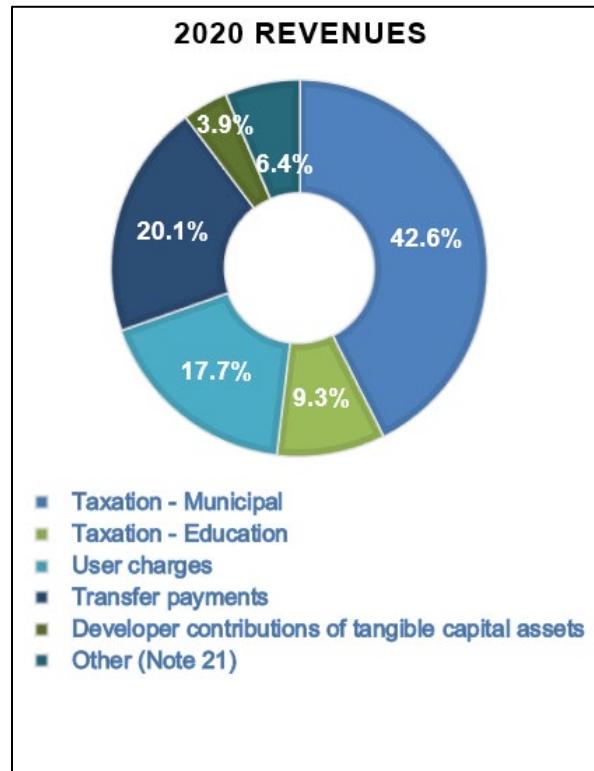


Figure 14: 2020 Revenues

Revenue Budget Variance

In 2020, revenue realized on a full accrual basis of \$1.4 billion was \$7 million greater than budget. Contributing factors to this variance were:

- Greater than expected developer contributions of tangible capital assets by \$21 million.
- Higher than anticipated Development Charges revenue earned \$9 million.
- Higher than anticipated net municipal taxation revenue of \$4.7 million mainly due to higher than anticipated supplementary taxes.
- Offsetting the favourable revenue realized were lower than anticipated Users Charges \$25.7 million attributable to the impacts of COVID-19 and lower than anticipated other revenue.

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report

Year ended December 31, 2020

2020 Financial Results (continued)

Total Expenses

Total expenses are \$1,161 million in 2020, down \$38.1 million (3.2%) compared to 2019. This is mainly due in part to:

- Decrease spending in Transportation Services (\$23.5 million), Social and Family Services (\$22.8 million), General Government (\$12.5 million) and Recreation and Cultural Services (\$11.8 million).
- Increase spending in Protection to Persons and Property (\$17.4 million), and Environmental Services (\$12.0 million).

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.

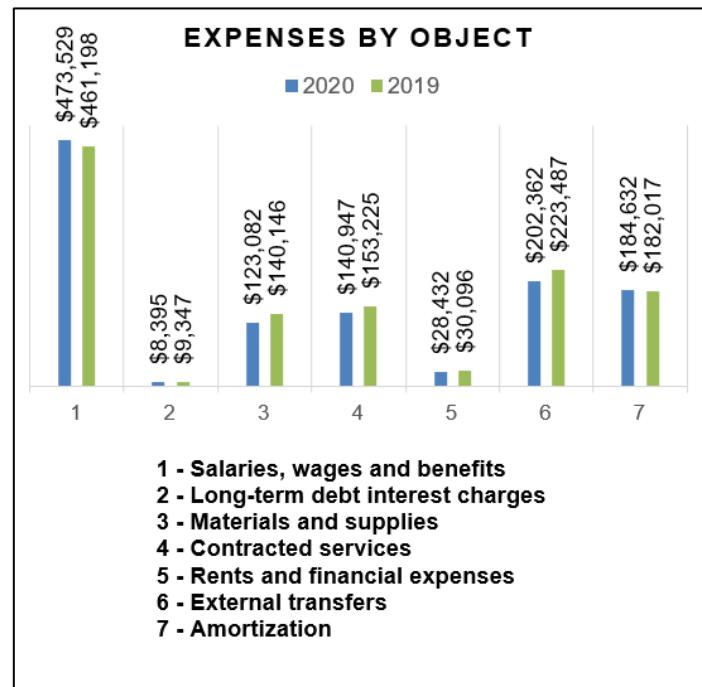


Figure 15: Expenses by Object (\$000's)

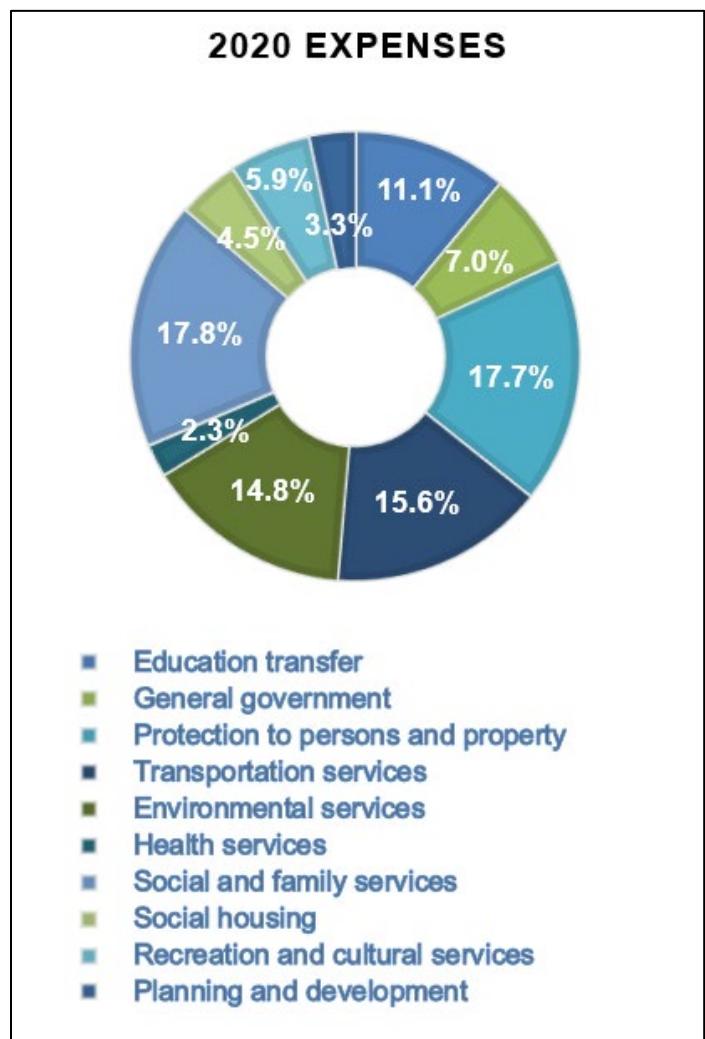


Figure 16: 2020 Expenses

Expense Budget Variance

In 2020, expenses incurred on a full accrual basis were \$1,161 million which was \$57 million lower than budget. Major contributing factor to this variance was Covid-19, its impact on programming due to restrictions along with uncertainty which triggered heightened cost containment initiatives. This resulted in lower costs incurred in Social and Family Services, Recreation and Cultural Services, Transportation Services, and General Government. However, higher than anticipated costs were incurred in Social Housing (Investment in Affordable Housing) and in Protection to Persons and Property (WSIB) expenses.

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report

Year ended December 31, 2020

2020 Financial Results (continued)

City Budget Versus Consolidated Financial Statements

The Consolidated Financial Statements of the Corporation of the City of London are presented on a full accrual accounting basis (PSAS) incorporating entities that are consolidated on a modified equity basis and on a proportionate basis. The Multi-Year Budget, however, excludes those entities that are proportionately consolidated, entities that are government business entities (such as London Hydro Inc.), and Business Improvement Areas. Further, the Multi-Year Budget is prepared on a modified cash basis. Table 2 provides a comparison of the Multi-Year Budget prepared on a modified cash basis in comparison to the full accrual basis.

2020 (\$ 000's)	Modified Cash Basis Budget	Financial Statement Adjustments	Full Accrual Basis
Revenue	1,199,022	169,463	1,368,485
Expenses	1,199,022	(89,397)	1,109,625
Surplus (Deficit)	0	258,860	258,860

Table 2: Adjustments to Revenue and Expenses from a Modified Cash Basis to Full Accrual Basis

Other key differences between the Consolidated Financial Statements and the Multi-Year Budget document are:

- Amortization is recorded as an expense on the Statement of Operations,
- Debt Principal repayments are not expensed,
- Contributions to capital and to reserve funds are also not expensed,
- Capital program revenue is recognized for tangible capital assets,
- Gains and Losses are recognized on disposal of tangible capital assets,
- Accounting for liabilities such as employee benefits payable, landfill closure and post-closure, and
- Recognition of developer contributions of assumed tangible capital assets.

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report

Year ended December 31, 2020

2020 Financial Results (continued)

Outlined in Table 3 is a reconciliation of the 2020 Financial Results, comparing the 2020 Actuals reported under 2 different methods:

1. Modified Cash Basis via the 2020 Operating Budget Surplus vs
2. Full Accrual Basis via the 2020 Consolidated PSAB Financial Statements.

The 2020 Operating Budget Surplus was reported to the Strategic Priorities and Policy Committee in the 2020 Year-End Operating Budget Monitoring Report and COVID-19 Financial Impacts on April 27, 2021 and shows an Operating Surplus of nil, on a modified cash basis. In contrast, the 2020 Consolidated Financial Statements, shows an Operating Surplus of \$258,860. The table demonstrates how the actuals reported under the modified cash basis can be reconciled to the actual surplus per the audited financial statements. Note 20 of the Consolidated Financial Statements provides a similar reconciliation of the approved budget values.

2020 Operating Budget Surplus per the 2020 Year-End Operating Budget Monitoring Report to Strategic Priorities and Policy Committee on April 27, 2021		\$ millions
Property Tax Supported Budget Surplus		22.3
Water Rate Supported Budget Surplus		5.0
Wastewater & Treatment Rate Supported Budget Surplus		3.9
2020 Operating Budget Surplus		31.2
Transfers to Reserve and Reserve Funds and reductions to authorized but unissued debt in accordance with the Council approved Surplus/Deficit Policy and Council Resolution		(31.2)
Operating Fund Surplus per 2020 Approved Budget (Modified Cash Basis)		0.0
Financial Statement Adjustments:		
Plus: Transfers to (from) Capital, Reserves, and Reserve Funds		266.1
Plus: Debt Principal Repayments		40.1
Plus: Capital program funding earned in year		27.5
Less: Capital expenses not capitalized (Non-Tangible Capital Assets)		(26.4)
Less: Amortization of Tangible Capital Assets		(154.9)
Plus: Developer contributions of assumed Tangible Capital Assets		61.1
Less: Loss on disposal of Tangible Capital Assets		(4.8)
Plus: Reserves and reserve fund net revenues earned in year		73.7
Plus: Government Business Enterprises adjustments		(1.0)
Less: Change in landfill liability, contaminated site liability and employee future benefit liability		(33.8)
Plus: Boards' and Commission's Surpluses		11.3
2020 Consolidated Surplus per Financial Statements (PSAS Format)		258.9

Table 3: Reconciliation of Operating Budget Monitoring Report with Consolidated Financial Statements

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report

Year ended December 31, 2020

2020 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.

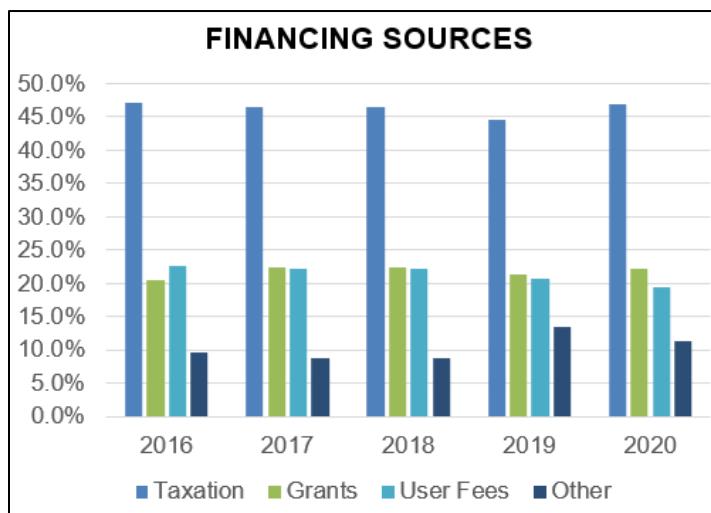


Figure 17: Five (5) Year Overview of Financing Services

Property Tax Rates and Assessment Growth

City Council approved a tax levy of \$ 642.9 million, representing an increase over 2019 of 6.00%. When assessment growth, tax policy and education taxes are taken into consideration, the property tax increase translated into a 2.5 % 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 \$247,000 in 2020 and an average value increase from 2019.

For 2020, assessment weighted with applicable tax ratios and using consistent valuation dates increased by 1.63%.

COMPARATIVE PROPERTY TAXES

	2020	2019
Municipal	\$2,952	\$2,858
Education	378	390
Total	\$3,330	\$3,248

Table 4: Municipal & Education Comparative Property Taxes

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report

Year ended December 31, 2020

2020 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.

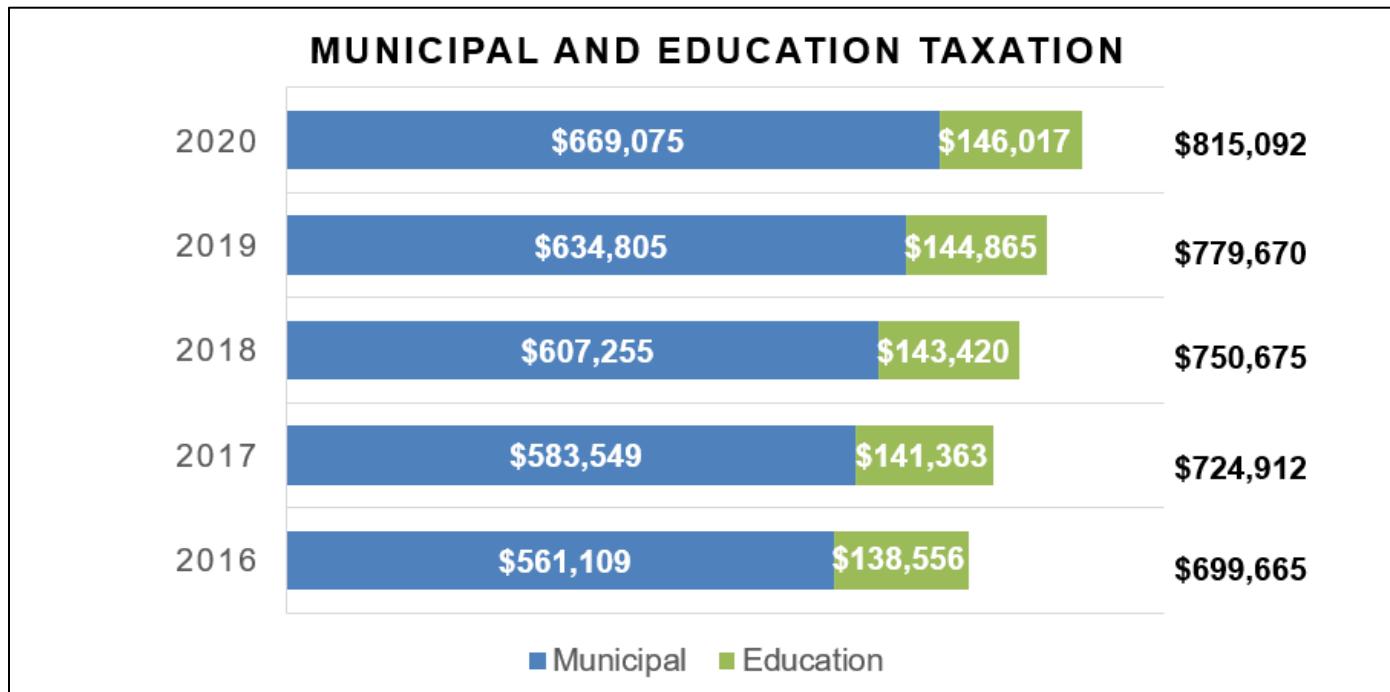


Figure 18: Five (5) year Overview of Property Taxes (\$000's)

Source: 2020 Financial Information Return, Schedule 26A

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report

Year ended December 31, 2020

2020 Financial Results (continued)

Capital Additions and Disposals

During 2020, additions to our completed capital assets were \$265 million versus \$294 million in 2019. The City also disposed of capital assets of \$206 million compared to \$77 million in 2019. There was also a net increase in assets still under construction of \$32 thousand in 2020. The following table reflects where the largest net additions in 2020 were, excluding assets still under construction:

NET CAPITAL ASSET INCREASES RANKED BY 2020 SPENDING (\$000's)

1. Water and Wastewater Infrastructure	\$57,663
2. Land, Landfill and Land Improvements	22,081
3. Roads and Bridges Infrastructure	13,061

Table 5: Largest Net Additions, 2020 (\$000's)

In 2020 amortization expense recorded was \$185 million and accumulated amortization of \$199 million was removed upon disposal of the assets.

This resulted in a 2020 net book value of \$4,101 million for the City's tangible capital assets, compared to \$3,996 million for 2019.

Annual Surplus and Accumulated Surplus

The annual surplus for the consolidated entity for 2020 was \$259 million (2019 - \$222 million). This results in an increase to the City's Accumulated Surplus for 2020 to \$4,798 million (2019 - \$4,539 million).

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report

Year ended December 31, 2020

2020 Financial Results (continued)

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

In 2020, the City issued debt of \$36 million through public debentures, which is a decrease from 2019 when \$49.4 million was issued.

The amounts issued financed the following major activities:

Debenture Issuance (\$000's)	Public Debentures
General Municipal Activities (Roads, Industrial Land, Recreation)	\$19,700
Wastewater Infrastructure	16,300
	\$36,000

Table 6: Debenture Amounts Issued

The City issued public debentures at an average cost of 1.673% over a 10-year term.

During the year, debt substitution totaled \$4.1 million (2019 - \$10.6 million) as a result of an allocation of a portion of the debt servicing cost budget and funding allocations from operating budget surplus and assessment growth funding in accordance with the Council approved Surplus/Deficit and Assessment Growth Policies.

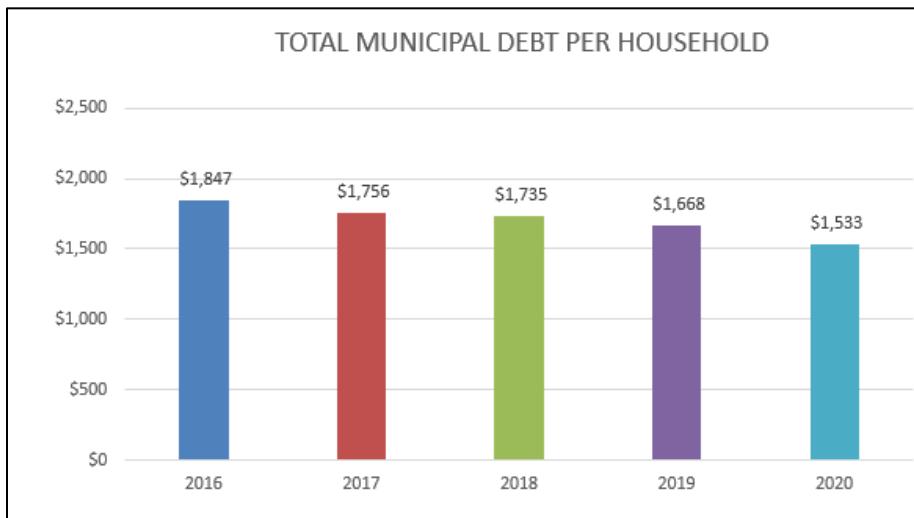


Figure 19: Five (5) Year Overview of Municipal Debt per Household

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, 2020

2020 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)

	2016	2017	2018	2019	2020
Total Tax Supported Debt (\$)	205,690	192,732	184,684	169,593	148,194
Total Rate Supported Debt (\$)	118,198	117,883	126,443	133,800	132,984
Total Debt (\$)	323,888	310,615	311,127	303,393	281,178
Number of Households	175,342	176,859	179,342	181,841	183,358
Total Debt per Household (\$)	1,847	1,756	1,735	1,668	1,533
Discretionary Reserve Funds & Reserves (\$)	606,830	681,028	761,075	854,787	1,001,960
Discretionary Reserve Funds & Reserves Per Household (\$)	3,461	3,851	4,244	4,701	5,465

Table 7: Discretionary Reserves and Reserve Funds per Household



Figure 20: Total Actual Debt per Household, 2020

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report

Year ended December 31, 2020

2020 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, wastewater and reserve funds as at December 31, 2020. The current obligation will be met by 2032.

	Principal Balances Remaining on Outstanding Debentures (\$000's)					
	2020	2021	2022	2023	2024	2025
General Municipal	143,257	112,445	86,593	63,948	47,254	34,248
Discretionary Reserve Funds	5,786	3,752	1,656	490	-	-
Total Tax Supported Debt	149,043	116,197	88,249	64,438	47,254	34,248
Water	10,517	7,930	5,531	3,881	2,454	1,649
Wastewater	33,008	24,662	19,456	15,217	11,184	7,732
Obligatory Reserve Funds	90,127	77,421	65,758	54,553	43,966	33,828
Total Rate Supported Debt	133,652	110,013	90,745	73,651	57,604	43,209
Total Long-term Debt and Liabilities	282,695	226,210	178,994	138,089	104,858	77,457
Less Unamortized Discount	(1,517)	(1,215)	(932)	(694)	(505)	(358)
Total Long-term Debt and Liabilities, net of Unamortized Discount	281,178	224,995	178,062	137,395	104,353	77,099
Percentage Remaining	100%	80%	63%	49%	37%	27%

Table 8: Principal Balances Remaining on Outstanding Debentures as at December 31, 2020 (\$000's)

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report

Year ended December 31, 2020

2020 Financial Results (continued)

Reserves and Reserve Funds

At December 31, 2020, the City of London had combined Reserves, and Discretionary and Obligatory Reserve Funds of \$1,399 million (\$143 million and \$1,256 million respectively). These balances reflect a net increase of \$198 million from December 2019, created by increased contributions to reserves and reserve funds to allow, predominantly, for future purchases of tangible capital assets and coverage of unfunded liabilities.

Figure 18 below shows the ten year trend in year end equity balances. It should be noted that this does not include the effect of budgeted commitments, which significantly reduces the available balance of reserves and reserve funds. Reserves and reserve funds are governed by the City of London's long-term strategic financial plan, including Council approved financial policies and applicable reserve fund by-laws.

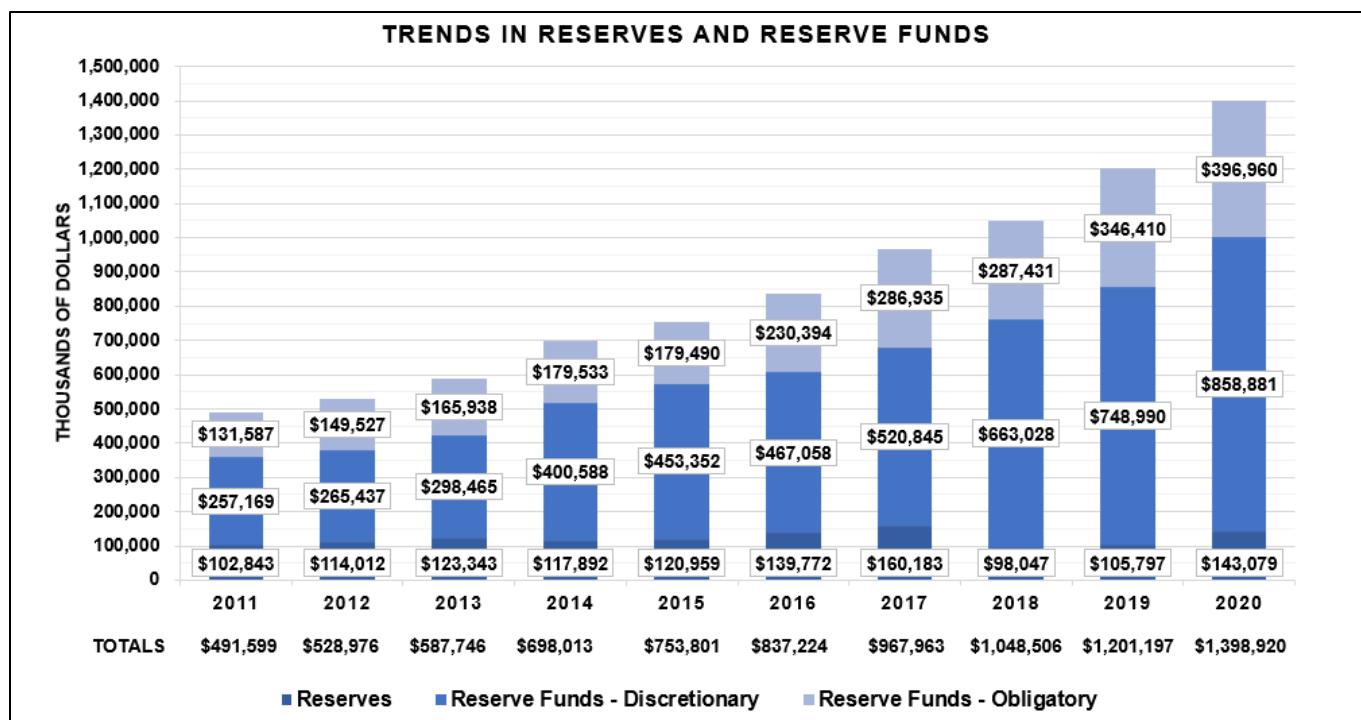


Figure 21: Ten Year Overview of Reserves and Reserve Funds (\$000's)

In 2020, Reserve Funds grew by \$161 million, reaching \$1,256 million by year end. The majority of funds grew due to increased contributions; others were drawn down to fund operations as well as the purchase of capital assets.

Reserves increased by \$37 million over 2019 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, 2020

Five Year Review and General Statistics

Five Year Review (\$000's)

	2020	2019	2018	2017	2016
TAXATION (including education)					
Residential & Farm	\$562,401	\$539,339	\$522,543	\$507,405	\$494,636
Commercial & Industrial	252,691	240,331	228,132	217,507	205,029
	\$815,092	\$779,670	\$750,675	\$724,912	\$699,665
TOTAL TAXES RECEIVABLE	\$37,046	\$29,223	\$29,792	\$28,937	\$31,388
TAX ARREARS					
Percentage of Current Levy	4.5%	3.7%	4.0%	4.0%	4.5%
TAX RATES (%) (including all area rates & education)					
Residential	1.348259	1.340225	1.350819	1.360444	1.362611
Multi-Residential	2.199140	2.223582	2.290515	2.361127	2.405666
Commercial	3.532945	3.554112	3.618981	3.693816	3.690491
Industrial	3.532945	3.554112	3.618981	3.693816	3.790491
TOTAL LONG-TERM DEBT					
General Municipal Rates	\$139,657	\$155,812	\$163,414	\$164,844	\$170,906
Water Rates	10,517	13,158	15,638	18,927	18,724
Sewer Rates	33,008	41,663	50,346	55,551	61,922
Municipal Reserve Funds	95,913	89,870	75,590	62,653	60,869
	\$279,095	\$300,503	\$304,988	\$301,975	\$312,421
DEBT PRINCIPAL & INTEREST REPAYMENTS					
Principal	\$57,408	\$53,865	\$51,987	\$49,361	\$48,422
Interest and debenture discount	8,395	9,347	9,605	9,698	10,303
	\$65,803	\$63,212	\$61,592	\$59,059	\$58,725
DEBT ISSUED	\$36,000	\$49,380	\$55,000	\$41,000	\$30,048
ASSESSMENT GROWTH	1.63%	1.96%	1.27%	0.91%	1.20%
TANGIBLE CAPITAL ASSETS ADDITIONS	\$376,254	\$392,112	\$502,850	\$457,929	\$377,697
TANGIBLE CAPITAL ASSETS AMORTIZATION	\$184,632	\$182,017	\$172,672	\$162,828	\$154,373
NET BOOK VALUE TANGIBLE CAPITAL ASSETS	\$4,101,180	\$3,995,680	\$3,892,797	\$3,749,717	\$3,614,041
ANNUAL SURPLUS	\$258,860	\$222,165	\$272,392	\$166,359	\$166,940
CONSOLIDATED ACCUMULATED SURPLUS	\$4,797,772	\$4,538,912	\$4,316,747	\$4,044,355	\$3,877,996
RESERVES, DISCRETIONARY & OBLIGATORY RESERVE FUNDS	\$1,398,920	\$1,201,197	\$1,048,506	\$967,963	\$837,224

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report

Year ended December 31, 2020

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.

	2020	2019
GENERAL STATISTICS:		
Population ⁱ	402,659	397,885
Area in Acres	104,632	104,632
Number of Households ⁱⁱ	183,358	181,841
Number of Properties ⁱⁱ	161,687	159,643
Building Permit Values (\$000's) ⁱⁱⁱ	\$1,621,544	\$1,374,352
Average Home Selling Price ^{iv}		
London and St. Thomas	\$487,661	\$408,312
Ontario	\$705,525	\$608,279
Canada	\$568,279	\$502,907
Unemployment Rates (Annual Averages) ^v		
London	8.8%	5.5%
Ontario	9.6%	5.6%
Canada	9.5%	5.7%
CPI Canada (percentage change) ^{vi}	0.7%	1.9%
Real GDP Canada (percentage change) ^{vii}	-4.7%	1.8%

Table 9: General Statistics and Indicators

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report

Year ended December 31, 2020

Definitions

Amortization – the systematic allocation of the historical cost of a tangible capital asset over its useful life.^{viii}

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.^{viii}

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).^{viii}

Consolidated Financial Statements – statements containing financial information for the municipality and its owned or controlled organizations (e.g., fire, library).^{viii}

Contributed Assets – assets that have been transferred or donated to the municipality and that will provide a future economic benefit.^{viii}

Deferred Revenue – income received that will not be recorded as revenue until certain transactions or events take place.^{viii}

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.^{ix}

Equity in Tangible Capital Assets – the net book value of recorded tangible capital assets less capital debt.^{viii}

Expenditure – an outlay of cash, payment or disbursement.^{viii}

Expense – the cost to the municipality of an activity. This can be cash or non-cash cost (e.g., wages, materials, amortization).^{viii}

Financial Assets – current cash resources plus any items or holdings that are expected to be converted into cash in the future.^{viii}

Government Transfers – entitlements, transfers under cost-share agreements, and/or grants from other levels of government.^{viii}

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report

Year ended December 31, 2020

Definitions (continued)

Net Book Value – the total cost of a tangible capital asset minus the accumulated amortization and any write-down of the asset.^{viii}

Net Financial Assets (Net Debt) – an amount equal to the total financial assets less the total liabilities.^{viii}

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.^{ix}

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.^{ix}

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.^{ix}

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.^{ix}

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).^{ix}

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).^{viii}

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report

Year ended December 31, 2020

Endnotes

- i Provided by City's Planning Service Area and Statistics Canada, May 2021, <https://www.statcan.gc.ca/eng/start>
- ii Municipal Property Assessment Corporation, <https://www.mpac.ca/>, 2020 year end assessment roll, December 2020
- iii Provided by City's Building Division
- iv London-St. Thomas Real Estate Board and The Canadian Real Estate Association, <https://www.lstar.ca/> and <https://www.crea.ca/>
- v Statistics Canada, Labour Force characteristics, annual, May 2021, <https://www150.statcan.gc.ca/>
- vi Statistics Canada, Consumer Price Index, annual average, not seasonally adjusted, May 2021, <http://www150.statcan.gc.ca/>
- vii Statistics Canada, Real Gross Domestic Product by expenditure account, year-over-year change, seasonally adjusted, May 2021, <https://www150.statcan.gc.ca/>
- viii Ministry of Municipal Affairs and Housing, Common Language Guide to Municipal Financial Statements, <https://www.ontario.ca/document/tools-municipal-budgeting-and-long-term-financial-planning/common-language-guide-municipal-financial-statements>
- ix Ministry of Municipal Affairs and Housing, The Ontario Municipal Councillor's Guide, Chapter 9, The Fiscal Context, <https://www.ontario.ca/document/ontario-municipal-councillors-guide9-fiscal-context>

Consolidated Financial Statements of
THE CORPORATION OF THE CITY OF LONDON
And Independent Auditors' Report thereon
Year ended December 31, 2020

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Statements

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

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 Accountants (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, 2020.

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, 2020
- 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 consolidated 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, 2020, 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.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.
KPMG Canada provides services to KPMG LLP.



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.



A handwritten signature in black ink that reads "KPMG LLP". The "KPMG" part is in a stylized, bold font, and "LLP" is written in a smaller, regular font directly below it. A single horizontal line is drawn underneath the entire signature.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

July 6, 2021

THE CORPORATION OF THE CITY OF LONDON
Consolidated Statement of Financial Position
As at December 31, 2020, with comparative information for 2019

(all dollar amounts in thousands of dollars)

	2020	2019
Financial assets		
Cash and cash equivalents (Note 2)	\$ 564,534	\$ 491,411
Accounts receivable		
Taxes receivable (Note 3)	29,171	22,074
Other receivables	78,123	77,525
Land held for resale	36,847	38,322
Investments (Note 4)	879,284	741,113
Loans receivable (Note 5)	38,894	28,097
Investments in government business enterprises and partnerships (Note 6)	192,448	193,410
Total financial assets	1,819,301	1,591,952
Financial liabilities		
Demand loan (Note 26)	670	-
Accounts payable and accrued liabilities (Note 23)	173,407	173,710
Deferred revenue (Note 7)	452,077	372,246
Accrued interest on long-term debt	1,715	2,026
Long-term liabilities (Note 8)	3,600	4,500
Long-term debt (Note 9)	277,578	298,893
Capital lease obligations (Note 10)	356	649
City services payable (Note 11)	7,803	15,015
Employee benefits payable (Note 12)	181,726	161,699
Landfill closure and post-closure liability (Note 13)	46,320	41,051
Total financial liabilities	1,145,252	1,069,789
Net financial assets	674,049	522,163
Non-financial assets		
Tangible capital assets (Note 14)	4,101,180	3,995,680
Inventories of supplies	5,465	5,056
Prepaid expenses	17,078	16,013
Total non-financial assets	4,123,723	4,016,749
Contingent Liabilities (Note 16)		
Loan Guarantees (Note 17)		
Commitments (Note 18)		
Accumulated surplus (Note 15)	\$ 4,797,772	\$ 4,538,912

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, 2020, with comparative information for 2019

(all dollar amounts in thousands of dollars)

	Budget	2020	2019
Revenues			
Net municipal taxation	\$ 661,764	\$ 666,502	\$ 632,169
User charges	303,239	277,565	293,976
Transfer payments			
Provincial	262,005	270,847	266,966
Federal	48,058	37,571	29,559
Other municipalities	7,363	6,823	6,584
Investment income	9,332	22,024	24,901
Penalties and interest	7,776	6,714	7,676
Development charges earned	28,718	38,084	35,066
Developer contributions of tangible capital assets (Note 14(b))	40,096	61,134	64,953
Other (Note 21)	38,449	28,937	50,803
Equity in earnings of government business enterprises and partnerships (Note 6)	6,350	4,038	9,029
Total revenues	1,413,150	1,420,239	1,421,681
Expenses			
General government	109,901	91,141	103,667
Protection to persons and property	219,807	231,189	213,752
Transportation services	219,073	203,528	227,065
Environmental services	197,632	193,923	181,950
Health services	30,218	30,502	27,829
Social and family services	258,984	232,912	255,696
Social housing	52,717	58,499	62,262
Recreation and cultural services	91,072	76,866	88,649
Planning and development	39,017	42,819	38,646
Total expenses	1,218,421	1,161,379	1,199,516
Annual surplus	194,729	258,860	222,165
Accumulated surplus, beginning of year	4,538,912	4,538,912	4,316,747
Accumulated surplus, end of year	\$ 4,733,641	\$ 4,797,772	\$ 4,538,912

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, 2020, with comparative information for 2019

(all dollar amounts in thousands of dollars)

	Budget	2020	2019
Annual surplus	\$ 194,729	\$ 258,860	\$ 222,165
Acquisition of tangible capital assets	(242,730)	(235,444)	(229,223)
Developer contributions of tangible capital assets	(40,096)	(61,134)	(64,953)
Amortization of tangible capital assets	170,350	184,632	182,017
Proceeds from sale of tangible capital assets	48	6,511	9,342
Gain on disposal of tangible capital assets	(48)	(65)	(66)
	(112,476)	(105,500)	(102,883)
Change in inventories of supplies	-	(409)	(216)
Change in prepaid expenses	-	(1,065)	1,808
	-	(1,474)	1,592
Change in net financial assets	82,253	151,886	120,874
Net financial assets, beginning of year	522,163	522,163	401,289
Net financial assets, end of year	\$ 604,416	\$ 674,049	\$ 522,163

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, 2020, with comparative information for 2019

(all dollar amounts in thousands of dollars)

	2020	2019
Cash and cash equivalents provided by (used in)		
Operating Activities		
Annual surplus	\$ 258,860	\$ 222,165
Items not involving cash		
Amortization of tangible capital assets	184,632	182,017
Developer contributions of tangible capital assets	(61,134)	(64,953)
Gain on disposal of tangible capital assets	(65)	(66)
Change in employee benefits payable	20,027	2,154
Change in landfill closure and post-closure liability	5,269	1,861
Equity in earnings of government business enterprises and partnerships	(5,156)	(10,073)
Dividends receivable from government business enterprises and partnerships	5,000	-
Amortization of debenture discount	93	(49)
Change in non-cash assets and liabilities		
Taxes receivable	(7,097)	998
Other receivables	(598)	2,774
Land held for resale	1,475	(4,423)
Accounts payable and accrued liabilities	(303)	3,323
Deferred revenue	79,831	52,407
Accrued interest on long-term debt	(311)	(25)
City services payable	(7,212)	12,853
Inventories of supplies	(409)	(216)
Prepaid expenses	(1,065)	1,808
Net change in cash and cash equivalents from operating activities	471,837	402,555
Capital Activities		
Proceeds from sale of tangible capital assets	6,511	9,342
Acquisition of tangible capital assets	(235,444)	(229,223)
Net change in cash and cash equivalents from capital activities	(228,933)	(219,881)
Investing Activities		
Net increase in investments	(138,171)	(175,261)
Issuance of loans receivable	(10,797)	(3,967)
Repayment of promissory note receivable from government business enterprises	969	910
Government business enterprises and partnerships	149	134
Dividends from London Hydro Inc. (Note 6(a)(v))	-	5,000
Net change in cash and cash equivalents from investing activities	(147,850)	(173,185)
Financing Activities		
Long-term debt issued	36,000	49,380
Long-term debt repayments	(57,408)	(53,865)
Repayments of long-term liabilities	(900)	(3,200)
Repayments of capital lease obligations	(293)	(433)
Demand loan issued	670	-
Net change in cash and cash equivalents from financing activities	(21,931)	(8,118)
Net change in cash and cash equivalents	73,123	1,371
Cash and cash equivalents, beginning of year	491,411	490,040
Cash and cash equivalents, end of year (Note 2)	\$ 564,534	\$ 491,411

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, 2020

(all dollar amounts in the thousands of dollars)

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

1. Significant Accounting Policies

The consolidated financial statements of the Corporation are prepared by management, in accordance with Canadian public sector accounting standards as defined in the 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
Hamilton Road Business Improvement Area Board of Management
Housing Development Corporation, London
Hyde Park Business Improvement Association Board of Management
London & Middlesex Community Housing Inc.
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 Board of Management

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, 2020
(all dollar amounts in thousands of dollars)

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 Primary Water Supply System and Elgin Area Primary Water Supply System 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, **\$146,017** of taxation was collected on behalf of school boards (2019 - \$144,866) 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, 2020
(all dollar amounts in thousands of dollars)

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 **\$4,597** (2019 - \$4,363).

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, 2020
(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

Asset	Useful Life – Years
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, 2020
(all dollar amounts in thousands of dollars)

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, 2020
(all dollar amounts in thousands of dollars)

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, 2020
(all dollar amounts in thousands of dollars)

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 2020 the Corporation levied **\$666,502** (2019 - \$632,169) 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, 2020
(all dollar amounts in thousands of dollars)

1. Significant Accounting Policies (continued)

e) User Charges

User charges relate to various programs and fees imposed based on specific activities, such as transit fees, park and recreation services, water, wastewater and solid waste. Revenue is recognized when the activity is performed or when the services are rendered.

f) Development Charges and Other Revenues

Revenues are recognized in the year that the events giving rise to the revenues occur and the revenues are earned. Amounts received which relate to revenues that will be earned in a subsequent year are deferred and reported as liabilities.

g) 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 city services 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.

h) 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, 2001* 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.

THE CORPORATION OF THE CITY OF LONDON
Notes to the Consolidated Financial Statements (continued)
Year ended December 31, 2020
(all dollar amounts in thousands of dollars)

1. Significant Accounting Policies (continued)

i) 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, 2020
(all dollar amounts in thousands of dollars)

1. Significant Accounting Policies (continued)

j) 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.

k) 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, 2020
(all dollar amounts in thousands of dollars)

1. Significant Accounting Policies (continued)

I) 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.

m) 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.

n) 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.

o) Related Party Disclosures

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 made 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.

THE CORPORATION OF THE CITY OF LONDON
Notes to the Consolidated Financial Statements (continued)
Year ended December 31, 2020
(all dollar amounts in thousands of dollars)

1. Significant Accounting Policies (continued)

p) Inter-entity Transactions

Transactions between related parties 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 CORPORATION OF THE CITY OF LONDON
Notes to the Consolidated Financial Statements (continued)
Year ended December 31, 2020
(all dollar amounts in thousands of dollars)

1. Significant Accounting Policies (continued)

q) 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, 2022. 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, 2022. 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, 2020
(all dollar amounts in thousands of dollars)

1. Significant Accounting Policies (continued)

q) Future Accounting Changes (continued)

(iii) 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, 2020
(all dollar amounts in thousands of dollars)

1. Significant Accounting Policies (continued)

q) Future Accounting Changes (continued)

(iii) 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, 2022. 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.

(iv) 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, 2023, 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, 2020
(all dollar amounts in thousands of dollars)

2. Cash and Cash Equivalents

Table 2: Cash and Cash Equivalents

	2020	2019
Cash on deposit	\$552,559	\$420,076
Cash equivalents	11,975	71,335
	\$564,534	\$491,411

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

	2020	2019
Taxes receivable	\$35,267	\$27,623
Penalties and interest	1,779	1,600
Allowance for doubtful accounts	(7,875)	(7,149)
	\$29,171	\$22,074

THE CORPORATION OF THE CITY OF LONDON
 Notes to the Consolidated Financial Statements (continued)
 Year ended December 31, 2020
 (all dollar amounts in thousands of dollars)

4. Investments

Investments are comprised of the following:

Table 4: Investments

	2020	2020	2019	2019
	Cost	Market Value	Cost	Market Value
Pooled investment funds	\$ 42,634	\$ 45,865	\$ 21,634	\$ 22,369
Government fixed income	166,274	172,693	134,716	134,598
Corporate fixed income	599,258	605,296	495,372	499,991
Asset backed securities	71,022	76,086	89,215	90,300
Other investments	96	96	176	176
	\$879,284	\$900,036	\$741,113	\$747,434

5. Loans Receivable

Table 5: Loans Receivable

	2020	2019
Subordinate Loan – City of London Arena Trust a)	\$23,723	\$23,791
Affordable Housing	4,094	3,930
Community Improvement Program	4,285	-
Development Charge Deferral and Alternative Payment Arrangements	6,678	-
Other Miscellaneous	114	376
	\$38,894	\$28,097

- a) 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, \$68 (2019 - \$339) 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, 2020
 (all dollar amounts in thousands of dollars)

6. Investments in Government Business Enterprises and Partnerships

The Corporation holds a 100% (2019 – 100%) interest in London Hydro Inc., a 35.715% (2019 – 38.572%) interest in the Fair-City Joint Venture Partnership and a 73.432% (2019 – 73.432%) interest in the City-YMCA Joint Venture Partnership based upon investments as follows:

Table 6: Investment in Government Business Enterprises and Partnerships

		2020	2019
London Hydro Inc.	a)	\$175,136	\$174,690
Fair-City Joint Venture Partnership	b)	2,859	3,769
City-YMCA Joint Venture Partnership	c)	14,453	14,951
		\$192,448	\$193,410

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

	2020	2019
Financial Position		
Current assets	\$115,217	\$ 78,724
Capital assets	376,435	354,155
Total assets	491,652	432,879
Regulatory balances	22,993	21,019
Total assets and regulatory balance	514,645	453,898
Current and other liabilities	76,860	68,277
Deferred revenue	42,367	38,057
Post-employment benefits	16,100	15,535
Long-term debt	200,000	155,000
Total liabilities	335,327	276,869
Regulatory balances	4,182	2,339
Total liabilities and regulatory balances	339,509	279,208
Net Assets	\$175,136	\$174,690

THE CORPORATION OF THE CITY OF LONDON
 Notes to the Consolidated Financial Statements (continued)
 Year ended December 31, 2020
 (all dollar amounts in thousands of dollars)

6. Investments in Government Business Enterprises and Partnerships (continued)

a) Investment in London Hydro Inc. (continued)

Table 8: Investment in London Hydro Inc. - Results of Operations

	2020	2019
Results of Operations		
Revenues	\$517,704	\$448,250
Operating expenses	(499,977)	(432,658)
Other expenses	(11,271)	(6,487)
Income tax expense	(1,206)	(2,781)
Net movement in regulatory balances	196	4,064
Net earnings	5,446	10,388
Dividends	(5,000)	(5,000)
Change in accounting policy	-	(27)
Net assets, beginning of year	174,690	169,329
Net Assets, End of Year –		
Investment in London Hydro Inc.	\$175,136	\$174,690

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, 2020
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6. Investments 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 2020 totalled **\$22,993** (2019 - \$21,019). Net regulatory credit balances for 2020 totalled **\$4,182** (2019 - \$2,339).

iii) Commitments

The Company has provided **\$4,300** (2019 - \$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 **\$500** (2019 - \$1,600).

The Company has committed to operating lease agreements with future minimum non-cancellable annual lease payments of **\$916** (2019 - \$1,248).

iv) Credit Facilities

The Company has an uncommitted operating revolving line of credit facility of \$20,000. As at December 31, 2020 the amount drawn under this facility was **nil** (2019 - nil).

The Company has repaid a committed 364 day extendible operating revolving loan facility (2019 - \$30,000). The loan was repaid with additional borrowing in the amount of \$75,000. The additional borrowing is under an interest rate swap agreement for an unsecured loan. Interest only payments are due monthly and commenced December 2020. The principal is due at maturity. The agreement is a fixed rate swap and matures June 2032.

The Company has an interest rate swap agreement for an unsecured loan in the amount of \$40,000. 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 June 2022.

THE CORPORATION OF THE CITY OF LONDON
Notes to the Consolidated Financial Statements (continued)
Year ended December 31, 2020
(all dollar amounts in thousands of dollars)

6. Investments 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 entered into a futures contract on December 4, 2020 for \$125,000. The future contract will be converted into a swap agreement on June 30, 2022 to repay the \$40,000 and \$85,000 fixed rate swaps maturing June 2022. The swap agreement is a fixed rate swap and matures June 2032.

At December 31, 2020, the Company would be required to pay **\$8,300** (2019 - \$1,600) 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 **\$5,048** (2019 - \$4,515) and are included on the consolidated statement of operations. At December 31, 2020, the Corporation has a receivable of **\$14,356** (2019 - \$14,071) for water and wastewater charges collected by London Hydro Inc. Miscellaneous receivables of **\$789** (2019 - \$192) are also outstanding at year end.

The Corporation charged London Hydro Inc. rent, totalling **\$100** (2019 - \$100).

The Corporation accrued **\$5,000** (2019 - \$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, 2020
(all dollar amounts in thousands of dollars)

6. Investments 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

	2020	2019
Financial Position		
Current assets	\$ 1,215	\$ 1,307
Capital assets	10,762	11,138
	11,977	12,445
Accrued liabilities	2,125	2,032
Deferred capital contributions	2,754	2,886
Long-term debt	1,486	2,485
Total liabilities	6,365	7,403
Net assets	\$ 5,612	\$ 5,042

THE CORPORATION OF THE CITY OF LONDON
 Notes to the Consolidated Financial Statements (continued)
 Year ended December 31, 2020
 (all dollar amounts in thousands of dollars)

6. Investments in Government Business Enterprises and Partnerships (continued)

b) Fair-City Joint Venture Partnership (continued)

Table 10: Fair-City Joint Venture Partnership - Results of Operations

	2020	2019
Results of Operations		
Revenues	\$3,158	\$3,993
Operating expenses	(2,575)	(3,449)
Net earnings	583	544
Net earnings available to the Corporation	208	210
Employee future benefit re-measurements	(5)	(5)
Corporation's portion of earning retained	203	205
Corporation's investment in Fair-City Joint Venture's net assets, beginning of year	1,945	1,869
Adjustment due to change in Corporation's share during year	(144)	(129)
Corporation's investment in Fair-City Joint Venture's net assets, end of year	2,004	1,945
Promissory note due to the Corporation	855	1,824
Investment in Fair-City Joint Venture Partnership	\$2,859	\$3,769

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, 2020
(all dollar amounts in thousands of dollars)

6. Investments 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, 2020 was 35.715% (2019 – 38.572%). 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** (2019 - 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. **\$1,910** was paid for ice rental in 2020 (2019 - \$1,873), 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, 2020 is **\$855** (2019 - \$1,824). During the year, the partnership paid interest to the Corporation in the amount of **\$87** (2019 - \$146), 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

	2020	2019
Financial Position		
Capital assets	\$27,135	\$27,135
Accumulated amortization	(7,453)	(6,776)
Net Assets	\$19,682	\$20,359

THE CORPORATION OF THE CITY OF LONDON
 Notes to the Consolidated Financial Statements (continued)
 Year ended December 31, 2020
 (all dollar amounts in thousands of dollars)

6. Investments in Government Business Enterprises and Partnerships (continued)

c) City-YMCA Joint Venture Partnership (continued)

Table 12: City-YMCA Joint Venture Partnership - Results of Operations

	2020	2019
Results of Operations		
Amortization of capital assets	\$ (678)	\$ (678)
Net loss	(678)	(678)
Net assets, beginning of year	20,360	21,038
Net assets, end of year	19,682	20,360
Corporation's portion of net assets	14,453	14,951
Investment in City-YMCA Joint Venture Partnership		
	\$14,453	\$14,951

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, 2020
 (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

	2020	2019
Funds deferred to future periods for specific purposes by legislation, regulation or agreement:		
Development Charges Act		
- Recreation, transit and culture	\$ 38,854	\$ 33,046
- Capital infrastructure	267,186	230,796
Development Charges Act (Note 11)	306,040	263,842
Development Charge Deferral and		
Alternative Payment Arrangements	6,678	-
Federal and Provincial gas tax	80,415	78,869
Recreational land (<i>The Planning Act</i>)	4,752	3,699
Safe Restart Public Transit Funding	5,753	-
	403,638	346,410
Other deferred revenue:		
Subsidy advances from Provincial Ministries for future periods	41,648	16,140
Prepaid deposits	258	509
Prepayment of recreation programs, facility rentals, memberships	518	2,180
Vacancy rebate allowances	600	604
Boards and commissions	5,112	6,141
Other deferred revenues	303	262
	\$452,077	\$372,246

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Year ended December 31, 2020
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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	2020	2019
Fanshawe College, with annual principal repayments of \$900, subject to annual budget approval, maturing in 2024	2024	\$3,600	\$4,500
		\$3,600	\$4,500

Anticipated principal repayments are summarized as follows:

2021	\$900
2022	900
2023	900
2024	900
Total	\$3,600

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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

	2020	2019
Long-term debt issued by the Corporation at various rates of interest ranging from 0.80% to 5.67% (2019 - 0.95% to 5.88%), with maturity dates ranging from December 2021 to June 2030.	\$253,530	\$263,694
Long-term debt issued to Infrastructure Ontario programs at various rates of interest ranging from 2.60% to 4.44% (2019 – 2.45% to 4.44%), with maturity dates ranging from December 2021 to March 2030.	26,385	36,618
Long-term debt issued to Canada Mortgage and Housing Corporation at an interest rate of 3.23%, with a maturity date of March 2021.	1,823	3,589
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% (2019 – 2.00% to 2.25%), with maturity dates ranging from April 2026 to May 2032.	3,006	3,399
Long-term debt, assumed by unconsolidated local Boards, other municipalities, municipal enterprises and utilities.	(5,649)	(6,797)
Total long-term debt	279,095	300,503
Less: Unamortized debenture discount	(1,517)	(1,610)
Net long-term debt	\$277,578	\$298,893

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 Notes to the Consolidated Financial Statements (continued)
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9. Long-term Debt (continued)

Principal repayments are summarized as follows:

Table 16: Principal Repayment Summary

Recoverable from	2021	2022	2023	2024	2025	Beyond	Total
General	\$29,913	\$24,951	\$21,745	\$15,794	\$13,007	\$34,247	\$139,657
Water	2,586	2,400	1,650	1,427	1,452	1,002	10,517
Wastewater	8,346	5,206	4,239	4,033	3,452	7,732	33,008
Discretionary	2,034	2,096	1,166	490	-	-	5,786
Obligatory	12,706	11,663	11,206	10,587	10,138	33,827	90,127
	\$55,585	\$46,316	\$40,006	\$32,331	\$28,049	\$76,808	\$279,095

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

Table 17: Principal Repayments - Total Charges

	2020	2019
Interest on long-term debt	\$8,061	\$9,030
Amortization of debenture discount	317	288
Interest on capital lease obligations	17	29
	\$8,395	\$9,347

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10. Capital Lease Obligations

Table 18: Capital Lease Obligations

	2020	2019
2020	\$ -	\$ 310
2021	256	256
2022	110	110
Minimum lease payments	366	676
Less amount representing interest at 3.25% (2019 – 3.25%)	10	27
Present value of net minimum capital lease payments	\$ 356	\$ 649

11. City Services Payable

The Corporation resolved, at its municipal council meeting on July 24, 2018, 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 were paid out in 2019 to help facilitate the wind-up of the reserve funds. Where no claim had been submitted prior to the adoption of the 2019 Development Charges By-law, these claims submitted for eligible work would be funded from the City Services Reserve Funds. The Urban Works Payable was renamed the City Services Payable for 2019 year end.

The Corporation operates a system of funding developer claims for construction of infrastructure works. The claimable works generally provide a regional benefit beyond the boundaries of the subdivision or development which triggers the requirement for the works. The costs of these works are shared through development charge collections administered by the Corporation through the City Services Reserve Funds.

Claims are subject to approval by the Corporation in accordance with the Development Charges By-law. Payment of claims are ultimately subject to budget availability within the reserve funds.

As at December 31 of each year, the value of all work classified as substantially complete and not paid 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 City Services Reserve Funds and Development Charges By-law, including a reliance on development charges received as the source for repayment. At December 31, there is **\$306,040** (2019 - \$263,842) in the City Services Reserve Funds to fund this liability.

THE CORPORATION OF THE CITY OF LONDON
 Notes to the Consolidated Financial Statements (continued)
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11. City Services Payable (continued)

The continuity breakdown is as follows:

Table 19: City Services - Continuity Breakdown

		Roads	Waste Water	Storm Water	Parks & Recreation	Water	Total
City Services Payable	Dec 31, 2018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses:							
Transferred from Urban Works							
Payable Value of construction work completed		458	59	356	-	-	873
Payments:							
From City Services Reserve Funds		4,463	1,792	9,618	1,920	429	18,222
(1,549)		(26)	(1,834)	(577)	(94)	(4,080)	
City Services Payable	Dec 31, 2019	\$3,372	\$1,825	\$8,140	\$1,343	\$335	\$15,015
Expenses:							
Value of construction work completed							
321		11	318	30	-	680	
Payments:							
From City Services Reserve Funds		(1,205)	(1,773)	(4,663)	(144)	(107)	(7,892)
City Services Payable	Dec 31, 2020	\$2,488	\$63	\$3,795	\$1,229	\$228	\$7,803

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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 20: Employee Benefits Payable

		2020	2019
Post-employment and post-retirement benefits	a)	\$ 97,356	\$ 94,988
Workplace Safety and Insurance Board			
Obligation	b)	64,880	48,275
Vacation credits	c)	18,234	16,697
Vested sick leave benefits	d)	1,256	1,739
		\$181,726	\$161,699

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 **\$143,947** (2019 - \$114,062), to fund these obligations.

THE CORPORATION OF THE CITY OF LONDON
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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 21: Post-Employment and Post-Retirement Benefits – Assumptions

	2020	2019
	%	%
Discount rate	3.25	3.25
Rate of compensation increase	2.00	2.00
Healthcare cost increases	4.00 - 5.70	4.00 - 7.00

The benefit obligation continuity is as follows:

Table 22: Employee Benefits Payable - Benefit Obligation Continuity

Liability for post-employment and post-retirement benefits:	2020	2019
Accrued benefit obligation, January 1	\$84,484	\$81,687
Current period benefit cost	4,450	4,297
Retirement interest expense	2,728	2,642
Benefits paid	(4,443)	(4,142)
Accrued benefit obligation, December 31	87,219	84,484
Unamortized actuarial gain	10,137	10,504
Liability for post-employment and post-retirement benefits	\$ 97,356	\$94,988

Post-employment and post-retirement benefits expense:

Current period benefit cost	\$ 4,450	\$ 4,297
Retirement interest expense	2,728	2,642
Amortization of actuarial gain	(367)	(367)
Total post-employment and post-retirement benefit expense	\$ 6,811	\$ 6,572

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Notes to the Consolidated Financial Statements (continued)
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12. Employee Benefits Payable (continued)

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

The actuarial gain is amortized over the expected average remaining service life of the related employee group of **14 years** (2019 – 14 years).

b) Workplace Safety and Insurance Board Obligation

The Corporation is a Schedule 2 employer under the *Workplace Safety and Insurance Board (“WSIB”)* Act, and as such assumes responsibility for financing its workplace safety insurance costs. An actuarial valuation as at December 31, 2020 estimated the accrued benefit obligation for workplace safety and insurance existing claims and future pension awards at **\$64,880** (2019 - \$48,275).

Table 23: Self-Insured (Schedule II) Workers Compensation Actuarial – Assumptions

	December 31, 2020
Discount rate	3.25% per annum
Rate of compensation increase	2.00% per annum
Healthcare cost increases	4.00% per annum

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, 2020 is **\$18,234** (2019 - \$16,697).

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 **\$1,256** (2019 - \$1,739) at December 31, 2020. During the year **\$311** (2019 - \$397) 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, 2020 is **\$1,217** (2019 - \$1,497). An amount of **\$31** (2019 - \$37) has been contributed in the current year.

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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 employees starting before January 1, 1982 and Fire employees starting before January 1, 1991 and Library employees starting before May 1, 1985 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 24: Employee Benefits Payable - Anticipated Future Payments

2021	\$1,141
2022	99
2023	16
Total	\$1,256

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 **4,587** (2019 – 4,517) 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.

The last available report for the OMERS plan was on December 31, 2020. At that time, the plan reported a **\$3.21** billion actuarial deficit (2019 - \$3.40 billion), based on actuarial liabilities for **\$113.06** billion (2019 – \$107.69 billion) actuarial assets for **\$109.84** billion (2019 - \$104.29 billion). If actuarial surpluses are not available to offset the existing deficit and subsidize future contributions, increases in contributions will be required in the future.

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 2020 was **\$35,393** (2019 - \$33,815) for current service. Employer's contributions for current service are included as an expense in the consolidated statement of operations.

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Notes to the Consolidated Financial Statements (continued)
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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)
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13. Landfill Closure and Post-Closure Liability (continued)

Key assumptions in determining the liability at December 31, 2020 for landfills are as follows:

Table 25: Landfill Closure Key Assumptions

Active (W12A) landfill is expected to reach capacity in 2024	
Remaining capacity of active (W12A) as at December 31, 2020	0.82 million tonnes
Expected closing cost in 2020 dollars	\$1,890
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, 2020 is comprised of:

Table 26: Landfill Closure and Post-Closure Liability

	2020	2019
Active landfill (W12A) closure, site rehabilitation and monitoring obligation	\$37,144	\$31,706
Closed landfills site rehabilitation and monitoring obligation	9,176	9,345
	\$46,320	\$41,051

A reserve fund has been established for sanitary landfill activity and funds could be utilized for this sanitary landfill site closure and post-closure liability. The reserve fund balance at December 31, 2020 is **\$26,034** (2019 - \$21,649).

The Corporation, with Council approval, is in the process of completing an Individual Environmental Assessment (EA) for the expansion of the W12A landfill site. The Minister of the Environment, Conservation and Parks approved the proposed Amended Terms of Reference for the undertaking in July, 2019 and the Draft Environmental Study Report has been prepared for final review by all stakeholders. At this stage in the process the EA is approximately 75% complete. 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
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14. Tangible Capital Assets

Cost	Balance at December 31, 2019	Additions	Disposals	Balance at December 31, 2020
Land	\$ 452,848	\$19,121	\$ 50	\$ 471,919
Landfill and land improvements	162,482	11,716	7,119	167,079
Building and building improvements	1,093,063	19,481	5,686	1,106,858
Leasehold improvements	9,155	341	152	9,344
Machinery, equipment and furniture	440,376	24,936	141,123	324,189
Vehicles	134,723	12,868	10,056	137,535
Water Infrastructure	807,834	22,815	5,442	825,207
Wastewater infrastructure	1,526,363	82,222	4,311	1,604,274
Roads infrastructure	1,455,468	68,607	24,579	1,499,496
Computers	20,789	2,897	6,072	17,614
Computers under capital lease	1,637	-	1,637	-
Assets under construction	129,798	111,250	79,676	161,372
Total	\$6,234,536	\$376,254	\$285,903	\$6,324,887

Accumulated Amortization	Balance at December 31, 2019	Amortization Expense	Amortization Disposal	Balance at December 31, 2020
Land	\$ -	\$ -	\$ -	\$ -
Landfill and Improvements	86,393	8,706	7,119	87,980
Buildings and building improvements	510,317	33,559	4,429	539,447
Leasehold improvements	2,335	558	152	2,741
Machinery, equipment and furniture	270,941	27,484	140,999	157,426
Vehicles	74,618	11,274	9,925	75,967
Water infrastructure	267,289	16,968	4,264	279,993
Wastewater infrastructure	490,140	27,606	2,689	515,057
Roads infrastructure	523,424	53,462	22,495	554,391
Computers	12,033	4,744	6,072	10,705
Computers under capital lease	1,366	271	1,637	-
Assets under construction	-	-	-	-
Total	\$2,238,856	\$184,632	\$199,781	\$2,223,707

	Net book value December 31, 2019	Net book value December 31, 2020
Land	\$ 452,848	\$ 471,919
Landfill and land improvements	76,089	79,099
Buildings and building improvements	582,746	567,411
Leasehold improvements	6,820	6,603
Machinery, equipment and furniture	169,435	166,763
Vehicles	60,105	61,568
Water infrastructure	540,545	545,214
Wastewater infrastructure	1,036,223	1,089,217
Roads infrastructure	932,044	945,105
Computers	8,756	6,909
Computers under capital lease	271	-
Assets under construction	129,798	161,372
Total	\$3,995,680	\$ 4,101,180

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14. Tangible Capital Assets (continued)

a) Assets under construction

Assets under construction having a value of **\$161,372** (2019 - \$129,798) 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 **\$61,134** (2019 - \$64,953) comprised predominantly of roads infrastructure in the amount of **\$21,877** (2019 - \$30,918) and water and wastewater infrastructure in the amount of **\$38,416** (2019 - \$29,722).

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 **\$485** (2019 - \$nil).

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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.

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14. Tangible Capital Assets (continued)

f) Assets under Shared Control (continued)

Total project costs of **\$54,096** have been offset by contributions from the YMCA of \$9,200 and Library of \$4,556. The net project costs of \$40,340 have been accounted for in the Corporation and capitalized or expensed as follows:

Table 27: Tangible Capital Assets under Shared Control

Capitalized as:	
Land	\$ 5,155
Building	26,738
Equipment	7,701
Expensed as:	
Contracted services	746
Total	\$40,340

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

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

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15. Accumulated Surplus

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

Table 28: Accumulated Surplus

	2020	2019
Surplus:		
Invested in tangible capital assets	\$4,137,671	\$4,033,353
Other	(25,099)	(50,432)
Local boards	2,110	2,672
Equity in government business enterprise	192,448	193,410
Unfunded		
Landfill closure and post-closure liability and liability for contaminated sites	(55,417)	(41,901)
Employee benefits payable	(182,873)	(163,044)
Net long-term debt	(273,028)	(289,933)
Total surplus	3,795,812	3,684,125
Reserves set aside by Council		
Contingencies	100,549	69,306
General operations	42,530	36,491
Total reserves	143,079	105,797
Reserve funds set aside for specific purpose by Council		
Contingencies	116,372	89,316
Infrastructure renewal	272,699	244,302
Acquisition of vehicles	32,965	32,477
Acquisition of facilities	38,641	32,653
Recreational programs & facilities	380	265
Self-insurance (Note 16(b))	15,221	11,891
Sick leave (Note 12(d))	1,217	1,497
Industrial over sizing	13,468	13,202
Other purposes	289,545	246,916
Special purpose a)	78,373	76,471
Total reserve funds	858,881	748,990
Accumulated surplus b)	\$4,797,772	\$4,538,912

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15. Accumulated Surplus (continued)

a) Special Purpose

The Corporation holds \$70 million principal in a reserve fund for a special purpose. 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 Corporation'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.

- b) 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, 2020, 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.

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16. Contingent Liabilities (continued)

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

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, London & Middlesex Community Housing Inc. and Housing Development Corporation, London.

The Corporation has made a provision for a reserve fund for self-insurance which as at December 31, 2020 amounted to **\$15,221** (2019 - \$11,891) and is reported in Note 15 of the consolidated financial statements. The contribution for the year of **\$6,192** (2019 - \$6,525) has been reported in the individual revenues on the consolidated statement of operations.

Claims expensed during the year amounting to **\$2,862** (2019 - \$8,792) 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, 2020 to be paid from the self-insurance reserve fund. The probable outcome of these claims cannot be determined at this time.

c) Environmental Remediation

The Corporation is liable for the environmental remediation of certain land. The coal tar material present in land held by the Corporation 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 Corporation is engaged in an ongoing environmental remediation program and related risk management strategy that addresses the presence of historic coal tar in a section of the bed and bank of the south branch of the Thames River and in two adjacent parcels of Corporation-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.

THE CORPORATION OF THE CITY OF LONDON
Notes to the Consolidated Financial Statements (continued)
Year ended December 31, 2020
(all dollar amounts in thousands of dollars)

16. Contingent Liabilities (continued)

c) Environmental Remediation (continued)

- Coal tar removal and river bed rehabilitation has been satisfactorily completed and a monitoring program which started in 2004 is in place.

The Corporation is responsible 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.

17. Loan Guarantees

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, 2020 is **\$1,686** (2019 - \$1,758).

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, 2020 is **\$1,694** (2019 - \$1,769).

The Corporation has entered into an agreement, which under certain conditions guarantees a \$7,900 leasehold mortgage from the Bank of Montreal to the YMCA of Southwestern Ontario, related to the Bostwick Community Centre. The outstanding principal of this loan at December 31, 2020 is **\$6,803** (2019 - \$6,934).

The Corporation has entered into an agreement which, under certain conditions, guarantees to assume the purchase and payment of 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, 2020 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, 2020
(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 2020 was **\$1,152** (2019 - \$1,137). 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, Redevelopment and Community Improvement Grant Programs

The Corporation has future commitments on the various Rehabilitation, Redevelopment Community Improvement Programs, which are programs that allow for future reductions in property taxes or access to grant funding. The future commitments are as follows:

Table 29: Future Grant Program Commitments

2021	\$ 4,082
2022	1,536
2023	1,444
2024	2,941
2025	2,603
Beyond	7,850
Total	\$20,456

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

2021	\$19,592
2022	9,597
2023	9,441
2024	5,817
2025	5,214
Beyond	17,452
Total	\$67,113

THE CORPORATION OF THE CITY OF LONDON
Notes to the Consolidated Financial Statements (continued)
Year ended December 31, 2020
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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, 2020:

Table 31: Facilities and infrastructure Commitments

	2020	2019
Roads	\$ 61,896	\$ 54,315
Storm Sewer	29,006	19,022
Water	25,021	20,365
Sanitary Sewer	20,326	32,575
Transit	9,824	-
General Government	5,237	8,860
Recreation Facilities	4,719	5,485
Commercial and Industrial	2,659	2,159
Parks	2,304	9,071
Social Housing	1,082	6
Waste Collection, Disposal and Recycling	791	1,469
Cultural Facilities	474	495
Fire, Provincial Offences and Emergency Measures	308	875
Social and Family Services	296	450
	\$163,943	\$155,147

These amounts represent uncompleted portions of contracts, as at December 31, 2020, 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, 2020, the Corporation has outstanding commitments remaining on these agreements of **\$10,987** (2019 - \$14,647).

THE CORPORATION OF THE CITY OF LONDON
Notes to the Consolidated Financial Statements (continued)
Year ended December 31, 2020
(all dollar amounts in thousands of dollars)

18. Commitments (continued)

f) Derivatives

The Corporation has the following derivative contracts as at December 31, 2020:

- Contract, expiring October 31, 2021, for the transportation of daily natural gas purchases of 363 gigajoules, with a remaining contract value of **\$109** (2019 - \$137).

This derivative contract was purchased to provide price certainty. 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 **\$173** (2019 - \$432).

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.

THE CORPORATION OF THE CITY OF LONDON
Notes to the Consolidated Financial Statements (continued)
Year ended December 31, 2020
(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

	2020	2019
Revenues		
Fines	\$3,360	\$5,063
Total revenues	\$3,360	5,063
Expenses		
Salary, wages and benefits	1,561	1,533
County share of net revenues	5	238
Occupancy costs	52	87
Provincial government cost recovery	229	376
Administration costs	1,239	1,469
Equipment and maintenance	194	205
Total expenses	3,280	3,908
Excess of revenues over expenses	\$80	\$1,155

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 2020 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, 2020
 (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

	Total	Tax	Water	Wastewater
Net Budget PSAB Surplus	\$194,729	\$132,861	\$25,940	\$35,928
Public Sector Accounting Board (PSAB) Reporting Requirements:				
Addback (deduct) from Net Budget PSAB Surplus:				
Transfers:				
Transfers to Capital	(92,232)	(49,675)	(20,793)	(21,764)
Transfers from Reserves and Reserve Funds	9,848	9,848	-	-
Transfers to Reserves and Reserve Funds	(109,586)	(66,484)	(13,741)	(29,361)
	(191,970)	(106,311)	(34,534)	(51,125)
Budget Adjustments:				
Government Grants and Subsidies	(1,499)	(1,499)	-	-
Expenses related to Government Grants and Subsidies	6,470	6,470	-	-
Transfers to Capital	(1,451)	(1,451)	-	-
Transfers from Reserves and Reserve Funds	(130)	(130)	-	-
Transfers to Reserves and Reserve Funds	(3,390)	(3,390)	-	-
	-	-	-	-

THE CORPORATION OF THE CITY OF LONDON
 Notes to the Consolidated Financial Statements (continued)
 Year ended December 31, 2020
 (all dollar amounts in thousands of dollars)

20. Budget Data (continued)

Table 33: Approved Budget per Consolidated Financial Statements (continued)

	Total	Tax	Water	Wastewater
Debt Principal Repayments:	(40,181)	(31,200)	(327)	(8,654)
PSAB Adjustments:				
Capital program funding earned in year	(64,869)	(58,734)	(1,425)	(4,710)
Capital projects not resulting in capital assets	41,560	27,688	4,312	9,560
Amortization	157,121	90,521	17,881	48,719
Developer contributions - assumed capital assets	(40,096)	(13,780)	(6,733)	(19,583)
Loss on disposal of capital assets	2,981	1,707	686	588
Obligatory reserve fund deferred revenue earned	(34,894)	(23,266)	(1,728)	(9,900)
Government Business Enterprises adjustments	(6,350)	(6,350)	-	-
Other	(2,779)	(890)	(891)	(998)
Landfill liability	2,455	2,455	-	-
Employee future benefits liability	3,988	3,715	98	175
	59,117	23,066	12,200	23,851
Boards and Commissions Budget				
PSAB Surplus	(21,695)	(18,416)	(3,279)	-
Net Surplus per 2020 Approved Budget				
	\$ -	\$ -	\$ -	\$ -

THE CORPORATION OF THE CITY OF LONDON
 Notes to the Consolidated Financial Statements (continued)
 Year ended December 31, 2020
 (all dollar amounts in thousands of dollars)

20. Budget Data (continued)

Table 33: Approved Budget per Consolidated Financial Statements (continued)

	Total	Tax	Water	Wastewater
Net Surplus per 2020 Approved Budget – Comprised of:				
Revenues:				
Property Tax	\$642,901	\$642,901	\$ -	\$ -
Government Grants and Subsidies	225,439	225,409	-	30
User Fees	244,709	54,445	84,605	105,660
Municipal Revenues – Other	76,125	75,181	134	810
Municipal Revenues – Transfers from Reserves and Reserve Funds	9,848	9,848	-	-
Total Revenues	1,199,022	1,007,784	84,739	106,500
Expenses:				
Personnel Costs	403,340	376,300	9,687	17,356
Administrative Expenses	16,055	7,360	3,231	5,464
Financial Expenses – Other	11,304	11,230	74	-
Financial Expenses – Interest and Discount on long-term debt	6,059	4,941	24	1,094
Financial Expenses – Debt Principal Repayments	40,181	31,200	327	8,654
Financial Expenses – Transfers to Reserves and Reserve Funds	109,586	66,484	13,741	29,361
Financial Expenses – Transfers to Capital	92,232	49,675	20,793	21,764
Purchased Services	220,753	214,230	3,030	3,493
Materials and Supplies	81,347	39,922	29,790	11,635
Furniture and Equipment	29,680	25,078	1,608	2,994
Transfers	203,889	201,101	-	2,788
Other Expenses	11,031	942	2,759	7,328
Recovered Expenses	(26,435)	(20,679)	(325)	(5,431)
Total Expenses	1,199,022	1,007,784	84,739	106,500
Net Surplus per 2020 Approved Budget	\$ -	\$ -	\$ -	\$ -

THE CORPORATION OF THE CITY OF LONDON
 Notes to the Consolidated Financial Statements (continued)
 Year ended December 31, 2020
 (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

	2020	2019
Net municipal taxation and user charges		
Net municipal taxation	\$ 656,530	\$ 622,509
Payments-in-lieu-of-taxes	9,972	9,660
	666,502	632,169
User charges	277,565	293,976
	\$944,067	\$926,145
Transfer payments		
Operating	\$ 6,190	\$ 2,110
Capital infrastructure	31,381	27,449
Government of Canada - total	37,571	29,559
Unconditional – operating	38,896	239
Conditional – operating	227,279	263,787
Capital infrastructure	4,672	2,940
Province of Ontario - total	270,847	266,966
Other municipalities	6,823	6,584
	\$ 315,241	\$303,109
Investment income		
Investment income - operating	\$ 4,265	\$ 8,635
Investment income - reserves and reserve funds	17,759	16,266
	\$ 22,024	\$ 24,901
Other revenues		
Provincial Offences Fines	\$ 3,360	\$ 5,063
Ontario Lottery & Gaming Corporation	1,050	5,062
Municipal accommodation tax	1,331	3,442
Other contributions - operating	10,763	18,492
Other contributions - capital	5,464	11,014
Donations	572	1,948
Miscellaneous sales	6,397	5,782
	\$ 28,937	\$ 50,803

THE CORPORATION OF THE CITY OF LONDON
Notes to the Consolidated Financial Statements (continued)
Year ended December 31, 2020
(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

	2020	2019
Salaries, wages and fringe benefits	\$ 473,529	\$ 461,198
Long-term debt interest charges	8,395	9,347
Materials and supplies	123,082	140,146
Contracted services	140,947	153,225
Rents and financial expenses	28,432	30,096
External transfers	202,362	223,487
Amortization	184,632	182,017
Total expenses by object	\$1,161,379	\$1,199,516

23. Liability for Contaminated Sites

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

With respect to the first site, reports indicate that remediation for this site will be required and has been estimated at **\$850** (2019 – \$850).

With respect to the second site, reports indicate that remediation for this site will be required and has been estimated at **\$8,247** (2019 – nil).

These amounts have been recorded as a liability at year end and have been included in accounts payable and accrued liabilities in the consolidated statement of financial position.

24. Comparative Figures

Certain comparative figures have been reclassified to conform to the 2020 financial statement presentation.

THE CORPORATION OF THE CITY OF LONDON
Notes to the Consolidated Financial Statements (continued)
Year ended December 31, 2020
(all dollar amounts in thousands of dollars)

25. Impact of COVID-19 Pandemic

Effective March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these financial statements, the Corporation has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Experienced temporary declines in revenues
- Office closure to the public from March 18, 2020 to the date of the Auditors' Report based on public health recommendations
- Modifications to shift coverage and work-isolations to minimize risks to operating staff at the various Corporation's facilities
- Staffing impacts included some full-time employees going on a temporary unpaid declared emergency leave, some seasonal contractual employees experiencing delayed or cancelled contracts and Corporate wide hiring pauses
- Implemented working remotely strategy for some service areas

The Corporation responded by implementing a variety of cost containment measures, while the Federal and Provincial governments responded by providing funding through the Safe Restart Agreement and additional program specific funding.

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Corporation's operations and financial position is not known at this time, although to date the impact has not been significant. These impacts could include a decline in future cash flows and changes to the value of assets and liabilities. Though management continues to make best efforts to forecast possible financial scenarios, an estimate of the future financial effect of the pandemic, on the Corporation, is not practicable at this time.

26. Demand Loan

During the year, the Middlesex-London Health Unit entered a loan agreement for a demand instalment loan with an amortization period of 20 years to finance the fit-up and relocation costs related to the move to Citi Plaza. The loan was converted into two non-revolving amortizing instalment loans, one with a fixed rate instalment loan and one as a floating rate instalment loan. The fixed rate of interest on the first loan is 1.915% per annum over a term of 5 years and shall be repaid by monthly blended payments of principal and interest. The interest rate on the second loan is calculated at prime less 0.75% per annum and shall be repaid by monthly principal payments. The first monthly payment is due on January 30, 2021.

All amounts under the demand loans are repayable immediately on demand by the bank.

THE CORPORATION OF THE CITY OF LONDON
Notes to the Consolidated Financial Statements (continued)
Year ended December 31, 2020
(all dollar amounts in thousands of dollars)

27. 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, 2020
(all dollar amounts in thousands of dollars)

27. 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, 2020
(all dollar amounts in thousands of dollars)

27. 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, 2020
(all dollar amounts in thousands of dollars)

27. 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, 2020
(all dollar amounts in thousands of dollars)

27. 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, 2020
(all dollar amounts in thousands of dollars)

27. 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.

THE CORPORATION OF THE CITY OF LONDON

Consolidated Schedule of Segment Disclosure - Operating Revenues

For the year ended December 31, 2020, with comparative information for 2019 (in thousands of dollars)

	REVENUES					Total 2020 Actuals	Total 2019 Actuals
	Taxation	User Charges	Government Transfers	Developer Contributions	Other		
General Government	666,502	3,513	21,684	-	33,976	725,675	697,076
Fire	-	285	-	-	-	285	320
Police	-	1,198	5,497	-	1,108	7,803	8,069
Other Protection Services	-	12,855	513	-	3,393	16,761	18,576
Total Protection Services	-	14,338	6,010	-	4,501	24,849	26,965
Transit	-	21,661	23,473	-	197	45,331	49,959
Other Transportation Services	-	2,515	16,645	21,877	30,582	71,619	75,000
Total Transportation Services	-	24,176	40,118	21,877	30,779	116,950	124,959
Water/Waste Water	-	190,313	17,449	38,416	18,575	264,753	244,784
Solid Waste	-	12,312	978	-	-	13,290	11,316
Total Environmental Services	-	202,625	18,427	38,416	18,575	278,043	256,100
Health Services	-	-	5,349	-	99	5,448	5,460
General Assistance	-	73	139,152	-	76	139,301	149,156
Assistance to aged persons	-	6,100	14,641	-	-	20,741	19,212
Child Care	-	-	41,082	-	-	41,082	52,891
Total Social and Family Services	-	6,173	194,875	-	76	201,124	221,259
Social Housing	-	12,706	23,660	-	228	36,594	38,170
Parks and Recreation	-	8,742	3,127	841	4,160	16,870	27,519
Libraries	-	0	599	-	244	843	1,667
Cultural Services	-	1,255	1,250	-	719	3,224	5,490
Total Recreation and Cultural Services	-	9,997	4,976	841	5,123	20,937	34,676
Planning, Development and Compliance	-	4,037	142	-	6,440	10,619	17,016
Total Revenues	666,502	277,565	315,241	61,134	99,797	1,420,239	1,421,681

THE CORPORATION OF THE CITY OF LONDON

Consolidated Schedule of Segment Disclosure - Operating Expenses

For the year ended December 31, 2020, with comparative information for 2019 (in thousands of dollars)

EXPENSES								
	Salaries, Wages & Benefits	Materials	Contracted Services	External Transfers	Amortization	Other	Total 2020 Actuals	Total 2019 Actuals
General Government	53,926	7,619	11,999	309	10,777	6,511	91,141	103,667
Fire	76,652	2,319	281	-	2,932	25	82,209	67,689
Police	111,938	5,932	2,579	-	5,153	355	125,957	118,870
Other Protection Services	15,193	3,511	1,235	1,865	295	924	23,023	27,193
Total Protection Services	203,783	11,762	4,095	1,865	8,380	1,304	231,189	213,752
Transit	49,898	17,391	7,418	-	12,828	521	88,056	92,581
Other Transportation Services	21,943	20,941	9,370	32	54,276	8,910	115,472	134,484
Total Transportation Services	71,841	38,332	16,788	32	67,104	9,431	203,528	227,065
Water/Waste Water	26,184	30,820	14,105	2,798	71,177	7,829	152,913	148,273
Solid Waste	9,541	9,959	16,006	621	2,972	1,911	41,010	33,677
Total Environmental Services	35,725	40,779	30,111	3,419	74,149	9,740	193,923	181,950
Public Health Services	5,058	357	377	5,341	84	342	11,559	11,386
Ambulance Services	-	-	18,943	-	-	-	18,943	16,443
Total Health Services	5,058	357	19,320	5,341	84	342	30,502	27,829
General Assistance	20,515	803	9,359	124,898	457	2,687	158,719	169,273
Assistance to aged persons	21,682	2,804	542	159	1,257	553	26,997	25,558
Child Care	2,231	718	12,465	31,268	4	510	47,196	60,865
Total Social and Family Services	44,428	4,325	22,366	156,325	1,718	3,750	232,912	255,696
Social Housing	8,321	1,533	17,464	28,072	2,312	797	58,499	62,262
Parks and Recreation	20,515	5,176	4,697	41	12,424	2,375	45,228	54,786
Libraries	14,203	3,453	1,123	-	3,657	837	23,273	23,996
Cultural Services	2,442	1,866	717	1,542	1,729	69	8,365	9,867
Total Recreation and Cultural Services	37,160	10,495	6,537	1,583	17,810	3,281	76,866	88,649
Planning, Development and Compliance	13,287	7,880	12,267	5,416	2,298	1,671	42,819	38,646
Total Expenses	473,529	123,082	140,947	202,362	184,632	36,827	1,161,379	1,199,516
Annual Surplus							258,860	222,165



London
CANADA

**City of London
Financial Report
2020**