

Audit Committee Report

3rd Meeting of the Audit Committee
September 16, 2020

PRESENT: Deputy Mayor J. Helmer (Chair), M. van Holst, J. Morgan, S. Turner

ABSENT: L. Higgs

ALSO PRESENT: M. Schulthess and S. Spring.

Remote Staff Attendance: L. Livingstone, D. Baldwin (KPMG), A. Barbon, B. Card, I. Collins, M. Daley, K. denBok (KPMG), J. Nolan, S. Oldham, J. Pryce (Deloitte), A. Ruffudeen (Deloitte), C. Saunders, S. Swance, E. Van Daele (KPMG), and R. Wilcox.

The meeting is called to order at 12:01 PM; it being noted that the following were in remote attendance: Councillors M. van Holst, J. Morgan, S. Turner, and S. Hillier.

1. Disclosures of Pecuniary Interest

That it BE NOTED that no pecuniary interests were disclosed.

2. Consent

None.

3. Scheduled Items

None.

4. Items for Direction

4.1 2019 Financial Audit

a. 2019 Financial Statements

Moved by: M. van Holst

Seconded by: J. Morgan

That the 2019 Financial Report of The Corporation of the City of London, BE RECEIVED, it being noted that the Audit Committee received a presentation from the Director, Financial Services with respect to this matter.

Motion Passed

b. Audit Findings Report to the Audit Committee for the Year Ending December 31, 2019

Moved by: S. Turner

Seconded by: M. van Holst

That the Audit Findings Report 2019 as prepared by KPMG for the year ending December 31, 2019, BE RECEIVED, it being noted that the Audit Committee received a presentation from KPMG with respect to this matter.

Motion Passed

4.2 Service London Assessment

Moved by: M. van Holst
Seconded by: J. Morgan

That the Internal Audit Report from Deloitte with respect to the Service London Assessment performed January 2020 to March 2020, issued July 2020, BE RECEIVED.

Motion Passed

4.3 Internal Audit Summary Update

Moved by: M. van Holst
Seconded by: J. Morgan

That the following actions be taken with regards to the Internal Audit submission from Deloitte dated June 15, 2020:

- a) the Revised 2020-2022 Audit Plan BE APPROVED; and
- b) the communication dated September 1, 2020 from Deloitte, with respect to the internal audit summary update, BE RECEIVED;

it being noted that the Audit Committee received a presentation from Deloitte with respect to this matter.

Motion Passed

5. Deferred Matters/Additional Business

None.

6. Adjournment

Moved by: J. Morgan
Seconded by: M. van Holst

That the meeting BE ADJOURNED.

Motion Passed

The meeting adjourned at 1:15 PM.

THE CORPORATION OF THE CITY OF LONDON

Consolidated Report

Year ended December 31, 2019

This Consolidated Report includes the following tabs:

Consolidated Financial Report

- **Treasurer's Message & Financial Reporting**
- **Five Year Review**
- **Definitions**

Consolidated Financial Statements

Consolidated Trust Funds

Argyle Business Improvement Association Board of Management

Covent Garden Market Corporation

Eldon House Corporation

Fair-City Joint Venture

Hamilton Road Business Improvement Area Board of Management

Housing Development Corporation, London

Hyde Park Business Improvement Association Board of Management

London Convention Centre Corporation

London Downtown Business Association

London Hydro Inc.

London & Middlesex Community Housing Inc.

London Public Library Board

London Transit Commission

Middlesex-London Health Unit

Museum London

Old East Village Business Improvement Area Board of Management

Water Supply System – Elgin Area

THE CORPORATION OF THE CITY OF LONDON

Consolidated Report

Year ended December 31, 2019

This Consolidated Report includes the following tabs (continued):

Water Supply System – Lake Huron Area

Consolidated Financial Information Return



Financial Report 2019

THE CORPORATION OF THE CITY OF LONDON

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london.ca



THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2019

| | Page |
|-----------------------------------------------------------------|------|
| Contents | |
| 2019 City of London at a Glance | 5 |
| Message from the City Treasurer | 7 |
| Financial Reporting | 9 |
| External Audit | 9 |
| Accounting and Financial Reporting Requirements | 9 |
| Consolidated Financial Statements Overview | 9 |
| Consolidated Statement of Financial Position | 10 |
| Consolidated Statement of Operations and Accumulated Surplus | 10 |
| Consolidated Statement of Net Financial Assets | 11 |
| Budgetary Process | 12 |
| Financial Management | 13 |
| Capital Financing Policies | 13 |
| Investment Policy | 13 |
| Property Taxation Policy | 13 |
| Future Tax Policy | 14 |
| Credit Rating provided by Moody's Investors Services | 15 |
| Economic Overview | 16 |
| Employment Perspective | 17 |
| Investment Outlook | 19 |
| Local Outlook | 20 |
| Rebound for construction in 2020 | 23 |
| 2019 Financial Results | 26 |
| Financial Results Summary | 26 |
| Net Financial Assets | 26 |
| Total Revenues | 26 |
| Revenue Budget Variance | 26 |
| Total Expenses | 27 |
| Expense Budget Variance | 27 |
| Financing Sources for Municipal Operations | 28 |
| Property Tax Rates and Assessment Growth | 28 |
| Capital Additions and Disposals | 30 |
| Annual Surplus and Accumulated Surplus | 30 |
| Analysis of Debenture Issuance and Net Long-term Debt (\$000's) | 31 |
| Future Balances on Existing Debt and Long-term Liabilities | 33 |
| Reserves and Reserve Funds | 34 |
| Five Year Review and General Statistics | 35 |
| Five Year Review (\$000's) | 35 |
| General Statistics and Indicators | 36 |
| Definitions | 37 |
| Endnotes | 39 |

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report

Year ended December 31, 2019

Contents (continued)

| | Page |
|----------------------------------------------------------------------------|------|
| Consolidated Financial Statements of The Corporation of The City of London | 41 |
| Introduction | 43 |
| Independent Auditors' Report | 45 |
| Consolidated Statement of Financial Position | 51 |
| Consolidated Statement of Operations | 52 |
| Consolidated Statement of Change in Net Financial Assets | 53 |
| Consolidated Statement of Cash Flows | 54 |
| Notes to the Consolidated Financial Statements | 55 |
| Consolidated Schedule of Segment Disclosure – Operating Revenues | 117 |
| Consolidated Schedule of Segment Disclosure – Operating Expenses | 118 |

2019 City of London at a Glance

City of London...



At a Glance

397, 885
Population

423.43 km²
Land Area

3,721
Lane KM of
Paved Road

59.4%

5.5%

Aaa

2019 Labour Participation Rate
(Canada's Rate is 65.7%)^v

2019 Unemployment Rate
(Canada Rate is 5.7%)^v

2019 Credit Rating
Provided by Moody's
Investors

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2019

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, 2019.

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 2019 financial performance. This report also highlights the City's significant financial policies, budget process and provides additional details about the City's financial results in the past year. The 2019 results continue London's history of strong financial control framework, financial leadership in business planning and long-term financial management. We are committed to providing high standards of fiscal excellence at the City of London.

My appreciation is extended to the staff of Finance, Service Areas, and Boards and Commissions for their assistance and cooperation in the preparation of this report as well 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 that reads "A. Barbon".

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

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2019

Financial Reporting

External Audit

The City is required under the *Municipal Act, 2001* to engage independent auditors to express an opinion as to whether the financial statements of the City are free from material misstatements. The auditors have full access to all the records and materials within the City. Staff periodically met with the auditors to discuss any matters that occur during the audit process. At the end of the year end audit, the City will receive a Management Letter which outlines any audit findings. Although the financial statements are audited by an independent third party, the City's

management is responsible for the preparation of the financial statements and the integrity and objectivity of the financial information contained within them.

Accounting and Financial Reporting Requirements

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

Consolidated Financial Statements Overview

The Consolidated Financial Statements include the following individual statements:

| Name | Purpose |
|----------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Consolidated Statement of Financial Position | Provides a summary of the City's assets (financial and non-financial), and financial liabilities as at December 31, 2019. |
| Consolidated Statement of Operations | Outlines revenues, expenses, surplus for the year and accumulated surplus at year end. This statement reflects the combined operations of the operating, capital, reserve and reserve funds for the City and its consolidated entities and provides the calculation of the City's accumulated surplus at year end. |
| Consolidated Statement of Change in Net Financial Assets | Outlines the changes in net financial assets as a result of annual operations, tangible capital asset transactions, as well as changes in other non-financial assets. |
| Consolidated Statement of Cash Flows | Summarizes the City's cash position and changes during the year by outlining the City's sources and uses of cash. |

Financial Reporting (continued)

Consolidated Financial Statements Overview (continued)

The Consolidated Financial Statements combine the financial results of the City's service areas with the financial results of the boards and commissions, and government business enterprises that the City effectively controls. There are 20 entities that are directly included in the financial statements and these are listed in Note 1 to the Consolidated Financial Statements. The notes to the statements provide further detail about the City's financial results and are an integral part of the statements.

Consolidated Statement of Financial Position

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

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

The City has received funds for specific purposes under legislation, regulation or agreements. The recognition of these funds as revenues has been deferred until related expenses occur in the future. For example, development charges and Federal and Provincial Government transfers

received (such as public transit funding) are not recognized as revenues until such time as the projects are constructed. These restricted funds are included in liabilities as "Deferred Revenue" and not in the accumulated surplus. A breakdown of the City's deferred revenue obligatory reserve funds can be found in Note 7 to the Consolidated Financial Statements.

As a result of the significant investment in tangible capital assets, there is a large accumulated surplus. While there is a large accumulated surplus, this occurs at the same time that the City has a net financial asset position which assists in financing future unfunded liabilities and expenses. Although tangible capital asset balances are considerable for municipalities – much larger on a percentage basis than any other level of government – they do not provide liquidity, and are not typically available for sale, the proceeds of which could be used for other purposes. It is for this purpose that tangible capital assets are not included in the calculation of net financial assets position, arguably the most important financial statistic for governments.

Consolidated Statement of Operations and Accumulated Surplus

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

The Consolidated Statement of Operations and Accumulated Surplus provides a summary of the revenues, expenses and surplus throughout the reporting period and outlines the change in accumulated surplus. The 2019 budget values presented in this statement have been adjusted to reflect the differences between amounts as budgeted at the City on a modified "cash

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2019

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: Thames River

City of London Budget

Budgetary Process

In March 2016, Municipal Council approved the City of London's first ever Multi-Year Budget (operating and capital) that covers a four (4) year period (2016-2019) and is linked to Municipal Council's Strategic Plan. Council also approved a ten year capital plan. Linking the strategy to the budget provides accountability between what is achieved and the cost to the tax and rate payer. Rather than approving a budget annually, Municipal Council will approve budgets in four (4) year cycles, with the last year being subject to reconfirmation by the new term of Municipal Council.

An important element of the Multi-Year Budget is the annual update process. Municipal Council is required by the *Municipal Act, 2001* to review and readopt the budget for that year. Annual updates will provide Municipal Council the opportunity to adjust the budget to provide flexibility for special events or circumstances that require funding and resource adjustments.

The 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 categorizes the organization into ten service programs: Culture Services; Economic Prosperity; Environmental Services; Parks, Recreation & Neighbourhood Services; Planning and Development Services; Protective Services; Social and Health Services;

Transportation Services; Corporate, Operational & Council Services; and Financial Management.

The budget process incorporates input from Elected Officials, Senior Management and staff, as well as the public. The process begins with overall budget targets, taking into consideration the economic climate within the area. Staff will then make recommendations to revise expenditure levels or revenues to meet the targets. Prior to final deliberations on the budget, public input is compiled and utilized in the decision making process. Provincial legislation requires revenues to be raised to meet all budgeted expenditures. Municipalities may not budget for surpluses or deficits and any that occur must be fully accounted for in the next year's budget. The City's Municipal Council approved the Surplus/Deficit Policy which provides framework for the allocation of surpluses and funding for deficits.

2019 represented the final year of the 2016-2019 Multi-Year Budget cycle. The City of London adopted and approved its second Multi-Year Budget covering 2020-2023 in March 2020. The budget also included a 10 year capital forecast to 2029.



Photo 3: Winter in Victoria Park

Financial Management

Capital Financing Policies

The City uses a balanced approach to finance capital projects, consistent with the Council approved Capital Budget and Financing Policy and Debt Management Policy. Sources of capital financing include: tax and rate supported capital levy (“pay as you go”), reserve 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 maximizes investment return, and minimizes investment risk while meeting the daily cash requirements of the City, and conforming to legislation governing the investment of public funds.

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

term maturities to meet the funding requirements of the City.

The City’s objectives to investing, in priority order, are to adhere to statutory requirements, preserve capital, maintain liquidity and obtain a competitive rate of return. One of the key strategies utilized to meet these objectives is diversification. Investments are diversified by limiting investments in securities to those with higher credit ratings, purchasing securities with varying maturities and investing in marketable securities that have an active secondary market. Another key strategy used by the City is the “buy and hold” strategy. By purchasing investments at varying maturity dates and holding the investments to term, the interest rate risk is minimized and capital is preserved while maximizing yields. Along with the diversification and buy and hold strategies, the City also maintains portfolios managed by investment firms.

The benefit of investment services provided by a sophisticated team of experts include; regular monitoring, more active trading, diversification of funds, accessibility to market research and anticipation of market conditions. Together these strategies ensure that the City is achieving its investment goal of maximizing investment income at minimal risk to capital.

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 2019, 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 2020. The City also reduced Commercial and Industrial tax ratios in 2019 and 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. For 2019 there was no tax mitigation in the industrial and multi-residential property tax system and only a very few properties had tax increases capped in the commercial property class. No properties will have tax decreases clawed back in any property class in 2020. The ending of the tax mitigation required by the Provincial Government will simplify the calculation of property taxes and will enhance equity and transparency in the property tax system in London.

Future Tax Policy

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

Credit Rating provided by Moody's Investors Service

Moody's Investors Service (Moody's) typically reviews the credit worthiness of the City of London annually and then assigns the City a credit rating. Moody's is a leading provider of credit ratings, research and risk analysis. The firm's ratings and analysis track debt covering more than 130 countries, 11,000 corporate issuers, 21,000 public finance issuers and 76,000 structured finance obligations.

The rating process involves a review of the City's annual audited Consolidated Financial Statements, the Financial Information Return (FIR) that is filed annually with the Ministry of Municipal Affairs, the 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.

According to Moody's credit rating opinion published September 20, 2019 the City has maintained its Aaa credit rating with a stable outlook.

The City has proudly held the Aaa rating since 1977, making 2019 the 43rd 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 43 consecutive years is a testament to the success of the City's prudent, conservative approach to fiscal planning.



Aaa

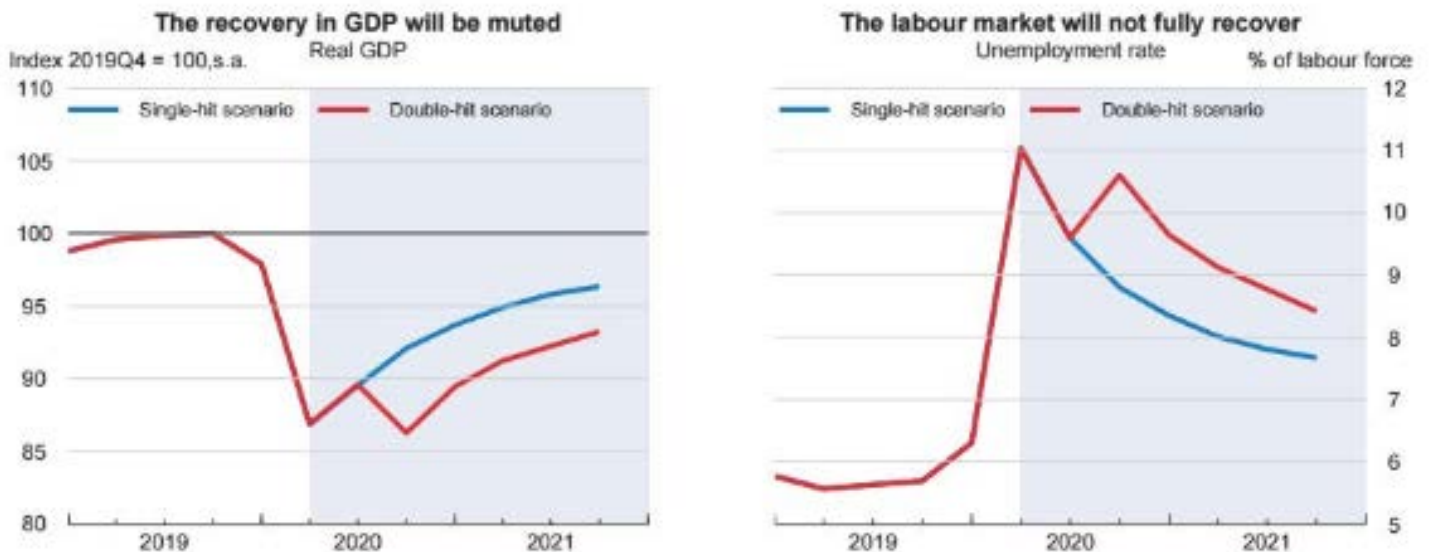
Figure 1: 2019 Credit Rating Provided by Moody's Investor Service.



Photo 4: Victoria Park Skating at Dusk

Economic Overview

Nationally, annual output is projected to shrink by 9.4% in 2020 in the event of a second virus outbreak and related shutdown, and by 8% if recovery is uninterrupted. The rebound will not be dynamic enough for output to attain pre-COVID-19 levels by the end of 2021 under either scenario. Similarly, the rate of unemployment will still be elevated. Fiscal balances will deteriorate sharply from additional spending commitments and tax-revenue losses and then recover somewhat thanks to declining outlays in support payments and recovering incomes. Weak demand will push down consumer price inflation. (Source: *OECD Economic Outlook Volume 2020 Issue*)



Source: OECD Economic Outlook 107 database.

Figure 2: The project recovery in GDP.

The central bank, along with federal, provincial and territorial governments, have responded quickly to the COVID-19 crisis, and a substantial range of monetary, fiscal and structural support is in place. Contingency plans for future outbreaks of COVID-19 are now needed. Policy also needs to ensure that measures already taken are effective, in particular the Canada Emergency Response Benefit (CERB) and Canada Emergency Wage Subsidy (CEWS) given the importance of these programs. Both of these programs are planning to dissolve and alternatively have Canadians access more traditional unemployment programs within existing social services. Gaps in support need to be dealt with as they appear, especially among vulnerable groups. (Source: *OECD Economic Outlook Volume 2020 Issue*)

The lifting of containment measures is underway, although Canada’s first cases of COVID-19 appeared in mid-January of 2020, with substantial acceleration in cases from early March. However, Canada appears to have averted the scale of impact seen in some countries. The spread of the virus in care homes has been a key issue, around 17% of Canada’s population is aged 65 and over. (Source: *OECD Economic Outlook Volume 2020 Issue*)

Economic Overview (continued)

Employment Perspective

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*)

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. (Source: *OECD Economic Outlook Volume 2020 Issue*)

In Ontario, employment increased by 377,900 (5.9%) to 6,776,500 in June 2020, following a decline of 64,500 in May. This was the first monthly increase in employment since the COVID-19 economic downturn began. Over the February-May period, Ontario employment declined by almost 1.2 million, the largest three-month employment decline on record. With this increase, Ontario employment in June was 778,600 (10.3%) lower than the February level. (Source: *Ontario Labour Market Report: June 2020*)

All sectors recorded job gains in June except two. Wholesale and retail trade (107,400) led employment gains in June, followed by manufacturing (66,200), accommodation and food services (41,600) and construction (34,100). Professional, scientific and technical services (-5,700) and forestry, fishing, mining, oil, quarry and gas (-1,000) were the only sectors that lost employment. Over half (57.0%) of the job losses over the February-May period were concentrated in four sectors – wholesale and retail trade, accommodation and food services, manufacturing, health care and social assistance and construction. These sectors account for 65% of the jobs gained in June. The total number of hours worked (main job) in Ontario in June increased by about 13.7% compared to May but are still down by 11.0% compared to February, note that data are not seasonally adjusted. (Source: *Ontario Labour Market Report: June 2020*)

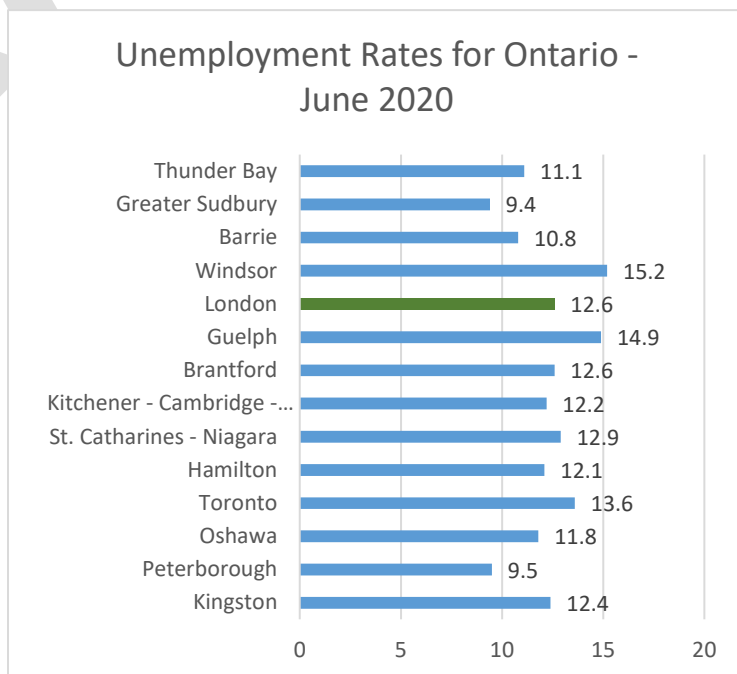


Figure 3: Ontario Unemployment Trends as of June 2020

Economic Overview (continued)

Employment Perspective (continued)

In London, there are very similar trends to the provincial reports. Retail, food services and hospitality being particularly impacted, leaving London with a June unemployment rate of 12.6%, compared to the large Census Metropolitan Areas (CMA's) average of 12.2%. (Source: Statistics Canada, Labour Force Survey, Table 14-10-0294-01)

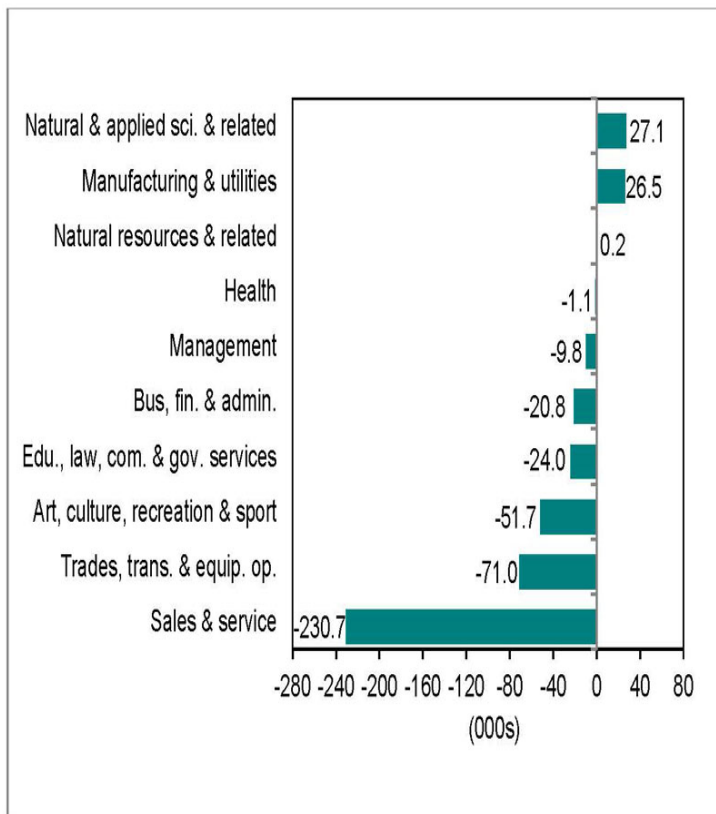


Figure 4 shows the National Occupational Classification (NOC) system, seven of the ten major occupational groups in Ontario had employment losses in the first six months of 2020 compared to a year prior.

Figure 4. According to the National Occupational Classification (NOC) system, seven of the ten major occupational groups in Ontario had employment losses in the first six months of 2020 compared to a year ago.

These occupations lost the most jobs:

- sales and service (230,700)
- trades, transport and equipment (71,000)
- art, culture, recreation, and sport (51,700)

These occupations gained jobs:

- natural and applied sciences and related (27,100)
- manufacturing and utilities (26,500)

(Source: National Occupational Classification, Statistics Canada, Labour Force Survey, Table 14-10-0297-01, unadjusted data.)

However, after losing more than 30,000 jobs since the beginning of pandemic-induced shutdown in March, the London region added 11,200 new positions in July, 2020. As the economy reopens, it is projected that total employment will jump back up to close to 254,000 in 2021. First signs of economic recovery can be seen as London area's unemployment rate fell by two percentage points in July to 10.5%. July's improvement, the first time the unemployment rate dropped since March.

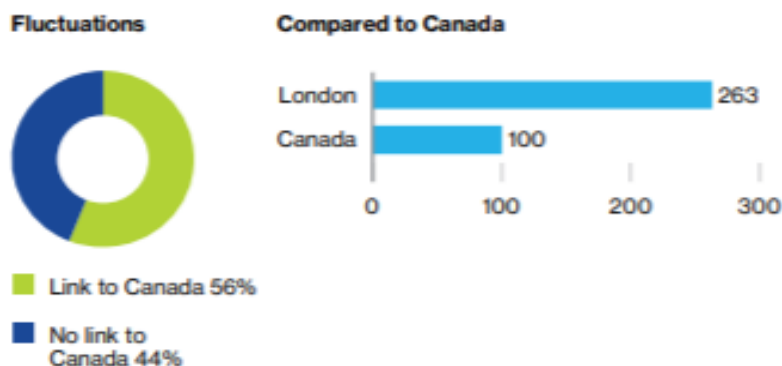
Economic Overview (continued)

Investment Outlook

Fortunately, domestic demand is forecast to improve in 2020 while the pandemic keeps Canadians at home more. But heightened trade tensions are slowing trade prospects, keeping a lid on non-energy exports. Overall, after posting a real output gain of 1.6% in 2019, the Canadian economy will accelerate to growth of 1.8% this year and 1.9% in 2021, as recent robust job creation and wage growth will support domestic demand, while improving energy prospects will spur investment. (Source: Conference Board of Canada Metropolitan Outlook: London, Winter 2020)

Households are showing to choose saving over spending. Canada's labour market had an incredible year in 2019. Employment rose by 2.1% last year, for a total addition of 385,000 new jobs. Unfortunately, easing demand for workers after last year's strong job gains, coupled with slowing labour force growth resulting from a surging retirement rate, will constrain job gains in the near term. In total, the economy is anticipated to create a cooler 200,000 jobs in 2020 and 193,000 jobs in 2021. Despite strong employment gains last year, real consumer spending increased by only 1.6%, down from 2.1% in 2018. This was largely the result of an increase in the savings rate, which rose from 1.4% in 2018 to 1.9% in 2019. Going forward, solid income gains will support household spending growth of 1.7% this year and 1.9% next year, while also increasing the savings rate to 2.5% by 2021—the highest rate since 2015. (Source: Conference Board of Canada Metropolitan Outlook: London, Winter 2020)

Employment market variability



Sources: The Conference Board of Canada; Statistics Canada.

Figure 5: Employment Market Variability

Economic Overview (continued)

Investment Outlook (continued)

Housing markets are showing to holding up despite the pandemic. Canadian housing markets will benefit from ongoing employment and population growth, from the recent drop in mortgage interest rates, and

Current state

Slower global growth and persistent trade tensions will continue to affect business investment.



Tight labour markets will help sustain wage growth and consumer spending.



from the diminishing impact of the adjustment to government demand-tempering policies. After a weak 2018, housing starts accelerated to 215,000 units in 2019. Although housing starts are expected to ease to 212,000 units this year and 209,000 units in 2021, they will remain above the 10-year annual average of 202,000 units. Overall, after contracting by 1.7% in 2019, residential investment is anticipated to grow by a modest 0.9% this year and 0.5% next year, supported by hikes in ownership transfer costs (driven largely by strong resale market activity) and renovation spending.

Forecast risk

Given that this forecast was completed before the coronavirus outbreak and the commodities crash, overall GDP growth will be lower than expected, with social distancing policies, travel bans, and lower commodity prices affecting multiple sectors of the economy.



London's economy will expand by 1.9% in 2020, thanks to ongoing strength in manufacturing and solid output advances in construction, in wholesale and retail trade, and in professional, scientific and technical services.

(Source: Conference Board of Canada Metropolitan Outlook: London, Winter 2020)

Figure 6: Current State and Forecast Risk of London's Investment Outlook

Local Outlook

After expanding at an average annual pace of 1.7% between 2014 and 2018, London's economy logged a softer performance in 2019. Indeed, the region posted a modest real GDP gain of only 0.5%—a six-year low. Fortunately, this slowdown is expected to be temporary, assuming no farther setbacks with the COVID-19 pandemic, as it anticipate the economy will expand by 1.9% in each of 2020 and 2021. (Source: Conference Board of Canada Metropolitan Outlook: London, Winter 2020)

A key driver of London's healthy performance in recent years has been the region's manufacturing sector. Solid exports supported by a depreciated Canadian dollar and by healthy U.S. demand, particularly for automobiles, have helped fuel strong output growth in the industry. Although the manufacturing industry will see slower growth in part due to declining U.S. vehicle sales, output is still expected to expand at a steady pace thanks to strong business investment, key contracts, and improving international trade prospects. (Source: Conference Board of Canada Metropolitan Outlook: London, Winter 2020)

London's construction sector is expected to be one of the region's fastest-growing industries in the near term, with a healthy mix of housing starts and industrial projects helping the industry recover from back-to-back contractions in 2018–19. Meanwhile, solid advances in the wholesale and retail trade industries,

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2019

Economic Overview (continued)

Local Outlook (continued)

as well as in the professional, scientific, and technical services industry, will drive steady growth in the aggregate services industry following modest gains in 2019. Despite London's healthy overall economic growth over the last few years, the city's job market logged a less consistent performance. After generating nearly 9,000 jobs in 2015— an expansion of 3.7%—the region shed 6,200 positions between 2016 and

London

Table 1
Sectoral employment
(000s)

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---------------------------------------------------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Total employment | 245.8 | 253.0 | 249.6 | 258.2 | 260.0 | 261.8 | 265.9 | 270.3 |
| | -0.1 | 2.9 | -1.3 | 3.5 | 0.7 | 0.7 | 1.6 | 1.7 |
| Manufacturing | 29.7 | 31.6 | 34.0 | 34.6 | 34.2 | 33.7 | 34.1 | 34.4 |
| | -10.9 | 6.4 | 7.4 | 1.9 | -1.3 | -1.4 | 1.3 | 0.9 |
| Construction | 16.5 | 17.5 | 17.8 | 18.1 | 18.3 | 18.6 | 19.2 | 19.7 |
| | 7.3 | 5.6 | 1.8 | 2.1 | 0.8 | 1.6 | 3.0 | 2.9 |
| Primary and utilities | 5.0 | 3.7 | 3.7 | 4.1 | 3.5 | 2.9 | 2.9 | 2.9 |
| | 5.9 | -26.9 | -0.7 | 11.4 | -14.6 | -17.5 | -0.3 | 0.0 |
| Wholesale and retail trade | 37.1 | 42.4 | 37.8 | 38.1 | 37.3 | 36.5 | 37.2 | 38.2 |
| | 15.5 | 14.3 | -10.8 | 0.6 | -2.0 | -2.3 | 2.0 | 2.8 |
| Transportation and warehousing | 9.9 | 11.4 | 10.5 | 11.2 | 10.5 | 9.7 | 9.9 | 9.9 |
| | -8.1 | 15.7 | -8.5 | 7.2 | -6.5 | -7.4 | 1.5 | 0.7 |
| Information and cultural industries | 3.5 | 3.4 | 3.1 | 3.8 | 3.6 | 3.4 | 3.4 | 3.4 |
| | 9.7 | -3.5 | -10.1 | 24.8 | -5.8 | -6.2 | 0.0 | 0.2 |
| Finance, insurance, real estate, business, building, and other support services | 30.6 | 28.2 | 29.6 | 31.6 | 31.4 | 31.2 | 31.4 | 31.6 |
| | 6.0 | -7.8 | 5.1 | 6.6 | -0.6 | -0.8 | 0.8 | 0.7 |
| Professional, scientific, and technical services | 16.6 | 14.8 | 16.1 | 14.7 | 17.3 | 19.9 | 20.4 | 20.9 |
| | 2.4 | -11.0 | 8.8 | -8.8 | 17.6 | 15.4 | 2.5 | 2.5 |
| Educational services | 23.1 | 22.2 | 22.3 | 24.2 | 22.2 | 20.1 | 20.3 | 20.4 |
| | 2.7 | -3.9 | 0.5 | 8.6 | -8.4 | -9.3 | 0.8 | 0.6 |
| Health care and social assistance | 38.2 | 38.6 | 36.0 | 36.5 | 39.0 | 41.3 | 41.6 | 42.1 |
| | -0.1 | 1.0 | -6.6 | 1.4 | 6.8 | 6.0 | 0.8 | 1.1 |
| Arts, entertainment, and recreation | 4.2 | 5.0 | 4.8 | 4.7 | 4.7 | 4.7 | 4.8 | 4.9 |
| | -33.1 | 17.4 | -2.9 | -2.2 | -0.8 | 0.1 | 2.7 | 2.5 |
| Accommodation and food services | 17.1 | 17.7 | 15.5 | 19.5 | 18.7 | 17.9 | 18.3 | 18.8 |
| | -10.0 | 3.8 | -12.8 | 26.0 | -3.9 | -4.4 | 2.4 | 2.6 |
| Other services (except public administration) | 7.6 | 9.5 | 9.9 | 9.3 | 10.2 | 11.0 | 11.3 | 11.7 |
| | -13.0 | 25.2 | 3.8 | -5.7 | 9.4 | 8.7 | 2.7 | 2.8 |
| Public administration | 6.6 | 7.0 | 8.6 | 7.8 | 9.3 | 11.0 | 11.1 | 11.2 |
| | 1.0 | 6.2 | 23.2 | -9.9 | 20.3 | 17.3 | 0.9 | 1.7 |

Shaded area represents forecast data; italics indicate percentage change.
First line of employment data is in thousands and second line is percentage change.
Sources: The Conference Board of Canada; Statistics Canada.

Figure 7: Sectoral Employment from 2017-2024 projections.

from 5.6% in 2019 to 5.5% in 2020, before averaging 5.3% between 2021 and 2024. After London's key manufacturing sector contracted by an average of 8.8% annually between 2006 and 2009, it rallied to advance steadily over the next decade. Between 2010 and 2019, industry output expanded at an average annual pace of 3.6%. Although growth is anticipated to edge down to 2.2% in 2020 and 2.4% in 2021, total manufacturing output will finally surpass its 2005 peak this year. In general, steady growth in the manufacturing industry will be

2017. Although employment growth of 2.9% in 2018 made up for these losses, a further contraction of 1.3% last year left total employment 2,400 jobs short of the 2015 average. Fortunately, with real GDP growth expected to pick up over the near term, we expect employment to rebound and expand by 3.5% this year and 0.7% in 2021. (Source: Conference Board of Canada Metropolitan Outlook: London, Winter 2020)

In contrast to the job market's uneven performance, the region's unemployment rate has been gradually declining over the last decade. Indeed, after exceeding 8% between 2010 and 2013, the jobless rate has since declined to sit under 6% since 2017, driven in part by population aging and the accompanying rise in retirements. These factors, combined with our call for rising employment, will help push the unemployment rate down

Economic Overview (continued)

Local Outlook (continued)

driven by a combination of solid investment activity and steady exports supported by a depreciated Canadian dollar and a healthy U.S. economy. Additionally, as the ratification of the new trade agreement between Canada, the U.S., and Mexico draws nearer and eases recent international trade uncertainties, businesses will be able to make more confident investment decisions for the medium term. (Source: Conference Board of Canada Metropolitan Outlook: London, Winter 2020)

Following their collapse during the 2008–09 financial crisis, U.S. vehicles sales rose steadily until reaching a record high of 17.5 million units in 2016. Although vehicle sales have been on the decline since, the pullback has been gradual, and we don't expect sales to dip below 16 million vehicles until 2022. As a result, we expect London's automotive manufacturers to see solid growth over the forecast. The outlook is bright for London's food product manufacturing industry. London's Nestlé ice-cream plant recently invested in a \$52-million expansion, hiring an additional 150 full-time employees. Meanwhile, thanks in part to a \$7-million grant from the Ontario government, Dr. Oetker hired an additional 100 employees at its London facility last year after installing a new high-speed frozen pizza manufacturing line, nearly doubling the plant's production. Finally, Maple Leaf Foods' new fresh poultry processing plant will open next year. Although the facility will employ about 1,450 people in the London region, the news is bittersweet, as this new plant will prompt the closure of Leaf Foods plants in St. Mary's, Brampton, and Toronto between 2021 and 2022 as the company consolidates operations. (Source: Conference Board of Canada Metropolitan Outlook: London, Winter 2020)

Economic structure, 2019



Sources: The Conference Board of Canada; Statistics Canada.

Figure 8: Economic Structure, 2019

Economic Overview (continued)

Local Outlook (continued)

London is also home to a number of cannabis manufacturers. With the legalization of edible cannabis products in the fall of 2019, companies are looking to tap into the burgeoning market. High Park, for instance, operates a 56,000-square-foot facility in the region, where it processes cannabis into a wide variety of products, including dried cannabis, edibles, beverages, and vape products. At the same time, London-based Indiva is manufacturing high-end chocolate infused with cannabis, while Eve and Co. is looking to expand into topicals. Unfortunately, with the industry encountering growing pains in its first year, some companies have been forced to slow investment, including Beleave Cannabis, which recently cancelled plans to expand its operation into London. Despite this, the outlook for the subsector is positive as more products are introduced to appeal to new customers.

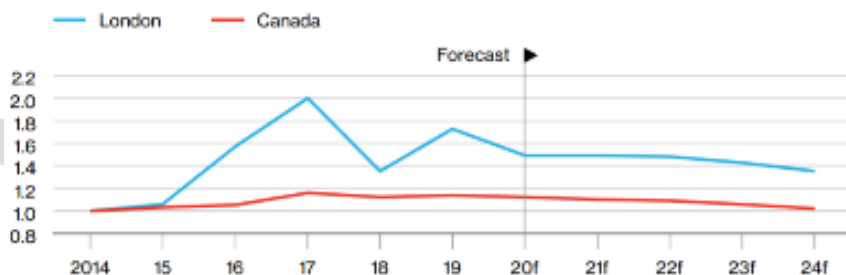
Finally, work continues on the 15-year, \$15-billion contract to construct light-armoured vehicles (LAVs) for Saudi Arabia at General Dynamics Land Systems–Canada. However, political tensions between Canada and Saudi Arabia mean we cannot rule out the possibility that the project could get cancelled, presenting downside risk to London’s overall manufacturing outlook. Fortunately, the longer-term outlook remains bright for General Dynamics, as Canada recently signed a \$2-billion deal to buy 360 LAVs for the Canadian Armed Forces. (Source: Conference Board of Canada Metropolitan Outlook: London, Winter 2020)

Rebound for construction in 2020

London’s construction industry has performed inconsistently over the last five years. After posting a 17-year-high output gain of 7.0% in 2017, the sector contracted over the next two years, posting back-to-back losses of 0.3% in 2018 and 3.1% in 2019. Fortunately, thanks to a mix of healthy housing starts and key non-residential projects, we expect London’s construction industry will rebound in the near term, expanding by

3.7% this year and 2.9% in 2021. After the region saw a 28-year high of 3,970 housing starts in 2017, workers broke ground on a further 2,680 units in 2018 and 3,420 units in 2019. Although starts are anticipated to ease over the near term, they will sit comfortably above the 10-year annual average of 2,550 units thanks to a healthy resale housing market and recent strong population growth. Multiple-unit projects will make up the bulk of new home construction in the coming years. Projects currently under construction include Tricar Group’s 24-storey, 212-unit York Thames complex, as well as Old Oak Properties’ 32-storey, 175-unit building on Richmond Street. Meanwhile, Old Oak Properties also began construction on a \$245-million, 652-unit residential development. Consisting of two towers, including a 40-storey skyscraper slated to be London’s tallest apartment tower, the project is expected to

Housing starts
(index, 2014 = 1.0)



f = forecast

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

Figure 9: Construction Industry performance for past five

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2019

Economic Overview (continued)

Rebound for construction in 2020 (continued)

be complete in 2021. Overall, housing starts are anticipated to reach 2,960 units in both 2020 and 2021. The story is also bright on the non-residential side. Construction is under way on Maple Leaf Foods' \$660-million, 640,000-square-foot fresh poultry processing plant, which is expected to be operational next year. Meanwhile, work has begun on London's \$75-million Starlight Casino, which is expected to be open by 2021. Finally, work could start this year on portions of London's new bus rapid transit (BRT) system thanks to a \$123-million commitment from the federal government toward 10 London transit projects, three of which are part of the BRT plan. (Source: Conference Board of Canada Metropolitan Outlook: London, Winter 2020)

Between 2015 and 2019, output in London's aggregate services sector grew at a modest average annual rate of 1.1%, including a gain of only 0.7% last year. Fortunately, we expect the sector to pick up the pace in the near term and expand by a solid 1.6% this year and 1.8% in 2021. Despite an uneven job market, steady GDP growth has helped support strong performances in the region's wholesale and retail trade industries. After expanding at an average annual pace of 5.2% between 2016 and 2018, output in the wholesale trade industry expanded by a still strong 3.7% last year. The retail trade industry grew at a slightly slower pace, posting average annual gains of 4.8% over 2016–18 and advancing by a solid 2.7% in 2019. Although steady wage growth and a rebound in the labour market in the near term will keep consumers spending, high household debt and past interest rate increases will limit purchases, particularly for durable goods. This year, the wholesale and retail trade industries will expand by a healthy 2.3% and 2.7%, respectively. Next year, both industries are expected to advance at a rate of 2.6%. (Source: Conference Board of Canada Metropolitan Outlook: London, Winter 2020)

Comparative employment, 2018

(share of total employment)

| Sector | London | Ontario | Canada |
|--------------------------------|-------------|-------------|-------------|
| Industrial | 0.21 | 0.20 | 0.21 |
| Office | 0.21 | 0.28 | 0.25 |
| Transportation and warehousing | 0.05 | 0.05 | 0.05 |
| Wholesale and retail trade | 0.17 | 0.15 | 0.15 |
| Non-commercial services | 0.24 | 0.19 | 0.20 |
| Other services* | 0.13 | 0.13 | 0.13 |
| Total | 1.00 | 1.00 | 1.00 |

*arts, entertainment, and recreation; accommodation and food services; and other services (except public administration)

Sources: The Conference Board of Canada; Statistics Canada.

Figure 10: Comparative Employment for various sectors, 2018.

in the finance, insurance, and real estate industry of 1.8% this year and 2.1% in 2021. (Source: Conference Board of Canada Metropolitan Outlook: London, Winter 2020).

The finance, insurance, and real estate sector posted a modest gain last year. Although the London–St. Thomas real estate market had its third best year on record in 2019, with buyer demand driving total sales up 3.4% over 2018 to 10,125 units, output in the finance, insurance, and real estate industry expanded by only 0.7%. Fortunately, we expect growth to pick up in the near term. Even though tougher federal mortgage rules have pushed some buyers out of the market, strong population growth and a steady economy will continue to stimulate housing demand and help drive output growth

Economic Outlook (continued)

Rebound for construction in 2020 (continued)

Performances among London's other commercial services industries are more mixed. The professional, scientific, and technical services industry, one of the region's growth drivers in recent years, will expand steadily over the forecast, following up an output gain of 2.5% in 2019 with further advances of 2.3% this year and 2.5% next year. Meanwhile, the transportation and warehousing industry will post moderate gains of 1.2% in 2020 and 1.3% in 2021, following a contraction of 5.8% in 2019. Finally, after shrinking by 2.3% last year, output in the accommodation and food services industry is expected to grow by 2.3% this year and 2.5% in 2021. With the provincial government implementing fiscal belt-tightening measures to balance its budget, London's publicly funded services industries are expected to see only modest output growth over the forecast. After contracting by 1.0% last year, output in the health care industry is anticipated to expand by 1.1% in each of 2020 and 2021. Meanwhile, output growth in the education sector will ease to 0.4% this year and 0.5% next year following a gain of 1.0% in 2019. Finally, the region's public administration industry will continue to be sluggish. After contracting annually between 2014 and 2018, the sector will return to growth in 2019 with an advance of 1.3%. Although public administration output will grow over the forecast, the pace of expansion is expected to dip to 0.4% in 2020 and 0.5% in 2021. (Source: Conference Board of Canada Metropolitan Outlook: London, Winter 2020)



Photo 5: Covent Garden Market.

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2019

2019 Financial Results

Financial Results Summary

| 2019 (millions) | Budget | Actual | Variance |
|-----------------|----------|----------|----------|
| Revenues | \$ 1,379 | \$ 1,422 | \$ 43 |
| Expenses | 1,164 | 1,200 | 36 |
| Surplus | \$ 215 | \$ 222 | \$ 7 |

Table 1: Financial Results Summary

The City's financial position remained stable during 2019, with the City's cash and investments increasing by \$181 million to a combined total of \$1,237 million, compared to \$1,056 million in 2018. 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 \$522 million in 2019, representing an increase of \$121 million over 2018. 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 \$1,422 million in 2019, down \$1 million (0.08%) compared to 2018. This is mainly as a result of:

- Tax and user charges revenues were \$926 million, up \$35 million (3.9%) compared to 2018;
- Transfer payments were \$303 million, down \$28 million (8.5%) compared to 2018, predominantly in the areas of transportation, water and wastewater, and social housing. Also contributing to transfer payments were provincial uploading in social and family services.

2019 REVENUES

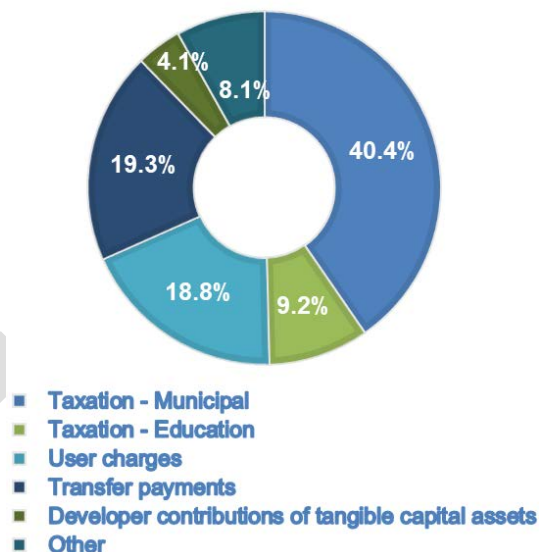


Figure 11: 2019 Revenues

Revenue Budget Variance

In 2019, revenue realized on a full accrual basis of \$1.4 billion was \$43 million greater than budget. Contributing factors to this variance were:

- Higher than anticipated net municipal taxation revenue of \$7.1 million mainly due to higher than anticipated supplementary taxes and payments in lieu.
- Favourable user fee revenue of \$8.2 million was mainly attributable to building permits, water & wastewater charges, taxation office revenue and W12A tipping fee revenue.
- Greater than expected developer contributions of tangible capital assets by \$23.2 million.
- Revenue from other sources were greater than budget by \$19.1 million mainly due to sales of industrial land and collection of the Municipal Accommodation Tax.
- Offsetting the favourable revenue realized were lower than anticipated recognition of transfer payments and development charges.

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2019

2019 Financial Results (continued)

Total Expenses

Total expenses are \$1,200 million in 2019, up \$49.1 million (4.3%) compared to 2018. This is mainly due in part to:

- Increase spending in Transportation Services (\$14.9 million), Protection to persons and property (\$10.3 million), Social Housing (\$8.1 million), General Government (\$6.7 million) and Planning and Development (\$5.6 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.

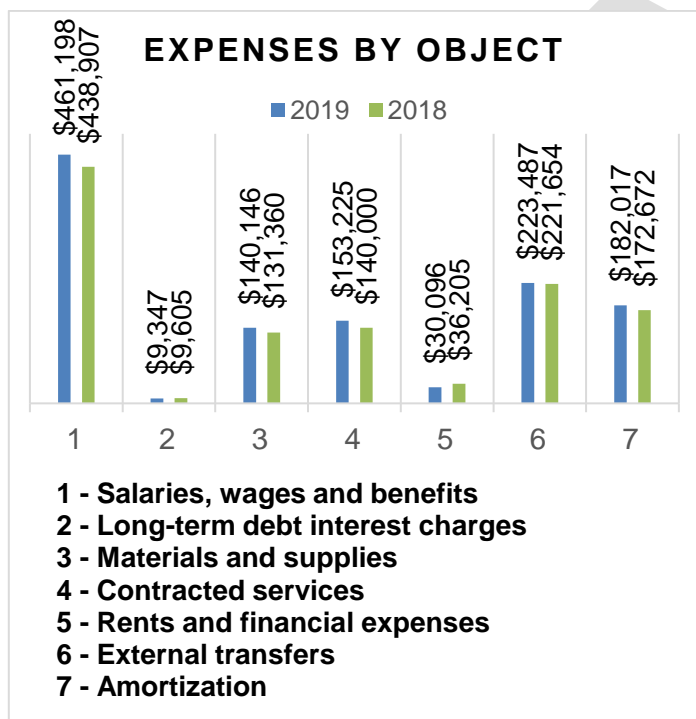


Figure 12: Expenses by Object (\$'000's)

2019 EXPENSES

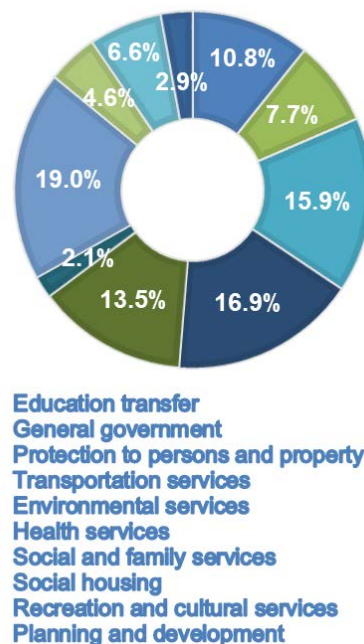


Figure 13: 2019 Expenses

Expense Budget Variance

In 2019, expenses incurred on a full accrual basis were \$1,200 million which was \$36 million greater than budget. Contributing factors to this variance were:

- Higher than anticipated Transportation Service costs by \$13 million.
- Increase costs incurred in Planning and Development by \$6.2 mainly attributable to the cost of sales of industrial land.
- Spending in Social Housing was higher than anticipated by \$13 million due to increased transfer payments from other levels of government.
- Higher than anticipated costs in General Government due to benefit costs and legal accruals.

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2019

2019 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.

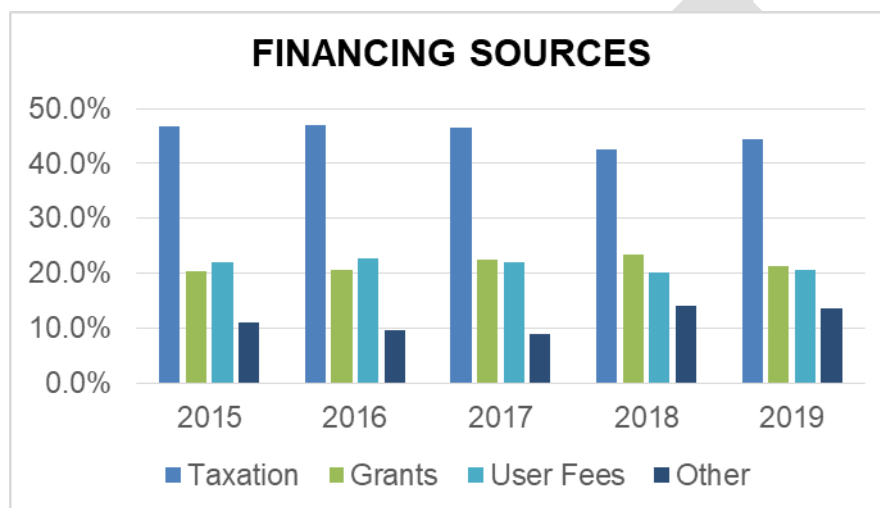


Figure 14: Five (5) Year Overview of Financing Services

Property Tax Rates and Assessment Growth

City Council approved a tax levy of \$ 606.5 million, representing an increase over 2018 of 4.66%. When assessment growth, tax policy and education taxes are taken into consideration, the property tax increase translated into a 1.2 % 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 \$241,000 in 2019 and an average value increase from 2018.

For 2019, assessment weighted with applicable tax ratios and using consistent valuation dates increased by 1.96%.

COMPARATIVE PROPERTY TAXES

| | 2019 | 2018 |
|--------------|----------------|----------------|
| Municipal | \$2,842 | \$2,791 |
| Education | 388 | 402 |
| Total | \$3,230 | \$3,193 |

Table 2 Municipal & Education Comparative Property Taxes

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2019

2019 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.

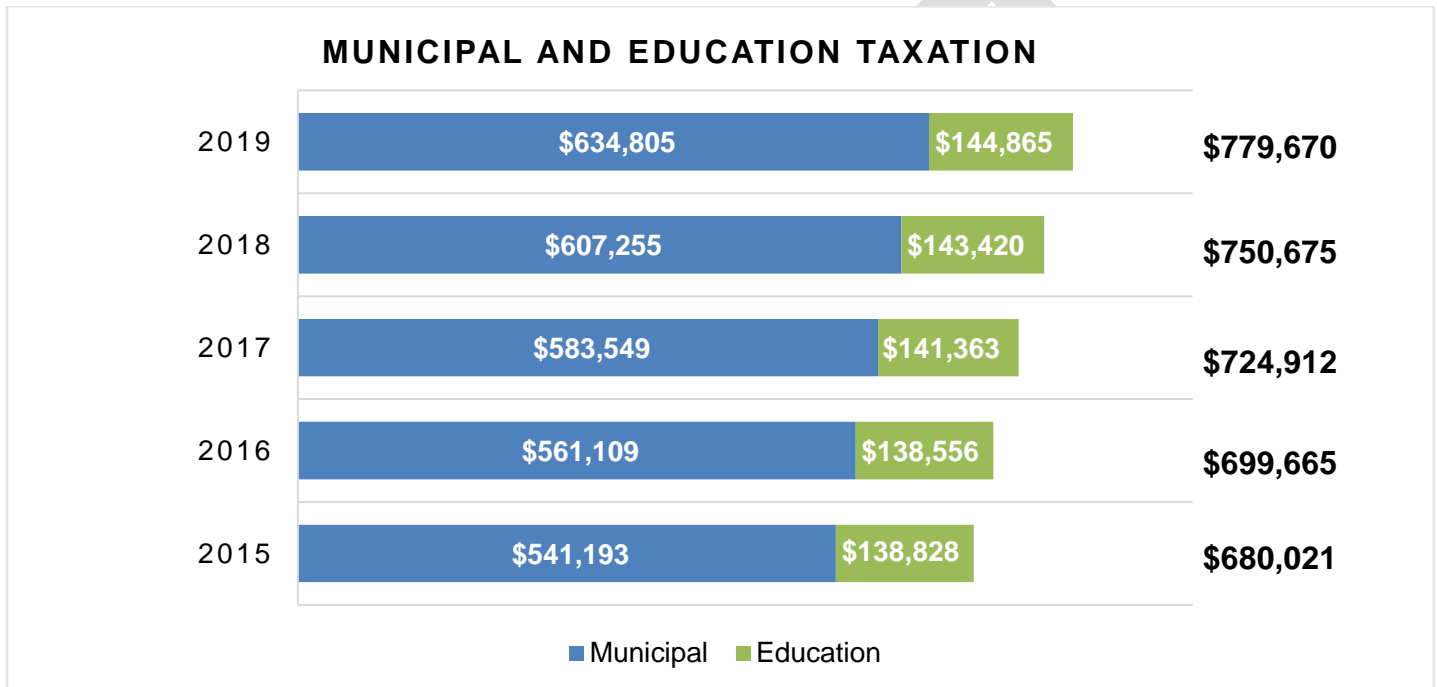


Figure 15: Five (5) year Overview of Property Taxes (\$000's)
Source: 2019 Financial Information Return, Schedule 26A

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2019

2019 Financial Results (continued)

Capital Additions and Disposals

During 2019, additions to our completed capital assets were \$294 million versus \$397 million in 2018. The City also disposed of capital assets of \$77 million compared to \$65 million in 2018. There was also a net increase in assets still under construction of \$458 thousand in 2019. The following table reflects where the largest net additions in 2019 were, excluding assets still under construction:

NET CAPITAL ASSET INCREASES RANKED BY 2019 SPENDING (\$000's)

| | | |
|----|--------------------------------------|----------|
| 1. | Roads and Bridges Infrastructure | \$61,067 |
| 2. | Water and Wastewater Infrastructure | 58,451 |
| 3. | Land, Landfill and Land Improvements | 12,611 |

Table 3: Largest Net Additions, 2019 (\$000's)

In 2019 amortization expense recorded was \$182 million and accumulated amortization of \$68 million was removed upon disposal of the assets.

This resulted in a 2019 net book value of \$3,996 million for the City's tangible capital assets, compared to \$3,893 million for 2018.

Annual Surplus and Accumulated Surplus

The annual surplus for the consolidated entity for 2019 was \$222 million (2018 - \$272 million). This results in an increase to the City's Accumulated Surplus for 2019 to \$4,539 million (2018 - \$4,317 million).

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2019

2019 Financial Results (continued)

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

In 2019, the City issued debt of \$49.4 million through public debentures, which is a decrease from 2018 when \$55 million was issued.

The amounts issued financed the following major activities:

| Debenture Issuance (\$000's) | Public Debentures |
|-----------------------------------------------------------|-------------------|
| General Municipal Activities (Roads, Transit, Recreation) | \$28,180 |
| Wastewater Infrastructure | 21,200 |
| | \$49,380 |

Table 4: Debenture Amounts Issued

The City issued public debentures at an average cost of 2.655% over a 10-year term.

During the year, debt substitution totaled \$10.6 million (2018 - \$7.0 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.

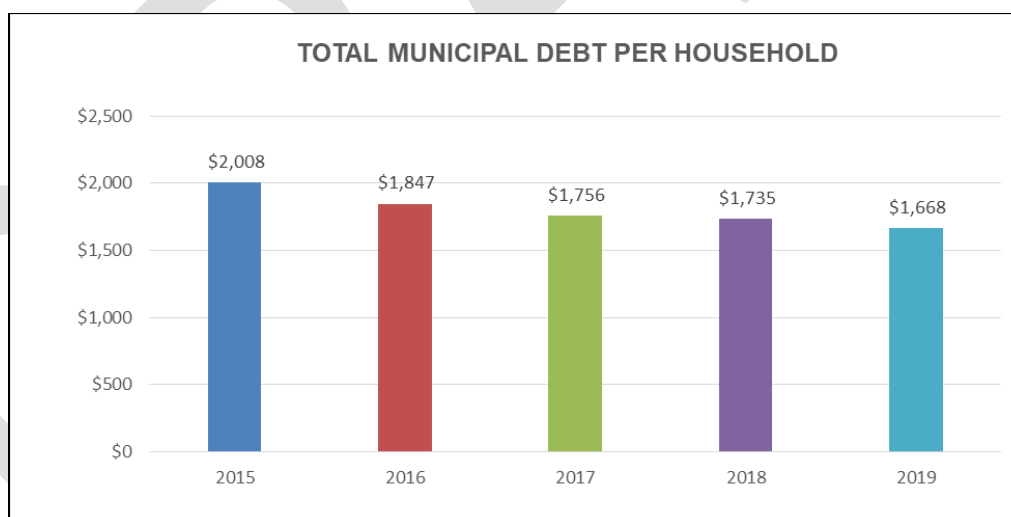


Figure 16: Five (5) Year Overview of Municipal Debt per Household

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, 2019

2019 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)

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|-----------------------------------------------------------|---------|---------|---------|---------|----------------|
| Total Tax Supported Debt (\$) | 225,909 | 205,690 | 192,732 | 184,684 | 169,593 |
| Total Rate Supported Debt (\$) | 122,250 | 118,198 | 117,883 | 126,443 | 133,800 |
| Total Debt (\$) | 348,159 | 323,888 | 310,615 | 311,127 | 303,393 |
| Number of Households | 173,415 | 175,342 | 176,859 | 179,342 | 181,841 |
| Total Debt per Household (\$) | 2,008 | 1,847 | 1,756 | 1,735 | 1,668 |
| Discretionary Reserve Funds & Reserves (\$) | 574,311 | 606,830 | 681,028 | 761,075 | 854,787 |
| Discretionary Reserve Funds & Reserves Per Household (\$) | 3,312 | 3,461 | 3,851 | 4,244 | 4,701 |

Table 5: Discretionary Reserves and Reserve Funds per Household

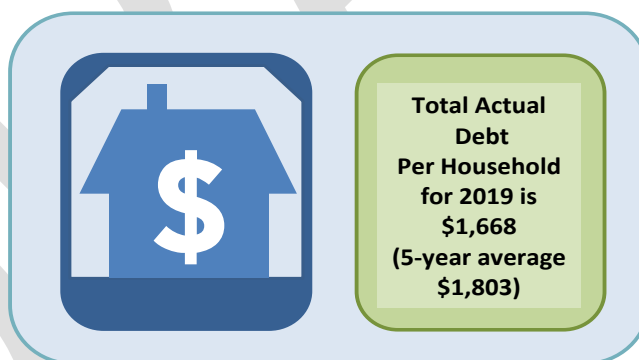


Figure 17: Total Actual Debt per Household, 2019

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2019

2019 Financial Results (continued)

Future Balances on Existing Debt and Long-term Liabilities

The following table outlines principal balances remaining on outstanding debentures for general, water, sewer and reserve funds as at December 31, 2019. The current obligation will be met by 2032.

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

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|--------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|---------------|
| General Municipal | 160,312 | 128,257 | 98,869 | 74,453 | 53,256 | 38,026 |
| Discretionary Reserve Funds | 10,239 | 5,786 | 3,752 | 1,656 | 490 | - |
| Total Tax Supported Debt | 170,551 | 134,043 | 102,621 | 76,109 | 53,746 | 38,026 |
| Water | 13,158 | 10,606 | 7,999 | 5,579 | 3,916 | 3,119 |
| Sewer | 41,663 | 33,008 | 24,662 | 19,456 | 15,217 | 11,184 |
| Obligatory Reserve Funds | 79,631 | 69,127 | 58,415 | 48,762 | 39,584 | 31,046 |
| Total Rate Supported Debt | 134,452 | 112,741 | 91,076 | 73,797 | 58,717 | 45,349 |
| Total Long-term Debt and Liabilities | 305,003 | 246,784 | 193,697 | 149,906 | 112,463 | 83,375 |
| Less Unamortized Discount | (1,610) | (1,306) | (1,026) | (764) | (549) | (383) |
| Total Long-term Debt and Liabilities, net of Unamortized Discount | 303,393 | 245,478 | 192,671 | 149,142 | 111,914 | 82,992 |
| Percentage Remaining | 100% | 81% | 64% | 49% | 37% | 27% |

Table 6: Principal Balances Remaining on Outstanding Debentures as at December 31, 2019 (\$000's)

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2019

2019 Financial Results (continued)

Reserves and Reserve Funds

At December 31, 2019, the City of London had combined Reserves, and Discretionary and Obligatory Reserve Funds of \$1,201 million (\$106 million and \$1,095 million respectively). These balances reflect a net increase of \$152 million from December 2018, 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.

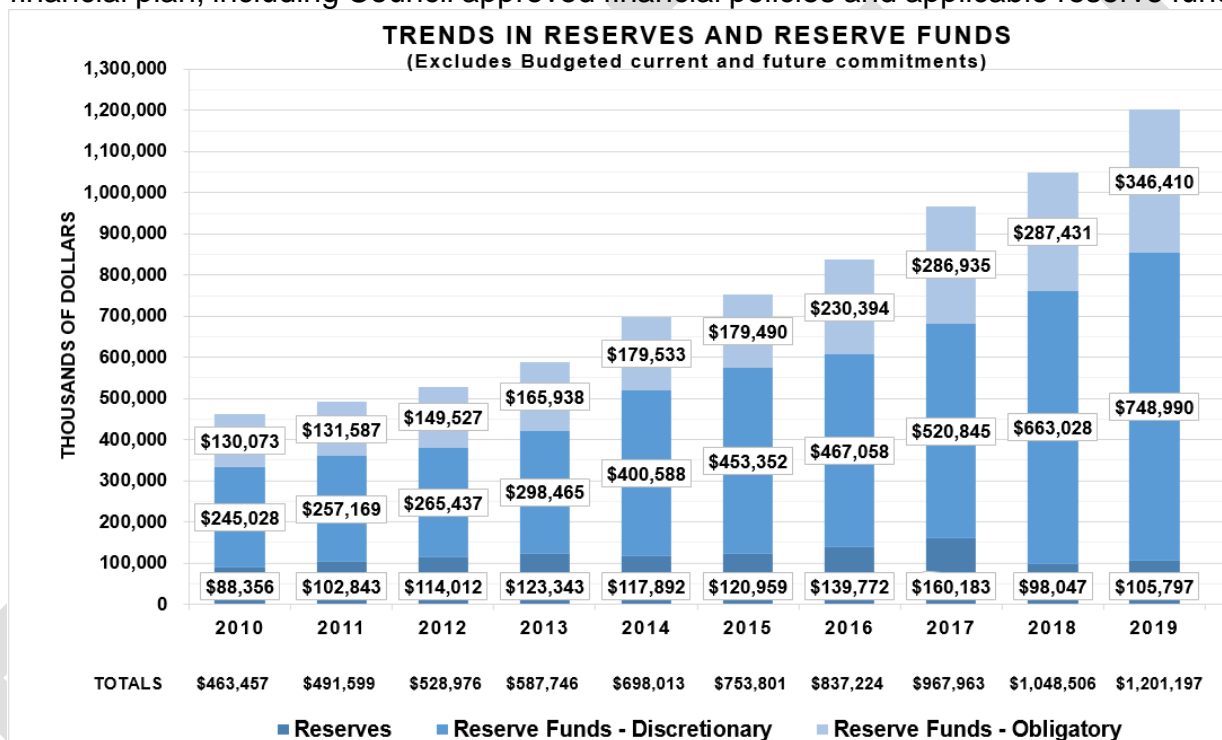


Figure 18: Ten Year Overview of Reserves and Reserve Funds (\$000's)

In 2019, Reserve Funds grew by \$144 million, reaching \$1,095 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 \$8 million over 2018 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, 2019

Five Year Review and General Statistics

Five Year Review (\$000's)

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| TAXATION (including education) | | | | | |
| Residential & Farm | \$539,339 | \$522,543 | \$507,405 | \$494,636 | \$477,128 |
| Commercial & Industrial | 240,331 | 228,132 | 217,507 | 205,029 | 202,893 |
| | \$779,670 | \$750,675 | \$724,912 | \$699,665 | \$680,021 |
| TOTAL TAXES RECEIVABLE | \$ 29,223 | \$29,792 | \$28,937 | \$31,388 | \$34,897 |
| TAX ARREARS | | | | | |
| Percentage of Current Levy | 3.7% | 4.0% | 4.0% | 4.5% | 5.1% |
| TAX RATES (%) (including all area rates & education) | | | | | |
| Residential | 1.340225 | 1.350819 | 1.360444 | 1.362611 | 1.366710 |
| Multi-Residential | 2.223582 | 2.290515 | 2.361127 | 2.405666 | 2.479835 |
| Commercial | 3.554112 | 3.618981 | 3.693816 | 3.690491 | 3.714835 |
| Industrial | 3.554112 | 3.618981 | 3.693816 | 3.790491 | 3.814835 |
| TOTAL LONG-TERM DEBT | | | | | |
| General Municipal Rates | \$155,812 | \$163,414 | \$164,844 | \$170,906 | \$184,389 |
| Water Rates | 13,158 | 15,638 | 18,927 | 18,724 | 16,916 |
| Sewer Rates | 41,663 | 50,346 | 55,551 | 61,922 | 70,416 |
| Municipal Reserve Funds | 89,870 | 75,590 | 62,653 | 60,869 | 62,227 |
| | \$300,503 | \$304,988 | \$301,975 | \$312,421 | \$333,948 |
| DEBT PRINCIPAL & INTEREST REPAYMENTS | | | | | |
| Principal | \$53,865 | \$51,987 | \$ 49,361 | \$48,422 | \$44,202 |
| Interest and debenture discount | 9,347 | 9,605 | 9,698 | 10,303 | 10,985 |
| | \$63,212 | \$61,592 | \$59,059 | \$58,725 | \$55,187 |
| DEBT ISSUED | \$49,380 | \$55,000 | \$41,000 | \$30,048 | \$40,500 |
| ASSESSMENT GROWTH | 1.96% | 1.27% | 0.91% | 1.20% | 1.17% |
| TANGIBLE CAPITAL ASSETS ADDITIONS | \$392,112 | \$502,850 | \$457,929 | \$377,697 | \$317,708 |
| TANGIBLE CAPITAL ASSETS AMORTIZATION | \$182,017 | \$172,672 | \$162,828 | \$154,373 | \$147,713 |
| NET BOOK VALUE TANGIBLE CAPITAL ASSETS | \$3,995,680 | \$3,892,797 | \$3,749,717 | \$3,614,041 | \$3,486,341 |
| ANNUAL SURPLUS | \$222,165 | \$272,392 | \$166,359 | \$166,940 | \$144,808 |
| CONSOLIDATED ACCUMULATED SURPLUS | \$4,538,912 | \$4,316,747 | \$4,044,355 | \$3,877,996 | \$3,711,056 |
| RESERVES, DISCRETIONARY & OBLIGATORY RESERVE FUNDS | \$1,201,197 | \$1,048,506 | \$967,963 | \$837,224 | \$753,801 |

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2019

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.

| | 2019 | 2018 |
|---------------------------------------------------|-------------|-------------|
| GENERAL STATISTICS: | | |
| Population ⁱ | 397,885 | 393,167 |
| Area in Acres | 104,632 | 104,632 |
| Number of Households ⁱⁱ | 181,841 | 179,342 |
| Number of Properties ⁱⁱ | 159,643 | 157,305 |
| Building Permit Values (\$000's) ⁱⁱⁱ | \$1,374,352 | \$1,008,066 |
| Average Home Selling Price ^{iv} | | |
| London and St. Thomas | \$410,035 | \$369,039 |
| Ontario | \$606,951 | \$570,429 |
| Canada | \$501,925 | \$490,123 |
| Unemployment Rates (Annual Averages) ^v | | |
| London | 5.5% | 5.6% |
| Ontario | 5.6% | 5.6% |
| Canada | 5.7% | 5.8% |
| CPI Canada (percentage change) ^v | 1.9% | 2.3% |
| Real GDP Canada (percentage change) ^v | 1.8% | 2.3% |

Table 7: General Statistics and Indicators

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2019

Definitions

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

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.^{vi}

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).^{vi}

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

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

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

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.^{vii}

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

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

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

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

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

Definitions (continued)

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

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

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.^{vii}

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.^{vii}

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.^{vii}

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.^{vii}

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).^{vii}

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).^{vi}

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2019

Endnotes

- ⁱ Provided by City's Planning Service Area and Statistics Canada, August 2020, <https://www.statcan.gc.ca/eng/start>
- ⁱⁱ Municipal Property Assessment Corporation, <https://www.mpac.ca/>, 2019 year end assessment roll, December 2019
- 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, September 2020, June 2019 <https://www.statcan.gc.ca/eng/start>
- ^{vi} Ministry of Municipal Affairs and Housing, Common Language Guide to Municipal Financial Statements (Toronto: Queen's Printer for Ontario, 2016), <http://www.mah.gov.on.ca/AssetFactory.aspx?did=15792>
- ^{vii} Ministry of Municipal Affairs and Housing, "The Fiscal Context," The Ontario Municipal Councillor's Guide 2018, <https://www.ontario.ca/document/ontario-municipal-councillors-guide-2018/9-fiscal-context>

Consolidated Financial Statements of

THE CORPORATION OF THE CITY OF LONDON

And Independent Auditors' Report thereon

Year ended December 31, 2019

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Statements

Year ended December 31, 2019

(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 Accounts (CPA) of Canada Public Sector Accounting Handbook.

The City Treasurer is responsible for submitting annually, to the Audit Committee and Council, audited financial statements. These financial statements include the consolidated results of the City of London for the fiscal year ending December 31, 2019.

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

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, 2019
- 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, 2019, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

Other Information

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially

inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

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

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

We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

Date

THE CORPORATION OF THE CITY OF LONDON
Consolidated Statement of Financial Position
As at December 31, 2019, with comparative information for 2018

(all dollar amounts in thousands of dollars)

| | 2019 | 2018 |
|-------------------------------------------------------------------------|---------------------|---------------------|
| Financial assets | | |
| Cash and cash equivalents (Note 2) | \$ 491,411 | \$ 490,040 |
| Accounts receivable | | |
| Taxes receivable (Note 3) | 22,074 | 23,072 |
| Other receivables | 77,525 | 80,299 |
| Land held for resale | 38,322 | 33,899 |
| Investments (Note 4) | 745,419 | 565,851 |
| Loan receivable (Note 5) | 23,791 | 24,130 |
| Investment in government business enterprises and partnerships (Note 6) | 193,410 | 189,381 |
| Total financial assets | 1,591,952 | 1,406,672 |
| Financial liabilities | | |
| Accounts payable and accrued liabilities (Note 23) | 173,710 | 170,387 |
| Deferred revenue (Note 7) | 372,246 | 319,839 |
| Accrued interest on long-term debt | 2,026 | 2,051 |
| Long-term liabilities (Note 8) | 4,500 | 7,700 |
| Long-term debt (Note 9) | 298,893 | 303,427 |
| Capital lease obligations (Note 10) | 649 | 1,082 |
| City services payable (Note 11) | 15,015 | 2,162 |
| Employee benefits payable (Note 12) | 161,699 | 159,545 |
| Landfill closure and post-closure liability (Note 13) | 41,051 | 39,190 |
| Total financial liabilities | 1,069,789 | 1,005,383 |
| Net financial assets | 522,163 | 401,289 |
| Non-financial assets | | |
| Tangible capital assets (Note 14) | 3,995,680 | 3,892,797 |
| Inventories of supplies | 5,056 | 4,840 |
| Prepaid expenses | 16,013 | 17,821 |
| Total non-financial assets | 4,016,749 | 3,915,458 |
| Contingent Liabilities (Note 16) | | |
| Loan Guarantees (Note 17) | | |
| Commitments (Note 18) | | |
| Subsequent Event (Note 25) | | |
| Accumulated surplus (Note 15) | \$ 4,538,912 | \$ 4,316,747 |

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, 2019, with comparative information for 2018

(all dollar amounts in thousands of dollars)

| | Budget | 2019 | 2018 |
|---------------------------------------------------------------------------------|------------------|---------------------|--------------|
| Revenues | | | |
| Net municipal taxation | \$ 625,084 | \$ 632,169 | \$ 604,712 |
| User charges | 285,754 | 293,976 | 286,353 |
| Transfer payments | | | |
| Provincial | 260,283 | 266,966 | 269,676 |
| Federal | 47,366 | 29,559 | 56,016 |
| Other municipalities | 6,478 | 6,584 | 5,644 |
| Investment income | 3,747 | 24,901 | 18,628 |
| Penalties and interest | 6,788 | 7,676 | 7,984 |
| Development charges earned | 62,516 | 35,065 | 50,086 |
| Developer contributions of tangible capital assets (Note 14(b)) | 41,746 | 64,953 | 73,285 |
| Other (Note 21) | 31,694 | 50,803 | 37,007 |
| Equity in earnings of government business enterprises and partnerships (Note 6) | 6,983 | 9,029 | 13,405 |
| Total revenues | 1,378,438 | 1,421,681 | 1,422,795 |
| Expenses | | | |
| General government | 100,813 | 103,667 | 96,962 |
| Protection to persons and property | 215,529 | 213,752 | 203,451 |
| Transportation services | 213,484 | 227,065 | 212,200 |
| Environmental services | 170,634 | 181,950 | 185,751 |
| Health services | 27,631 | 27,829 | 25,580 |
| Social and family services | 266,084 | 255,696 | 254,286 |
| Social housing | 48,786 | 62,262 | 54,143 |
| Recreation and cultural services | 88,352 | 88,649 | 85,067 |
| Planning and development | 32,410 | 38,646 | 32,963 |
| Total expenses | 1,163,722 | 1,199,516 | 1,150,403 |
| Annual surplus | 214,716 | 222,165 | 272,392 |
| Accumulated surplus, beginning of year | 4,316,747 | 4,316,747 | 4,044,355 |
| Accumulated surplus, end of year | \$ 4,531,463 | \$ 4,538,912 | \$ 4,316,747 |

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, 2019, with comparative information for 2018

(all dollar amounts in thousands of dollars)

| | Budget | 2019 | 2018 |
|----------------------------------------------------|------------------|------------------|------------------|
| Annual surplus | \$ 214,716 | \$ 222,165 | \$ 272,392 |
| Acquisition of tangible capital assets | (244,092) | (229,223) | (250,019) |
| Developer contributions of tangible capital assets | (41,746) | (64,953) | (73,284) |
| Amortization of tangible capital assets | 145,171 | 182,017 | 172,672 |
| Proceeds from sale of tangible capital assets | 48 | 9,342 | 7,581 |
| Gain on disposal of tangible capital assets | (48) | (66) | (30) |
| | (140,668) | (102,883) | (143,080) |
| Change in inventories of supplies | - | (216) | (297) |
| Change in prepaid expenses | - | 1,808 | (252) |
| | - | 1,592 | (549) |
| Change in net financial assets | 74,048 | 120,874 | 128,763 |
| Net financial assets, beginning of year | 401,289 | 401,289 | 272,526 |
| Net financial assets, end of year | \$ 475,337 | \$ 522,163 | \$ 401,289 |

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, 2019, with comparative information for 2018

(all dollar amounts in thousands of dollars)

| | 2019 | 2018 |
|-----------------------------------------------------------------------------------------------|-------------------|-------------------|
| Cash and cash equivalents provided by (used in) | | |
| Operating Activities | | |
| Annual surplus | \$ 222,165 | \$ 272,392 |
| Items not involving cash | | |
| Amortization of tangible capital assets | 182,017 | 172,672 |
| Developer contributions of tangible capital assets | (64,953) | (73,284) |
| Gain on disposal of tangible capital assets | (66) | (30) |
| Change in employee benefits payable | 2,154 | 4,671 |
| Change in landfill closure and post-closure liability | 1,861 | 2,498 |
| Equity in earnings of government business enterprises and partnerships | (10,073) | (14,220) |
| Amortization of debenture discount | (49) | (101) |
| Change in non-cash assets and liabilities | | |
| Taxes receivable | 998 | (698) |
| Other receivables | 2,774 | (13,986) |
| Land held for resale | (4,423) | (971) |
| Accounts payable and accrued liabilities | 3,323 | 5,377 |
| Deferred revenue | 52,407 | 2,796 |
| Accrued interest on long-term debt | (25) | (254) |
| City services payable | 12,853 | (1,664) |
| Inventories of supplies | (216) | (297) |
| Prepaid expenses | 1,808 | (252) |
| Net change in cash and cash equivalents from operating activities | 402,555 | 354,649 |
| Capital Activities | | |
| Proceeds from sale of tangible capital assets | 9,342 | 7,581 |
| Acquisition of tangible capital assets | (229,223) | (250,019) |
| Net change in cash and cash equivalents from capital activities | (219,881) | (242,438) |
| Investing Activities | | |
| Net increase in investments | (179,568) | (28,613) |
| Repayment of loans receivable | 339 | 263 |
| Repayment of promissory note receivable from government business enterprises and partnerships | 910 | 855 |
| Dividends from London Hydro Inc. (Note 6(a)(v)) | 5,000 | 5,000 |
| Net change in cash and cash equivalents from investing activities | (173,185) | (22,534) |
| Financing Activities | | |
| Long-term debt issued | 49,380 | 55,000 |
| Long-term debt repayments | (53,865) | (51,987) |
| Repayments of long-term liabilities | (3,200) | (2,400) |
| Repayments of capital lease obligations | (433) | (753) |
| Net change in cash and cash equivalents from financing activities | (8,118) | (140) |
| Net change in cash and cash equivalents | 1,371 | 89,537 |
| Cash and cash equivalents, beginning of year | 490,040 | 400,503 |
| Cash and cash equivalents, end of year (Note 2) | \$ 491,411 | \$ 490,040 |

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

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, 2019

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

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

(iv) Accounting for School Board Transactions

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

During the year, **\$144,866** of taxation was collected on behalf of school boards (2018 - \$143,420) 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, 2019

(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 **\$4,363** (2018 - \$4,301).

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, 2019

(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, 2019

(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, 2019

(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, 2019

(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 2019 the Corporation received **\$632,169** (2018 - \$604,712) 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, 2019

(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 urban works payable. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency, or credit risks arising from these financial instruments.

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, 2019

(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, 2019

(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, 2019

(all dollar amounts in thousands of dollars)

1. Significant Accounting Policies (continued)

l) 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, 2019

(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, 2019

(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, 2019

(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, 2019

(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, 2019

(all dollar amounts in thousands of dollars)

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

| | 2019 | 2018 |
|------------------|------------------|-------------|
| Cash on deposit | \$420,076 | \$479,882 |
| Cash equivalents | 71,335 | 10,158 |
| | \$491,411 | \$490,040 |

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

| | 2019 | 2018 |
|---------------------------------|-----------------|-------------|
| Taxes receivable | \$27,623 | \$28,057 |
| Penalties and interest | 1,600 | 1,735 |
| Allowance for doubtful accounts | (7,149) | (6,720) |
| | \$22,074 | \$23,072 |

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2019

(all dollar amounts in thousands of dollars)

4. Investments

Investments are comprised of the following:

Table 4: Investments

| | 2019 | 2019 | 2018 | 2018 |
|-------------------------|------------------|------------------|------------------|------------------|
| | Cost | Market Value | Cost | Market Value |
| Pooled investment funds | \$ 21,634 | \$ 22,369 | \$ 6,769 | \$ 6,744 |
| Government fixed income | 134,716 | 134,598 | 119,927 | 117,890 |
| Corporate fixed income | 495,372 | 499,991 | 326,568 | 327,377 |
| Asset backed securities | 89,215 | 90,300 | 109,112 | 108,560 |
| Other investments | 4,482 | 4,482 | 3,475 | 3,475 |
| | \$745,419 | \$751,740 | \$565,851 | \$564,046 |

5. Loan Receivable

Table 5: Loan Receivable

| | 2019 | 2018 |
|-----------------------------------------------|-----------------|----------|
| Subordinate Loan – City of London Arena Trust | \$23,791 | \$24,130 |

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, **\$339** (2018 - \$263) 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, 2019

(all dollar amounts in thousands of dollars)

6. Investment in Government Business Enterprises and Partnerships

The Corporation holds a 100% interest in London Hydro Inc., a 38.572% (2018 – 41.429%) interest in the Fair-City Joint Venture Partnership and a 73.432% interest in the City-YMCA Joint Venture Partnership based upon investments as follows:

Table 6: Investment in Government Business Enterprises and Partnerships

| | | 2019 | 2018 |
|-------------------------------------|----|------------------|-----------|
| London Hydro Inc. | a) | \$174,690 | \$169,329 |
| Fair-City Joint Venture Partnership | b) | 3,769 | 4,603 |
| City-YMCA Joint Venture Partnership | c) | 14,951 | 15,449 |
| | | \$193,410 | \$189,381 |

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

| | 2019 | 2018 |
|-------------------------------------------|------------------|-----------|
| Financial Position | | |
| Current assets | \$ 78,724 | \$ 79,563 |
| Capital assets | 354,155 | 329,275 |
| Total assets | 432,879 | 408,838 |
| Regulatory balances | 21,019 | 17,166 |
| Total assets and regulatory balance | 453,898 | 426,004 |
| Current and other liabilities | 68,277 | 63,675 |
| Deferred revenue | 38,057 | 35,452 |
| Post-employment benefits | 15,535 | 13,895 |
| Long-term debt | 155,000 | 141,522 |
| Total liabilities | 276,869 | 254,544 |
| Regulatory balances | 2,339 | 2,131 |
| Total liabilities and regulatory balances | 279,208 | 256,675 |
| Net assets | \$174,690 | \$169,329 |

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2019

(all dollar amounts in thousands of dollars)

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

| | 2019 | 2018 |
|---------------------------------------------------------------------|------------------|-----------|
| Results of Operations | | |
| Revenues | \$448,250 | \$423,843 |
| Operating expenses | (432,658) | (419,840) |
| Other expenses | (6,487) | (2,261) |
| Income tax expense | (2,781) | (4,312) |
| Net movement in regulatory balances | 4,064 | 17,066 |
| Net earnings | 10,388 | 14,496 |
| Dividends | (5,000) | (5,000) |
| Change in accounting policy | (27) | - |
| Net assets, beginning of year | 169,329 | 159,833 |
| Net Assets, End of Year – Investment in London Hydro Inc. | \$174,690 | \$169,329 |

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, 2019

(all dollar amounts in thousands of dollars)

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

a) Investment in London Hydro Inc. (continued)

ii) Regulatory Balances

The Ontario Energy Board allows distribution companies to recover amounts incurred for certain transitional costs as well as certain costs associated with the discretionary metering activities under the Provincial Smart Meter Program which have been authorized to be recovered through the rates. Net regulatory debit balances for 2019 totalled **\$21,019** (2018 - \$17,166). Net regulatory credit balances for 2019 totalled **\$2,339** (2018 - \$2,131).

iii) Commitments

The Company has provided **\$6,600** (2018 - \$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 **\$1,600** (2018 - \$700).

The Company has committed to operating lease agreements with future minimum non- cancellable annual lease payments of **\$1,248** (2018 - \$604).

iv) Credit Facilities

The Company has an uncommitted operating revolving line of credit facility of \$40,000. As at December 31, 2019 the amount drawn under this facility was **nil** (2018 - nil).

The Company has a committed 364 day extendible operating revolving loan facility of \$30,000. The amount drawn under this facility was **\$30,000** (2018 - \$15,000). The loan has a maturity date of March 31, 2021.

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, 2019

(all dollar amounts in thousands of dollars)

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

a) Investment in London Hydro Inc. (continued)

iv) Credit Facilities (continued)

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

The Company had an interest rate swap agreement for an unsecured loan to fund its Smart Meter capital expenditure program. Principal repayments on this loan commenced October 2010 and were being amortized over a 9 year period ending August 2019. The agreement was a fixed rate swap and matured August 2019.

At December 31, 2019, the Company would be required to pay **\$1,600** (2018 - \$1,200) if it wished to cancel the swap agreements.

v) Related Party Transactions

The Corporation has contracted with London Hydro Inc. to provide billing and collection services for water and wastewater charges on a cost recovery basis. Expenses for the year were **\$4,442** (2018 - \$4,490) and are included on the consolidated statement of operations. At December 31, 2019, the Corporation has a receivable of **\$14,071** (2018 - \$14,300) for water and wastewater charges collected by London Hydro Inc. Miscellaneous receivables of **\$192** (2018 - \$1,667) are also outstanding at year end.

The Corporation charged London Hydro Inc. rent, totalling **\$100** (2018 - \$100).

The Corporation received **\$5,000** (2018 - \$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, 2019

(all dollar amounts in thousands of dollars)

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

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

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

| | 2019 | 2018 |
|--------------------------------|-----------------|----------|
| Financial Position | | |
| Current assets | \$ 1,307 | \$ 1,641 |
| Capital assets | 11,138 | 11,263 |
| | 12,445 | 12,904 |
| Accrued liabilities | 2,032 | 1,851 |
| Deferred capital contributions | 2,886 | 3,019 |
| Long-term debt | 2,485 | 3,523 |
| Total liabilities | 7,403 | 8,393 |
| Net assets | \$ 5,042 | \$ 4,511 |

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2019

(all dollar amounts in thousands of dollars)

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

| | 2019 | 2018 |
|-------------------------------------------------------------------------------------|----------------|---------|
| Results of Operations | | |
| Revenues | \$3,993 | \$4,028 |
| Operating expenses | (3,449) | (3,489) |
| Net earnings | 544 | 539 |
| Net earnings available to the Corporation | 210 | 223 |
| Distribution for employee future benefit re-measurements | (5) | 39 |
| Corporation's portion of earning retained in Joint Venture | 205 | 262 |
| Corporation's investment in Fair-City Joint Venture's net assets, beginning of year | 1,869 | 1,607 |
| Adjustment due to change in Corporation's share during year | (129) | - |
| Corporation's investment in Fair-City Joint Venture's net assets, end of year | 1,945 | 1,869 |
| Promissory note due to the Corporation | 1,824 | 2,734 |
| Investment in Fair-City Joint Venture Partnership | \$3,769 | \$4,603 |

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, 2019

(all dollar amounts in thousands of dollars)

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

b) Fair-City Joint Venture Partnership (continued)

i) Contributions to Joint Venture (continued)

The Corporation's equity interest as at June 30, 2019 was 38.572% (2018 – 41.429%). 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** (2018 - 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. **\$1,873** was paid for ice rental in 2019 (2018 - \$1,836), 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, 2019 is **\$1,824** (2018 - \$2,734). During the year, the partnership paid interest to the Corporation in the amount of **\$146** (2018 - \$202), 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

| | 2019 | 2018 |
|---------------------------|-----------------|----------|
| Financial Position | | |
| Capital assets | \$27,135 | \$27,135 |
| Accumulated amortization | (6,776) | (6,097) |
| Net Assets | \$20,359 | \$21,038 |

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2019

(all dollar amounts in thousands of dollars)

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

| | 2019 | 2018 |
|----------------------------------------------------------|-----------------|-----------------|
| Results of Operations | | |
| Amortization of capital assets | \$ (678) | \$ (678) |
| Net loss | (678) | (678) |
| Net assets, beginning of year | 21,038 | 21,716 |
| Net assets, end of year | 20,360 | 21,038 |
| Corporation's portion of net assets | 14,951 | 15,449 |
| Investment in City-YMCA Joint Venture Partnership | \$14,951 | \$15,449 |

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, 2019

(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

| | 2019 | 2018 |
|--------------------------------------------------------------------------------------------------------|------------------|------------------|
| Funds deferred to future periods for specific purposes by legislation, regulation or agreement: | | |
| Development Charges Act | | |
| - Recreation, transit and culture | \$ 33,046 | \$ 29,189 |
| - Capital infrastructure | 230,796 | 200,658 |
| Development Charges Act (Note 11) | 263,842 | 229,847 |
| Federal and Provincial gas tax | 78,869 | 54,411 |
| Recreational land (<i>The Planning Act</i>) | 3,699 | 3,173 |
| | 346,410 | 287,431 |
| Other deferred revenue: | | |
| Subsidy advances from Provincial Ministries for future periods | 16,140 | 21,397 |
| Prepaid deposits | 509 | 531 |
| Prepayment of recreation programs, facility rentals, memberships | 2,180 | 2,297 |
| Vacancy rebate allowances | 604 | 1,701 |
| Boards and commissions | 6,141 | 6,249 |
| Other deferred revenues | 262 | 233 |
| | \$372,246 | \$319,839 |

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2019

(all dollar amounts in thousands of dollars)

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 | 2019 | 2018 |
|------------------------------------------------------------------------------------------------------------------|-------------------------|----------------|----------------|
| Fanshawe College, with annual principal repayments of \$900, subject to annual budget approval, maturing in 2024 | 2024 | \$4,500 | \$7,400 |
| OMEX Insurance | 2019 | - | 300 |
| | | \$4,500 | \$7,700 |

Anticipated principal repayments are summarized as follows:

| | |
|--------------|----------------|
| 2020 | \$ 900 |
| 2021 | 900 |
| 2022 | 900 |
| 2023 | 900 |
| 2024 | 900 |
| Total | \$4,500 |

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2019

(all dollar amounts in thousands of dollars)

9. Long-term Debt

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

Long-term debt is as follows:

Table 15: Long-term Debt

| | 2019 | 2018 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| Long-term debt issued by the Corporation at various rates of interest ranging from 0.95 % to 5.88% (2018 - 0.90% to 5.88%), with maturity dates ranging from December 2021 to April 2029. | \$263,694 | \$254,988 |
| Long-term debt issued to Infrastructure Ontario programs at various rates of interest ranging from 2.45% to 4.44% (2018 – 2.45% to 4.44%), with maturity dates ranging from March 2020 to March 2030. | 36,618 | 48,946 |
| Long-term debt issued to Canada Mortgage and Housing Corporation at an interest rate of 3.23%, with a maturity date of March 2021. | 3,589 | 5,300 |
| 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% (2018 – 2.00% to 2.25%), with maturity dates ranging from April 2026 to May 2032. | 3,399 | 3,784 |
| Long-term debt, assumed by unconsolidated local Boards, other municipalities, municipal enterprises and utilities. | (6,797) | (8,030) |
| Total long-term debt | 300,503 | 304,988 |
| Less: Unamortized debenture discount | (1,610) | (1,561) |
| Net long-term debt | \$298,893 | \$303,427 |

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2019

(all dollar amounts in thousands of dollars)

9. Long-term Debt (continued)

Principal repayments are summarized as follows:

Table 16: Principal Repayment Summary

| Recoverable from | 2020 | 2021 | 2022 | 2023 | 2024 | Beyond | Total |
|-------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| General | \$31,155 | \$28,489 | \$23,516 | \$20,297 | \$14,330 | \$38,025 | \$155,812 |
| Water | 2,552 | 2,607 | 2,420 | 1,662 | 1,439 | 2,478 | 13,158 |
| Sewer | 8,654 | 8,346 | 5,207 | 4,239 | 4,033 | 11,184 | 41,663 |
| Discretionary | 4,453 | 2,034 | 2,096 | 1,166 | 490 | - | 10,239 |
| Obligatory | 10,505 | 10,712 | 9,653 | 9,178 | 8,538 | 31,045 | 79,631 |
| | \$57,319 | \$52,188 | \$42,892 | \$36,542 | \$28,830 | \$82,732 | \$300,503 |

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

Table 17: Principal Repayments - Total Charges

| | 2019 | 2018 |
|---------------------------------------|----------------|---------|
| Interest on long-term debt | \$9,030 | \$9,288 |
| Amortization of debenture discount | 288 | 268 |
| Interest on capital lease obligations | 29 | 49 |
| | \$9,347 | \$9,605 |

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2019

(all dollar amounts in thousands of dollars)

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

| | 2019 | 2018 |
|--------------------------------------------------------------|--------|---------|
| 2019 | \$ - | \$ 462 |
| 2020 | 310 | 310 |
| 2021 | 256 | 256 |
| 2022 | 110 | 111 |
| Minimum lease payments | 676 | 1,139 |
| Less amount representing interest at 3.25% (2018 – 3.25%) | 27 | 57 |
| Present value of net minimum capital lease payments | \$ 649 | \$1,082 |

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 **\$263,842** (2018 - \$229,847) in the City Services Reserve Funds to fund this liability.

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2019

(all dollar amounts in thousands of dollars)

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 |
|--------------------------------------|----------------|----------------|----------------|--------------------|--------------|-----------------|
| Expenses: | | | | | | |
| Transferred from Urban Works Payable | 458 | 59 | 356 | - | - | 873 |
| Value of construction work completed | 4,463 | 1,792 | 9,618 | 1,920 | 429 | 18,222 |
| Payments: | | | | | | |
| From City Services Reserve Funds | (1,549) | (26) | (1,834) | (577) | (94) | (4,080) |
| City Services Payable | \$3,372 | \$1,825 | \$8,140 | \$1,343 | \$335 | \$15,015 |

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2019

(all dollar amounts in thousands of dollars)

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

| | | 2019 | 2018 |
|----------------------------------------------|----|------------------|-----------|
| Post-employment and post-retirement benefits | a) | \$ 94,988 | \$ 92,558 |
| Workplace Safety and Insurance Board | | | |
| Obligation | b) | 48,275 | 48,817 |
| Vacation credits | c) | 16,697 | 16,450 |
| Vested sick leave benefits | d) | 1,739 | 1,720 |
| | | \$161,699 | \$159,545 |

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 **\$114,062** (2018 - \$106,159), and the reserve balances at the end of the year are **\$nil** (2018 - \$5) to fund these obligations.

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2019

(all dollar amounts in thousands of dollars)

12. Employee Benefits Payable (continued)**a) Post-Employment and Post-Retirement Benefits**

The Corporation provides benefits, such as health, dental and life insurance to qualified retirees until they reach 65 years of age and provides certain benefits to employees on long-term disability. The liabilities reported in these consolidated financial statements are based on the most recent actuarial valuation prepared as of December 31, 2018.

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

Table 21: Post-Employment and Post-Retirement Benefits – Assumptions

| | 2019 | 2018 |
|-------------------------------|-------------|-------------|
| | % | % |
| Discount rate | 3.25 | 3.25 |
| Rate of compensation increase | 2.00 | 2.00 |
| Healthcare cost increases | 4.00 – 7.00 | 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: | 2019 | 2018 |
|-------------------------------------------------------------|----------|----------|
| Accrued benefit obligation, January 1 | \$81,687 | \$82,603 |
| Current period benefit cost | 4,297 | 4,552 |
| Retirement interest expense | 2,642 | 2,758 |
| Plan amendment | - | 644 |
| Actuarial gain | - | (5,099) |
| Benefits paid | (4,142) | (3,771) |
| Accrued benefit obligation, December 31 | 84,484 | 81,687 |
| Unamortized actuarial gain | 10,504 | 10,871 |
| Liability for post-employment and post-retirement benefits | \$94,988 | \$92,558 |
| Post-employment and post-retirement benefits expense: | | |
| Current period benefit cost | \$4,297 | \$ 4,552 |
| Retirement interest expense | 2,642 | 2,758 |
| Plan amendment | - | 644 |
| Amortization of actuarial gain | (367) | (1,389) |
| Total post-employment and post-retirement benefit expense | \$6,572 | \$6,565 |

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2019

(all dollar amounts in thousands of dollars)

12. Employee Benefits Payable (continued)

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

The actuarial loss is amortized over the expected average remaining service life of the related employee group of 14 years (2018 – 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. The accrued obligation is determined using the estimated value of future benefit costs provided by WSIB and any additional information known to the Corporation about future obligations. All expected future payouts are discounted to December 31, 2019, using an appropriate discount rate.

c) Liability for Vacation Credits

Under the provisions of certain employee vacation plans, some vacation credits are earned as at December 31 but are generally unavailable for use until a later date. In addition, the provisions of certain plans allow the accumulation of vacation credits for use in future periods. The approximate value of these credits as at December 31, 2019 is **\$16,697** (2018 - \$16,450).

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 **\$1,739** (2018 - \$1,720) at December 31, 2019. During the year **\$397** (2018 - \$736) 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, 2019 is **\$1,497** (2018 - \$1,852), and the reserves balance is **\$nil** (2018 - \$5). An amount of **\$37** (2018 - \$42) has been contributed in the current year.

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2019

(all dollar amounts in thousands of dollars)

12. Employment Benefits Payable (continued)

d) Liability for Vested Sick Leave Benefits (continued)

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

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

Table 23: Employee Benefits Payable - Anticipated Future Payments

| | |
|--------------|----------------|
| 2020 | \$1,625 |
| 2021 | 30 |
| 2022 | 84 |
| Total | \$1,739 |

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 4,517 (2018 – 4,468) 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, 2019. At that time, the plan reported a \$3.4 billion actuarial deficit (2018 - \$4.2 billion), based on actuarial liabilities for \$107.7 billion (2018 – \$99 billion) actuarial assets for \$104.3 billion (2018 - \$95) 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 2019 was **\$33,815** (2018 - \$31,729) for current service. Employer's contributions for current service are included as an expense in the consolidated statement of operations.

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2019

(all dollar amounts in thousands of dollars)

13. Landfill Closure and Post-Closure Liability

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

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

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2019

(all dollar amounts in thousands of dollars)

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

Key assumptions in determining the liability at December 31, 2019 for landfills are as follows:

Table 24: Landfill Closure Key Assumptions

| | |
|----------------------------------------------------------------------------|----------------------------|
| Active (W12A) landfill is expected to reach capacity in 2024 | |
| Remaining capacity of active (W12A) as at December 31, 2019 | 1.17 million tonnes |
| Expected closing cost in 2019 dollars | \$1,863 |
| 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, 2019 is comprised of:

Table 25: Landfill Closure and Post-Closure Liability

| | 2019 | 2018 |
|-------------------------------------------------------------------------------|-----------------|----------|
| Active landfill (W12A) closure, site rehabilitation and monitoring obligation | \$31,706 | \$29,734 |
| Closed landfills site rehabilitation and monitoring obligation | 9,345 | 9,456 |
| | \$41,051 | \$39,190 |

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, 2019 is **\$21,649** (2018 - \$17,537).

The Corporation, with Council approval, has commenced 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. Successful completion of this EA process will result in extension of the anticipated closure date and an increase in the remaining waste disposal capacity currently assumed in the determination of the liability.

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2019

(all dollar amounts in thousands of dollars)

14. Tangible Capital Assets

| Cost | Balance at December 31, 2018 | Additions | Disposals | Balance at December 31, 2019 |
|------------------------------------|------------------------------------|------------------|------------------|------------------------------------|
| Land | \$ 439,699 | \$ 13,302 | \$ 153 | \$ 452,848 |
| Landfill and land improvements | 157,923 | 7,836 | 3,277 | 162,482 |
| Building and building improvements | 1,077,701 | 20,833 | 5,471 | 1,093,063 |
| Leasehold improvements | 8,503 | 957 | 305 | 9,155 |
| Machinery, equipment and furniture | 439,294 | 16,147 | 15,065 | 440,376 |
| Vehicles | 133,491 | 8,402 | 7,170 | 134,723 |
| Water Infrastructure | 785,250 | 27,386 | 4,802 | 807,834 |
| Wastewater infrastructure | 1,453,704 | 78,196 | 5,537 | 1,526,363 |
| Roads infrastructure | 1,369,530 | 115,107 | 29,169 | 1,455,468 |
| Computers | 20,058 | 5,552 | 4,821 | 20,789 |
| Computers under capital lease | 2,929 | - | 1,292 | 1,637 |
| Assets under construction | 129,340 | 99,009 | 98,551 | 129,798 |
| Total | \$6,017,422 | \$392,727 | \$175,613 | \$6,234,536 |

| Accumulated Amortization | Balance at December 31, 2018 | Amortization Expense | Amortization Disposal | Balance at December 31, 2019 |
|-------------------------------------|------------------------------------|-------------------------|--------------------------|------------------------------------|
| Land | \$ - | \$ - | \$ - | \$ - |
| Landfill and Improvements | 81,296 | 8,124 | 3,027 | 86,393 |
| Buildings and building improvements | 482,334 | 33,183 | 5,200 | 510,317 |
| Leasehold improvements | 1,963 | 562 | 190 | 2,335 |
| Machinery, equipment and furniture | 255,900 | 29,730 | 14,689 | 270,941 |
| Vehicles | 70,348 | 11,347 | 7,077 | 74,618 |
| Water infrastructure | 254,794 | 16,691 | 4,196 | 267,289 |
| Wastewater infrastructure | 465,843 | 26,182 | 1,885 | 490,140 |
| Roads infrastructure | 498,553 | 49,904 | 25,033 | 523,424 |
| Computers | 11,594 | 5,636 | 5,197 | 12,033 |
| Computers under capital lease | 2,000 | 658 | 1,292 | 1,366 |
| Assets under construction | - | - | - | - |
| Total | \$2,124,625 | \$182,017 | \$67,786 | \$2,238,856 |

| | Net book value December 31, 2018 | Net book value December 31, 2019 |
|-------------------------------------|----------------------------------------|----------------------------------------|
| Land | \$ 439,699 | \$ 452,848 |
| Landfill and land improvements | 76,627 | 76,089 |
| Buildings and building improvements | 595,367 | 582,746 |
| Leasehold improvements | 6,540 | 6,820 |
| Machinery, equipment and furniture | 183,394 | 169,435 |
| Vehicles | 63,143 | 60,105 |
| Water infrastructure | 530,456 | 540,545 |
| Wastewater infrastructure | 987,861 | 1,036,223 |
| Roads infrastructure | 870,977 | 932,044 |
| Computers | 8,464 | 8,756 |
| Computers under capital lease | 929 | 271 |
| Assets under construction | 129,340 | 129,798 |
| Total | \$3,892,797 | \$3,995,680 |

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2019

(all dollar amounts in thousands of dollars)

14. Tangible Capital Assets (continued)

a) Assets under construction

Assets under construction having a value of **\$129,798** (2018 - \$129,340) 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 **\$64,953** (2018 - \$73,284) comprised predominantly of roads infrastructure in the amount of **\$30,918** (2018 - \$33,896) and water and wastewater infrastructure in the amount of **\$29,722** (2018 - \$37,833).

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 **\$nil** (2018 - \$6,293).

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2019

(all dollar amounts in thousands of dollars)

14. Tangible Capital Assets (continued)

f) Assets under Shared Control

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

Each partner proposed to invest in the project as follows:

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

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

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

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2019

(all dollar amounts in thousands of dollars)

14. Tangible Capital Assets (continued)

f) Assets under Shared Control (continued)

Total project costs of **\$53,996** have been offset by contributions from the YMCA of \$9,200 and Library of \$4,556. The net project costs of \$40,240 have been accounted for in the Corporation and capitalized or expensed as follows:

Table 26: Tangible Capital Assets under Shared Control

| | 2019 | 2018 |
|---------------------|--------------|-----------------|
| Capitalized as: | | |
| Land | \$ - | \$ 5,155 |
| Building | 594 | 26,425 |
| Equipment | 113 | 7,663 |
| Expensed as: | | |
| Contracted services | 82 | 208 |
| Total | \$789 | \$39,451 |

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.

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2019

(all dollar amounts in thousands of dollars)

15. Accumulated Surplus

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

Table 27: Accumulated Surplus

| | 2019 | 2018 |
|----------------------------------------------------------------------------------|--------------------|-------------|
| Surplus: | | |
| Invested in tangible capital assets | \$4,033,353 | \$3,925,615 |
| Other | (50,432) | (68,665) |
| Local boards | 2,672 | 2,496 |
| Equity in government business enterprise | 193,410 | 189,381 |
| Unfunded | | |
| Landfill closure and post-closure liability and liability for contaminated sites | (41,901) | (40,040) |
| Employee benefits payable | (163,044) | (161,807) |
| Net long-term debt | (289,933) | (291,308) |
| Total surplus | 3,684,125 | 3,555,672 |
| Reserves set aside by Council | | |
| Contingencies | 69,306 | 65,268 |
| General operations | 36,491 | 32,779 |
| Total reserves | 105,797 | 98,047 |
| Reserve funds set aside for specific purpose by Council | | |
| Contingencies | 89,316 | 80,394 |
| Infrastructure renewal | 244,302 | 196,624 |
| Acquisition of vehicles | 32,477 | 28,170 |
| Acquisition of facilities | 32,653 | 22,702 |
| Recreational programs & facilities | 265 | 317 |
| Self-insurance (Note 16(b)) | 11,891 | 14,158 |
| Sick leave (Note 12(d)) | 1,497 | 1,852 |
| Industrial over sizing | 13,202 | 15,745 |
| Other purposes | 246,916 | 228,262 |
| Special purpose (Note 18(g)(iii)) | 76,471 | 74,804 |
| Total reserve funds | 748,990 | 663,028 |
| Accumulated surplus | \$4,538,912 | \$4,316,747 |

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2019

(all dollar amounts in thousands of dollars)

15. Accumulated Surplus (continued)

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

16. Contingent Liabilities

a) Legal Actions

As at December 31, 2019, certain legal actions and other contingent liabilities are pending against the Corporation. The final outcome of the outstanding claims cannot be determined at this time. However management believes that ultimate disposition of these matters will not materially exceed the amounts recorded in these consolidated financial statements.

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

b) Public Liability and Property Loss Self Insurance

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

Insurance is also purchased for claims in excess of these limits to a maximum of \$50,000 for liability claims. The insured and self-insured Boards and Commissions are: Museum London, London Convention Centre Corporation, Covent Garden Market Corporation, London Police Services Board, 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, 2019 amounted to **\$11,891** (2018 - \$14,158) and is reported in Note 15 of the consolidated financial statements. The contribution for the year of **\$6,525** (2018 - \$4,990) has been reported in the individual revenues on the consolidated statement of operations.

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2019

(all dollar amounts in thousands of dollars)

16. Contingent Liabilities (continued)

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

Claims expensed during the year amounting to **\$8,792** (2018 - \$4,759) 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, 2019 to be paid from the self-insurance reserve fund. The probable outcome of these claims cannot be determined at this time.

17. Loan Guarantees

The Corporation 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, 2019 is **\$1,758** (2018 - \$2,214).

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, 2019 is **\$1,769** (2018 - \$2,073).

The Corporation has entered into an agreement, which under certain conditions guarantees a \$7,000 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, 2019 is **\$6,934** (2018 - \$7,461).

The Corporation has entered into an agreement which, under certain conditions, guarantees to assume the purchase and payment of block power from the Ontario Electricity Market on behalf of the Lake Huron Primary Water Supply System (Market Participant). The Corporation, in its capacity as Administering Municipality for the Joint Water Board, has guaranteed payment to the Independent Electricity System Operator (IESO) on behalf of the Market Participant. This guarantee is limited to **\$764**. There is no amount outstanding and no anticipated loss from this guarantee.

No amounts have been accrued in the consolidated financial statements of the Corporation with respect to these guarantees, as it is not anticipated at December 31, 2019 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, 2019

(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 2019 was **\$1,137** (2018 - \$1,138). 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 28: Future Grant Program Commitments

| | |
|--------------|-----------------|
| 2020 | \$ 1,039 |
| 2021 | 3,927 |
| 2022 | 1,343 |
| 2023 | 1,636 |
| 2024 | 2,665 |
| Beyond | 8,717 |
| Total | \$19,327 |

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 29: Fleet, Equipment and Premises Commitments

| | |
|--------------|-----------------|
| 2020 | \$18,288 |
| 2021 | 5,499 |
| 2022 | 3,471 |
| 2023 | 2,909 |
| 2024 | 2,594 |
| Beyond | 14,937 |
| Total | \$47,698 |

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2019

(all dollar amounts in thousands of dollars)

18. Commitments (continued)

d) Facilities and Infrastructure Commitments

The Corporation has the following outstanding commitments remaining on facilities and infrastructure contracts as at December 31, 2019:

Table 30: Facilities and infrastructure Commitments

| | 2019 | 2018 |
|--------------------------------------------------|------------------|------------------|
| Roads | \$ 54,315 | \$ 48,427 |
| Sanitary Sewer | 32,575 | 28,092 |
| Water | 20,365 | 18,814 |
| Storm Sewer | 19,022 | 19,485 |
| Parks | 9,071 | 1,562 |
| General Government | 8,860 | 6,212 |
| Recreation Facilities | 5,485 | 16,306 |
| Commercial and Industrial | 2,159 | 978 |
| Waste Collection, Disposal and Recycling | 1,469 | 2,053 |
| Fire, Provincial Offences and Emergency Measures | 875 | 1,594 |
| Cultural Facilities | 495 | 358 |
| Social and Family Services | 450 | 388 |
| Social Housing | 6 | 79 |
| | \$155,147 | \$144,378 |

These amounts represent uncompleted portions of contracts, as at December 31, 2019, 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, 2019, the Corporation has outstanding commitments remaining on these agreements of **\$14,647** (2018 - \$21,944).

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2019

(all dollar amounts in thousands of dollars)

18. Commitments (continued)

f) Derivatives

The Corporation has the following derivative contracts as at December 31, 2019:

- Contract, expiring October 31, 2020, for the transportation of daily natural gas purchases of 363 gigajoules, with a remaining contract value of **\$137** (2018 - \$nil).

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 **\$432** (2018 - \$690).

This derivative contract was purchased to provide price certainty for 26% of the Lake Huron Area Primary Water Supply System's electricity needs over the term of the contract. The value of the contract is not reflected as an asset or liability in these consolidated financial statements.

g) Public Utility Commission Dissolution

i) Reporting entity history

Pursuant to the *Electricity Act, 1998* (Ontario), the various undertakings and activities of The Hydro-Electric Commission of the City of London were segregated and a substantial portion transferred on November 1, 2000 to separate companies incorporated under the *Business Corporations Act* (Ontario) with the Corporation as the sole shareholder. The name of the Commission was changed to The Public Utility Commission of the City of London (the Commission) effective November 1, 2000.

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2019

(all dollar amounts in thousands of dollars)

18. Commitments (continued)

g) Public Utility Commission Dissolution (continued)

i) Reporting entity history (continued)

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

The assets were disposed of in the Commission and were transferred to the Corporation at their net book value.

ii) Contingent liability

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

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

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

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

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2019

(all dollar amounts in thousands of dollars)

18. Commitments (continued)

g) Public Utility Commission Dissolution (continued)

iii) Promissory note

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

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

The reserve fund is held by the Corporation for the following purposes:

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

The Corporation will maintain the principal amount of the \$70 million in a properly managed portfolio in compliance with the Corporation's Investment Policy and the *Municipal Act, 2001*. The Corporation will be entitled to use the interest on the funds for its own purposes.

h) Land Transactions

As at December 31, 2019, the Corporation has entered into two agreements of purchase and sale, to acquire certain properties, with a total purchase price of **\$1,350**. These properties will be owned by the Housing Development Corporation, London.

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2019

(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 31: Charges Laid Under the Provincial Offences Act

| | 2019 | 2018 |
|-----------------------------------------|----------------|----------------|
| Revenues | | |
| Fines | \$5,063 | \$6,152 |
| Transfer payments - provincial | - | 4 |
| Total revenues | 5,063 | 6,156 |
| Expenses | | |
| Salary, wages and benefits | 1,533 | 1,620 |
| County share of net revenues | 238 | 376 |
| Occupancy costs | 87 | 321 |
| Provincial government cost recovery | 376 | 490 |
| Administration costs | 1,469 | 1,242 |
| Equipment and maintenance | 205 | 236 |
| Total expenses | 3,908 | 4,284 |
| Excess of revenues over expenses | \$1,155 | \$1,872 |

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 2019 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, 2019

(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 32: Approved Budget per Consolidated Financial Statements

| | Total | Tax | Water | Wastewater |
|----------------------------------------------------------------------|------------------|------------------|-----------------|-------------------|
| Net Budget PSAB Surplus | \$214,716 | \$131,576 | \$29,844 | \$53,296 |
| Public Sector Accounting Board (PSAB) Reporting Requirements: | | | | |
| Addback (deduct) from Net Budget PSAB Surplus: | | | | |
| Transfers: | | | | |
| Transfers to Capital | (89,347) | (48,404) | (20,190) | (20,753) |
| Transfers from Reserves and Reserve Funds | 9,040 | 9,040 | - | - |
| Transfers to Reserves and Reserve Funds | (95,027) | (57,886) | (12,242) | (24,899) |
| | (175,334) | (97,250) | (32,432) | (45,652) |
| Budget Adjustments: | | | | |
| Government Grants and Subsidies | 11,346 | 11,346 | - | - |
| Expenses related to Government Grants and Subsidies | (9,190) | (7,443) | (498) | (1,249) |
| Transfers to Capital | (2,597) | (2,597) | - | - |
| Transfers from Reserves and Reserve Funds | 1,433 | 1,433 | - | - |
| Transfers to Reserves and Reserve Funds | (992) | (2,739) | 498 | 1,249 |
| | - | - | - | - |

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2019

(all dollar amounts in thousands of dollars)

20. Budget Data (continued)

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

| | Total | Tax | Water | Wastewater |
|--------------------------------------------------|-----------------|-----------------|-----------------|-------------------|
| Debt Principal Repayments: | (42,371) | (32,457) | (360) | (9,554) |
| PSAB Adjustments: | | | | |
| Capital program funding earned in year | (50,100) | (43,995) | (961) | (5,144) |
| Capital projects not resulting in capital assets | 40,999 | 30,374 | 4,186 | 6,439 |
| Amortization | 140,473 | 80,230 | 16,327 | 43,916 |
| Developer contributions - assumed capital assets | (41,746) | (12,850) | (5,202) | (23,694) |
| Loss on disposal of capital assets | 3,000 | 913 | 887 | 1,200 |
| Obligatory reserve fund deferred revenue earned | (64,278) | (41,898) | (1,330) | (21,050) |
| Government Business Enterprises adjustments | (6,983) | (6,983) | - | - |
| Landfill liability | 1,752 | 1,752 | - | - |
| Employee future benefits liability | 5,695 | 5,317 | 135 | 243 |
| | 28,812 | 12,860 | 14,042 | 1,910 |
| Boards and Commissions Budget | | | | |
| PSAB Surplus | (25,823) | (14,729) | (11,094) | - |
| Net Surplus per 2019 Approved Budget | \$ - | \$ - | \$ - | \$ - |

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2019

(all dollar amounts in thousands of dollars)

20. Budget Data (continued)

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

| | Total | Tax | Water | Wastewater |
|----------------------------------------------------------------|------------------|----------------|---------------|-------------------|
| Net Surplus per 2019 Approved Budget – Comprised of: | | | | |
| Revenues: | | | | |
| Property Tax | \$606,536 | \$606,536 | \$ - | \$ - |
| Government Grants and Subsidies | 226,912 | 226,869 | - | 43 |
| User Fees | 225,335 | 47,767 | 79,742 | 97,826 |
| Municipal Revenues – Other | 72,069 | 71,602 | 154 | 313 |
| Municipal Revenues – Transfers from Reserves and Reserve Funds | 7,607 | 7,607 | - | - |
| Total Revenues | 1,138,459 | 960,381 | 79,896 | 98,182 |
| Expenses: | | | | |
| Personnel Costs | 381,132 | 356,542 | 9,184 | 15,406 |
| Administrative Expenses | 12,719 | 6,527 | 2,504 | 3,688 |
| Financial Expenses – Other | 11,472 | 11,398 | 74 | - |
| Financial Expenses – Interest and Discount on long-term debt | 7,892 | 6,171 | 46 | 1,675 |
| Financial Expenses – Debt Principal Repayments | 42,371 | 32,457 | 360 | 9,554 |
| Financial Expenses – Transfers to Reserves and Reserve Funds | 94,036 | 55,147 | 12,740 | 26,149 |
| Financial Expenses – Transfers to Capital | 86,750 | 45,807 | 20,190 | 20,753 |
| Purchased Services | 197,613 | 190,809 | 3,231 | 3,573 |
| Materials and Supplies | 75,918 | 37,032 | 26,888 | 11,998 |
| Furniture and Equipment | 29,658 | 24,258 | 1,983 | 3,417 |
| Transfers | 213,832 | 213,832 | - | - |
| Other Expenses | 9,111 | 1,321 | 2,821 | 4,969 |
| Recovered Expenses | (24,045) | (20,920) | (125) | (3,000) |
| Total Expenses | 1,138,459 | 960,381 | 79,896 | 98,182 |
| Net Surplus per 2019 Approved Budget | \$ - | \$ - | \$ - | \$ - |

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2019

(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 33: Revenue Classifications

| | 2019 | 2018 |
|------------------------------------------------|------------------|-----------|
| Net municipal taxation and user charges | | |
| Net municipal taxation | \$622,509 | \$595,322 |
| Payments-in-lieu-of-taxes | 9,660 | 9,390 |
| | 632,169 | 604,712 |
| User charges | 293,976 | 286,353 |
| | \$926,145 | \$891,065 |
| Transfer payments | | |
| Operating | \$ 2,110 | \$ 5,734 |
| Capital infrastructure | 27,449 | 50,282 |
| Government of Canada - total | 29,559 | 56,016 |
| Unconditional – operating | 239 | - |
| Conditional – operating | 263,787 | 262,002 |
| Capital infrastructure | 2,940 | 7,674 |
| Province of Ontario - total | 266,966 | 269,676 |
| Other municipalities | 6,584 | 5,644 |
| | \$303,109 | \$331,336 |
| Investment income | | |
| Investment income - operating | \$ 8,635 | \$ 6,834 |
| Investment income - reserves and reserve funds | 16,266 | 11,794 |
| | \$ 24,901 | \$ 18,628 |
| Other revenues | | |
| Provincial Offences Fines | \$ 5,063 | \$ 6,152 |
| Ontario Lottery & Gaming Corporation | 5,062 | 4,870 |
| Municipal accommodation tax | 3,442 | 851 |
| Other contributions - operating | 18,492 | 13,588 |
| Other contributions - capital | 11,014 | 9,664 |
| Donations | 1,948 | 1,311 |
| Miscellaneous sales | 5,782 | 572 |
| | \$ 50,803 | \$ 37,007 |

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2019

(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 34: Expenses by Object

| | 2019 | 2018 |
|-------------------------------------|--------------------|--------------------|
| Salaries, wages and fringe benefits | \$ 461,198 | \$ 438,907 |
| Long-term debt interest charges | 9,347 | 9,605 |
| Materials and supplies | 140,146 | 131,360 |
| Contracted services | 153,225 | 140,000 |
| Rents and financial expenses | 30,096 | 36,205 |
| External transfers | 223,487 | 221,654 |
| Amortization | 182,017 | 172,672 |
| Total expenses by object | \$1,199,516 | \$1,150,403 |

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 was not in productive use, as follows:

One site was owned by the Corporation at the end of December 31, 2019 and December 31, 2018. Subsequent to year end, this site was sold to a developer. As a result of the subsequent sale, management felt that the recording of a liability and subsequent sale and reversal of liability would not add any value to the financial statements.

With respect to the other site, reports indicate that remediation for this site will be required and has been estimated at **\$850** (2018 – \$850). This amount has been recorded as a liability at year end and has been included in accounts payable and accrued liabilities in the consolidated statement of financial position.

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2019

(all dollar amounts in thousands of dollars)

24. Comparative Figures

Certain comparative figures have been reclassified to conform to the 2019 financial statement presentation.

25. Subsequent Event

Subsequent to December 31, 2019, 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

At this time, these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2019

(all dollar amounts in thousands of dollars)

26. 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, 2019

(all dollar amounts in thousands of dollars)

26. 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, 2019

(all dollar amounts in thousands of dollars)

26. 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, 2019

(all dollar amounts in thousands of dollars)

26. 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, 2019

(all dollar amounts in thousands of dollars)

26. 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, 2019

(all dollar amounts in thousands of dollars)

26. 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, coordination 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, 2019, with comparative information for 2018 (in thousands of dollars)

| | REVENUES | | | | | TOTAL 2019 Actuals | TOTAL 2018 Actuals |
|-----------------------------------------------|-----------------|----------------------|-------------------------|--------|---------|--------------------|--------------------|
| | Taxation | Government Transfers | Developer Contributions | Other | | | |
| General Government | 632,169 | 4,147 | 2,179 | 157 | 58,424 | 697,076 | 669,332 |
| Fire | - | 320 | - | - | - | 320 | 229 |
| Police | - | 930 | 5,480 | - | 1,659 | 8,069 | 9,008 |
| Other Protection Services | - | 12,602 | 884 | - | 5,090 | 18,576 | 17,068 |
| Total Protection Services | - | 13,852 | 6,364 | - | 6,749 | 26,965 | 26,305 |
| Transit | - | 33,312 | 16,403 | - | 244 | 49,959 | 54,615 |
| Other Transportation Services | - | 4,639 | 18,445 | 30,918 | 20,998 | 75,000 | 97,690 |
| Total Transportation Services | - | 37,951 | 34,848 | 30,918 | 21,242 | 124,959 | 152,305 |
| Water/Waste Water | - | 176,423 | 10,565 | 29,722 | 28,074 | 244,784 | 255,517 |
| Solid Waste | - | 10,807 | 509 | - | - | 11,316 | 11,435 |
| Total Environmental Services | - | 187,230 | 11,074 | 29,722 | 28,074 | 256,100 | 266,952 |
| Health Services | - | - | 5,232 | - | 228 | 5,460 | 4,999 |
| General Assistance | - | 271 | 148,673 | - | 212 | 149,156 | 149,213 |
| Assistance to aged persons | - | 6,344 | 12,868 | - | - | 19,212 | 18,822 |
| Child Care | - | - | 52,891 | - | - | 52,891 | 54,914 |
| Total Social and Family Services | - | 6,615 | 214,432 | - | 212 | 221,259 | 222,949 |
| Social Housing | - | 12,210 | 25,693 | - | 267 | 38,170 | 33,077 |
| Parks and Recreation | - | 18,604 | 1,837 | 4,156 | 2,922 | 27,519 | 26,596 |
| Libraries | - | 540 | 628 | - | 499 | 1,667 | 2,094 |
| Cultural Services | - | 2,743 | 760 | - | 1,987 | 5,490 | 5,308 |
| Total Recreation and Cultural Services | - | 21,887 | 3,225 | 4,156 | 5,408 | 34,676 | 33,998 |
| Planning, Development and Compliance | - | 10,084 | 62 | - | 6,870 | 17,016 | 12,878 |
| Total Revenues | 632,169 | 293,976 | 303,109 | 64,953 | 127,474 | 1,421,681 | 1,422,795 |

THE CORPORATION OF THE CITY OF LONDON
 Consolidated Schedule of Segment Disclosure - Operating Expenses
 For the year ended December 31, 2019, with comparative information for 2018 (in thousands of dollars)

| | EXPENSES | | | | | | Total 2018 Actuals | |
|-----------------------------------------------|-------------------------------|----------------|------------------------|-----------------------|----------------|---------------|-----------------------|-----------------------|
| | Salaries, Wages & Benefits | Materials | Contracted Services | External Transfers | Amortization | Other | | Total 2019 Actuals |
| General Government | 57,174 | 14,929 | 12,758 | 234 | 11,196 | 7,376 | 103,667 | 96,962 |
| Fire | 61,831 | 2,447 | 213 | - | 3,125 | 73 | 67,689 | 67,667 |
| Police | 104,757 | 6,400 | 2,230 | - | 5,190 | 293 | 118,870 | 109,821 |
| Other Protection Services | 16,017 | 3,724 | 1,627 | 4,637 | 279 | 909 | 27,193 | 25,963 |
| Total Protection Services | 182,605 | 12,571 | 4,070 | 4,637 | 8,594 | 1,275 | 213,752 | 203,451 |
| Transit | 50,717 | 20,159 | 7,870 | - | 13,155 | 680 | 92,581 | 90,802 |
| Other Transportation Services | 22,828 | 22,883 | 26,698 | 3 | 50,729 | 11,343 | 134,484 | 121,398 |
| Total Transportation Services | 73,545 | 43,042 | 34,568 | 3 | 63,884 | 12,023 | 227,065 | 212,200 |
| Water/Waste Water | 24,207 | 30,334 | 13,710 | 17 | 72,217 | 7,788 | 148,273 | 151,863 |
| Solid Waste | 9,006 | 6,453 | 13,492 | 573 | 2,474 | 1,679 | 33,677 | 33,888 |
| Total Environmental Services | 33,213 | 36,787 | 27,202 | 590 | 74,691 | 9,467 | 181,950 | 185,751 |
| Public Health Services | 4,793 | 443 | 678 | 5,085 | 89 | 298 | 11,386 | 10,845 |
| Ambulance Services | - | - | 16,443 | - | - | - | 16,443 | 14,735 |
| Total Health Services | 4,793 | 443 | 17,121 | 5,085 | 89 | 298 | 27,829 | 25,580 |
| General Assistance | 22,519 | 882 | 8,010 | 134,770 | 458 | 2,634 | 169,273 | 166,613 |
| Assistance to aged persons | 20,118 | 2,875 | 406 | 207 | 1,296 | 656 | 25,558 | 25,286 |
| Child Care | 2,413 | 336 | 23,105 | 34,588 | 3 | 420 | 60,865 | 62,387 |
| Total Social and Family Services | 45,050 | 4,093 | 31,521 | 169,565 | 1,757 | 3,710 | 255,636 | 254,286 |
| Social Housing | 7,795 | 2,185 | 15,546 | 33,960 | 1,985 | 791 | 62,262 | 54,143 |
| Parks and Recreation | 25,460 | 7,771 | 7,003 | 47 | 12,279 | 2,226 | 54,786 | 52,679 |
| Libraries | 14,615 | 4,315 | 729 | - | 3,629 | 708 | 23,996 | 24,044 |
| Cultural Services | 2,540 | 3,411 | 533 | 1,478 | 1,770 | 135 | 9,867 | 8,344 |
| Total Recreation and Cultural Services | 42,615 | 15,497 | 8,265 | 1,525 | 17,678 | 3,069 | 88,649 | 85,067 |
| Planning, Development and Compliance | 14,410 | 10,601 | 2,176 | 7,886 | 2,142 | 1,431 | 38,646 | 32,963 |
| Total Expenses | 461,200 | 140,148 | 153,227 | 223,485 | 182,016 | 39,440 | 1,199,516 | 1,150,403 |
| Annual Surplus | | | | | | | 222,165 | 272,392 |

Consolidated Financial Statements of

**THE TRUST FUNDS OF THE
CITY OF LONDON**

And Independent Auditors' Report thereon

Year ended December 31, 2019



KPMG LLP
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INDEPENDENT AUDITORS' REPORT

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

Qualified Opinion

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

- the consolidated statement of financial position as at December 31, 2019
 - the consolidated statement of earnings and fund equity for the year then ended
 - and notes and schedules to the consolidated financial statements, including a summary of significant accounting policies
- (Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the ***Basis for Qualified Opinion***, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2019, and its consolidated results of operations and changes in fund equity for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

In common with many charitable organizations, the Entity derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of the Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- assets reported in the statement of financial position as at December 31, 2019 and December 31, 2018
- capital receipts and fund equity reported in the statement of earnings and fund equity for the years ended December 31, 2019 and December 31, 2018

Our opinion on the financial statements for the year ended December 31, 2019 was qualified accordingly because of the possible effects of this limitation in scope.



Page 2

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

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

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

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.



Page 3

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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

August 18, 2020

THE TRUST FUNDS OF THE CITY OF LONDON

Consolidated Statement of Financial Position

December 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|-------------------------------------------|---------------------|---------------------|
| | Total | Total |
| Assets: | | |
| Cash and short-term deposits (Schedule 1) | \$ 1,522,858 | \$ 2,022,832 |
| Accounts receivable (Schedule 1) | 37,783 | 35,243 |
| Investments (Schedule 1, Note 2) | 2,800,000 | 2,800,000 |
| Prepaid expenses (Schedule 1) | 9,326 | 204 |
| | \$ 4,369,967 | \$ 4,858,279 |

Liability and Fund Equity:

| | | |
|-------------------------------|---------------------|---------------------|
| Accounts payable (Schedule 1) | \$ 7,100 | \$ 557,425 |
| Fund equity (Schedule 1) | 4,362,867 | 4,300,854 |
| Subsequent event (Note 3) | | |
| | \$ 4,369,967 | \$ 4,858,279 |

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

THE TRUST FUNDS OF THE CITY OF LONDON

Consolidated Statement of Earnings and Fund Equity

Year ended December 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|--------------------------------------------------|---------------------|--------------|
| Fund equity, beginning of year | \$ 4,300,854 | \$ 4,343,798 |
| Revenue: | | |
| Capital receipts (Schedule 2) | 539,075 | 834,958 |
| Interest (Schedule 2) | 93,642 | 78,079 |
| | 632,717 | 913,037 |
| Expenditures: | | |
| Maintenance payments, Dearness Home (Schedule 2) | 91,607 | 86,049 |
| Disbursements (Schedule 2) | 479,097 | 869,932 |
| | 570,704 | 955,981 |
| Fund equity, end of year | \$ 4,362,867 | \$ 4,300,854 |

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

THE TRUST FUNDS OF THE CITY OF LONDON

Notes to Consolidated Financial Statements

Year ended December 31, 2019

1. Significant accounting policies:

The consolidated financial statements of the Trust Funds of the City of London have been prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the CPA Canada Public Sector Accounting Handbook - Accounting, including the 4200 standards for government not-for-profit organizations. The significant accounting policies are summarized below:

a) Basis of consolidation:

The assets, liabilities, revenues and expenditures of the trust funds of the London Public Library Board are consolidated in these financial statements.

b) Basis of accounting:

Revenues and expenditures are reported on the accrual basis of accounting.

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of legal obligation to pay.

c) Contributions:

Contributions received with direction by the donor that the capital of the gift is to be held for a period of not less than ten years are included in the capital portion of each Fund.

Contributions received for library use and investment income are included in the income portion of each Fund.

2. Investments:

Investments are recorded at cost less any amounts written off to reflect a permanent decline in value. Investments consist of term deposits with short-term maturities and interest rates ranging from 1.85% to 2.20%.

3. Subsequent event:

Subsequent to December 31, 2019, 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, indicators of financial implications present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

THE TRUST FUNDS OF THE CITY OF LONDON

Schedule 1 - Detailed Consolidated Statement of Financial Position

Year ended December 31, 2019

| | Sundry Trusts | E.P. Williams Estate | Bostwick Cemetery | London Public Library | Park Farms | Dearness Residents' Trust | Woodhull Perpetual Maintenance | Woodhull Stone Monument | Amelia Lucy Ronalds Little Trust | 2019 |
|-----------------------------------|-------------------|-------------------------|----------------------|-----------------------------|-------------------|---------------------------------|--------------------------------------|-------------------------------|----------------------------------------|---------------------|
| Assets: | | | | | | | | | | |
| Cash and short-term deposits | \$ 149,623 | \$ 168,190 | \$ 13,604 | \$ 499,758 | \$ 143,766 | \$ 109,122 | \$ 249,839 | \$ 21,693 | \$ 167,263 | \$ 1,522,858 |
| Accounts receivable | 4,036 | - | - | 33,747 | - | - | - | - | - | 37,783 |
| Investments | - | - | - | 2,800,000 | - | - | - | - | - | 2,800,000 |
| Prepaid expenses | - | - | - | 9,326 | - | - | - | - | - | 9,326 |
| | \$ 153,659 | \$ 168,190 | \$ 13,604 | \$ 3,342,831 | \$ 143,766 | \$ 109,122 | \$ 249,839 | \$ 21,693 | \$ 167,263 | \$ 4,369,967 |
| Liability and Fund Equity: | | | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ 5,561 | \$ - | \$ 1,539 | \$ - | \$ - | \$ - | \$ 7,100 |
| Fund equity | 153,659 | 168,190 | 13,604 | 3,337,270 | 143,766 | 107,583 | 249,839 | 21,693 | 167,263 | 4,362,867 |
| | \$ 153,659 | \$ 168,190 | \$ 13,604 | \$ 3,342,831 | \$ 143,766 | \$ 109,122 | \$ 249,839 | \$ 21,693 | \$ 167,263 | \$ 4,369,967 |

See accompanying notes to consolidated financial statements.

THE TRUST FUNDS OF THE CITY OF LONDON

Schedule 2 - Detailed Consolidated Statement of Earning and Fund Equity

Year ended December 31, 2019

| | Sundry Trusts | E.P. Williams Estate | Bostwick Cemetery | London Public Library | Park Farms | Dearness Residents' Trust | Woodhull Perpetual Maintenance | Woodhull Stone Monument | Amelia Lucy Ronalds Little Trust | 2019 |
|-------------------------------------|---------------|----------------------|-------------------|-----------------------|------------|---------------------------|--------------------------------|-------------------------|----------------------------------|--------------|
| Fund equity, beginning of year | \$ 150,023 | \$ 164,209 | \$ 13,281 | \$ 3,301,518 | \$ 140,363 | \$ 106,891 | \$ 240,477 | \$ 20,787 | \$ 163,305 | \$ 4,300,854 |
| Receipts: | | | | | | | | | | |
| Capital receipts | - | - | - | 340,742 | - | 194,433 | 3,500 | 400 | - | 539,075 |
| Interest | 3,636 | 3,981 | 323 | 71,973 | 3,403 | - | 5,862 | 506 | 3,958 | 93,642 |
| | 3,636 | 3,981 | 323 | 412,715 | 3,403 | 194,433 | 9,362 | 906 | 3,958 | 632,717 |
| Expenditures: | | | | | | | | | | |
| Maintenance payments, Dearness Home | - | - | - | - | - | 91,607 | - | - | - | 91,607 |
| Disbursements | - | - | - | 376,963 | - | 102,134 | - | - | - | 479,097 |
| | - | - | - | 376,963 | - | 193,741 | - | - | - | 570,704 |
| Fund equity, end of year | \$ 153,659 | \$ 168,190 | \$ 13,604 | \$ 3,337,270 | \$ 143,766 | \$ 107,583 | \$ 249,839 | \$ 21,693 | \$ 167,263 | \$ 4,362,867 |

See accompanying notes to consolidated financial statements.

Financial Statements of

**ARGYLE BUSINESS IMPROVEMENT
ASSOCIATION BOARD OF
MANAGEMENT**

And Independent Auditors' Report thereon.

Year ended December 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Argyle Business Improvement Association Board of Management

Opinion

We have audited the financial statements of Argyle Business Improvement Association Board of Management (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2019;
- the statement of operations for the year then ended;
- the statement of changes in net financial assets for the year then ended;
- the statement of cash flows for the year then ended;
- and notes to the financial statements, including a summary of significant accounting policies (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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



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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

July 9, 2020

ARGYLE BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT

Statement of Financial Position

As at December 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|----------------------------------------------------------------------------------|-------------------|------------------|
| Financial assets | | |
| Cash and cash equivalents (note 3) | \$ 98,500 | \$ 50,002 |
| Prepaid expenses | 101 | - |
| Due from Hyde Park Business Improvement Association Board of Management (note 6) | 6,560 | - |
| GST/HST Receivable | 6,728 | 9,750 |
| Total financial assets | 111,889 | 59,752 |
| Financial liabilities | | |
| Accounts payable and accrued liabilities | 9,311 | 19,000 |
| Due to related parties (note 6) | 12,622 | - |
| Deferred revenue | 6,560 | - |
| Total financial liabilities | 28,493 | 19,000 |
| Net financial assets | 83,396 | 40,752 |
| Non-financial assets | | |
| Tangible capital assets (note 4) | 16,506 | 19,082 |
| Inventory | 1,440 | 1,440 |
| Total non-financial assets | 17,946 | 20,522 |
| Subsequent event (note 7) | | |
| Accumulated surplus (note 5) | \$ 101,342 | \$ 61,274 |

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

ARGYLE BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT

Statement of Operations

For the year ended December 31, 2019, with comparative information for 2018

| | Budget | | | |
|--------------------------------------------------------|------------------|-------------------|------------------|------|
| | 2019 | 2019 | 2019 | 2018 |
| Revenues | | | | |
| Municipal levy - The Corporation of the City of London | \$ 215,000 | \$ 215,000 | \$ 186,720 | |
| Federal grants | 10,000 | 12,300 | 10,004 | |
| Santa clause parade sponsorship | 4,000 | 2,800 | 2,100 | |
| Digital Main Street | - | 3,440 | - | |
| Miscellaneous | - | 940 | - | |
| Interest | 100 | 407 | - | |
| Other | - | - | 20,741 | |
| Total revenues | 229,100 | 234,887 | 219,565 | |
| Expenses | | | | |
| Salaries, wages and benefits | 94,000 | 86,895 | 96,672 | |
| Community initiatives | 30,900 | 22,940 | 24,740 | |
| Planters/hanging baskets | 22,500 | 20,650 | 11,458 | |
| Office rent | 22,000 | 19,278 | 15,120 | |
| Professional fees | 9,000 | 9,199 | 6,476 | |
| Advertising, marketing and promotion | 13,180 | 8,964 | 5,273 | |
| Property tax write offs | 10,000 | 6,152 | - | |
| Office supplies | 9,500 | 4,189 | 8,926 | |
| Digital Main Street | - | 3,440 | - | |
| Amortization | - | 3,346 | 2,620 | |
| Training, travel and professional development | 4,500 | 2,701 | 1,312 | |
| Utilities | 2,000 | 2,086 | 1,561 | |
| Repairs and maintenance | 4,000 | 1,466 | 495 | |
| Insurance | 2,000 | 1,297 | 1,657 | |
| Telephone and internet | 2,000 | 960 | 1,129 | |
| Office administration | 3,120 | 1,256 | 625 | |
| Membership fees and dues | 400 | - | 442 | |
| Furniture | - | - | 3,596 | |
| Total expenses | 229,100 | 194,819 | 182,102 | |
| Net surplus | - | 40,068 | 37,463 | |
| Accumulated surplus, beginning of year (note 5) | 61,274 | 61,274 | 23,811 | |
| Accumulated surplus, end of year (note 5) | \$ 61,274 | \$ 101,342 | \$ 61,274 | |

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

ARGYLE BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT

Statement of Changes in Net Financial Assets

For the year ended December 31, 2019, with comparative information for 2018

| | Budget 2019 | 2019 | 2018 |
|-----------------------------------------|----------------|-----------|-----------|
| Net surplus | \$ - | \$ 40,068 | \$ 37,463 |
| Acquisition of tangible capital assets | - | (770) | (18,621) |
| Amortization of tangible capital assets | - | 3,346 | 2,620 |
| | - | 2,576 | (16,001) |
| Change in net financial assets | - | 42,644 | 21,462 |
| Net financial assets, beginning of year | 40,752 | 40,752 | 19,290 |
| Net financial assets, end of year | \$ 40,752 | \$ 83,396 | \$ 40,752 |

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

ARGYLE BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT

Statement of Cash Flows

For the year ended December 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|-------------------------------------------------------------------------|-----------|-----------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Net surplus | \$ 40,068 | \$ 37,463 |
| Item not involving cash: | | |
| Amortization of tangible capital assets | 3,346 | 2,620 |
| Changes in non-cash assets and liabilities: | | |
| GST/HST Receivable | 3,022 | (4,760) |
| Due from Hyde Park Business Improvement Association Board of Management | (6,560) | - |
| Accounts payable and accrued liabilities | (9,689) | 5,863 |
| Deferred revenue | 6,560 | |
| Due to related parties | 12,622 | (13,324) |
| Prepaid expenses | (101) | |
| Net change in cash from operating activities | 49,268 | 27,862 |
| Capital activities: | | |
| Purchase of tangible capital assets | (770) | (18,621) |
| Cash used in capital activities | (770) | (18,621) |
| Increase in cash and cash equivalents | 48,498 | 9,241 |
| Cash and cash equivalents, beginning of year | 50,002 | 40,761 |
| Cash and cash equivalents, end of year | \$ 98,500 | \$ 50,002 |

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

ARGYLE BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT

Notes to Financial Statements
Year ended December 31, 2019

1. Nature of reporting entity

Subsection 204(1) of the Municipal Act, 2001 provides that a local municipality may designate an area as an improvement area and may establish a board of management. The Argyle Business Improvement Association Board of Management (the "Board") was incorporated on October 9, 2012, in the Province of Ontario. The Board was established as a local board of The Corporation of the City of London to manage the Argyle Business Improvement Association. This Association is comprised of those lands in the City of London abutting on the north and south sides of Dundas Street, east of Highbury Avenue and west of Wavell Street.

The Board was established to oversee the improvement, beautification and maintenance of municipally-owned land, buildings and structures in the area beyond that provided at the expense of the municipality generally and to promote the area as a business or shopping area. The Board was granted municipality status in 2017.

Prior to incorporation, the Association operated as the Argyle Business Improvement Association and incurred revenue and expenses in the normal course of business

2. Significant accounting policies

The financial statements of the Argyle Business Improvement Association Board of Management are the representation of management, prepared in accordance with Canadian generally accepted accounting principles as defined in the Chartered Professional Accountants of Canada Public Sector Handbook – Accounting.

Significant accounting policies are as follows:

(a) Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available 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.

(b) 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, less residual value, of the tangible capital assets, are amortized on a straight line basis over their estimated useful lives as follows:

| Asset | Useful Life - Years |
|------------------------|---------------------|
| Leasehold improvements | 10 |
| Furniture and fixtures | 5 |
| Computer equipment | 4 |

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

ARGYLE BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT

Notes to Financial Statements (continued)

Year ended December 31, 2019

2. Significant accounting policies (continued)

(c) Government transfers

Government transfer payments from The Corporation of the City of London are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(d) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(e) Budget figures

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.

(f) Related Party Transactions

Monetary related party transactions and non-monetary related party transactions that have commercial substance are measured at the exchange amount when they are in the normal course of business, except when the transaction is an exchange of a product or property held for sale in the normal course of operations. Where the transaction is not in the normal course of operations, it is measured at the exchange amount when there is a substantive change in the ownership of the item transferred and there is independent evidence of the exchange amount. All other related party transactions are measured at the carrying amount.

3. Cash and cash equivalents

Cash and cash equivalents are comprised of the following:

| | 2019 | 2018 |
|--------------------------------|------------------|------------------|
| Cash on deposit | \$ 97,618 | \$ 49,768 |
| Petty Cash | 566 | - |
| Credit union membership shares | 316 | 234 |
| | <u>\$ 98,500</u> | <u>\$ 50,002</u> |

ARGYLE BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT

Notes to Financial Statements (continued)

Year ended December 31, 2019

4. Tangible capital assets

| Cost | Balance at December 31, 2018 | Additions | Disposals | Balance at December 31, 2019 |
|------------------------|------------------------------------|---------------|-------------|------------------------------------|
| Leasehold improvements | \$ 8,293 | \$ - | \$ - | \$ 8,293 |
| Furniture and fixtures | 12,124 | 370 | - | 12,494 |
| Computer equipment | 7,213 | 400 | - | 7,613 |
| | \$ 27,630 | \$ 770 | \$ - | \$ 28,400 |

| Accumulated Amortization | Balance at December 31, 2018 | Amortization Expense | Disposals | Balance at December 31, 2019 |
|-----------------------------|------------------------------------|-------------------------|-------------|------------------------------------|
| Leasehold improvements | \$ 829 | \$ 829 | \$ - | \$ 1,658 |
| Furniture and fixtures | 2,639 | 1,934 | - | 4,573 |
| Computer equipment | 5,080 | 583 | - | 5,663 |
| | \$ 8,548 | \$ 3,346 | \$ - | \$ 11,894 |

| Net book value | Balance at December 31, 2018 | Balance at December 31, 2019 |
|------------------------|------------------------------------|------------------------------------|
| Leasehold improvements | \$ 7,464 | \$ 6,635 |
| Furniture and fixtures | 9,485 | 7,921 |
| Computer equipment | 2,133 | 1,950 |
| | \$ 19,082 | \$ 16,506 |

5. Accumulated surplus

The balance of accumulated surplus is comprised of the following:

| | 2019 | 2018 |
|-------------------------------------|-------------------|------------------|
| Invested in tangible capital assets | \$ 16,506 | \$ 19,082 |
| Operating fund | 84,836 | 42,192 |
| | \$ 101,342 | \$ 61,274 |

ARGYLE BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT

Notes to Financial Statements (continued)

Year ended December 31, 2019

6. Related party transactions

At December 31, 2019 the amount due to the Corporation of the City of London is \$12,622 (2018 - \$nil) and the amount due from Hyde Park Business Improvement Association Board of Management is \$6,560 (2018 - \$nil).

7. Subsequent event

Subsequent to December 31, 2019, 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 Board has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic.

- Closure of office to the public from March 23, 2020 to the date of the auditors' report based on public health recommendations.
- Mandatory working from home requirement for those able to do so.

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

Financial Statements of

**COVENT GARDEN MARKET
CORPORATION**

And Independent Auditors' Report thereon

Year ended December 31, 2019



KPMG LLP
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London Ontario N6A 5P2
Canada
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INDEPENDENT AUDITORS' REPORT

To the Chair and Members of Covent Garden Market Corporation

Opinion

We have audited the financial statements of Covent Garden Market Corporation (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes and schedule to the financial statements, including a summary of significant accounting policies

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of operations, its changes in net assets and its 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 responsibilities in accordance with these requirements.

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



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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

March 6, 2020

COVENT GARDEN MARKET CORPORATION

Statement of Financial Position

December 31, 2019, with comparative information for 2018

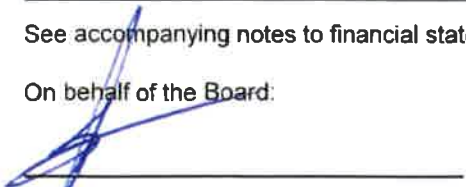
| | 2019 | 2018 |
|------------------------------|--------------|--------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 198,363 | \$ 192,488 |
| Investments (note 2) | 2,333,807 | 2,047,690 |
| Accounts receivable (note 3) | 228,832 | 264,729 |
| Prepaid expenses | 17,256 | 28,361 |
| HST receivable | - | 65,084 |
| | 2,778,258 | 2,598,352 |
| Capital assets (note 4) | 4,111,817 | 4,224,256 |
| | \$ 6,890,075 | \$ 6,822,608 |

Liabilities, Deferred Contributions and Net Assets


| | | |
|--------------------------------------------|--------------|--------------|
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 306,621 | \$ 266,516 |
| Current portion of long-term debt (note 6) | 113,390 | 106,422 |
| HST payable | - | 65,084 |
| | 420,011 | 438,022 |
| Deferred capital contributions (note 5) | 1,880,402 | 1,973,821 |
| Long-term debt (note 6) | 602,713 | 716,103 |
| Net assets: | | |
| Invested in capital assets (note 7) | 1,515,312 | 1,427,910 |
| Unrestricted | 2,471,637 | 2,266,752 |
| | 3,986,949 | 3,694,662 |
| | \$ 6,890,075 | \$ 6,822,608 |

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

COVENT GARDEN MARKET CORPORATION

Statement of Operations

Year ended December 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|------------------------------------------------|-------------------|-------------------|
| Revenue: | | |
| Parking fees | \$ 1,885,162 | \$ 1,857,419 |
| Market rentals | 780,294 | 795,166 |
| Common area maintenance | 680,232 | 607,136 |
| Amortization of deferred capital contributions | 93,419 | 95,053 |
| Promotion fund | 49,759 | 50,189 |
| Central chilling lease | 22,312 | 22,135 |
| Management fees | 17,460 | 17,460 |
| Miscellaneous | 2,466 | 2,485 |
| | <u>3,531,104</u> | <u>3,447,043</u> |
| Expenses: | | |
| Operating (Schedule) | 2,655,916 | 2,618,363 |
| Management (Schedule) | 621,202 | 534,989 |
| | <u>3,277,118</u> | <u>3,153,352</u> |
| Earnings before the undernoted | 253,986 | 293,691 |
| Other income (expenses): | | |
| Interest income | 61,948 | 46,497 |
| Tenant leaseholds | (23,647) | (21,343) |
| | <u>38,301</u> | <u>25,154</u> |
| Excess of revenues over expenses | <u>\$ 292,287</u> | <u>\$ 318,845</u> |

See accompanying notes to financial statements.

COVENT GARDEN MARKET CORPORATION

Statement of Changes in Net Assets

Year ended December 31, 2019, with comparative information for 2018

| | Invested in capital assets (note 7) | Unrestricted | 2019 Total | 2018 Total |
|--------------------------------------------------------|-------------------------------------------|---------------------|---------------------|---------------------|
| Balance, beginning of year | \$ 1,427,910 | \$ 2,266,752 | \$ 3,694,662 | \$ 3,375,817 |
| Excess (deficiency) of revenue over expenses | (225,447) | 517,734 | 292,287 | 318,845 |
| Net change in investment in capital assets (note 7) | 312,849 | (312,849) | - | - |
| Balance, end of year | \$ 1,515,312 | \$ 2,471,637 | \$ 3,986,949 | \$ 3,694,662 |

See accompanying notes to financial statements.

COVENT GARDEN MARKET CORPORATION

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|-----------------------------------------------------------|-------------------|-------------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Excess of revenues over expenses | \$ 292,287 | \$ 318,845 |
| Adjustments for: | | |
| Amortization of capital assets | 318,866 | 352,885 |
| Amortization of deferred capital contributions | (93,419) | (95,053) |
| Net change in non-cash operating working capital (note 8) | 87,107 | (15,182) |
| | <u>604,841</u> | <u>561,495</u> |
| Capital activities: | | |
| Purchase of capital assets | (206,427) | (156,078) |
| Financing activities: | | |
| Repayment of long-term debt | (106,422) | (99,883) |
| Investing activities: | | |
| Purchase of investments | (286,117) | (193,459) |
| Increase in cash | 5,875 | 112,075 |
| Cash, beginning of year | 192,488 | 80,413 |
| Cash, end of year | <u>\$ 198,363</u> | <u>\$ 192,488</u> |

See accompanying notes to financial statements.

COVENT GARDEN MARKET CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

Covent Garden Market Corporation (the "Corporation") was incorporated without share capital under The Corporations Act, 1953 and pursuant to private legislation remains a local board of The City of London (the "City"). The Corporation has erected and operates a public market and parking facilities on land leased from the City.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards, including the 4200 standards for government not-for-profit organizations.

(a) Basis of presentation:

The Corporation follows the deferral method of accounting for contributions.

Contributions received by the Corporation without restriction are used for operational expenditures.

Contributions that are restricted in nature are used for capital expenditures or expenses determined by the Board of Directors and approved by the City.

(b) Revenue recognition:

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight line basis, at a rate corresponding with the amortization rate for the related capital assets.

Government transfer payments from the City are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expense have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

COVENT GARDEN MARKET CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(c) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Corporation's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on the following basis at the following annual rates:

| Asset | Basis | Rate |
|------------------------------|-------------------|----------|
| Buildings | Straight-line | 40 years |
| Equipment and fixtures | Declining balance | 20% |
| Computer equipment | Declining balance | 33.3% |
| Renovations, parking upgrade | Straight-line | 10 years |
| Central chilling program | Straight-line | 15 years |

(d) Deferred capital contributions:

Capital contributions are deferred and amortized over the same term and on the same basis as the related capital assets.

COVENT GARDEN MARKET CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

Long-term debt is recorded at cost.

PSAS requires the Corporation to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

The Corporation does not incur unrealized gains and losses which meet the definition for recognition in the statement of remeasurement gains and losses. Accordingly, no statement of remeasurement gains and losses is presented in these financial statements.

COVENT GARDEN MARKET CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(f) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets and valuation allowances for accounts receivable. Actual results could differ from those estimates.

2. Investments:

Investments are recorded at cost or amortized cost. Investments consist of highly liquid cash equivalents, bond funds and guaranteed investment certificates with terms varying from one year to two years, some of which are cashable instruments. Investments are held for the purpose of meeting short-term commitments.

3. Accounts receivable:

| | 2019 | 2018 |
|---------------------------------|------------|------------|
| Trade | \$ 457,655 | \$ 347,427 |
| Provision for doubtful accounts | 228,823 | 82,698 |
| | \$ 228,832 | \$ 264,729 |

4. Capital assets:

| | Cost | Accumulated amortization | 2019 Net book value | 2018 Net book value |
|------------------------------|--------------|-----------------------------|---------------------------|---------------------------|
| Buildings | \$ 7,463,179 | \$ 4,148,545 | \$ 3,314,634 | \$ 3,435,599 |
| Equipment and fixtures | 2,243,308 | 1,533,371 | 709,937 | 766,357 |
| Computer equipment | 54,065 | 42,988 | 11,077 | 3,916 |
| Renovations, parking upgrade | 162,716 | 98,966 | 63,750 | 5,079 |
| Central chilling program | 612,077 | 599,658 | 12,419 | 13,305 |
| | \$10,535,345 | \$ 6,423,528 | \$ 4,111,817 | \$ 4,224,256 |

COVENT GARDEN MARKET CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

4. Capital assets (continued):

Ownership of capital assets is vested with the City. The Corporation operates the facilities on behalf of the City. These fixed assets and the related amortization have been included in the financial statements of the Corporation in order to reflect the assets over which it has stewardship and the amortization costs related to those assets.

In accordance with the Corporation's policy, amortization is not taken until assets are available for use. As such, no amortization is taken on work in progress, as these assets are not available for use at the end of the reporting period.

5. Deferred capital contributions:

Deferred capital contributions represent contributions received from the City to fund construction for which the Corporation is responsible. These unamortized contributions will be recognized as revenue over the life of the assets for which they were received.

| | 2019 | 2018 |
|-------------------------------|--------------|--------------|
| Balance, beginning of year | \$ 1,973,821 | \$ 2,068,874 |
| Amortization of contributions | (93,419) | (95,053) |
| Balance, end of year | \$ 1,880,402 | \$ 1,973,821 |

COVENT GARDEN MARKET CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

6. Long-term debt:

| | 2019 | 2018 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|
| Note payable to the City for construction of the mezzanine, fixed interest rate of 6.5%, unsecured, due in blended monthly payments of \$6,028, due 2026 | \$ 359,502 | \$ 407,116 |
| Note payable to the City for purchase of Tenant A Space, interest rate of 6.34%, unsecured, due in blended yearly payments of \$90,000, due 2024 | 356,601 | 415,409 |
| | 716,103 | 822,525 |
| Less current portion | 113,390 | 106,422 |
| | \$ 602,713 | \$ 716,103 |

Future principal payments required on all long-term debt for the next five years and thereafter are as follows:

| | |
|---------------------|------------|
| 2020 | \$ 113,390 |
| 2021 | 120,814 |
| 2022 | 128,724 |
| 2023 | 137,152 |
| 2024 and thereafter | 216,023 |
| | \$ 716,103 |

Interest paid on the notes payable to the City, a related party, amounted to \$55,919 (2018 - \$62,458).

Lease costs associated with the central refrigeration system are charged by the Corporation to the tenants who use the system. These revenues and related costs are included in the statement of operations.

COVENT GARDEN MARKET CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

7. Invested in capital assets:

(a) Invested in capital assets is calculated as follows:

| | 2019 | 2018 |
|--------------------------------|--------------|--------------|
| Capital assets | \$ 4,111,817 | \$ 4,224,256 |
| Amounts financed by: | | |
| Deferred capital contributions | 1,880,402 | 1,973,821 |
| Long-term debt | 716,103 | 822,525 |
| | 2,596,505 | 2,796,346 |
| | \$ 1,515,312 | \$ 1,427,910 |

(b) Change in net assets invested in capital assets is calculated as follows:

| | 2019 | 2018 |
|------------------------------------------------|--------------|--------------|
| Deficiency of revenues over expenses: | | |
| Amortization of capital assets | \$ (318,866) | \$ (352,885) |
| Amortization of deferred capital contributions | 93,419 | 95,053 |
| | \$ (225,447) | \$ (257,832) |
| Net change in investment in capital assets: | | |
| Purchase of capital assets | \$ 206,427 | \$ 156,078 |
| Repayment of long-term debt | 106,422 | 99,883 |
| | \$ 312,849 | \$ 255,961 |

8. Net change in non-cash balances related to continuing operations:

| | 2019 | 2018 |
|------------------------------------------|-----------|-------------|
| Accounts receivable | \$ 35,897 | \$ (5,415) |
| Prepaid expenses | 11,105 | (8,161) |
| HST receivable | 65,084 | 78,099 |
| Accounts payable and accrued liabilities | 40,105 | (1,606) |
| HST payable | (65,084) | (78,099) |
| | \$ 87,107 | \$ (15,182) |

COVENT GARDEN MARKET CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

9. Financial risks:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Corporation is exposed to credit risk with respect to the accounts receivable and cash.

The Corporation assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the provision for doubtful accounts. The maximum exposure to credit risk of the Corporation at December 31, 2019 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for a provision for doubtful accounts. The amount of any related impairment loss is recognized in the income statement. Subsequent recoveries of impairment losses related to accounts receivable are credited to the income statement. The balance of the provision for doubtful accounts at December 31, 2019 is \$228,823 (2018 - \$82,698).

There have been no significant changes to the credit risk exposure from 2018.

(b) Liquidity risk:

Liquidity risk is the risk that the Corporation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Corporation manages its liquidity risk by monitoring its operating requirements. The Corporation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

There have been no significant changes to the liquidity risk exposure from 2018.

(c) Market risk:

Market risk is the risk that changes in market prices, such as interest rates will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

COVENT GARDEN MARKET CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

9. Financial risks (continued):

(d) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Corporation to cash flow interest rate risk.

There has been no change to the interest rate risk exposure from 2018.

COVENT GARDEN MARKET CORPORATION

Schedule - Operating and Management Expenses

Year ended December 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|-------------------------------------------|---------------------|---------------------|
| Operating expenses: | | |
| Contracted services and professional fees | \$ 805,812 | \$ 759,870 |
| Advertising | 379,771 | 324,713 |
| Security | 368,811 | 352,181 |
| Amortization | 313,183 | 348,767 |
| Maintenance, repairs and supplies | 276,123 | 321,140 |
| Light and heat | 257,720 | 259,278 |
| Insurance | 107,812 | 103,239 |
| Interest expense, notes payable | 55,919 | 62,458 |
| Salaries and benefits | 43,613 | 47,299 |
| Miscellaneous | 43,488 | 32,611 |
| Telephone | 3,099 | 3,116 |
| Travel and entertainment | 565 | 628 |
| Professional fees | - | 3,063 |
| | \$ 2,655,916 | \$ 2,618,363 |
| Management expenses: | | |
| Salaries | \$ 319,122 | \$ 290,660 |
| Miscellaneous | 140,224 | 71,822 |
| Benefits | 83,877 | 76,838 |
| Professional fees | 34,077 | 58,509 |
| Maintenance repairs and supplies | 21,041 | 14,849 |
| Telephone | 8,661 | 7,673 |
| Insurance | 7,593 | 7,146 |
| Amortization | 5,683 | 4,118 |
| Travel and entertainment | 924 | 3,374 |
| | \$ 621,202 | \$ 534,989 |

Financial Statements of

ELDON HOUSE CORPORATION

Year ended December 31, 2019



KPMG LLP
1400-140 Fullarton Street
London Ontario N6A 5P2
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Telephone (519) 672-4880
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INDEPENDENT AUDITORS' REPORT

To the Chair and Members, Eldon House Corporation

Qualified Opinion

We have audited the financial statements of Eldon House Corporation (the "Corporation"), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations for the year then ended
- the statement of change in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements, present fairly, in all material respects, the financial position of the Corporation as at December 31, 2019, and its results of operations, its change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified 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 Corporation 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.

In common with many charitable organizations, Eldon House Corporation derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of Eldon House Corporation.



Page 2

Therefore, we were not able to determine whether, as at and for the year ended December 31, 2019, any adjustments might be necessary to donations and annual surplus (deficit) reported in the statement of operations and statement of cash flows and financial assets reported on the statement of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended December 31, 2018.

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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation'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.



Page 3

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 Corporation'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 Corporation'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 auditor's report. However, future events or conditions may cause the Corporation 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

May 21, 2020

ELDON HOUSE CORPORATION

Statement of Financial Position

December 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|------------------------------------------|------------------|------------------|
| Financial assets | | |
| Cash and cash equivalents | \$ 125,853 | \$ 83,918 |
| Accounts receivable | - | 3,488 |
| Prepaid expenses and deposits | 375 | 375 |
| | <u>126,228</u> | <u>87,781</u> |
| Financial liabilities | | |
| Accounts payable and accrued liabilities | 80,646 | 70,969 |
| Deferred revenue | 31,093 | 2,279 |
| Deposits payable | 781 | 781 |
| | <u>112,520</u> | <u>74,029</u> |
| Net financial assets | 13,708 | 13,752 |
| Non-financial assets | | |
| Tangible capital assets (note 2) | 20,557 | 29,785 |
| Subsequent events (note 5) | | |
| Accumulated surplus (note 3) | <u>\$ 34,265</u> | <u>\$ 43,537</u> |

See accompanying notes to financial statements.

ELDON HOUSE CORPORATION

Statement of Operations

Year ended December 31, 2019, with comparative information for 2018

| | Budget 2019 | 2019 | 2018 |
|----------------------------------------|------------------|------------------|------------------|
| Revenue: | | | |
| The Corporation of the City of London | \$ 290,015 | \$ 290,015 | \$ 288,839 |
| Other income | 45,480 | 68,497 | 64,767 |
| Grants | 30,300 | 47,131 | 41,169 |
| Donations | 11,000 | 18,119 | 13,669 |
| | <u>376,795</u> | <u>423,762</u> | <u>408,444</u> |
| Expenditures: | | | |
| Salaries and benefits | 243,555 | 296,710 | 288,106 |
| Programs and exhibitions | 14,100 | 29,531 | 25,821 |
| Office and general | 13,870 | 26,894 | 21,871 |
| Repairs and maintenance | 36,950 | 23,451 | 17,855 |
| Utilities | 29,720 | 19,677 | 19,339 |
| Amortization | - | 9,228 | 11,602 |
| Advertising | 17,500 | 8,278 | 4,208 |
| Professional fees | 6,000 | 7,500 | 7,179 |
| Telephone and internet | 6,100 | 7,382 | 1,837 |
| Insurance | 6,500 | 3,084 | 3,833 |
| Meals and entertainment | - | 798 | 567 |
| Cost of sales | 2,500 | 501 | 204 |
| | <u>376,795</u> | <u>433,034</u> | <u>402,422</u> |
| Annual (deficit) surplus | - | (9,272) | 6,022 |
| Accumulated surplus, beginning of year | 43,537 | 43,537 | 37,515 |
| Accumulated surplus, end of year | <u>\$ 43,537</u> | <u>\$ 34,265</u> | <u>\$ 43,537</u> |

See accompanying notes to financial statements.

ELDON HOUSE CORPORATION

Statement of Change in Net Financial Assets

Year ended December 31, 2019, with comparative information for 2018

| | Budget | | |
|---------------------------------------------------|-----------|------------|-----------|
| | 2019 | 2019 | 2018 |
| Annual (deficit) surplus | \$ - | \$ (9,272) | \$ 6,022 |
| Acquisition of tangible capital assets | - | - | (3,863) |
| Amortization | - | 9,228 | 11,602 |
| | - | (44) | 13,761 |
| Net financial assets (debt), beginning of year | 13,752 | 13,752 | (9) |
| Net financial assets, end of year | \$ 13,752 | \$ 13,708 | \$ 13,752 |

See accompanying notes to financial statements.

ELDON HOUSE CORPORATION

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|------------------------------------------------|------------|-----------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual (deficit) surplus | \$ (9,272) | \$ 6,022 |
| Item not involving cash: | | |
| Amortization | 9,228 | 11,602 |
| Changes in non-cash operating working capital: | | |
| Accounts receivable | 3,488 | (1,682) |
| Accounts payable and accrued liabilities | 9,677 | 28,263 |
| Deferred revenue | 28,814 | (3,385) |
| | 41,935 | 40,820 |
| Capital activities: | | |
| Acquisition of tangible capital assets | - | (3,863) |
| Increase in cash and cash equivalents | 41,935 | 36,957 |
| Cash and cash equivalents, beginning of year | 83,918 | 46,961 |
| Cash and cash equivalents, end of year | \$ 125,853 | \$ 83,918 |
| Represented by: | | |
| Cash | \$ 90,680 | \$ 78,875 |
| Cash equivalents | 35,173 | 5,043 |
| | \$ 125,853 | \$ 83,918 |

See accompanying notes to financial statements.

ELDON HOUSE CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

1. Significant accounting policies:

Eldon House Corporation (the "Corporation") was incorporated by Municipal Bylaw on January 1, 2013. The Corporation's primary activity is the management of the operations of Eldon House, a historic home and museum in London, Ontario.

The financial statements of the Eldon House Corporation are prepared in accordance with Canadian generally accepted accounting principles as defined in the Chartered Professional Accountants of Canada's Public Sector Handbook - Accounting ("PSAB").

(a) Basis of accounting:

Sources of financing and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Tangible capital assets:

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

| Asset | Rate |
|------------------------|---------|
| Furniture and fixtures | 7 years |
| Computer equipment | 4 years |
| Website | 5 years |
| Office equipment | 5 years |
| CCTV security system | 5 years |
| Audio visual equipment | 4 years |

Works of art and material cultural and historical assets are not recorded as assets in these financial statements.

ELDON HOUSE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(c) Government transfers:

Government transfer payments from The Corporation of the City of London are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(d) Deferred revenue:

Contributions received for expenses of future periods are recorded as deferred revenue and recognized as revenue in the fiscal period the expenses are incurred.

(e) Contributed services:

Volunteers contribute a significant amount of time each year to assist the Corporation in carrying out its operations. Because of the difficulty in determining the fair value, contributed services are not recognized in the financial statements.

(f) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

ELDON HOUSE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(g) Revenue recognition:

The Corporation follows the deferral method of accounting for contributions which include donations and grants.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of equipment and leaseholds are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related equipment and leaseholds.

Revenue from other income is recognized when the services are provided or the goods sold.

(h) Budget figures:

Budget figures have been provided for comparison purposes.

2. Tangible capital assets:

| Cost | Balance at December 31, 2018 | Additions | Disposals | Balance at December 31, 2019 |
|------------------------|------------------------------------|-------------|-------------|------------------------------------|
| Furniture and fixtures | \$ 14,715 | \$ - | \$ - | \$ 14,715 |
| Computer hardware | 11,399 | - | - | 11,399 |
| Website | 7,937 | - | - | 7,937 |
| Office equipment | 6,014 | - | - | 6,014 |
| CCTV security system | 19,819 | - | - | 19,819 |
| Audio visual equipment | 1,258 | - | - | 1,258 |
| Total | \$ 61,142 | \$ - | \$ - | \$ 61,142 |

ELDON HOUSE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

2. Tangible capital assets (continued):

| Accumulated amortization | Balance at December 31, 2018 | Disposals | Amortization expense | Balance at December 31, 2019 |
|--------------------------|------------------------------------|-------------|-------------------------|------------------------------------|
| Furniture and fixtures | \$ 8,661 | \$ - | \$ 2,102 | \$ 10,763 |
| Computer hardware | 11,341 | - | 58 | 11,399 |
| Website | 3,970 | - | 1,588 | 5,558 |
| Office equipment | 1,282 | - | 1,202 | 2,484 |
| CCTV security system | 5,946 | - | 3,964 | 9,910 |
| Audio visual equipment | 157 | - | 314 | 471 |
| Total | \$ 31,357 | \$ - | \$ 9,228 | \$ 40,585 |

| | Net book value December 31, 2018 | Net book value December 31, 2019 |
|------------------------|----------------------------------------|----------------------------------------|
| Furniture and fixtures | \$ 6,054 | \$ 3,952 |
| Computer hardware | 58 | - |
| Website | 3,967 | 2,379 |
| Office equipment | 4,732 | 3,530 |
| CCTV security system | 13,873 | 9,909 |
| Audio visual equipment | 1,101 | 787 |
| Total | \$ 29,785 | \$ 20,557 |

3. Accumulated surplus:

The balance of accumulated surplus is comprised of the following:

| | 2019 | 2018 |
|-------------------------------------|------------------|------------------|
| Invested in tangible capital assets | \$ 20,557 | \$ 29,785 |
| Operating fund | 13,708 | 13,752 |
| | \$ 34,265 | \$ 43,537 |

ELDON HOUSE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

4. Trust fund:

The Amelia Lucy Ronalds Little Fund represents restricted funds to be used for the improvement, redecoration, refurbishing, restoration, and enhancement of Eldon House and the artifacts contained therein. The balance in this fund at December 31, 2019 was \$167,263 (2018 - \$163,305). The Corporation of the City of London is responsible for administration of the fund. This fund has not been included in the statement of financial position of the Corporation.

5. Subsequent events:

Subsequent to December 31, 2019, 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.

- Closure of Eldon House to the public from Sunday March 15, 2020 to the date of the auditors' report based on public health recommendations.
- Staff are working from home and working on transcribing diaries which qualify for segregated funds funding.
- No layoffs or terminations, however, several part-time staff members are currently not receiving hours; the situation remains fluid with staffing requirements evaluated regularly.

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

Financial Statements of

FAIR-CITY JOINT VENTURE

And Independent Auditors' Report thereon

Year ended June 30, 2019



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INDEPENDENT AUDITORS' REPORT

To the Venture Partners of Fair-City Joint Venture

Opinion

We have audited the financial statements of Fair-City Joint Venture (the Entity), which comprise:

- the statement of financial position as at June 30, 2019
- the statement of operations for the year then ended
- the statement of net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies (Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at June 30, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian Accounting standards for not-for-profit organizations.

Basis for Opinion

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

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

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



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 accounting standards for not-for-profit organizations, 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

August 26, 2019

FAIR-CITY JOINT VENTURE

Statement of Financial Position

June 30, 2019, with comparative information for 2018

| | 2019 | 2018 |
|------------------------------|----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 72,123 | \$ 433,195 |
| Investment (note 2) | 854,135 | 839,455 |
| Accounts receivable (note 3) | 224,026 | 169,344 |
| Prepaid expenses | 159,010 | 156,217 |
| | <u>1,309,294</u> | <u>1,598,211</u> |
| Capital assets (note 4) | 11,138,033 | 11,262,497 |
| | <u>\$ 12,447,327</u> | <u>\$ 12,860,708</u> |

Liabilities and Net Assets

| | | |
|-----------------------------------------------------------------|----------------------|----------------------|
| Current liabilities: | | |
| Accounts payable and accrued liabilities (note 5) | \$ 288,713 | \$ 174,592 |
| Payable to Western Fair Association (note 14) | 142,090 | 180,671 |
| Deferred revenue | 373,551 | 339,520 |
| Current portion of related party debt, secured (note 6) | 939,095 | 881,956 |
| Current portion of obligations under capital leases (note 7) | <u>99,052</u> | <u>114,651</u> |
| | 1,842,501 | 1,691,390 |
| Related party debt, secured (note 6) | 1,347,441 | 2,286,535 |
| Obligations under capital leases (note 7) | 1,137,183 | 1,236,108 |
| Employee future benefits (note 8) | 189,290 | 159,801 |
| Deferred capital contributions (note 9) | 2,886,632 | 3,019,259 |
| Net assets: | | |
| Investment in capital assets (note 10) | 4,728,630 | 3,723,988 |
| Internally restricted (note 12) | <u>315,650</u> | <u>743,627</u> |
| | 5,044,280 | 4,467,615 |
| Contingencies (note 16) | | |
| | <u>\$ 12,447,327</u> | <u>\$ 12,860,708</u> |

See accompanying notes to financial statements.

On behalf of the Joint Venture:

_____ Director _____ Director

FAIR-CITY JOINT VENTURE

Statement of Operations

Year ended June 30, 2019, with comparative information for 2018

| | 2019 | 2018 |
|-------------------------------------------------------|-------------------|-------------------|
| Revenues: | | |
| Ice rentals (note 14) | \$ 3,351,995 | \$ 3,333,899 |
| Sponsorship and other | 507,628 | 455,476 |
| <u>Amortization of deferred capital contributions</u> | <u>132,627</u> | <u>132,627</u> |
| | 3,992,250 | 3,922,002 |
| Expenditures: | | |
| Salaries and benefits | 1,213,231 | 1,128,585 |
| Utilities | 637,928 | 673,086 |
| Amortization of capital assets | 590,234 | 641,127 |
| Supplies and services | 445,086 | 389,289 |
| Interest expense (note 14) | 277,004 | 332,048 |
| <u>Management fees from venturer (note 14)</u> | <u>239,535</u> | <u>235,183</u> |
| | 3,403,018 | 3,399,318 |
| <u>Excess of revenues over expenditures (note 13)</u> | <u>\$ 589,232</u> | <u>\$ 522,684</u> |

See accompanying notes to financial statements.

FAIR-CITY JOINT VENTURE

Statement of Changes in Net Assets

Year ended June 30, 2019, with comparative information for 2018

| | Western Fair Association | The City of London | Internally restricted (note 12) | Investment in capital assets (note 10) | Total 2019 | Total 2018 |
|------------------------------------------------|-----------------------------|-----------------------|---------------------------------------|----------------------------------------------|---------------|---------------|
| Balance, beginning of year | \$ - | \$ - | \$ 743,627 | \$ 3,723,988 | \$ 4,467,615 | \$ 3,852,305 |
| Excess of revenues over expenditures | 361,955 | 227,277 | - | - | 589,232 | 522,684 |
| Employee future benefit remeasurements | (7,720) | (4,847) | - | - | (12,567) | 92,626 |
| Allocation to internally restricted net assets | (23,215) | (14,578) | 37,793 | - | - | - |
| Change in investment in capital assets | (331,020) | (207,852) | (465,770) | 1,004,642 | - | - |
| Balance, end of year | \$ - | \$ - | \$ 315,650 | \$ 4,728,630 | \$ 5,044,280 | \$ 4,467,615 |

See accompanying notes to financial statements.

FAIR-CITY JOINT VENTURE

Statement of Cash Flows

Year ended June 30, 2019, with comparative information for 2018

| | 2019 | 2018 |
|------------------------------------------------|------------|------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Excess of revenues over expenditures | \$ 589,232 | \$ 522,684 |
| Items not involving cash: | | |
| Amortization of capital assets | 590,234 | 641,127 |
| Change in employee future benefits liability | 16,922 | 25,855 |
| Amortization of deferred capital contributions | (132,627) | (132,627) |
| Changes in non-cash operating working capital: | | |
| Accounts receivable | (54,682) | 95,250 |
| Prepaid expenses | (2,793) | (2,292) |
| Accounts payable and accrued liabilities | 114,121 | (219,592) |
| Payable to Western Fair Association | (38,581) | 34,847 |
| Deferred revenue | 34,031 | 7,437 |
| | 1,115,857 | 972,689 |
| Financing activities: | | |
| Repayments of related party debt | (881,955) | (828,294) |
| Payment of obligations under capital leases | (114,524) | (107,251) |
| | (996,479) | (935,545) |
| Investing activities: | | |
| Purchase of capital assets | (465,770) | (148,361) |
| Net change in investment | (14,680) | (11,763) |
| | (480,450) | (160,124) |
| Decrease in cash | (361,072) | (122,980) |
| Cash, beginning of year | 433,195 | 556,175 |
| Cash, end of year | \$ 72,123 | \$ 433,195 |

See accompanying notes to financial statements.

FAIR-CITY JOINT VENTURE

Notes to Financial Statements

Year ended June 30, 2019

The Fair-City Joint Venture ("Joint Venture") is a partnership between the Western Fair Association ("Association") and The City of London ("City") entered into on September 1, 2000. Each venturer controls 50% of the Joint Venture. The purpose of the Joint Venture is to construct and operate a four pad arena to provide facilities for the betterment of the community, and is to be used by the community as a whole. The Joint Venture is registered under the Ontario Partnerships Act.

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian Accounting Standards for not-for-profit organizations in Part III of the CPA Canada Handbook - Accounting.

The Joint Venture's significant accounting policies are as follows:

(a) Revenue recognition:

The Joint Venture recognizes revenue when the service has been rendered and persuasive evidence of an arrangement exists, the price to the buyer is fixed or determinable and collection is reasonably assured. Deposits received for future rentals are included in deferred revenue until the rental is provided and the sale is recognized.

Contributions restricted for the purpose of capital assets are deferred, and when expended, are amortized into revenue at a rate corresponding with the amortization for the related capital asset.

(b) Capital assets:

Capital assets are stated at cost, less accumulated amortization. Capital assets are amortized on a straight-line basis as follows:

| Asset | Basis | Rate |
|---------------------------------|---------------|-------------|
| Building | Straight-line | 40 years |
| Machinery and equipment | Straight-line | 5 years |
| Special alterations | Straight-line | 10-25 years |
| Solar array under capital lease | Straight-line | 20 years |

When assets become fully amortized, the cost of the asset and the related accumulated amortization are removed from the respective amounts. Costs related to capital projects in progress are accumulated and no amortization is recorded until the capital project is substantially complete and the assets are ready for use. When completed, the costs of capital projects in progress are transferred to the appropriate asset category and amortized in accordance with the category's useful life.

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2019

1. Significant accounting policies (continued):

(c) Employee future benefits:

(i) Pension plan:

The Joint Venture participates in the defined contribution pension plan sponsored by the Association.

(ii) Post-employment benefits other than pension:

The Joint Venture also participates in the post-employment benefits plan provided by the Association that provides its current and retired employees with extended health and dental benefits, post retirement insurance coverage and sick leave benefits. The cost of these benefits is actuarially determined using the projected benefit method pro-rated on service using management's best estimates of salary escalation, retirement ages of employees and expected health care costs. Remeasurement differences arising from plan amendments, changes in assumptions and actuarial gains and losses are immediately recognized in net assets.

The Joint Venture accrues its obligations under employee post-employment benefits other than pension as the employees render the services necessary to earn them based on the latest valuation for accounting purposes. The actuarial valuation is performed at least every three years. In the years between valuations, plan results are prepared based on extrapolations of the latest available valuation results.

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2019

1. Significant accounting policies (continued):

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Joint Venture determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flow, the amount that could be realized from selling the financial asset or the amount the Joint Venture expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(e) Use of estimates:

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets and employee future benefits. Actual amounts could differ from those estimates.

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2019

2. Investment:

The investment is comprised of a term deposit that matures on November 27, 2019 with an effective interest rate of 1.92% (2018 - 1.75%).

3. Accounts receivable:

| | 2019 | | 2018 | |
|---------------|------|---------|------|---------|
| Trade | \$ | 145,106 | \$ | 129,786 |
| Miscellaneous | | 78,920 | | 39,558 |
| | \$ | 224,026 | \$ | 169,344 |

4. Capital assets:

| | 2019 | | 2018 | |
|---------------------------------|---------------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Building | \$ 15,446,432 | \$ 6,709,348 | \$ 8,737,084 | \$ 9,134,617 |
| Machinery and equipment | 507,586 | 310,422 | 197,164 | 236,559 |
| Special alterations | 1,474,749 | 229,138 | 1,245,611 | 859,441 |
| Solar array under capital lease | 1,474,114 | 515,940 | 958,174 | 1,031,880 |
| | \$ 18,902,881 | \$ 7,764,848 | \$ 11,138,033 | \$ 11,262,497 |

At June 30, 2019, machinery and equipment includes assets under capital lease with a cost of \$287,144 (2018 - \$287,144) and accumulated amortization of \$183,215 (2018 - \$131,007).

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2019

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$5,364 (2018 - \$6,024), which includes amounts payable for payroll related taxes. Included in miscellaneous receivables is HST receivable in the amount of \$1,040 (2018 - \$22,227)

6. Related party debt:

| | 2019 | 2018 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| Obligation to The City of London: | | |
| Term loan, bearing interest at 6.377%, payable in monthly blended payments of \$88,019, due October 1, 2021, secured by a general security agreement over all assets | \$ 2,286,536 | \$ 3,168,491 |
| Current portion of related party debt | 939,095 | 881,956 |
| | <hr/> | <hr/> |
| | \$ 1,347,441 | \$ 2,286,535 |

Principal repayments over the remaining term are as follows:

| | | |
|------|-------|-----------|
| 2020 | \$ | 939,095 |
| 2021 | | 999,936 |
| 2022 | | 347,505 |
| | <hr/> | <hr/> |
| | \$ | 2,286,536 |

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2019

7. Obligations under capital leases:

The Joint Venture has entered into two capital leases for certain ice surfacing equipment which expire December 1, 2019 and January 15, 2021 and one capital lease for a solar array expiring June 28, 2033.

| | |
|--------------------------------------------------------------|--------------|
| 2020 | \$ 197,127 |
| 2021 | 163,825 |
| 2022 | 146,037 |
| 2023 | 146,037 |
| 2024 | 146,037 |
| Thereafter | 1,241,316 |
| <hr/> | |
| Total minimum lease payments | 2,040,379 |
| Less amount representing interest at between 3.37% and 8.21% | 804,144 |
| <hr/> | |
| Present value of net minimum capital lease payments | 1,236,235 |
| Current portion of obligations under capital leases | 99,052 |
| <hr/> | |
| | \$ 1,137,183 |

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2019

8. Employee future benefits:

(a) Pension plan:

The Joint Venture contributed and expensed \$22,789 (2018 - \$22,655) to the defined contribution pension plan during the year.

(b) Post-employment benefits other than pension:

The Joint Venture provides its current and retired employees with extended health and dental benefits and post retirement insurance coverage. The Joint Venture's post employment benefits also include sick leave benefits comprised of a non-vested and vested portion. The non-vested program allows for employees to accumulate at most 85 unused sick days and the vested program provides for 50% of sick days accumulated prior to March 2012 to be paid to the employee on retirement. All benefits are provided upon retirement and provide coverage equal to one year for every five years of employment. These benefits are not payable on death or termination.

The most recent actuarial valuation was prepared as at June 30, 2018 for the health plan and the results are extrapolated to June 30, 2019. The most recent actuarial valuation of the sick leave plans was performed as of June 30, 2017 and the results have been extrapolated to June 30, 2019

The discount rate used in the actuarial measurement of the employee future benefit liability was 3.20% (2018 - 3.69%). The employee future benefit liability relating to post-employment benefits other than pension is \$189,290 (2018 - \$159,801). This liability has been recorded in the financial statements.

Benefit expenses included in salaries and benefits expenditures consist of the following:

| | 2019 | 2018 |
|----------------------|------------------|------------------|
| Current service cost | \$ 12,822 | \$ 19,705 |
| Interest cost | 6,099 | 8,150 |
| | <u>\$ 18,921</u> | <u>\$ 27,855</u> |

Details of annual contributions and benefits paid are as follows:

| | 2019 | 2018 |
|------------------------|----------|----------|
| Employer contributions | \$ 2,000 | \$ 2,000 |
| Benefit payments | (2,000) | (2,000) |

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2019

9. Deferred capital contributions:

Deferred capital contributions represent both the unamortized amounts of grants already spent, and the unspent amount of grants received for the future purchase of capital assets.

The change in deferred capital contributions consist of the following:

| | 2019 | 2018 |
|------------------------------------------------|--------------|--------------|
| Balance, beginning of year | \$ 3,019,259 | \$ 3,151,886 |
| Amortization of deferred capital contributions | (132,627) | (132,627) |
| Balance, end of year | \$ 2,886,632 | \$ 3,019,259 |

10. Investments in capital assets:

Investments in capital assets consists of the following:

| | 2019 | 2018 |
|---------------------------------|---------------|---------------|
| Capital assets | \$ 11,138,033 | \$ 11,262,497 |
| Less amounts financed by: | | |
| Related party debt | (2,286,536) | (3,168,491) |
| Obligation under capital leases | (1,236,235) | (1,350,759) |
| Deferred capital contributions | (2,886,632) | (3,019,259) |
| | (6,409,403) | (7,538,509) |
| | \$ 4,728,630 | \$ 3,723,988 |

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2019

10. Investments in capital assets (continued):

The change in investment in capital assets is calculated as follows:

| | 2019 | 2018 |
|------------------------------------------------|--------------|------------|
| Amortization of deferred capital contributions | \$ 132,627 | \$ 132,627 |
| Amortization of capital assets | (590,234) | (641,127) |
| | (457,607) | (508,500) |
| Purchase of capital assets | 465,770 | 148,361 |
| Repayment of related party debt | 881,955 | 828,294 |
| Repayment of obligations under capital leases | 114,524 | 107,251 |
| | \$ 1,004,642 | \$ 575,406 |

11. Contributions to Joint Venture:

In return for their interests in the Joint Venture, both the City and the Association made contributions to the Joint Venture. The City contributed a \$5,000,000 non-refundable capital grant which is recorded as a deferred capital contribution. The Association contributed the lease of the land for the arena at below market values and ongoing project management. Under the terms of the joint venture agreement, the venturers agree to a contribution to internally restricted net assets for future capital purchases annually. For the year ended June 30, 2019, both venturers agreed to a total contribution of \$37,793 (2018 - \$188,265).

12. Internally restricted net assets:

| | 2019 | 2018 |
|----------------------------|------------|------------|
| Balance, beginning of year | \$ 743,627 | \$ 703,723 |
| Current year allocation | 37,793 | 188,265 |
| Capital expenditures | (465,770) | (148,361) |
| Balance, end of year | \$ 315,650 | \$ 743,627 |

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2019

13. Allocation of excess of revenues over expenditures to venturers:

The excess of revenues over expenditures of the Joint Venture have been allocated to the venturers in accordance with the Joint Venture agreement. The agreement states that the excess of revenues over expenditures will be allocated to the Association for the first five years and will be allocated equally to the venturers after this time until certain related party debt repayment thresholds are met. Once the Joint Venture has repaid \$5 million of principal on the related party debt, for every \$1 million repayment thereafter, the Association's equity interest will increase by 2.857%, to a maximum of 70%, and the City's equity interest will decrease by 2.857%, to a minimum of 30%. Any deficiency of revenue over expenditures incurred by the Joint Venture accrues to the Association.

The Association's equity interest as at June 30, 2019 was 61.42% (2018 - 58.57%) and the City's equity interest was 38.57% (2018 - 41.43%). As per the partnership agreement, change in the equity interest is applied to the first day in the year that the threshold is met and to each year thereafter when subsequent repayment thresholds are met.

The terms of the Joint Venture Agreement stipulate that the excess of revenues over expenditures available for distribution to the venturers annually is determined as follows:

| | 2019 | 2018 |
|-----------------------------------------------------|------------|------------|
| Excess of revenues over expenditures | \$ 589,232 | \$ 522,684 |
| Amortization of capital assets | 590,234 | 641,127 |
| Amortization of deferred capital contributions | (132,627) | (132,627) |
| Loss on disposal of capital asset | - | - |
| Repayment of related party debt | (881,955) | (828,294) |
| Repayment of obligations under capital leases | (114,524) | (107,251) |
| | 50,360 | 95,639 |
| Allocation to internally restricted net assets | (37,793) | (188,265) |
| Employee future benefit remeasurements | (12,567) | 92,626 |
| Amounts available for distribution to the venturers | \$ - | \$ - |

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2019

14. Related party transactions:

During the year, the Joint Venture entered into the following transactions, which are recorded at the exchange amount, with related parties:

- (a) During the year, the City, a related party, rented ice time from the Joint Venture in the amount of \$1,856,902 (2018 - \$1,820,493).
- (b) The Joint Venture also paid interest of \$174,268 (2018 - \$227,930) to the City on account of the related party debt (note 6).
- (c) There were no venturer distributions declared during the year and paid or payable to Western Fair Association and The City of London (2018 - nil and nil) respectively.
- (d) During the year, the Joint Venture paid management fees to the Association in the amount of \$239,535 (2018 - \$235,183).

Payable to Western Fair Association of \$142,090 (2018 - \$180,671) and payable to The City of London of nil (2018 - nil) are unsecured and non-interest bearing with no specific repayment terms.

15. Financial risks and concentration of credit risk:

- (a) Liquidity risk:

Liquidity risk is the risk that the Joint Venture will be unable to fulfil its obligations in a timely basis or at a reasonable cost. The Joint Venture manages its liquidity risk by monitoring its operating requirements. There have been no changes to the risk exposures from 2018.

- (b) Credit risk:

Credit risk is the risk of financial loss to the Joint Venture if a counterparty to a financial instrument fails to meet its obligation. The Joint Venture is exposed to credit risks with respect to accounts receivable. The Joint Venture has established policies for extending credit to various businesses, groups and individuals who purchase goods and services from the Joint Venture in order to reduce incidents of non-payment. Management believes that the credit risk is minimized by dealing with creditworthy counterparties.

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2019

16. Contingencies:

From time-to-time the Joint Venture may have litigation pending or in progress. With respect to claims at June 30, 2019, management's position is that the Joint Venture has valid defences and appropriate insurance coverage in place. In the opinion of management, the aggregate amount of any potential liability is not expected to have a material effect on the Joint Venture's financial position.

DRAFT Financial Statements of

**HAMILTON ROAD BUSINESS
IMPROVEMENT AREA BOARD OF
MANAGEMENT**

And Independent Auditors' Report thereon

For the period from October 2, 2018 to December 31, 2019

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Hamilton Road Business Improvement Area Board of Management

Opinion

We have audited the financial statements of the Hamilton Road Business Improvement Area Board of Management (the “Board”), which comprise:

- the statement of financial position as at December 31, 2019;
- the statement of operations for the period from October 2, 2018 to December 31, 2019;
- the statement of changes in net financial assets for the period from October 2, 2018 to December 31, 2019;
- the statement of cash flows for the period from October 2, 2018 to December 31, 2019;
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Board as at December 31, 2019, and its results of operations and its cash flows for the period from October 2, 2018 to December 31, 2019 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 Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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 Board'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 Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board'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 Board'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 Board'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 Board 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.

Chartered Professional Accountants, Licensed Public Accountants

Month DD, YYYY

London, Canada

HAMILTON ROAD BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Financial Position

DRAFT

December 31, 2019

| | 2019 |
|---------------------------------------------------|------------------|
| Financial assets | |
| Cash | \$ 38,557 |
| HST receivable | 2,187 |
| Due from Hyde Park BIA (note 4) | 5,330 |
| | <u>46,074</u> |
| Financial liabilities | |
| Accounts payable and accrued liabilities (note 4) | 10,121 |
| Deferred revenue | 5,330 |
| | <u>15,451</u> |
| Net financial assets | 30,623 |
| Non-financial assets | |
| Tangible capital assets (note 3) | 142 |
| Prepaid expenses | 481 |
| | <u>623</u> |
| Commitments (note 5) | |
| Subsequent event (note 6) | |
| Accumulated surplus (note 2) | <u>\$ 31,246</u> |

See accompanying notes to financial statements.

HAMILTON ROAD BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Operations

DRAFT

For the period from October 2, 2018 to December 31, 2019

| | Budget | |
|-------------------------------------|-----------|-----------|
| | 2019 | 2019 |
| Revenues | | |
| Municipal levy - The City of London | \$ 70,000 | \$ 68,574 |
| Other: | | |
| Government Grants | 68,025 | 66,198 |
| Digital Main Street Grant | - | 4,670 |
| Miscellaneous | 2,500 | 2,544 |
| | 140,525 | 141,986 |
| Administration | 71,580 | 76,105 |
| Business development | 60,095 | 24,136 |
| Office | 7,200 | 9,035 |
| Member services | 1,650 | 1,464 |
| | 140,525 | 110,740 |
| Annual Surplus | - | 31,246 |
| Accumulated surplus, end of period | \$ - | \$ 31,246 |

See accompanying notes to financial statements.

HAMILTON ROAD BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Changes in Net Financial Assets

DRAFT

For the period from October 2, 2018 to December 31, 2019

| | Budget 2019 | 2019 |
|----------------------------------------|----------------|-----------|
| Surplus | \$ - | \$ 31,246 |
| Acquisition of tangible capital assets | - | (142) |
| | - | 31,104 |
| Acquisition of prepaid expenses | - | (481) |
| Change in net financial assets | - | 30,623 |
| Net financial assets, end of period | \$ - | \$ 30,623 |

See accompanying notes to financial statements.

Draft

HAMILTON ROAD BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Cash Flows

DRAFT

For the period from October 2, 2018 to December 31, 2019

| | 2019 |
|------------------------------------------------|------------------|
| Cash provided by (used in): | |
| Operating activities: | |
| Surplus | \$ 31,246 |
| Changes in non-cash operating working capital: | |
| HST receivable | (2,187) |
| Due from Hyde Park BIA | (5,330) |
| Accounts payable and accrued liabilities | 10,121 |
| Deferred revenue | 5,330 |
| Prepaid expenses | (481) |
| | <u>38,699</u> |
| Capital activities: | |
| Purchase of tangible capital assets | (142) |
| Cash, end of period | <u>\$ 38,557</u> |

See accompanying notes to financial statements.

HAMILTON ROAD BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

DRAFT Notes to Financial Statements

For the period from October 2, 2018 to December 31, 2019

Subsection 204(1) of the Municipal Act, 2001 provides that a local municipality may designate an area as an improvement area and may establish a board of management. The Hamilton Road Business Improvement Area Board of Management (the "Board") was incorporated on October 2, 2018, in the Province of Ontario. The Board was established as a local board of the Corporation of the City of London to manage the Hamilton Road Business Improvement Area.

The Board was established to oversee the improvement, beautification and maintenance of municipally-owned land, buildings and structures in the area beyond that provided at the expense of the municipality generally and to promote the area as a business or shopping area.

Prior to incorporation, the Board operated as Hamilton Road Business Association and incurred revenue and expenses in the normal course of business.

The financial statements of The Hamilton Road Business Improvement Area Board of Management are prepared in accordance with Canadian generally accepted accounting principles as defined in the Chartered Professional Accountants of Canada Public Sector Accounting Handbook.

1. Significant accounting policies:

(a) Basis of accounting:

Sources of financing and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Tangible capital assets:

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

| Asset | Useful Life - Years |
|--------------------|---------------------|
| Computer equipment | 4 |

HAMILTON ROAD BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

DRAFT Notes to Financial Statements (continued)

For the period from October 2, 2018 to December 31, 2019

1. Significant accounting policies (continued):

(c) Government transfers:

Government transfer payments from The Corporation of the City of London are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(d) Deferred revenue:

Contributions received for expenses of future periods are recorded as deferred revenue and recognized as revenue in the fiscal period the expenses are incurred.

(e) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(f) Budget figures:

Budget figures have been provided for comparison purposes.

HAMILTON ROAD BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

DRAFT Notes to Financial Statements (continued)

For the period from October 2, 2018 to December 31, 2019

2. Accumulated surplus:

The balance of accumulated surplus is comprised of the following:

| | 2019 |
|-------------------------------------|-----------|
| Invested in tangible capital assets | \$ 142 |
| Operating fund | 31,104 |
| | \$ 31,246 |

3. Tangible capital assets:

| Cost | Additions | Disposals | December 31, 2019 |
|--------------------|-----------|-----------|-------------------|
| Computer equipment | \$ 142 | \$ - | \$ 142 |
| Total | \$ 142 | \$ - | \$ 142 |

| Accumulated amortization | Amortization Expense | Disposals | December 31, 2019 |
|--------------------------|----------------------|-----------|-------------------|
| Computer equipment | \$ - | \$ - | - |
| Total | \$ - | \$ - | - |

| | Net book value December 31, 2019 |
|--------------------|----------------------------------------|
| Computer equipment | \$ 142 |
| Total | \$ 142 |

4. Related party transactions:

At year end, the amount due to the City of London and included in Accounts Payable and Accrued Liabilities was \$1,426 and the amount due from Hyde Park BIA was \$5,330.

HAMILTON ROAD BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

DRAFT Notes to Financial Statements (continued)

For the period from October 2, 2018 to December 31, 2019

5. Commitments:

On March 1, 2020, the Hamilton Road Business Improvement Area Board of Management entered into a one-year lease agreement for their premises. Future minimum lease payments under the lease are as follows:

| | | |
|------|----|--------|
| 2020 | \$ | 8,100 |
| 2021 | | 2,700 |
| | \$ | 10,800 |

6. Subsequent event:

Subsequent to December 31, 2019, 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 Board has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- closure of office to the public from April 17, 2020 to August 4, 2020 based on public health recommendations; and
- mandatory working from home requirement for those able to do so.

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

Financial Statements of

**HOUSING DEVELOPMENT CORPORATION,
LONDON**

And Independent Auditors' Report thereon

Year ended December 31, 2019



KPMG LLP
140 Fullarton Street Suite 1400
London ON N6A 5P2
Canada
Tel 519 672-4880
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Housing Development Corporation, London

Opinion

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

- the statement of financial position as at December 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of operations, its changes in net financial assets and its 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 responsibilities in accordance with these requirements.

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



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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
London, Canada
May 28, 2020

HOUSING DEVELOPMENT CORPORATION, LONDON

Statement of Financial Position

As at December 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|---------------------------------------------------------|---------------------|---------------------|
| Financial assets | | |
| Due from the Corporation of the City of London (note 3) | \$ 6,773,746 | \$ 7,877,704 |
| Trade and other receivables | 75,895 | 58,604 |
| Loans receivable | 214,205 | - |
| Total financial assets | 7,063,846 | 7,936,308 |
| Financial liabilities | | |
| Accounts payable and accrued liabilities | 105,318 | 135,850 |
| Deferred revenue | 10,250 | 3,000 |
| Total financial liabilities | 115,568 | 138,850 |
| Net financial assets | 6,948,278 | 7,797,458 |
| Non-financial assets | | |
| Tangible capital assets (note 4) | 439,368 | 451,544 |
| Prepaid expenses | 7,783 | 5,666 |
| Total non-financial assets | 447,151 | 457,210 |
| Commitments (note 9) | | |
| Subsequent event (note 10) | | |
| Accumulated surplus (note 5) | \$ 7,395,429 | \$ 8,254,668 |

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

HOUSING DEVELOPMENT CORPORATION, LONDON

Statement of Operations

Year ended December 31, 2019, with comparative information for 2018

| | Budget | 2019 | 2018 |
|------------------------------------------------------------|----------------------|---------------------|---------------------|
| | (note 8) | | |
| Revenues | | | |
| Transfer payments | | | |
| Municipal - the Corporation of the City of London (note 3) | \$ 2,797,605 | \$ 2,788,931 | \$ 2,987,331 |
| Federal | - | 31,389 | 13,010 |
| Interest income | - | 183,800 | 132,286 |
| Total revenues | 2,797,605 | 3,004,120 | 3,132,627 |
| Expenses | | | |
| Salaries, wages and benefits | 673,602 | 688,758 | 563,327 |
| Materials and supplies | 75,494 | 57,905 | 31,582 |
| Contracted services | 51,800 | 81,087 | 115,588 |
| Office rental expense | 37,000 | 33,726 | 22,318 |
| External transfers | - | 2,957,092 | 100,000 |
| Amortization of tangible capital assets (note 4) | - | 44,791 | 37,150 |
| Total expenses | 837,896 | 3,863,359 | 869,965 |
| Annual surplus (deficit) | 1,959,709 | (859,239) | 2,262,662 |
| Accumulated surplus, beginning of year (note 5) | 8,254,668 | 8,254,668 | 5,992,006 |
| Accumulated surplus, end of year (note 5) | \$ 10,214,377 | \$ 7,395,429 | \$ 8,254,668 |

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

HOUSING DEVELOPMENT CORPORATION, LONDON

Statement of Changes in Net Financial Assets

Year ended December 31, 2019, with comparative information for 2018

| | Budget | 2019 | 2018 |
|------------------------------------------|--------------|--------------|--------------|
| Annual surplus (deficit) | \$ 1,959,709 | \$ (859,239) | \$ 2,262,662 |
| Acquisition of tangible capital assets | - | (32,615) | (231,947) |
| Contributions of tangible capital assets | - | - | (255,401) |
| Amortization of tangible capital assets | - | 44,791 | 37,150 |
| | 1,959,709 | (847,063) | 1,812,464 |
| Change in prepaid expenses | - | (2,117) | 58,309 |
| Change in net financial assets | 1,959,709 | (849,180) | 1,870,773 |
| Net financial assets, beginning of year | 7,797,458 | 7,797,458 | 5,926,685 |
| Net financial assets, end of year | \$ 9,757,167 | \$ 6,948,278 | \$ 7,797,458 |

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

HOUSING DEVELOPMENT CORPORATION, LONDON

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|-------------------------------------------------------|-----------------|------------------|
| Cash provided by: | | |
| Operating activities: | | |
| Annual surplus (deficit) | \$ (859,239) | \$ 2,262,662 |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 44,791 | 37,150 |
| Contributions of tangible capital assets | - | (255,401) |
| Changes in non-cash assets and liabilities: | | |
| Due from the Corporation of the City of London | 1,103,958 | (1,951,175) |
| Prepaid expenses | (2,117) | 58,309 |
| Trade and other receivables | (17,291) | (30,709) |
| Loans receivable | (214,205) | - |
| Accounts payable and accrued liabilities | (30,532) | 108,111 |
| Deferred revenue | 7,250 | 3,000 |
| Net change in cash from operating activities | 32,615 | 231,947 |
| Capital activities: | | |
| Purchase of tangible capital assets | (32,615) | (231,947) |
| Cash used in capital activities | (32,615) | (231,947) |
| Net change in cash flows and cash, end of year | \$ - | \$ - |

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

HOUSING DEVELOPMENT CORPORATION, LONDON

Notes to Financial Statements

Year ended December 31, 2019

1. Nature of Reporting Entity

Housing Development Corporation, London (the "Corporation") is a municipal services corporation with share capital incorporated under the *Business Corporations Act*, R.S.O. 1990, c.B.16 on October 26, 2015.

The Corporation is a wholly owned subsidiary company of The Corporation of the City of London (the "City") and is managed by a Board of Directors appointed by the City, as the sole shareholder.

2. Significant Accounting Policies

The financial statements of the Corporation are prepared by management, in accordance with Canadian generally accepted accounting principles as defined in the Chartered Professional Accountants (CPA) of Canada Public Sector Handbook – Accounting.

Significant accounting policies are as follows:

(a) Basis of Accounting

Sources of financing and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available 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.

(b) 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, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

| Asset | Useful Life - Years |
|--------------------------------|----------------------------|
| Leasehold improvements | Lease term |
| Office equipment and furniture | 5 |

Annual amortization is charged in the year of acquisition and in the year of disposal using the following rules:

- Leasehold improvements – prorated by month, based on in-service date
- Office equipment and furniture - half year rule.

Assets under construction are not amortized until the asset is available for productive use.

HOUSING DEVELOPMENT CORPORATION, LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2019

2. Significant Accounting Policies (continued)

(c) Government Transfers

Government transfer payments from the City are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(d) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the valuation allowances for receivables and useful lives assigned to tangible capital assets.

Actual results could differ from those estimates.

(e) Budget Figures

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.

(f) Liability for Contaminated Sites

Under PS 3260, liability for 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. This Standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination.

(g) Related Party Disclosures

The Corporation adopted Public Sector Accounting Board Standard PS 2200 *Related Party Transactions* effective for fiscal periods beginning on or after April 1, 2017. The standard defines related party and provides disclosure requirements. Disclosure is only required when the transactions or events between related parties occur at a value different from what would have been recorded if they were not related and the transactions could have a material financial impact on the financial statements. The standard also requires disclosure of related party transactions that have occurred where no amounts have been recognized. The Corporation adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

HOUSING DEVELOPMENT CORPORATION, LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2019

2. Significant Accounting Policies (continued)

(h) Inter-entity Transactions

The Corporation adopted Public Sector Accounting Board standard PS 3420 *Inter-entity Transactions* effective for fiscal periods beginning on or after April 1, 2017. The standards specifies how to account for transactions between public sector entities within the government reporting entity.

Transactions undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length are recorded at the exchange amount. Transfers of an asset or liability at nominal or no consideration is recorded by the provider at the carrying amount and the recipient has the choice of using either the 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 recipient at the carrying amount or fair value unless otherwise dictated by policy, accountability structure or budget practice.

All other transactions are measured at the carrying amount.

The Corporation adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

3. Related Party Transactions

The City maintains a separate general ledger on behalf of the Corporation. All funds are paid and received through the City's bank account and are held for use by the Corporation.

In accordance with the City of London Council's direction of September 2, 2014, the Corporation has been extended shared services support from the City. The City's support services include information technology, risk management, facility, finance, payroll, purchasing, legal and other administrative services to ensure operational efficiency. The Corporation has also entered into an agreement with the City under which the Corporation reimburses the City for salaries and fringe benefits for employees that provide services on behalf of the Corporation. The Corporation incurred charges of **\$240,130** (2018 - \$200,667) for these services and this expense has been included in the Statement of Operations.

During the year, the Corporation received municipal revenues from the shareholder, as follows:

- Operating budget appropriation revenue of **\$292,275** (2018 - \$281,015)
- Annual contribution to the affordable housing reserve fund of **\$2,000,000** (2018 - \$2,000,000)
- Administrative fee revenue of **\$496,656** (2018 - \$450,915)
- Municipal funding contribution of **\$nil** (2018 - \$255,401) for land acquisition. On May 30, 2017, the City of London Council passed a resolution to transfer lands from City of London ownership to the Corporation for affordable housing purposes. The transaction was completed during 2018 and recorded as a tangible capital asset addition by the Corporation, noting that the lands were transferred at their net book values, as follows:

| | Net book value | Market value |
|--------------------------------|----------------|--------------|
| 403 Thompson Road, London | \$ 160,000 | \$ 250,000 |
| 122 Baseline Road West, London | 95,401 | 490,000 |
| | \$ 255,401 | \$ 740,000 |

The City Council resolution stipulates that the transfer will be subject to a 10-year reversion clause should the lands not be sold or developed by the Corporation.

HOUSING DEVELOPMENT CORPORATION, LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2019

4. Tangible Capital Assets

| Cost | Balance at December 31, 2018 | Additions | Disposals | Balance at December 31, 2019 |
|--------------------------------|------------------------------------|------------------|-------------|------------------------------------|
| Land | \$ 265,315 | \$ 32,615 | \$ - | \$ 297,930 |
| Leasehold improvements | 218,431 | - | - | 218,431 |
| Office equipment and furniture | 5,525 | - | - | 5,525 |
| Total | \$ 489,271 | \$ 32,615 | \$ - | \$ 521,886 |

| Accumulated Amortization | Balance at December 31, 2018 | Amortization Expense | Disposals | Balance at December 31, 2019 |
|--------------------------------|------------------------------------|-------------------------|-------------|------------------------------------|
| Land | \$ - | \$ - | \$ - | \$ - |
| Leasehold improvements | 36,405 | 43,686 | - | 80,091 |
| Office equipment and furniture | 1,322 | 1,105 | - | 2,427 |
| Total | \$ 37,727 | \$ 44,791 | \$ - | \$ 82,518 |

| | Net book value December 31, 2018 | Net book value December 31, 2019 |
|--------------------------------|----------------------------------------|----------------------------------------|
| Land | \$ 265,315 | \$ 297,930 |
| Leasehold improvements | 182,026 | 138,340 |
| Office equipment and furniture | 4,203 | 3,098 |
| Total | \$ 451,544 | \$ 439,368 |

5. Accumulated Surplus

Accumulated surplus consists of the following:

| | 2019 | 2018 |
|-------------------------------------------------------------------|---------------------|---------------------|
| Surplus: | | |
| Invested in tangible capital assets | \$ 439,368 | \$ 451,544 |
| Total surplus | 439,368 | 451,544 |
| Reserve funds set aside for specific purpose by the Board: | | |
| Future affordable housing | 6,955,961 | 7,803,024 |
| Total reserve funds (note 6) | 6,955,961 | 7,803,024 |
| Share capital: | | |
| 100 Class A common shares (note 7) | 100 | 100 |
| Total share capital | 100 | 100 |
| | \$ 7,395,429 | \$ 8,254,668 |

HOUSING DEVELOPMENT CORPORATION, LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2019

6. Analysis of Reserve Fund

| | 2019 | 2018 |
|-------------------------------------------------------------------------------------------------|--------------|--------------|
| Reserve fund for future affordable housing: | | |
| Balance, beginning of year | \$ 7,803,024 | \$ 5,990,560 |
| Interest earned | 183,800 | 132,286 |
| Contributions from current operations: | | |
| Annual | 2,000,000 | 2,000,000 |
| Current year (deficit) surplus | (32,578) | 22,514 |
| Transfers to current operations | (2,957,092) | (100,000) |
| Transfers to capital operations: | | |
| Office leasehold improvements | - | (218,431) |
| Development of land for future use | (41,193) | (23,905) |
| Balance, end of year | \$ 6,955,961 | \$ 7,803,024 |
| | 2019 | 2018 |
| Comprised of: | | |
| Contributions from the City of London, stipulated for use in future affordable housing projects | \$ 6,655,474 | \$ 7,469,959 |
| Accumulated operating surpluses held for future administration expenses | 300,487 | 333,065 |
| Balance, end of year | \$ 6,955,961 | \$ 7,803,024 |

7. Share Capital

| | 2019 | 2018 |
|----------------------------------------------------------------------------------|--------|--------|
| Authorized: | | |
| An unlimited number of Class A common shares | | |
| An unlimited number of Class B common shares | | |
| An unlimited number of Class C common shares | | |
| An unlimited number of non-cumulative, redeemable, voting Class A Special shares | | |
| An unlimited number of non-cumulative, redeemable, voting Class B Special shares | | |
| An unlimited number of non-cumulative, redeemable, voting Class C Special shares | | |
| An unlimited number of non-cumulative, redeemable, voting Class D Special shares | | |
| An unlimited number of non-cumulative, redeemable, voting Class E Special shares | | |
| Issued: | | |
| 100 Class A common shares | \$ 100 | \$ 100 |

HOUSING DEVELOPMENT CORPORATION, LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2019

8. Budget Data

Budget data presented in these financial statements are based upon the 2019 operating budget approved by the City and interim Board and then transferred to the Corporation. Adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. The chart below reconciles the approved budget with the budget figures as presented in these financial statements.

| | Budget |
|---------------------------------------------------------------------------------------------|---------------------|
| Revenue | |
| Municipal revenue – The Corporation of the City of London | \$ 695,964 |
| Total revenue | 695,964 |
| Expenses: | |
| Personnel costs | 167,414 |
| Administrative expenses | 91,200 |
| Purchased services | 432,325 |
| Materials and supplies | 2,400 |
| Furniture and equipment | 2,625 |
| Total expenses | 695,964 |
| Net surplus as per Approved Budget | \$ - |
| Public Sector Accounting Board (PSAB) Reporting Requirements and Budget adjustments: | |
| Decrease in government grants and subsidies | \$ (410,000) |
| Increase in municipal revenue | 2,511,641 |
| Increase in personnel costs and other expenses | (141,932) |
| Net PSAB Budget Surplus as per Financial Statements | \$ 1,959,709 |

9. Commitments

- (a) The City is responsible for the delivery and administration of affordable housing programs in the City of London and the County of Middlesex. The City has delegated responsibilities for the administration and development activities for capital development within the Rental Housing Component to the Corporation.

Under this delegated authority, the Corporation has entered into various Municipal Contribution Agreements related to Affordable Housing Programs. The agreements are between the Corporation, the City and the successful proponent, who is selected through a procurement process. The agreements establish the proponent's obligations with respect to the program and the Corporation's and City's obligation to provide funding to the proponent.

As at December 31, 2019, the Corporation has outstanding commitments remaining on these agreements of **\$221,588** (2018 - \$4,292,945).

HOUSING DEVELOPMENT CORPORATION, LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2019

9. Commitments (continued)

- (b) The Corporation is committed to the following minimum annual operating lease payments for premises as follows:

| | | |
|--------------|-----------|---------------|
| 2020 | \$ | 23,125 |
| 2021 | | 23,250 |
| 2022 | | 23,875 |
| 2023 | | 4,000 |
| Total | \$ | 74,250 |

- (c) As at December 31, 2019, the Corporation has entered into two agreements of purchase and sale, to acquire certain properties, with the following expected completion dates and purchase prices:

| | | |
|----------------------------|-----------|------------------|
| Expected completion dates: | | |
| June 22, 2020 | \$ | 350,000 |
| August 10, 2020 | | 1,000,000 |
| Total | \$ | 1,350,000 |

10. Subsequent event

Subsequent to December 31, 2019, 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:

- Office closure to the public from March 18, 2020 to the date of the auditors' report based on public health recommendations
- Working from home requirements for those able to do so

At this time, these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

Financial Statements of

**THE HYDE PARK BUSINESS
IMPROVEMENT ASSOCIATION
BOARD OF MANAGEMENT**

And independent Auditors' Report thereon

Year ended December 31, 2019



KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Hyde Park Business Improvement Association
Board of Management

Opinion

We have audited the financial statements of The Hyde Park Business Improvement Association Board of Management (the "Board"), which comprise:

- the statement of financial position as at December 31, 2019.
- the statement of operations for the year then ended.
- the statement of changes in net financial assets for the year then ended.
- the statement of cash flows for the year then ended.
- and notes to the financial statements, including a summary of significant accounting policies.

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2019, and its results of operations and its 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 Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



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 Board'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 Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board'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 Board'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 Board'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 Board 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

June 18, 2020

THE HYDE PARK BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT

Statement of Financial Position

As at December 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|---------------------------------------------------------------------------------|-------------------|------------------|
| Financial assets | | |
| Cash | \$ 81,120 | \$ 70,171 |
| Accounts receivable | 21,174 | 19,146 |
| HST receivable | 15,418 | 15,459 |
| | <u>117,712</u> | <u>104,776</u> |
| Financial liabilities | | |
| Accounts payable and accrued liabilities (note 5) | 45,305 | 30,008 |
| Deferred revenue | 6,861 | 436 |
| Due to The City of London (note 5) | - | 16,860 |
| | <u>52,166</u> | <u>47,304</u> |
| Net financial assets | 65,546 | 57,472 |
| Non-financial assets | | |
| Tangible capital assets (note 4) | 53,848 | 11,010 |
| Prepaid expenses | 2,302 | 654 |
| | <u>56,150</u> | <u>11,664</u> |
| Nature of reporting entity Commitments (note 6) Subsequent event (note 7) | | |
| Accumulated surplus (note 3) | <u>\$ 121,696</u> | <u>\$ 69,136</u> |

See accompanying notes to financial statements.

THE HYDE PARK BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT

Statement of Operations

Year ended December 31, 2019 , with comparative information for the period from October 3, 2017 to December 31, 2018.

| | Budget | | |
|----------------------------------------------------|------------------|-------------------|------------------|
| | 2019 | 2019 | 2018 |
| Revenue: | | | |
| Revenues | | | |
| Municipal levy - The City of London | \$ 342,500 | \$ 342,824 | \$ 325,900 |
| Other: | | | |
| Miscellaneous | 5,000 | 5,725 | 3,788 |
| Program income | 3,700 | 4,176 | 359 |
| | 351,200 | 352,725 | 330,047 |
| Expenditures | | | |
| Administration | 131,165 | 126,233 | 105,632 |
| Business development | 153,767 | 117,646 | 97,688 |
| Office | 30,232 | 22,361 | 23,216 |
| Loss on transfer of net liabilities | | - | 14,259 |
| General expenses | 12,736 | 19,383 | 11,997 |
| Member services | 9,800 | 6,873 | 6,291 |
| Amortization of tangible capital assets | - | 5,411 | 1,317 |
| Miscellaneous | 13,500 | 2,258 | 511 |
| | 351,200 | 300,165 | 260,911 |
| Surplus | - | 52,560 | 69,136 |
| Accumulated surplus, beginning of year | 69,136 | 69,136 | - |
| Accumulated surplus, end of period (note 3) | \$ 69,136 | \$ 121,696 | \$ 69,136 |

See accompanying notes to financial statements.

THE HYDE PARK BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT

Statement of Changes in Net Financial Assets

Year ended December 31, 2019 , with comparative information for the period from October 3, 2017 to December 31, 2018.

| | Budget 2019 | 2019 | 2018 |
|-------------------------------------------|----------------|-----------|-----------|
| Surplus | \$ - | \$ 52,560 | \$ 69,136 |
| Acquisition of tangible capital assets | - | (48,248) | (12,327) |
| Amortization of tangible capital assets | - | 5,411 | 1,317 |
| | - | 9,723 | 58,126 |
| Acquisition of prepaid expenses | - | (1,649) | (654) |
| Change in net financial assets | - | 8,074 | 57,472 |
| Net financial assets, beginning of period | 57,472 | 57,472 | - |
| Net financial assets, end of period | \$ 57,472 | \$ 65,546 | \$ 57,472 |

See accompanying notes to financial statements.

THE HYDE PARK BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT

Statement of Cash Flows

Year ended December 31, 2019 , with comparative information for the period from October 3, 2017 to December 31, 2018.

| | 2019 | 2018 |
|---------------------------------------------------|-----------|-----------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Surplus | \$ 52,560 | \$ 69,136 |
| Item not involving cash: | | |
| Amortization of tangible capital assets | 5,411 | 1,317 |
| Changes in non-cash operating working capital: | | |
| Accounts receivable | (2,028) | (19,146) |
| HST receivable | 41 | (15,459) |
| Accounts payable and accrued liabilities (note 5) | 15,297 | 30,008 |
| Due to The City of London | (16,860) | 16,860 |
| Deferred revenue | 6,425 | 436 |
| Prepaid expenses | (1,649) | (654) |
| | 59,197 | 82,498 |
| Capital activities: | | |
| Purchase of tangible capital assets | (48,248) | (12,327) |
| Change in cash | 10,949 | 70,171 |
| Cash, beginning of year | 70,171 | - |
| Cash, end of year | \$ 81,120 | \$ 70,171 |

See accompanying notes to financial statements.

THE HYDE PARK BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT

Notes to Financial Statements

Year ended December 31, 2019

1. Nature of reporting entity:

Subsection 204(1) of the Municipal Act, 2001 provides that a local municipality may designate an area as an improvement area and may establish a board of management. The Hyde Park Business Improvement Association Board of Management (the "Board") was incorporated on October 3, 2017, in the Province of Ontario. The Board was established as a local board of the Corporation of the City of London to manage the Hyde Park Business Improvement Area.

The Board was established to oversee the improvement, beautification and maintenance of municipally-owned land, buildings and structures in the area beyond that provided at the expense of the municipality generally and to promote the area as a business or shopping area.

Prior to incorporation, the Board operated as Hyde Park Business Association and incurred revenue and expenses in the normal course of business.

The financial statements of The Hyde Park Business Improvement Association Board of Management are prepared in accordance with Canadian generally accepted accounting principles as defined in the Chartered Professional Accountants of Canada Public Sector Accounting Handbook.

2. Significant accounting policies:

(a) Basis of accounting:

Sources of financing and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Tangible capital assets:

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

| Asset | Useful Life - Years |
|------------------------|---------------------|
| Furniture and fixtures | 10 |
| Computer hardware | 4 |
| Leasehold improvements | Lease-term |

THE HYDE PARK BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT

Notes to Financial Statements (continued)

Year ended December 31, 2019

2. Significant accounting policies (continued):

(c) Government transfers:

Government transfer payments from The Corporation of the City of London are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(d) Deferred revenue:

Contributions received for expenses of future periods are recorded as deferred revenue and recognized as revenue in the fiscal period the expenses are incurred.

(e) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(f) Budget figures:

Budget figures have been provided for comparison purposes.

3. Accumulated surplus:

The balance of accumulated surplus is comprised of the following:

| | 2019 | 2018 |
|-------------------------------------|-------------------|------------------|
| Invested in tangible capital assets | \$ 53,848 | \$ 11,010 |
| Operating fund | 67,848 | 58,126 |
| | <u>\$ 121,696</u> | <u>\$ 69,136</u> |

THE HYDE PARK BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT

Notes to Financial Statements (continued)

Year ended December 31, 2019

4. Tangible capital assets:

| Cost | 2018 | Additions | Disposals | 2019 |
|------------------------|------------------|------------------|-------------|------------------|
| Furniture and fixtures | \$ 7,124 | \$ 43,896 | \$ - | \$ 51,020 |
| Computer hardware | 1,866 | 500 | - | 2,366 |
| Leasehold Improvements | 3,337 | 3,852 | - | 7,189 |
| Total | \$ 12,327 | \$ 48,248 | \$ - | \$ 60,575 |

| Accumulated amortization | 2018 | Disposals | Amortization expense | 2019 |
|--------------------------|-----------------|-------------|----------------------|-----------------|
| Furniture and fixtures | \$ 507 | \$ - | \$ 2,947 | \$ 3,454 |
| Computer hardware | 746 | - | 809 | 1,555 |
| Leasehold Improvements | 64 | - | 1,655 | 1,719 |
| Total | \$ 1,317 | \$ - | \$ 5,411 | \$ 6,728 |

| | Net book value 2018 | Net book value 2019 |
|------------------------|------------------------|------------------------|
| Furniture and fixtures | \$ 6,617 | \$ 47,567 |
| Computer hardware | 1,120 | 811 |
| Leasehold Improvements | 3,273 | 5,470 |
| Total | \$ 11,010 | \$ 53,848 |

THE HYDE PARK BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT

Notes to Financial Statements (continued)

Year ended December 31, 2019

5. Related party transactions:

At December 31, 2019, The Corporation of the City of London owed Hyde Park Business Improvement Area \$324 (2018 - \$19,146). Included in Accounts payable \$26,210 (2018 - nil) owing to the other Boards of the City of London.

6. Commitments:

On November 1, 2017, the Hyde Park Business Improvement Association Board of Management entered into a five-year lease agreement for their premises. HPB Future minimum lease payments under the lease as of December 31, 2019 are as follows:

Year ending December 31:

| | | |
|------|----|--------|
| 2020 | \$ | 22,864 |
| 2021 | | 23,550 |
| 2022 | | 20,113 |
| | \$ | 66,527 |

7. Subsequent event:

Subsequent to December 31, 2019, 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 Board has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic.

- Closure of office to the public from the March 19th, 2020 to the date of the auditors' report based on public health recommendations.
- Mandatory working from home requirement for those able to do so.

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

Financial Statements of

**THE LONDON CONVENTION CENTRE
CORPORATION**

And Independent Auditors' Report thereon.

Year ended December 31, 2019



KPMG LLP
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London Ontario N6A 5P2
Canada
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INDEPENDENT AUDITORS' REPORT

To the Chair and Members of The London Convention Centre Corporation

Opinion

We have audited the financial statements of The London Convention Centre Corporation (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net financial debt for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of operations, its changes in net financial debt and its 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 responsibilities in accordance with these requirements.

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



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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

April 9, 2020

THE LONDON CONVENTION CENTRE CORPORATION

Statement of Financial Position

December 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|------------------------------------------|-------------------|-------------------|
| Financial Assets | | |
| Cash and cash equivalents | \$ 701,770 | \$ 524,865 |
| Accounts receivable | 847,708 | 474,480 |
| Other receivables | 3,953 | 15,511 |
| | <u>1,553,431</u> | <u>1,014,856</u> |
| Financial Liabilities | | |
| Accounts payable and accrued liabilities | 1,129,948 | 687,516 |
| Payable to The City of London | 104,728 | 74,604 |
| Long-term debt (note 6) | 1,421,665 | 1,606,910 |
| Accrued sick and vacation | 61,180 | 54,593 |
| Advance deposits and deferred revenue | 1,145,337 | 463,237 |
| | <u>3,862,858</u> | <u>2,886,860</u> |
| Net financial debt | (2,309,427) | (1,872,004) |
| Non-Financial Assets | | |
| Tangible capital assets (note 4) | 19,086,323 | 17,453,957 |
| Prepaid expenses | 38,864 | 47,826 |
| Inventory (note 2) | 63,605 | 57,104 |
| | <u>19,188,792</u> | <u>17,558,887</u> |
| Subsequent events (note 10) | | |
| Accumulated surplus (note 7) | \$ 16,879,365 | \$ 15,686,883 |

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director _____ Director

THE LONDON CONVENTION CENTRE CORPORATION

Statement of Operations

Year ended December 31, 2019, with comparative information for 2018

| | Budget 2019 (note 9) | 2019 | 2018 |
|--------------------------------------------|----------------------------|----------------------|----------------------|
| Revenue: | | | |
| Food and beverage | \$ 3,795,000 | \$ 3,811,443 | \$ 4,146,433 |
| Capital reserve drawdown | 3,397,251 | 2,884,426 | 371,921 |
| Other | 848,703 | 1,000,842 | 843,150 |
| City capital appropriation | 638,425 | 638,425 | 653,985 |
| Parking | 562,890 | 554,344 | 529,909 |
| Space rental | 555,000 | 614,797 | 776,953 |
| Technical | 340,996 | 344,508 | 447,875 |
| | <u>10,138,265</u> | <u>9,848,785</u> | <u>7,770,226</u> |
| Cost of goods sold: | | | |
| Food and beverage | 984,200 | 1,059,288 | 1,089,748 |
| Other | 67,171 | 124,018 | 149,057 |
| Technical | 8,100 | 6,008 | 6,917 |
| | <u>1,059,471</u> | <u>1,189,314</u> | <u>1,245,722</u> |
| | <u>9,078,794</u> | <u>8,659,471</u> | <u>6,524,504</u> |
| Expenditures: | | | |
| Event services and culinary | 1,969,454 | 2,048,281 | 2,127,308 |
| Amortization of tangible capital assets | 1,279,993 | 1,301,307 | 1,293,738 |
| Corporate services | 931,371 | 920,810 | 975,477 |
| Sales and catering | 909,819 | 926,741 | 941,999 |
| City appropriation | 638,425 | 815,712 | 869,090 |
| Energy | 529,300 | 569,102 | 546,428 |
| Facility services | 440,491 | 507,404 | 481,032 |
| Cleaning | 110,650 | 120,548 | 134,730 |
| Parking | 66,541 | 58,681 | 56,767 |
| Other | 46,444 | 162,159 | 46,112 |
| Interest and bank charges | 36,959 | 35,200 | 39,388 |
| Technical | 27,300 | 1,044 | 12,567 |
| | <u>6,986,747</u> | <u>7,466,989</u> | <u>7,524,636</u> |
| Annual surplus (deficit) (note 8) | 2,092,047 | 1,192,482 | (1,000,132) |
| Accumulated surplus, beginning of year | 15,686,883 | 15,686,883 | 16,687,015 |
| Accumulated surplus, end of year | <u>\$ 17,778,930</u> | <u>\$ 16,879,365</u> | <u>\$ 15,686,883</u> |

See accompanying notes to financial statements.

THE LONDON CONVENTION CENTRE CORPORATION

Statement of Change in Net Financial Debt

Year ended December 31, 2019, with comparative information for 2018

| | Budget 2019 (note 9) | 2019 | 2018 |
|---------------------------------------------|----------------------------|----------------|----------------|
| Annual surplus (deficit) | \$ 2,092,047 | \$ 1,192,482 | \$ (1,000,132) |
| Acquisition of tangible capital assets | (3,397,251) | (3,047,108) | (371,921) |
| Amortization of tangible capital assets | 1,279,993 | 1,301,307 | 1,293,738 |
| Loss on disposal of tangible capital assets | - | 113,435 | - |
| | (25,211) | (439,884) | (78,315) |
| Acquisition of inventories | - | (63,605) | (57,104) |
| Acquisition of prepaid expenses | - | (38,864) | (47,826) |
| Consumption of inventories | - | 57,104 | 66,992 |
| Use of prepaid expenses | - | 47,826 | 26,765 |
| | - | 2,461 | (11,173) |
| Increase in net financial debt | (25,211) | (437,423) | (89,488) |
| Net financial debt, beginning of year | (1,872,004) | (1,872,004) | (1,782,516) |
| Net financial debt, end of year | \$ (1,897,215) | \$ (2,309,427) | \$ (1,872,004) |

See accompanying notes to financial statements.

THE LONDON CONVENTION CENTRE CORPORATION

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|----------------------------------------------------------------------------------|--------------|----------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus (deficit) | \$ 1,192,482 | \$ (1,000,132) |
| Item not involving cash: | | |
| Amortization of tangible capital assets | 1,301,307 | 1,293,738 |
| Loss on disposal of tangible capital assets | 113,435 | - |
| Changes in non-cash operating working capital: | | |
| Accounts receivable | (373,228) | 73,356 |
| Other receivables | 11,558 | (1,962) |
| Inventory | (6,501) | 9,888 |
| Accounts payable and accrued liabilities | 442,432 | (93,861) |
| Accrued sick and vacation | 6,587 | 16,144 |
| Payable to The City of London | 30,124 | 83,478 |
| Advance deposits and deferred revenue | 682,100 | (18,606) |
| Prepaid expenses | 8,962 | (21,061) |
| | 3,409,258 | 340,982 |
| Financing activities: | | |
| Repayment of long-term debt | (185,245) | (181,081) |
| Investing activities: | | |
| Acquisition of tangible capital assets | (3,047,108) | (371,921) |
| Net change in cash and cash equivalents | 176,905 | (212,020) |
| Cash and cash equivalents, beginning of year | 524,865 | 736,885 |
| Cash and cash equivalents, end of year | \$ 701,770 | \$ 524,865 |
| Cash and cash equivalents consist of: | | |
| Cash (bank indebtedness) | \$ 701,770 | \$ (7,392) |
| Short-term investments held by the City of London with an average yield of 1.10% | - | 532,257 |
| | \$ 701,770 | \$ 524,865 |

See accompanying notes to financial statements.

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements

Year ended December 31, 2019

1. Significant accounting policies:

The financial statements of The London Convention Centre Corporation are prepared in accordance with Canadian generally accepted accounting principles as defined in the Chartered Professional Accountants Canada Public Sector Accounting Handbook.

(a) Basis of accounting:

Sources of financing and expenditures are reported on the accrual basis of accounting.

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) 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, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

| Asset | Rate |
|-------------------------------------|---------------|
| Buildings and building improvements | 5 - 40 years |
| Furniture and equipment | 5 - 20 years |
| Infrastructure | 3 - 10 years |
| Vehicles | 10 - 20 years |

(c) Revenue recognition:

Revenue from events is recorded in the statement of operations in the year in which the event is held, and the related receivable is considered collectible.

Government transfer payments are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(d) Inventory:

Inventory is valued at the lower of cost, being laid down cost, and net realizable value, using the specific item costing method.

(e) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Such estimates include valuation of accounts receivable, inventory, and tangible capital assets. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, and makes adjustments in the financial statements on a prospective basis. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates.

(f) Budget amounts:

Budget figures have been provided for comparison purposes. Given differences between the budgeting model and public sector accounting standards (PSAS), certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAS.

2. Inventory:

At December 31, inventory consists of:

| | 2019 | 2018 |
|-----------|------------------|------------------|
| Food | \$ 26,580 | \$ 17,819 |
| Beverages | 37,025 | 39,285 |
| | <u>\$ 63,605</u> | <u>\$ 57,104</u> |

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

3. Capital reserve:

A capital reserve is managed by The City of London to finance future capital expenditures. The reserve has not been recognized in these financial statements and will be accounted for as the funds are received and expended.

| | 2019 | 2018 |
|-------------------------------|--------------|--------------|
| Opening balance | \$ 2,400,613 | \$ 1,862,565 |
| Contributions during the year | 815,712 | 869,090 |
| Interest | 59,560 | 40,879 |
| Capital expenditures | (2,884,426) | (371,921) |
| Closing balance | \$ 391,459 | \$ 2,400,613 |

4. Tangible capital assets:

| Cost | Balance at December 31, 2018 | Additions | Disposals | Balance at December 31, 2019 |
|-----------------------|------------------------------------|--------------|--------------|------------------------------------|
| Building | \$ 27,309,469 | \$ - | \$ (152,096) | \$ 27,157,373 |
| Building improvements | 9,723,073 | 3,199,410 | (655,722) | 12,266,761 |
| Equipment | 1,672,741 | - | - | 1,672,741 |
| Furniture | 1,099,222 | - | - | 1,099,222 |
| Infrastructure | 732,622 | 24,831 | - | 757,453 |
| Vehicles | 41,217 | - | - | 41,217 |
| Work in progress | 177,133 | - | (177,133) | - |
| | \$ 40,755,477 | \$ 3,224,241 | \$ (984,951) | \$ 42,994,767 |

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

4. Tangible capital assets (continued):

| | Balance at December 31, 2018 | Disposals | Amortization expense | Balance at December 31, 2019 |
|--------------------------|------------------------------------|--------------|-------------------------|------------------------------------|
| Accumulated amortization | | | | |
| Building | \$ 17,145,811 | \$ (96,767) | \$ 692,388 | \$ 17,741,432 |
| Building improvements | 3,385,147 | (597,616) | 514,356 | 3,301,887 |
| Equipment | 1,463,882 | - | 36,225 | 1,500,107 |
| Furniture | 619,639 | - | 39,223 | 658,862 |
| Infrastructure | 652,824 | - | 19,115 | 671,939 |
| Vehicles | 34,217 | - | - | 34,217 |
| | \$ 23,301,520 | \$ (694,383) | \$ 1,301,307 | \$ 23,908,444 |

| | Net book value December 31, 2018 | Net book value December 31, 2019 |
|-----------------------|----------------------------------------|----------------------------------------|
| Building | \$ 10,163,658 | \$ 9,415,941 |
| Building improvements | 6,337,926 | 8,964,874 |
| Equipment | 208,859 | 172,634 |
| Furniture | 479,583 | 440,360 |
| Infrastructure | 79,798 | 85,514 |
| Vehicles | 7,000 | 7,000 |
| Work in progress | 177,133 | - |
| | \$ 17,453,957 | \$ 19,086,323 |

Ownership of capital assets is vested with the City of London. The London Convention Centre Corporation operates the facilities on behalf of the City of London. The fixed assets and the related amortization have been included in the financial statements of The London Convention Centre Corporation in order to reflect the assets over which it has stewardship.

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

5. Pension agreement:

The London Convention Centre Corporation contributes to the Ontario Municipal Employees Retirement Fund (OMERS) which is a multi-employer plan, on behalf of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 2019 was \$227,772 (2018 - \$218,204) for current service and is expensed in the statement of operations.

The last available report for the OMERS plan was on December 31, 2019. At that time, the plan reported a \$3.4 billion actuarial deficit (2018 - \$4.2 billion), based on actuarial liabilities for \$107.7 billion (2018 - \$99 billion) and actuarial assets for \$104.3 billion (2018 - \$95 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.

6. Long-term debt:

The note payable to the City of London, a related party, bears interest at a fixed rate of 2.3% per annum. The note is unsecured and due in blended annual payments of \$222,204 maturing August 1, 2026. Interest expense relating to the note was \$36,959 in the current year (2018 - \$39,388).

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

7. Accumulated surplus:

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

| | 2019 | 2018 |
|--------------------------------------------------------------------------|---------------|---------------|
| Surplus: | | |
| Invested in tangible capital assets | \$ 19,086,323 | \$ 17,453,957 |
| Unfunded: | | |
| Payable to The City of London used to finance tangible capital assets | (1,421,665) | (1,606,910) |
| Reserves: | | |
| Special projects | 254,984 | 289,662 |
| Operating | 500,000 | 500,000 |
| | 754,984 | 789,662 |
| Other | (1,540,277) | (949,826) |
| | \$ 16,879,365 | \$ 15,686,883 |

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

8. Income (loss) from operations:

In order to assess the operations of The London Convention Centre Corporation, management removes the impact of capital items from the operating results included in the statement of operations. Accordingly, management defines income (loss) from operations as follows:

| | 2019 | 2018 |
|------------------------------------------------------|--------------|----------------|
| Annual surplus (deficit) | \$ 1,192,482 | \$ (1,000,132) |
| Project loss funded through special projects reserve | 34,678 | 56,492 |
| Add back: | | |
| Amortization | 1,301,307 | 1,293,738 |
| City appropriation | 815,712 | 869,090 |
| Interest on long-term debt | 36,959 | 39,388 |
| | 2,153,978 | 2,202,216 |
| Deduct: | | |
| City capital funding | (3,522,851) | (1,025,906) |
| | \$ (141,713) | \$ 232,670 |

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

9. Budget data:

Budget figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

| | Budget amount |
|-----------------------------------------|---------------|
| Revenues: | |
| Operating budget | \$ 6,102,589 |
| Cost of goods sold: | |
| Operating budget | 1,096,421 |
| Expenses: | |
| Operating budget | 5,031,379 |
| Annual deficit, as budgeted | (25,211) |
| City capital appropriation | 638,425 |
| Capital reserve drawdown | 3,397,251 |
| Amortization of tangible capital assets | (1,279,993) |
| City appropriation | (638,425) |
| Annual surplus, revised | \$ 2,092,047 |

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

10. Subsequent events:

Subsequent to December 31, 2019, 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 entity has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Facility closure from March 16, 2020 to the date of the auditors' report based on public health recommendations
- Temporary and permanent staff layoffs
- Mandatory working from home requirements for those able to do so

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

Combined Financial Statements of

**LONDON DOWNTOWN BUSINESS
ASSOCIATION**

And Independent Auditors' Report thereon

Year ended December 31, 2019



KPMG LLP
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Canada
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of London Downtown Business Association

Opinion

We have audited the combined financial statements of London Downtown Business Association (the "Entity"), which comprise:

- the combined statement of financial position as at December 31, 2019
- the combined statement of operations and accumulated surplus for the year then ended
- the combined statement of change in net financial assets for the year then ended
- the combined statement of cash flows for the year then ended
- and notes to the combined financial statements, including a summary of significant accounting policies

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

In our opinion, the combined financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of operations, its change in net financial assets and its 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 combined financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

April 16, 2020

LONDON DOWNTOWN BUSINESS ASSOCIATION

Combined Statement of Financial Position

December 31, 2019, with comparative information for 2018

| | LDBA 2019 | Main Street 2019 | Total 2019 | Total 2018 |
|-----------------------------------------------------------------------------|-------------------|---------------------|-------------------|-------------------|
| Financial assets | | | | |
| Cash and cash equivalents | \$ 723,575 | \$ 508,855 | \$ 1,232,430 | \$ 814,906 |
| Accounts receivable | 61,876 | 26,562 | 88,438 | 105,648 |
| Tenant improvement loans (note 3) | - | 7,298 | 7,298 | 38,825 |
| Due from the Hyde Park Business Improvement Association Board of Management | 6,560 | - | 6,560 | - |
| | <u>792,011</u> | <u>542,715</u> | <u>1,334,726</u> | <u>959,379</u> |
| Financial liabilities | | | | |
| Accounts payable and accrued liabilities | 268,037 | - | 268,037 | 60,700 |
| Deferred revenue | 6,560 | - | 6,560 | - |
| Funds on deposit | - | 134,896 | 134,896 | 134,379 |
| | <u>274,597</u> | <u>134,896</u> | <u>409,493</u> | <u>195,079</u> |
| Net financial assets | 517,414 | 407,819 | 925,233 | 764,300 |
| Non-financial assets | | | | |
| Tangible capital assets (note 2) | 52,077 | - | 52,077 | 68,238 |
| Commitments (note 5) Subsequent events (note 6) | | | | |
| Accumulated surplus (note 4) | <u>\$ 569,491</u> | <u>\$ 407,819</u> | <u>\$ 977,310</u> | <u>\$ 832,538</u> |

See accompanying notes to combined financial statements.

On behalf of the Board:

_____ Director _____ Director

LONDON DOWNTOWN BUSINESS ASSOCIATION

Combined Statement of Operations and Accumulated Surplus

Year ended December 31, 2019, with comparative information for 2018

| | Budget | LDBA 2019 | Main Street 2019 | Total 2019 | Total 2018 |
|-------------------------------------------|------------------|------------------|---------------------|------------------|------------------|
| Revenue: | | | | | |
| Municipal levy from the City of London | \$ 1,825,390 | \$ 2,128,678 | \$ 83,709 | \$ 2,212,387 | \$ 2,325,167 |
| Main Street London funding | - | (326,227) | 326,227 | - | - |
| Interest income | 1,100 | 3,917 | 1,593 | 5,510 | 4,973 |
| Miscellaneous income | - | 3,440 | 11,760 | 15,200 | 4,480 |
| Total revenue | 1,826,490 | 1,809,808 | 423,289 | 2,233,097 | 2,334,620 |
| Expenses: | | | | | |
| Salaries and wages | 579,800 | 610,546 | 93,668 | 704,214 | 528,561 |
| Business development | 256,100 | 561,546 | 83,709 | 645,255 | 705,498 |
| Member services | 396,500 | 273,633 | 10,282 | 283,915 | 528,766 |
| Programs | 290,000 | - | 192,829 | 192,829 | 251,665 |
| Administration | 209,390 | 136,146 | 1,000 | 137,146 | 108,176 |
| Rent | 80,000 | 78,541 | - | 78,541 | 69,194 |
| Bad debts | - | - | 27,222 | 27,222 | 13,784 |
| Amortization | - | 16,161 | - | 16,161 | 22,019 |
| Business retention | 14,700 | - | 3,042 | 3,042 | 13,349 |
| Total expenses | 1,826,490 | 1,676,573 | 411,752 | 2,088,325 | 2,241,012 |
| Annual surplus | - | 133,235 | 11,537 | 144,772 | 93,608 |
| Accumulated surplus, beginning of year | 832,538 | 436,256 | 396,282 | 832,538 | 738,930 |
| Accumulated surplus, end of year | \$ 832,538 | \$ 569,491 | \$ 407,819 | \$ 977,310 | \$ 832,538 |

See accompanying notes to combined financial statements.

LONDON DOWNTOWN BUSINESS ASSOCIATION

Combined Statement of Change in Net Financial Assets

Year ended December 31, 2019, with comparative information for 2018

| | Budget | LDBA 2019 | Main Street 2019 | Total 2019 | Total 2018 |
|--------------------------------------------|------------|--------------|---------------------|---------------|---------------|
| Annual surplus | \$ - | \$ 133,235 | \$ 11,537 | \$ 144,772 | \$ 93,608 |
| Acquisition of tangible capital assets | | - | - | - | (13,433) |
| Amortization of tangible capital assets | - | 16,161 | - | 16,161 | 22,019 |
| Change in net financial assets | - | 149,396 | 11,537 | 160,933 | 102,194 |
| Net financial assets, beginning of year | 764,300 | 368,018 | 396,282 | 764,300 | 662,106 |
| Net financial assets, end of year | \$ 764,300 | \$ 517,414 | \$ 407,819 | \$ 925,233 | \$ 764,300 |

See accompanying notes to combined financial statements.

LONDON DOWNTOWN BUSINESS ASSOCIATION

Combined Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|------------------------------------------------|--------------|------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus | \$ 144,772 | \$ 93,608 |
| Item not involving cash: | | |
| Amortization | 16,161 | 22,019 |
| Changes in non-cash operating working capital: | | |
| Accounts receivable | 17,210 | (7,676) |
| Tenant improvement loans | 31,527 | 21,271 |
| Due from related party | (6,560) | - |
| Accounts payable and accrued liabilities | 207,337 | (92,551) |
| Deferred revenue | 6,560 | - |
| | 417,007 | 36,671 |
| Financing activities: | | |
| Funds on deposit | 517 | 17,375 |
| Capital activities: | | |
| Acquisitions of tangible capital assets | - | (13,433) |
| Increase in cash and cash equivalents | 417,524 | 40,613 |
| Cash and cash equivalents, beginning of year | 814,906 | 774,293 |
| Cash and cash equivalents, end of year | \$ 1,232,430 | \$ 814,906 |
| Supplemental cash flow information: | | |
| Cash | \$ 1,171,633 | \$ 755,108 |
| Cash equivalents | 60,797 | 59,798 |
| | \$ 1,232,430 | \$ 814,906 |

See accompanying notes to combined financial statements.

LONDON DOWNTOWN BUSINESS ASSOCIATION

Notes to Combined Financial Statements

Year ended December 31, 2019

1. Significant accounting policies:

The combined financial statements of the London Downtown Business Association (the "Association") are prepared in accordance with Canadian generally accepted accounting principles as defined in the Chartered Professional Accountants Canada Public Sector Handbook - Accounting.

(a) Basis of accounting:

Sources of financing and expenditures are reported on the accrual basis of accounting.

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Cash equivalents:

Cash equivalents consist of guaranteed investment certificates due on demand.

(c) Investments:

Investments consist of guaranteed investment certificates. Interest income is recognized as it is earned.

(d) Government transfers:

Government transfer payments from the City of London are recognized in the combined financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(e) Deferred revenue:

Funds received for expenses of future periods are deferred and recognized as income when the costs for which the revenue is received are incurred.

LONDON DOWNTOWN BUSINESS ASSOCIATION

Notes to Combined Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(f) Tangible capital assets:

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

| Asset | Rate |
|------------------------|------------|
| Furniture | 5 years |
| Metal trees | 10 years |
| Computer equipment | 4 years |
| Solar chargers | 3 years |
| Leasehold improvements | Lease term |

(g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Such estimates include valuation of accounts receivable, tenant improvement loans and other long-lived assets. Actual results could differ from those estimates.

(h) Budget amounts:

Budget figures have been provided for comparison purposes.

LONDON DOWNTOWN BUSINESS ASSOCIATION

Notes to Combined Financial Statements (continued)

Year ended December 31, 2019

2. Tangible capital assets:

| Cost | Balance at December 31, 2018 | Additions | Disposals | Balance at December 31, 2019 |
|------------------------|------------------------------------|-------------|---------------------|------------------------------------|
| Furniture | \$ 43,050 | \$ - | \$ - | \$ 43,050 |
| Metal trees | 227,198 | - | (227,198) | - |
| Computer equipment | 42,859 | - | (29,426) | 13,433 |
| Solar chargers | 27,027 | - | (27,027) | - |
| Leasehold improvements | 124,272 | - | - | 124,272 |
| Total | \$ 464,406 | \$ - | \$ (283,651) | \$ 180,755 |

| Accumulated amortization | Balance at December 31, 2018 | Disposals | Amortization expense | Balance at December 31, 2019 |
|--------------------------|------------------------------------|---------------------|-------------------------|------------------------------------|
| Furniture | \$ 40,419 | \$ - | \$ 2,054 | \$ 42,473 |
| Metal trees | 227,198 | (227,198) | - | - |
| Computer equipment | 31,105 | (29,426) | 1,680 | 3,359 |
| Solar chargers | 27,027 | (27,027) | - | - |
| Leasehold improvements | 70,419 | - | 12,427 | 82,846 |
| Total | \$ 396,168 | \$ (283,651) | \$ 16,161 | \$ 128,678 |

| | Net book value December 31, 2018 | Net book value December 31, 2019 |
|------------------------|----------------------------------------|----------------------------------------|
| Furniture | \$ 2,631 | \$ 577 |
| Metal trees | - | - |
| Computer equipment | 11,754 | 10,074 |
| Solar chargers | - | - |
| Leasehold improvements | 53,853 | 41,426 |
| Total | \$ 68,238 | \$ 52,077 |

LONDON DOWNTOWN BUSINESS ASSOCIATION

Notes to Combined Financial Statements (continued)

Year ended December 31, 2019

3. Tenant improvement loans:

As part of its mandate, the Association provides interest free tenant improvement loans to eligible downtown businesses. During the year, the Association recorded an allowance for doubtful accounts in the amount of \$27,222 (2018 - \$13,784).

4. Accumulated surplus:

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

| | 2019 | 2018 |
|-------------------------------------|------------|------------|
| Surplus: | | |
| Invested in tangible capital assets | \$ 52,077 | \$ 68,238 |
| Operating surplus | 790,337 | 629,921 |
| | 842,414 | 698,159 |
| Contingency reserve | 134,896 | 134,379 |
| | \$ 977,310 | \$ 832,538 |

5. Commitments:

The Association is committed to payments under operating leases for furniture and equipment as follows:

| | |
|------|------------|
| 2020 | \$ 78,480 |
| 2021 | 78,480 |
| 2022 | 77,955 |
| 2023 | 76,380 |
| 2024 | 31,825 |
| | \$ 343,120 |

LONDON DOWNTOWN BUSINESS ASSOCIATION

Notes to Combined Financial Statements (continued)

Year ended December 31, 2019

6. Subsequent events:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social distancing impact.

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

- Temporary closure of organizational members/businesses from March 25, 2020 to the date of the auditors' report based on public health recommendations. The temporary closures could result in permanent closures which would have an unknown effect on the future levy funding.
- Mandatory working from home requirements for all Association employees until further notice.

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

7. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.



London Hydro Inc.

Financial Statements

For the year ended December 31, 2019
with comparative amounts for 2018



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INDEPENDENT AUDITORS' REPORT

To the Shareholder of London Hydro Inc.

Opinion

We have audited the financial statements of London Hydro Inc. (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

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

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



Emphasis of Matter

We draw attention to Note 3 (m) to the financial statements which indicates that the Entity has changed its accounting policy for leases, as a result of the adoption of IFRS 16, Leases, and has applied that change using the modified retrospective method.

Our opinion is not modified in respect of this matter.

Other Information

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

- the information included in Management's Discussion and Analysis.

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 Management's Discussion and Analysis 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.

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 International Financial Reporting Standards (IFRS), 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

March 31, 2020

London Hydro Inc.
Table of Contents to the Financial Statements
For the year ended December 31, 2019

| | Page |
|-----------------------------------------|---------------|
| Statement of Financial Position ----- | 1 |
| Statement of Comprehensive Income ----- | 2 |
| Statement of Changes in Equity ----- | 3 |
| Statement of Cash flows ----- | 4 |
| Notes to the Financial Statements ----- | 5 - 40 |

London Hydro Inc.
Statement of Financial Position

December 31, 2019, with comparative amounts at December 31, 2018

(in thousands of dollars)

| | Note | 2019 | 2018 |
|-----------------------------------------------------------------------------|-------|-------------------|-------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash | 5 | \$ 3,428 | \$ 1,294 |
| Accounts receivable | 6 | 71,369 | 74,985 |
| Income tax receivable | | 1,171 | - |
| Materials and supplies | 7 | 418 | 617 |
| Prepaid expenses | | 2,338 | 2,667 |
| Total current assets | | 78,724 | 79,563 |
| Non-current assets | | | |
| Property, plant and equipment | 8 | 330,641 | 308,700 |
| Intangible assets | 9 | 23,514 | 22,836 |
| Total non-current assets | | 354,155 | 331,536 |
| Total assets | | 432,879 | 411,099 |
| Regulatory balances | 11 | 21,019 | 17,166 |
| Total assets and regulatory balances | | \$ 453,898 | \$ 428,265 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 12 | \$ 48,440 | \$ 48,209 |
| Due to shareholder | 22 | 6,952 | 6,451 |
| Income tax payable | | - | 2,197 |
| Current portion of lease liability | 16 | 33 | 32 |
| Current portion of long-term debt | 14 | - | 1,522 |
| Current portion of customer and other deposits | | 1,082 | 2,415 |
| Current portion of deferred revenue | 13 | 2,771 | 2,336 |
| Total current liabilities | | 59,278 | 63,162 |
| Non-current liabilities | | | |
| Long-term debt | 14,25 | 155,000 | 140,000 |
| Post-employment benefits | 15 | 15,535 | 13,895 |
| Customer and other deposits | | 3,324 | 3,509 |
| Deferred revenue | 13 | 30,880 | 27,192 |
| Deferred tax liability | 10 | 8,982 | 5,590 |
| Lease liability | 16 | 2,223 | 2,256 |
| Unrealized loss on interest rate swap | 14,25 | 1,647 | 1,228 |
| Total non-current liabilities | | 217,591 | 193,670 |
| Total liabilities | | 276,869 | 256,832 |
| Equity | | | |
| Share capital | 17 | 96,116 | 96,116 |
| Retained earnings | | 79,776 | 72,806 |
| Accumulated other comprehensive (loss) income | | (1,202) | 380 |
| Total equity | | 174,690 | 169,302 |
| Total liabilities and equity | | 451,559 | 426,134 |
| Regulatory balances | 11 | 2,339 | 2,131 |
| <i>Commitments and contingencies (Note 23), Subsequent events (Note 26)</i> | | | |
| Total liabilities, equity and regulatory balances | | \$ 453,898 | \$ 428,265 |

On behalf of the Board:



Director



Director

London Hydro Inc.**Statement of Comprehensive Income****For the year ended December 31, 2019, with comparative amounts for 2018**

(in thousands of dollars)

| | Note | 2019 | 2018 |
|--------------------------------------------------------------------|------|------------|------------|
| Revenues | | | |
| Electricity sales | 18 | \$ 366,746 | \$ 342,046 |
| Distribution revenue | 18 | 69,726 | 68,676 |
| Other | 19 | 11,778 | 13,121 |
| | | 448,250 | 423,843 |
| Operating expenses | | | |
| Electricity purchased | | 368,249 | 356,921 |
| Operating expenses | 20 | 44,229 | 43,709 |
| Depreciation and amortization | 8,9 | 20,180 | 19,168 |
| | | 432,658 | 419,798 |
| Income from operating activities | | 15,592 | 4,045 |
| Net finance expense | 21 | 4,905 | 3,880 |
| Income before income taxes | | 10,687 | 165 |
| Income tax expense | 10 | 2,781 | 4,312 |
| Net income (loss) for the year | | 7,906 | (4,147) |
| Movement of regulatory balances | | | |
| Net movement of regulatory balances | | 142 | 15,563 |
| Income taxes | | 3,922 | 1,503 |
| | 11 | 4,064 | 17,066 |
| Net income for year and net movement in regulatory balances | | 11,970 | 12,919 |
| Other comprehensive (loss) income | | | |
| Items that will not be reclassified to profit or loss: | | | |
| Remeasurements of post-employment benefits | 15 | (1,582) | 1,550 |
| Tax on remeasurements | 10 | 419 | (411) |
| Net movement in regulatory balances, net of tax | 11 | (419) | 411 |
| Other comprehensive income | | (1,582) | 1,550 |
| Total comprehensive income for the year | | \$ 10,388 | \$ 14,469 |

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

London Hydro Inc.
Statement of Changes in Equity

For the year ended December 31, 2019, with comparative amounts for 2018

(in thousands of dollars)

| | Note | Share Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total |
|----------------------------------------------------|------|------------------|----------------------|--------------------------------------------------------|------------|
| Balance at January 1, 2018 | | \$ 96,116 | \$ 64,887 | \$ (1,170) | \$ 159,833 |
| Net income and net movement in regulatory balances | | - | 12,919 | - | 12,919 |
| Other comprehensive income | | - | - | 1,550 | 1,550 |
| Dividends | 17 | - | (5,000) | - | (5,000) |
| Balance at December 31, 2018 | | \$ 96,116 | \$ 72,806 | \$ 380 | \$ 169,302 |
| Balance at January 1, 2019 | | \$ 96,116 | \$ 72,806 | \$ 380 | \$ 169,302 |
| Net income and net movement in regulatory balances | | - | 11,970 | - | 11,970 |
| Other comprehensive loss | | - | - | (1,582) | (1,582) |
| Dividends | 17 | - | (5,000) | - | (5,000) |
| Balance at December 31, 2019 | | \$ 96,116 | \$ 79,776 | \$ (1,202) | \$ 174,690 |

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

London Hydro Inc.**Statement of Cash Flows****For the year ended December 31, 2019, with comparative amounts for 2018**

(in thousands of dollars)

| | Note | 2019 | 2018 |
|-------------------------------------------------------|------|-----------------|-----------------|
| Operating activities | | | |
| Net income and net movement in regulatory balances | | \$ 11,970 | \$ 12,919 |
| Adjustments for: | | | |
| Depreciation and amortization | 8,9 | 20,180 | 19,168 |
| Amortization of deferred revenue | 19 | (525) | (412) |
| Post-employment benefits | 15 | 58 | 232 |
| Gain on disposal of property, plant and equipment | 19 | (31) | (220) |
| Net finance expense | 21 | 4,905 | 3,880 |
| Income tax expense | 10 | 2,781 | 4,312 |
| | | 39,338 | 39,879 |
| Change in non-cash working capital: | | | |
| Accounts receivable | | 3,616 | 62 |
| Materials and supplies | | 199 | 30 |
| Prepaid expenses | | 329 | (206) |
| Accounts payable and accrued liabilities | | 231 | (95) |
| Due to shareholder | | 501 | (2,273) |
| Customer and other deposits | | (1,518) | (904) |
| | | 3,358 | (3,386) |
| Other: | | | |
| Regulatory balances | 11 | (4,064) | (17,066) |
| Income tax paid | | (2,972) | (1,745) |
| Income tax received | | 634 | 307 |
| Interest paid | 21 | (4,626) | (3,719) |
| Interest received | 21 | 140 | 180 |
| | | (10,888) | (22,043) |
| Net cash from operating activities | | 31,808 | 14,450 |
| Investing activities | | | |
| Purchase of property, plant and equipment | 8 | (37,000) | (36,262) |
| Purchase of intangible assets | 9 | (6,018) | (8,351) |
| Proceeds on disposal of property, plant and equipment | | 250 | 296 |
| Contributions received from customers | | 4,648 | 6,813 |
| Net cash used in investing activities | | (38,120) | (37,504) |
| Financing activities | | | |
| Dividends paid | 17 | (5,000) | (5,000) |
| Proceeds from long-term debt | 14 | 15,000 | 55,000 |
| Lease liability | 16 | (32) | 2,288 |
| Repayment of long-term debt | 14 | (1,522) | (32,304) |
| Net cash from financing activities | | 8,446 | 19,984 |
| Change in cash | | 2,134 | (3,070) |
| Cash, beginning of year | | 1,294 | 4,364 |
| Cash, end of year | | \$ 3,428 | \$ 1,294 |

The accompanying notes are an integral part of these financial statements

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019

(in thousands of dollars)

1. Reporting entity

London Hydro Inc. ("the Company") is a rate regulated, municipally-owned hydro distribution company located in the City of London. The Company is a wholly-owned subsidiary company of the Corporation of the City of London and was incorporated on April 26, 2000 under the laws of the Province of Ontario, Canada.

The Company delivers electricity and related energy services to inhabitants of the City of London. The address of the Company's registered office is 111 Horton Street, London, Ontario, Canada.

2. Basis of presentation

a) Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

b) Approval of financial statements

These financial statements were approved by the Board of Directors on March 31, 2020.

c) Basis of measurement

These financial statements have been prepared on the historical cost basis, unless otherwise stated.

d) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

e) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes:

- (i) 3(b) – measurement of unbilled revenue
- (ii) 3(b) – determination of the performance obligation for contributions from customers and the related amortization period
- (iii) 3(d), 3(e), 8, 9 – estimation of useful lives of its property, plant and equipment and intangible assets
- (iv) 6 – estimation for allowance for doubtful accounts
- (v) 8, 16 – leases: whether an arrangement contains a lease
- (vi) 11 – recognition and measurement of regulatory balances
- (vii) 15 – measurement of defined benefit obligations: key actuarial assumptions
- (viii) 23 – recognition and measurement of provisions and contingencies

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
(in thousands of dollars)

2. Basis of presentation (continued)

e) Use of estimates and judgments (continued)

Critical accounting estimates and judgments for leases:

Judgments made in relation to accounting policies applied - Management exercises judgment in determining the appropriate lease term on a lease by lease basis. Management considers all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option. The periods covered by renewal options are only included in the lease term if management is reasonably certain to renew. Changes in the economic environment or changes in the industry may impact management's assessment of the lease term. Any changes in management's estimate of lease terms may have a material impact on the Company's balance sheet and statement of earnings.

Key sources of estimation - In determining the carrying amount of right-of-use assets and lease liabilities, the Company is required to estimate the incremental borrowing rate specific to each leased asset if the interest rate implicit in the lease is not readily determined. Management determines the incremental borrowing rate of each leased asset by incorporating the Company's creditworthiness, the security, term and value of the underlying leased asset, and the economic environment in which the leased asset operates in. The incremental borrowing rates are subject to change mainly due to macroeconomic changes in the environment.

f) Rate regulation

The Company is regulated by the Ontario Energy Board ("OEB"), under the authority granted by the *Ontario Energy Board Act, 1998*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies ("LDCs"), such as the Company, which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

The Company was required to bill customers for the debt retirement charge set by the province. The Company may file to recover uncollected debt retirement charges from Ontario Electricity Financial Corporation ("OEFC"). The debt retirement charge ended effective April 1, 2018 as set out in section 85(4) of the Electricity Act, and the Company no longer bills it to its customers.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
(in thousands of dollars)

2. Basis of presentation (continued)

f) Rate regulation (continued)

Rate setting

Distribution revenue

For the distribution revenue, the Company files a "Cost of Service" ("COS") rate application with the OEB where rates are determined through a review of the forecasted annual amount of operating and capital expenditures, debt and shareholder's equity required to support the Company's business. The COS is usually filed every five years. The Company estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and interveners and rates are approved based upon the review, including any resulting revisions.

In the intervening years an Incentive Regulation Mechanism ("IRM") rate application is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year's rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflation for Final Domestic Demand ("GDP IPI-FDD") net of a productivity factor and a "stretch factor" determined by the relative efficiency of an electricity distributor.

In August 2016, the Company filed a COS application which has been approved by the OEB. The rates approved in the application result in a decrease for the typical residential customer of \$1.40 per month compared to the previous year's rates effective May 1, 2017. The GDP IPI-FDD for 2018 was 1.2%, the OEB applied productivity factor was 0.0% and the OEB determined stretch factor was (0.15)%, resulting in a net adjustment of 1.05% to the previous year's rates effective May 1, 2018. The GDP IPI-FDD for 2019 was 1.5%, the OEB applied productivity factor was 0.0% and the OEB determined stretch factor was (0.30)%, resulting in a net adjustment of 1.2% to the previous year's rates effective May 1, 2019.

As a licensed distributor, the Company is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Company is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Company ultimately collects these amounts from customers.

Electricity rates

The OEB sets electricity prices for residential and small commercial consumers twice each year based on an estimate of how much it will cost to supply the province with electricity for the next year. All remaining consumers, other than consumers with retail contracts who pay a contracted rate plus a global adjustment rate adder, pay the market price for electricity. The Company is billed for the cost of the electricity that its customers use and passes this cost on to the customer at cost without a mark-up.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
(in thousands of dollars)

3. Significant accounting policies

The accounting policies set out below have been applied consistently in all years presented in these financial statements.

a) Financial instruments

Non-derivative

All financial assets are classified as loans and receivables and all financial liabilities are classified as other liabilities. These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 3(f).

Derivative

The Company holds derivative financial instruments to manage its interest rate risk exposures. Derivatives are initially recognized at fair value; any directly attributable transaction costs are recognized in the Statement of Comprehensive Income as incurred as a change in interest rate swap. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in the Statement of Comprehensive Income.

Hedge accounting has not been used in the preparation of these financial statements.

b) Revenue recognition

Sale and distribution of electricity

The performance obligations for the sale and distribution of electricity are recognized over time using an output method to measure the satisfaction of the performance obligation. The value of the electricity services transferred to the customer is determined on the basis of cyclical meter readings plus estimated customer usage since the last meter reading date to the end of the year and represents the amount that the Company has the right to bill. Revenue includes rates for electricity supplied, distribution, and any other regulatory charges. The related cost of power is recorded on the basis of power used.

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Company has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

Customer billings for debt retirement charges were recorded on a net basis as the Company is acting as an agent for this billing stream.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019

(in thousands of dollars)

3. Significant accounting policies (continued)

b) Revenue recognition (continued)

Capital contributions

Developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions are scoped out of IFRS 15 Revenue from Contracts with Customers. Cash contributions received from developers are recorded as deferred revenue and amortized to income on a straight-line basis over the useful life of the related asset.

Certain customers are also required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. These contributions fall within the scope of IFRS 15 Revenue from Contracts with Customers. The contributions are received to obtain a connection to the distribution system in order receive ongoing access to electricity. The Company has concluded that the performance obligation is the supply of electricity over the life of the relationship with the customer which is satisfied over time as the customer receives and consumes the electricity. Revenue is recognized on a straight-line basis over the useful life of the related asset.

Other revenue

Revenue earned from the provision of services is recognized as the service is rendered.

Government grants and the related performance incentive payments under CDM programs are recognized as revenue in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received.

c) Materials and supplies

Materials and supplies, the majority of which are consumed by the Company in the provision of its services, are valued at the lower of cost and net realizable value, with cost being determined on a weighted average basis, and includes expenditures incurred in acquiring the materials and supplies and other costs incurred in bringing them to their existing location and condition.

d) Property, plant and equipment

Items of property, plant and equipment ("PP&E") used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost, less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes contracted services, materials and transportation costs, direct labour, overhead costs, borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019

(in thousands of dollars)

3. Significant accounting policies (continued)

d) Property, plant and equipment (continued)

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the lower of OEB prescribed rates and the weighted average cost of debt incurred on the Company's borrowings. Qualifying assets are considered to be those that take in excess of 12 months to construct.

When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

When items of PP&E are retired or otherwise disposed of, a gain or loss on disposal is determined by comparing the proceeds from disposal, if any, with the carrying amount of the item and is included in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in the Statement of Comprehensive Income. The costs of the day-to-day servicing of PP&E are recognized in the Statement of Comprehensive Income as incurred.

The need to estimate the decommissioning costs at the end of the useful lives of certain assets is reviewed periodically. The Company has concluded it does not have any legal or constructive obligation to remove PP&E.

Depreciation is calculated to write off the cost of items of PP&E using the straight-line method over their estimated useful lives, and is generally recognized in the Statement of Comprehensive Income. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and the asset is available for use.

The estimated useful lives are as follows:

| | Years |
|------------------------------------|---------|
| Building structures and components | 12 - 75 |
| Distribution system and equipment | 25 - 60 |
| Substation equipment | 15 - 45 |
| Right-of-use land asset | 40 |
| System supervisory equipment | 8 - 35 |
| Metering devices | 15 - 30 |
| Renewable generation assets | 20 |
| Automotive equipment | 8 - 12 |
| Equipment, tools and furniture | 5 - 8 |
| Computer hardware | 3 |

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
(in thousands of dollars)

3. Significant accounting policies (continued)

e) Intangible assets

Intangible assets used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost, less accumulated amortization. All other intangible assets are measured at cost.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of intangible assets includes contracted services, materials and transportation costs, direct labour, overhead costs, borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the lower of OEB prescribed rates and the weighted average cost of debt incurred on the Company's borrowings. Qualifying assets are considered to be those that take in excess of 12 months to complete.

Payments to obtain rights to access land ("land rights") are classified as intangible assets. These include payments made for easements, right of access and right of use over land for which the Company does not hold title. Land rights are measured at cost less accumulated amortization.

Computer software that is acquired or developed by the Company after January 1, 2014, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization.

Capital contributions represent costs incurred and associated with assets that are not owned by the Company. These contributions are incurred where the Company is charged with the responsibility of upgrading assets that the Company does not hold title to. Capital contributions include costs towards the refurbishment and upgrade of a transformer station and wholesale meters. These assets are measured at cost less accumulated amortization.

Intangible assets in progress consist of application software under development at December 31, 2019.

Amortization is recognized in the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively if appropriate. The estimated useful lives are:

| | Years |
|-----------------------|---------|
| Capital contributions | 30 - 45 |
| Land rights | 25 |
| Computer software | 3 - 5 |

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
(in thousands of dollars)

3. Significant accounting policies (continued)

f) Impairment

Financial assets measured at amortized cost

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows from that asset.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount. Losses are recognized in the Statement of Comprehensive Income. An impairment loss is reversed through the Statement of Comprehensive Income if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

A loss allowance for expected credit losses on financial assets measured at amortized cost is recognized at the reporting date. The loss allowance is measured at an amount equal to the lifetime expected credit losses for the asset.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than materials and supplies and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the Statement of Comprehensive Income.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
(in thousands of dollars)

3. Significant accounting policies (continued)

g) Customer and other deposits

Customer and other deposits include cash deposits from electricity distribution customers and retailers to guarantee the payment of energy bills. Interest is paid on customer deposits at the rate of prime less 2% per annum. Deposits from electricity distribution customers are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Company in accordance with policies set out by the OEB, or upon termination of their electricity distribution service.

h) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

i) Regulatory balances

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Company.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in net movement in regulatory balances in the Statement of Comprehensive Income or Other Comprehensive Income ("OCI"). When the customer is billed at rates approved by the OEB for the recovery of the deferred costs, the customer billings are recognized in revenue. The regulatory debit balance is reduced by the amount of these customer billings with the offset to net movement in regulatory balances in the Statement of Comprehensive Income or OCI.

The probability of recovery of the regulatory deferral account debit balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover the balance. The assessment of likelihood of recovery is based upon previous decisions made by the OEB for similar circumstances, policies or guidelines issued by the OEB, etc. Any resulting impairment loss is recognized in the Statement of Comprehensive Income in the year incurred. When the Company is required to refund amounts to ratepayers in the future, the Company recognizes a regulatory deferral account credit balance. The offsetting amount is recognized in net movement in regulatory balances in the Statement of Comprehensive Income or OCI. The amounts returned to the customers are recognized as a reduction of revenue. The credit balance is reduced by the amount of these customer repayments with the offset to net movement in regulatory balances in the Statement of Comprehensive Income or OCI.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
(in thousands of dollars)

3. Significant accounting policies (continued)

j) Post-employment benefits

Pension plan

The Company provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System (“OMERS”). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund (“the Fund”), and provides pensions for employees of Ontario municipalities, local boards and public utilities. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. To the extent that the Fund finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members.

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Company to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. The Company is not responsible for any other contractual obligations other than the contributions. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in the Statement of Comprehensive Income when they are due.

Post-employment benefits, other than pension

The Company provides some of its retired employees with life insurance and medical benefits beyond those provided by government sponsored plans.

The obligations for these post-employment benefit plans are actuarially determined by applying the projected unit credit method and reflect management’s best estimate of certain underlying assumptions. Remeasurements of the net defined benefit obligations, including actuarial gains and losses and the return on plan assets (excluding interest), are recognized immediately in OCI. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in the Statement of Comprehensive Income.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
(in thousands of dollars)

3. Significant accounting policies (continued)

k) Finance income and finance expenses

Finance income is recognized as it accrues in the Statement of Comprehensive Income. Finance income comprises interest earned on cash.

Finance expenses comprise interest expense on borrowings and customer deposits. Finance expenses are recognized in the Statement of Comprehensive Income unless they are capitalized as part of the cost of qualifying assets.

l) Income taxes

The income tax expense comprises current and deferred tax. Income tax expense is recognized in the Statement of Comprehensive Income except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

The Company is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the "Tax Acts"). Under the Electricity Act, 1998, the Company makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation ("OEFEC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Tax Acts as modified by the Electricity Act, 1998, and related regulations. Prior to October 1, 2001, the Company was not subject to income or capital taxes. Payments in lieu of taxes ("PILs") are referred to as income taxes.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Deferred tax assets and liabilities are recognized for unused tax losses, unused tax credits and temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted, at the reporting date.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
(in thousands of dollars)

3. Significant accounting policies (continued)

m) Change in accounting policies

The Company has adopted the following amendments to standards with a date of initial application of January 1, 2019:

- i. IFRS 16 Leases
- ii. Annual Improvements to IFRS (2015-2017) cycle

i. IFRS 16 Leases

Effective January 1, 2019, the Company adopted IFRS 16, which specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases. The Company's accounting policy under IFRS 16 is as follows:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
(in thousands of dollars)

3. Significant accounting policies (continued)

m) Change in accounting policies (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognized as an expense on a straight-line basis over the lease term.

Impact of transition to IFRS 16:

The new standard has been applied in preparing these financial statements for the year ended December 31, 2019. Comparative information presented for the year ended December 31, 2018, and for the year ended 2018 have been restated.

A reconciliation between comparative amounts previously reported to revised amounts presented in these financial statements is provided in the schedules below:

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019

(in thousands of dollars)

Reconciliation of Statement of Financial Position:

| As at December 31, 2018 | As Originally Presented | IFRS 16 Transitional Addition | Amortization | Reclass Lease Payments to debt / interest | Amounts Restated |
|----------------------------------------------------------|--------------------------------|----------------------------------------------|---------------------|----------------------------------------------------------|-----------------------------|
| Current assets | | | | | |
| Cash | \$ 1,294 | | | | \$ 1,294 |
| Accounts receivable | 74,985 | | | | 74,985 |
| Materials and supplies | 617 | | | | 617 |
| Prepaid expenses | 2,667 | | | | 2,667 |
| Total current assets | 79,563 | | | | 79,563 |
| Non-current assets | | | | | |
| Property, plant and equipment | 306,439 | 2,319 | (58) | | 308,700 |
| Intangible assets | 22,836 | | | | 22,836 |
| Total non-current assets | 329,275 | 2,319 | (58) | | 331,536 |
| Total assets | 408,838 | 2,319 | (58) | | 411,099 |
| Regulatory balances | 17,166 | | | | 17,166 |
| Total assets and regulatory balances | \$ 426,004 | \$ 2,319 | \$ (58) | \$ - | \$ 428,265 |
| LIABILITIES | | | | | |
| Current liabilities | | | | | |
| Accounts payable and accrued liabilities | \$ 48,209 | | | | \$ 48,209 |
| Due to shareholder | 6,451 | | | | 6,451 |
| Income taxes payable | 2,197 | | | | 2,197 |
| Current portion of long-term debt | 1,522 | | | | 1,522 |
| Current portion of lease liability | - | 32 | | | 32 |
| Customer and other deposits | 2,415 | | | | 2,415 |
| Deferred revenue | 2,336 | | | | 2,336 |
| Total current liabilities | 63,130 | 32 | | | 63,162 |
| Non-current liabilities | | | | | |
| Long-term debt | 140,000 | | | | 140,000 |
| Post-employment benefits | 13,895 | | | | 13,895 |
| Customer and other deposits | 3,509 | | | | 3,509 |
| Deferred revenue | 27,192 | | | | 27,192 |
| Deferred tax liability | 5,590 | | | | 5,590 |
| Lease liability | - | 2,287 | | (31) | 2,256 |
| Unrealized loss on interest rate swap | 1,228 | | | | 1,228 |
| Total non-current liabilities | 191,414 | 2,287 | | (31) | 193,670 |
| Total liabilities | 254,544 | 2,319 | | (31) | 256,832 |
| Equity | | | | | |
| Share capital | 96,116 | | | | 96,116 |
| Retained earnings | 72,833 | | (58) | 31 | 72,806 |
| Accumulated other comprehensive income | 380 | | | | 380 |
| Total equity | 169,329 | | (58) | 31 | 169,302 |
| Total liabilities and equity | 423,873 | 2,319 | (58) | - | 426,134 |
| Regulatory balances | 2,131 | | | | 2,131 |
| Total liabilities, equity and regulatory balances | \$ 426,004 | \$ 2,319 | \$ (58) | \$ - | \$ 428,265 |

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019

(in thousands of dollars)

Reconciliation of Statement of Comprehensive Income:

| For the year ended December 31, 2018 | As Originally Presented | Amortization | Reclass Lease Payments to debt / interest | Amounts Restated |
|-------------------------------------------------------------------|--------------------------------|---------------------|--------------------------------------------------|-------------------------|
| Revenue | | | | |
| Sales of energy | \$ 342,046 | | | \$ 342,046 |
| Distribution revenue | 68,676 | | | 68,676 |
| Other | 13,121 | | | 13,121 |
| | 423,843 | | | 423,843 |
| Operating Expenses | | | | |
| Cost of power purchased | 356,921 | | | 356,921 |
| Operating expenses | 43,809 | | (100) | 43,709 |
| Depreciation and amortization | 19,110 | 58 | | 19,168 |
| | 419,840 | 58 | (100) | 419,798 |
| Income from operating activities | 4,003 | (58) | 100 | 4,045 |
| Net finance expense | 3,811 | | 69 | 3,880 |
| Income before income taxes | 192 | (58) | 31 | 165 |
| Income tax expense | 4,312 | | | 4,312 |
| Net loss for the year | (4,120) | (58) | 31 | (4,147) |
| Movement of regulatory balances | | | | |
| Net movement of regulatory balances | 15,563 | | | 15,563 |
| Income taxes | 1,503 | | | 1,503 |
| | 17,066 | | | 17,066 |
| Net income for year and net movement in regulatory balance | 12,946 | (58) | 31 | 12,919 |
| Other comprehensive income | | | | |
| Remeasurement of post-employment benefits | 1,550 | | | 1,550 |
| Tax on remeasurements | (411) | | | (411) |
| Net movement in regulatory balances, net of tax | 411 | | | 411 |
| Other comprehensive income | 1,550 | | | 1,550 |
| Total comprehensive income for the year | \$ 14,496 | \$ (58) | \$ 31 | \$ 14,469 |

ii. *Annual Improvements to IFRS (2015-2017) cycle*

On December 12, 2017 the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. Each of the amendments has its own specific transition requirements. The amendments were made to the following standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements - to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business;
- IAS 12 Income Taxes – to clarify that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI, or equity; and
- IAS 23 Borrowing Costs – to clarify that specific borrowings – i.e. funds borrowed specifically to finance the construction of a qualifying asset – should be transferred to the general borrowings pool once the construction of the qualifying asset has been completed. They also clarify that an entity includes funds borrowed specifically to obtain an asset other than a qualifying asset as part of general borrowings.

These amendments did not result in a material impact on the financial statements.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
(in thousands of dollars)

4. Standards issued not yet adopted

There are new standards, amendments to standards and interpretations which have not been applied in preparing these financial statements. These standards or amendments relate to the measurement and disclosure of financial assets and liabilities. The extent of the impact on adoption of these standards and amendments has not yet been determined.

- i. Amendment to Conceptual Framework
- ii. Definition of Material (Amendments to IAS 1 and IAS 8)

i. Amendments to References to the Conceptual Framework in IFRS Standards:

On March 29, 2018 the IASB issued a revised version of its Conceptual Framework for Financial Reporting (the Framework), that underpins IFRS Standards. The IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards to update references in IFRS Standards to previous versions of the Conceptual Framework.

The Company intends to adopt this standard in its financial statements for the annual period beginning January 1, 2020. The Company does not expect the standard to have a material impact on the financial statements.

Some Standards include references to the 1989 and 2010 versions of the Framework. The IASB has published a separate document which contains consequential amendments to affected Standards so that they refer to the new Framework, with the exception of IFRS 3 Business Combinations which continues to refer to both the 1989 and 2010 Frameworks.

ii. Definition of Material (Amendments to IAS 1 and IAS 8):

On October 31, 2018, the IASB refined its definition of material and removed the definition of material omissions or misstatements from IAS 8.

The Company intends to adopt this standard in its financial statements for the annual period beginning January 1, 2020. The Company does not expect the standard to have a material impact on the financial statements.

The definition of material has been aligned across IFRS Standards and the Framework. The amendments provide a definition and explanatory paragraphs in one place.

Pursuant to the amendments, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
(in thousands of dollars)

5. Cash

| | 2019 | 2018 |
|---------------|-------------|-------------|
| Bank balances | \$ 3,428 | \$ 1,294 |

6. Accounts receivable

| | 2019 | 2018 |
|---------------------------------|-------------|-------------|
| Trade receivables | \$ 32,083 | \$ 32,929 |
| Unbilled revenue | 36,468 | 38,237 |
| Other | 5,451 | 6,159 |
| Allowance for doubtful accounts | (2,633) | (2,340) |
| | \$ 71,369 | \$ 74,985 |

Included in accounts receivable is approximately \$9.4 million (2018 - \$8.5 million) of customer receivables for water consumption that the Company bills and collects on behalf of the Corporation of the City of London. As the Company does not assume liability for collection of these amounts, any amount relating to water consumption that is determined to be uncollectible is charged to the Corporation of the City of London.

Also, included in the accounts receivable is \$0.4 million (2018 - \$2.8 million) of energy, water, and sundry receivables due from the Corporation of the City of London.

7. Materials and supplies

Amounts written down due to obsolescence during the year ended December 31, 2019 was \$0.1 million (2018 - \$0.1 million).

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
(in thousands of dollars)

8. Property, plant and equipment

a) Cost or deemed cost:

| | Land and buildings | Distribution substation equipment | Other distribution equipment | Other fixed assets | Construction in progress | Total |
|------------------------------|--------------------|-----------------------------------|------------------------------|--------------------|--------------------------|------------|
| Balance at January 1, 2018 | \$ 16,048 | \$ 10,092 | \$ 268,347 | \$ 24,370 | \$ 13,639 | 332,496 |
| Additions | 3,598 | 91 | 30,609 | 2,321 | (357) | 36,262 |
| Disposals / retirements | (30) | - | (933) | (1,196) | - | (2,159) |
| Balance at December 31, 2018 | \$ 19,616 | \$ 10,183 | \$ 298,023 | \$ 25,495 | \$ 13,282 | \$ 366,599 |
| Balance at January 1, 2019 | \$ 19,616 | \$ 10,183 | \$ 298,023 | \$ 25,495 | \$ 13,282 | \$ 366,599 |
| Additions | 1,759 | 265 | 31,184 | 2,740 | 1,052 | 37,000 |
| Disposals / retirements | - | (237) | (878) | (968) | - | (2,083) |
| Balance at December 31, 2019 | \$ 21,375 | \$ 10,211 | \$ 328,329 | \$ 27,267 | \$ 14,334 | \$ 401,516 |

b) Accumulated depreciation:

| | Land and buildings | Distribution substation equipment | Other distribution equipment | Other fixed assets | Construction in progress | Total |
|------------------------------|--------------------|-----------------------------------|------------------------------|--------------------|--------------------------|-----------|
| Balance at January 1, 2018 | \$ 2,708 | \$ 1,125 | \$ 34,429 | \$ 7,650 | \$ - | \$ 45,912 |
| Depreciation | 835 | 293 | 10,274 | 2,668 | - | 14,070 |
| Disposals / retirements | (30) | - | (870) | (1,183) | - | (2,083) |
| Balance at December 31, 2018 | \$ 3,513 | \$ 1,418 | \$ 43,833 | \$ 9,135 | \$ - | \$ 57,899 |
| Balance at January 1, 2019 | \$ 3,513 | \$ 1,418 | \$ 43,833 | \$ 9,135 | \$ - | \$ 57,899 |
| Depreciation | 875 | 301 | 10,917 | 2,747 | - | 14,840 |
| Disposals / retirements | - | (47) | (856) | (961) | - | (1,864) |
| Balance at December 31, 2019 | \$ 4,388 | \$ 1,672 | \$ 53,894 | \$ 10,921 | \$ - | \$ 70,875 |

c) Carrying amounts:

| Balance at | Land and buildings | Distribution substation equipment | Other distribution equipment | Other fixed assets | Construction in progress | Total |
|-------------------|--------------------|-----------------------------------|------------------------------|--------------------|--------------------------|------------|
| December 31, 2018 | \$ 16,103 | \$ 8,765 | \$ 254,190 | \$ 16,360 | \$ 13,282 | \$ 308,700 |
| December 31, 2019 | \$ 16,987 | \$ 8,539 | \$ 274,435 | \$ 16,346 | \$ 14,334 | \$ 330,641 |

Property, plant and equipment includes a right-of-use asset associated with property rented from the City of London with an initial measurement of \$2.3 million, amortized on a straight-line basis over 40 years commencing with the 2018 fiscal year (see Note 16).

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019

(in thousands of dollars)

9. Intangible assets

a) Cost or deemed cost:

| | Land rights | Capital contributions | Computer software | Intangible work in progress | Total |
|------------------------------|-------------|-----------------------|-------------------|-----------------------------|-----------|
| Balance at January 1, 2018 | \$ 277 | \$ 1,085 | \$ 22,331 | \$ 6,370 | \$ 30,063 |
| Additions | 81 | 7,258 | 6,464 | (5,452) | 8,351 |
| Disposals / retirements | - | - | (5,227) | - | (5,227) |
| Balance at December 31, 2018 | \$ 358 | \$ 8,343 | \$ 23,568 | \$ 918 | \$ 33,187 |
| Balance at January 1, 2019 | \$ 358 | \$ 8,343 | \$ 23,568 | \$ 918 | \$ 33,187 |
| Additions | 32 | - | 6,155 | (169) | 6,018 |
| Disposals / retirements | - | - | (3,890) | - | (3,890) |
| Balance at December 31, 2019 | \$ 390 | \$ 8,343 | \$ 25,833 | \$ 749 | \$ 35,315 |

b) Accumulated amortization:

| | Land rights | Capital contributions | Computer software | Intangible work in progress | Total |
|------------------------------|-------------|-----------------------|-------------------|-----------------------------|-----------|
| Balance at January 1, 2018 | \$ 74 | \$ 172 | \$ 10,234 | \$ - | \$ 10,480 |
| Amortization | 22 | 49 | 5,027 | - | 5,098 |
| Disposals / retirements | - | - | (5,227) | - | (5,227) |
| Balance at December 31, 2018 | \$ 96 | \$ 221 | \$ 10,034 | \$ - | \$ 10,351 |
| Balance at January 1, 2019 | \$ 96 | \$ 221 | \$ 10,034 | \$ - | \$ 10,351 |
| Amortization | 24 | 204 | 5,112 | - | 5,340 |
| Disposals / retirements | - | - | (3,890) | - | (3,890) |
| Balance at December 31, 2019 | \$ 120 | \$ 425 | \$ 11,256 | \$ - | \$ 11,801 |

c) Carrying amounts:

| Balance at | Land rights | Capital contributions | Computer software | Intangible work in progress | Total |
|-------------------|-------------|-----------------------|-------------------|-----------------------------|-----------|
| December 31, 2018 | \$ 262 | \$ 8,122 | \$ 13,534 | \$ 918 | \$ 22,836 |
| December 31, 2019 | \$ 270 | \$ 7,918 | \$ 14,577 | \$ 749 | \$ 23,514 |

During the year ended December 31, 2019, borrowing costs of nil (2018 - \$0.2 million) were capitalized as part of the cost of intangible assets. A capitalization rate of 2.89% was used to determine the amount of borrowing costs capitalized during the year ended December 31, 2018.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
(in thousands of dollars)

10. Income tax expense

Income tax expense is comprised of:

| | 2019 | 2018 |
|-------------------------------------------------------------------------------------------------|-------------|-------------|
| Current income tax | | |
| Current year | \$ (384) | \$ 2,886 |
| Amendment for prior period income tax credits | (311) | (408) |
| Adjustment for prior period income tax expense | (335) | 421 |
| | (1,030) | 2,899 |
| Deferred tax | | |
| Change in recognized deductible temporary differences: | | |
| Loss on interest rate swap | (111) | (90) |
| Property, plant, equipment and intangible assets | 4,760 | 1,671 |
| Post-employment benefits | (16) | (61) |
| Deferred revenue | (822) | (107) |
| | 3,811 | 1,413 |
| Total current and deferred income tax in profit and loss, before movement of regulatory balance | 2,781 | 4,312 |
| Other comprehensive (loss) income | | |
| Post-employment benefits | (419) | 411 |
| Total current and deferred income tax, before movement of regulatory balances | 2,362 | 4,723 |
| Net movement in regulatory balances | (3,503) | (1,914) |
| Income tax (recovery) expense recognized in Statement of Comprehensive Income | \$ (1,141) | \$ 2,809 |

Reconciliation of effective tax rate:

| | 2019 | 2018 |
|-----------------------------------------------------|-------------|-------------|
| Income before taxes | \$ 9,247 | 17,278 |
| Canada and Ontario statutory income tax rates | 26.5% | 26.5% |
| Expected tax provision on income at statutory rates | 2,450 | 4,579 |
| Increase (decrease) in income taxes resulting from: | | |
| Net movement in regulatory balances | (3,503) | (1,914) |
| Other items | (88) | 144 |
| | \$ (1,141) | \$ 2,809 |

Significant components of the Company's deferred tax balances:

| | 2019 | 2018 |
|--------------------------------------------------|-------------|-------------|
| Property, plant, equipment and intangible assets | \$ (14,788) | \$ (10,028) |
| Post-employment benefits | 4,116 | 3,681 |
| Deferred revenue | 1,254 | 432 |
| Future income taxes to be realized by customers | (9,418) | (5,915) |
| Loss on interest rate swap | 436 | 325 |
| | \$ (8,982) | \$ (5,590) |

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
(in thousands of dollars)

11. Regulatory balances

Reconciliation of the carrying amount for each class of regulatory balances:

Regulatory assets:

| Regulatory deferral account debit balances | January 1, 2018 | Changes | Recovery/ (reversal) | December 31, 2018 | Remaining years |
|---------------------------------------------------|------------------------|----------------|-----------------------------|--------------------------|------------------------|
| Group 1 deferred accounts | \$ - | \$ 8,002 | \$ - | \$ 8,002 | |
| Other regulatory accounts | 1,831 | 1,418 | - | 3,249 | |
| Income tax | 4,001 | 1,914 | - | 5,915 | |
| | \$ 5,832 | \$ 11,334 | \$ - | \$ 17,166 | |

| Regulatory deferral account debit balances | January 1, 2019 | Changes | Recovery/ (reversal) | December 31, 2019 | Remaining years |
|---------------------------------------------------|------------------------|----------------|-----------------------------|--------------------------|------------------------|
| Group 1 deferred accounts | \$ 8,002 | \$ (4,526) | \$ - | \$ 3,476 | |
| Regulatory settlement account | - | 8,440 | (3,443) | 4,997 | 0.8 |
| Other regulatory accounts | 3,249 | (121) | - | 3,128 | 2.3 |
| Income tax | 5,915 | 3,503 | - | 9,418 | |
| | \$ 17,166 | \$ 7,296 | \$ (3,443) | \$ 21,019 | |

Regulatory liabilities:

| Regulatory deferral account credit balances | January 1, 2018 | Changes | Recovery/ (reversal) | December 31, 2018 | Remaining years |
|----------------------------------------------------|------------------------|----------------|-----------------------------|--------------------------|------------------------|
| Group 1 deferred accounts | \$ (5,217) | \$ 5,217 | \$ - | \$ - | |
| Regulatory settlement account | (3,057) | (3,927) | 5,265 | (1,719) | 0.3 |
| Other regulatory accounts | - | 159 | (571) | (412) | 3.3 |
| | \$ (8,274) | \$ 1,449 | \$ 4,694 | \$ (2,131) | |

| Regulatory deferral account credit balances | January 1, 2019 | Changes | Recovery/ (reversal) | December 31, 2019 | Remaining years |
|----------------------------------------------------|------------------------|----------------|-----------------------------|--------------------------|------------------------|
| Regulatory settlement account | \$ (1,719) | \$ (5,143) | \$ 6,862 | \$ - | - |
| Other regulatory accounts | (412) | (509) | (1,418) | (2,339) | 2.3 |
| | \$ (2,131) | \$ (5,652) | \$ 5,444 | \$ (2,339) | |

11. Regulatory balances (continued)

The regulatory balances are recovered or settled through fixed and/or volumetric rate riders approved by the OEB. The volumetric rate riders are determined using estimates of future consumption of electricity by its customers. Future consumption is impacted by various factors including the economy and weather. The Company has received approval from the OEB to establish its regulatory balances. Regulatory balances attract interest at OEB prescribed rates, which are based on Bankers' Acceptances three-month rate plus a spread of 25 basis points. The rate was set at 2.45% in the first quarter of 2019 (March 31, 2018 – 1.5%) and 2.18% in the second, third and fourth quarters of 2019 (June 30, 2018 – 1.89%, September 30, 2018 – 1.89%, December 31, 2018 – 2.17%).

a) Group 1 deferral accounts

The Group 1 deferral accounts consist of purchased power cost variances including the Smart Metering Entity Charge Variances. As a regulated distributor of electricity, the Company is obligated to provide energy supply to all consumers at regulated or spot rates unless they elect to purchase their energy from an energy retailer. The regulatory framework requires that all energy commodity and non-commodity costs be billed at regulated rates to consumers who are on the Regulated Price Plan.

Variances between purchase costs and amounts billed for electricity are required to be captured in the Retail Settlement Variance Accounts (“RSVA”) for disposition through future rate riders. The variance accounts have been further defined by the regulator into commodity and non-commodity accounts. Those accounts defined as commodity accounts are eligible for regulatory review on a quarterly basis. All other accounts are defined as non-commodity and are currently eligible for review on an annual basis.

These variances were credit balances in 2016 and 2017. On August 26, 2016, the Company filed its 2017 COS rate application, in which it proposed the disposition of Group 1 account balances as at December 31, 2015 via rate riders. The OEB issued its decision with respect to this Application which authorizes the refund/recovery of these balances over a one-year period commencing May 1, 2017.

The RSVA variances were debit balances in 2018. On October 4, 2017, the Company filed its 2018 IRM rate application in which it proposed the disposition of the Group 1 account balances as at December 31, 2016 via rate riders. The OEB authorized the recovery of these balances over a one-year period commencing May 1, 2018.

11. Regulatory balances (continued)

b) Regulatory settlement account

During 2018, the Company filed its 2019 IRM rate application in which it proposed the recovery of the LRAMVA balance accumulated between January 1, 2016 and December 31, 2016, as well as the recovery of the 2018 Retail Transmission Service Rates Revenue Shortfall of the Group 1 accounts accumulated between May 1, 2018 and November 30, 2018 via rate riders. The OEB authorized the recovery of the LRAMVA balances over a one-year period commencing May 1, 2019.

c) Other regulatory accounts

Other regulatory account debit balances include various deferred costs in connection with LRAMVA, OEB Cost Assessment Variance non-cash OPEB adjustment and Retail Cost Variances.

Other regulatory account credit balances include pole attachment revenue variances and advanced funding for capital projects. The Company filed its 2017 COS rate application in 2016 which included a request for funding capital projects under the Advanced Capital Module and received an approval. During 2017, the Company filed its 2018 IRM rate application, which included a request for the recovery of such costs via rate riders. The OEB authorized the recovery of these costs via rate riders until the effective date of the next cost of service-based rate order. Distribution revenue repayable to customers representing tax savings as a result of increased capital cost allowance provided for through the Accelerated Investment Incentive introduced in Bill C-97 effective November 2018 is also included in other regulatory account credit balances.

d) Income tax

As a result, the Company has recognized a regulatory deferral account for the amount of deferred taxes that will ultimately be recovered from/paid back to its customers. This balance will fluctuate as the Company's deferred tax balance fluctuates.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
(in thousands of dollars)

12. Accounts payable and accrued liabilities

| | 2019 | 2018 |
|------------------------------------------------|------------------|------------------|
| Due to Independent Electricity System Operator | \$ 31,973 | \$ 33,694 |
| Harmonized sales tax | 167 | 118 |
| Payroll and benefits payable | 3,382 | 3,060 |
| Other | 12,918 | 11,337 |
| | \$ 48,440 | \$ 48,209 |

13. Deferred revenue

| | 2019 | 2018 |
|----------------------------------------------|------------------|------------------|
| Capital contributions for completed projects | \$ 21,845 | \$ 18,010 |
| Deposits held | 11,806 | 11,518 |
| | 33,651 | 29,528 |
| Less: Current portion | 2,771 | 2,336 |
| | \$ 30,880 | \$ 27,192 |

Capital contributions for completed projects are recognized as revenue on a straight-line basis over the life of the asset for which the contribution was received.

Included in deposits held is \$3.6 million (2018 - \$3.7 million) received from the Corporation of the City of London as contributions for the construction of capital assets.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019

(in thousands of dollars)

14. Long-term debt

| | 2019 | 2018 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|
| Unsecured, committed extendible revolving loan bearing interest at prime, minus 0.5%, interest only payments due March 2021 | \$ 30,000 | \$ 15,000 |
| Unsecured, non-revolving term instalment loan bearing interest at the 4.4 year Bankers' Acceptance rate of 2.7% plus a stamping fee of 0.28%, interest only payments due June 2022 | 40,000 | 40,000 |
| Unsecured, non-revolving term instalment loan bearing interest at the 7.6 year Bankers' Acceptance rate of 2.46% plus a stamping fee of 0.30%, interest only payments due June 2022 | 85,000 | 85,000 |
| Unsecured, non-revolving term instalment loan bearing interest at the 7.8 year Bankers' Acceptance rate of 2.43% plus a stamping fee of 0.9%, payable in monthly instalments of \$192 principal plus interest, repaid in full August 2019 | - | 1,522 |
| | 155,000 | 141,522 |
| Less: Current portion | - | 1,522 |
| | \$ 155,000 | \$ 140,000 |

The Company has an interest rate swap agreement with the Royal Bank of Canada for an unsecured loan in the amount of \$40 million. 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, which effectively converts variable interest rates on unsecured Bankers' Acceptances to an effective interest rate of 2.7%, plus a stamping fee of 0.28%, for an all-in rate of 2.98%.

The Company has an interest rate swap agreement with the Royal Bank of Canada for an unsecured loan in the amount of \$85 million. 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, which effectively converts variable interest rates on unsecured Bankers' Acceptances to an effective interest rate of 2.46%, plus a stamping fee of 0.30%, for an all-in rate of 2.76%.

The Company had an interest rate swap agreement with the Royal Bank of Canada for an unsecured loan in the original amount of \$20.5 million to fund its Smart Meter capital expenditure program. Principal repayments on this loan commenced October 2010 and were amortized over a 9 year period ending August 2019. The agreement was a fixed rate swap and matured August 2019 which effectively converted variable interest rates on unsecured Bankers' Acceptances to an effective interest rate of 2.43%, plus a stamping fee of 0.9%, for an all-in rate of 3.33%.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019

(in thousands of dollars)

14. Long-term debt (continued)

The swap agreements entered into with Royal Bank of Canada do not meet the standard to apply hedge accounting. Accordingly, the interest rate swap contracts are recorded at their fair value at the end of the period with the unrealized gain or loss recorded in the Statements of Comprehensive Income as finance expenses. The unrealized loss for the year ended December 31, 2019 was \$0.4 million (2018 – \$0.3 million).

At December 31, 2019, the Company would be required to pay \$1.6 million (2018 - \$1.2 million) if it wished to cancel the swap agreements.

During the year ended December 31, 2019, interest on long-term debt was incurred in the amount of \$4.2 million (2018 - \$3.6 million) of which nil (2018 – \$0.2 million) was capitalized as part of the cost of intangible assets.

Reconciliation of opening and closing balances for liabilities from financing activities:

| | 2019 | 2018 |
|----------------------------|------------|------------|
| Balance, beginning of year | \$ 141,522 | \$ 118,826 |
| Add: Advances | 15,000 | 55,000 |
| Less: Repayments | 1,522 | 32,304 |
| | 155,000 | 141,522 |
| Less: Current portion | - | 1,522 |
| | \$ 155,000 | \$ 140,000 |

15. Post-employment benefits

a) OMERS pension plan

The Company provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. During the year ended December 31, 2019, the Company made employer contributions of \$3.1 million to OMERS (2018 - \$3.0 million), of which \$0.8 million (2018 - \$0.7 million) has been capitalized as part of PP&E and the remaining amount of \$2.3 million (2018 - \$2.3 million) has been recognized in the Statement of Comprehensive Income. The Corporation estimates that a contribution of \$3.5 million to OMERS will be made during the next fiscal year.

As at December 31, 2019, OMERS had approximately 510,000 members, of whom 323 are employees of the Company. The most recently available OMERS annual report is for the year ended December 31, 2019, which reported that the plan was 97% funded, with an unfunded liability of \$3.4 billion. This unfunded liability is likely to result in future payments by participating employers and members.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019

(in thousands of dollars)

15. Post-employment benefits (continued)

b) Post-employment benefits other than pension

The Company pays certain medical and life insurance benefits on behalf of some of its retired employees. The Company recognizes these post-employment benefits in the year in which employees' services were rendered. The Company is recovering its post-employment benefits in rates based on the expense and remeasurements recognized for post-employment benefit plans. Based on the most recent actuarial valuation as at December 31, 2019, the following information has been determined:

Reconciliation of the obligation:

| | 2019 | 2018 |
|-----------------------------------------------|-------------|-------------|
| Defined benefit obligation, beginning of year | \$ 13,895 | \$ 15,213 |
| Included in profit or loss: | | |
| Current service costs | 393 | 462 |
| Interest cost | 518 | 497 |
| Other benefits | 11 | (13) |
| | 922 | 946 |
| Benefits paid | (864) | (714) |
| | 58 | 232 |
| Actuarial (gains) / losses included in OCI: | | |
| Changes in financial assumptions | 1,540 | (1,465) |
| Effect of experience adjustments | 42 | (85) |
| | 1,582 | (1,550) |
| Defined benefit obligation, end of year | \$ 15,535 | \$ 13,895 |

Actuarial assumptions:

| | 2019 | 2018 |
|----------------------------|-------------|-------------|
| Discount (interest) rate | 3.1% | 3.9% |
| Salary levels | 4.0% | 4.0% |
| Immediate medical costs | 5.3% | 5.4% |
| Ultimate medical costs | 4.0% | 4.0% |
| Dental cost rate | 4.0% | 4.5% |
| Year ultimate rate reached | 2040 | 2040 |

A 1% increase in the assumed discount rate would result in the defined benefit obligation decreasing by \$2.0 million. A 1% decrease in the assumed discount rate would result in the defined benefits obligation increasing by \$2.3 million.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
(in thousands of dollars)

16. Lease liability

The Company has a lease liability in connection with a right-of-use asset associated with property rented from the City of London included in property, plant and equipment with an initial measurement of \$2.3 million, amortized on a straight-line basis over 40 years commencing with the 2018 fiscal year.

Right-of-use-asset:

| | 2019 | | 2018 | |
|----------------------------------|-------------|--------------|-------------|--------------|
| Cost: | | | | |
| Balance, beginning of year | \$ | 2,319 | \$ | - |
| Lease additions | | - | | 2,319 |
| Balance, end of year | \$ | 2,319 | \$ | 2,319 |
| Accumulated depreciation: | | | | |
| Balance, beginning of year | \$ | 58 | \$ | - |
| Depreciation | | 58 | | 58 |
| Balance, end of year | \$ | 116 | \$ | 58 |
| Carrying amount | \$ | 2,203 | \$ | 2,261 |

Lease liability:

| | Future minimum lease payments | | Interest | | Present value of minimum lease payments | |
|----------------------------|--------------------------------------|-------|-----------------|-------|------------------------------------------------|-------|
| Less than one year | \$ | 100 | \$ | 67 | \$ | 33 |
| Between one and five years | | 400 | | 259 | | 141 |
| More than five years | | 3,300 | | 1,218 | | 2,082 |
| | \$ | 3,800 | \$ | 1,544 | \$ | 2,256 |

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019

(in thousands of dollars)

17. Share capital

| | 2019 | 2018 |
|-------------------------------------------------------------------------------------------------------|-----------|-----------|
| Authorized: | | |
| An unlimited number of common shares | | |
| An unlimited number of non-voting, non-cumulative preference shares, redeemable at the paid-up amount | | |
| Issued: | | |
| 1,001 common shares | \$ 96,116 | \$ 96,116 |

Dividends

The holders of the common shares are entitled to receive dividends as declared from time to time. On March 27, 2019 the Board of Directors declared a \$5.0 million dividend payable to the sole shareholder, the Corporation of the City of London, in quarterly installments in 2019. On March 22, 2018 the Board of Directors declared a \$5.0 million dividend payable to the sole shareholder, the Corporation of the City of London, in quarterly installments in 2018.

18. Revenue from contracts with customers

The Company generates revenue primarily from electricity rates and the distribution of electricity to its customers. These revenues disaggregated by type of customer are illustrated below:

Electricity rates:

| | 2019 | 2018 |
|-------------|------------|------------|
| Residential | \$ 122,925 | \$ 112,145 |
| Commercial | 230,628 | 218,668 |
| Large users | 10,301 | 8,714 |
| Other | 2,892 | 2,519 |
| | \$ 366,746 | \$ 342,046 |

Distribution revenue:

| | 2019 | 2018 |
|-------------|-----------|-----------|
| Residential | \$ 44,312 | \$ 43,601 |
| Commercial | 23,279 | 23,101 |
| Large users | 749 | 652 |
| Other | 1,386 | 1,322 |
| | \$ 69,726 | \$ 68,676 |

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
(in thousands of dollars)

19. Other revenue

| | 2019 | 2018 |
|---------------------------------------------------|------------------|------------------|
| City of London services | \$ 4,009 | \$ 4,009 |
| Late payment charges | 1,699 | 1,561 |
| Other services, recoveries and sundry revenues | 1,404 | 1,421 |
| Pole and other rental income | 885 | 501 |
| Customer billing service fees | 864 | 717 |
| Sale of scrap | 834 | 552 |
| Occupancy charges | 596 | 608 |
| Amortization of deferred revenue | 525 | 412 |
| Income tax incentive credits | 480 | 496 |
| Renewable generation revenue | 322 | 312 |
| Collection charges | 132 | 346 |
| Gain on disposal of property, plant and equipment | 31 | 220 |
| IESO Conservation recoveries and incentives | (3) | 1,966 |
| | \$ 11,778 | \$ 13,121 |

20. Operating expenses

| | 2019 | 2018 |
|------------------------------------------------|------------------|------------------|
| Labour and benefits | \$ 27,133 | \$ 26,719 |
| Professional services | 5,998 | 5,867 |
| Computer hardware and software | 2,815 | 2,540 |
| Rental, regulatory and other expenses | 1,943 | 2,243 |
| Facilities maintenance and repair | 1,668 | 1,534 |
| Postage | 1,258 | 1,262 |
| Corporate training and employee expenses | 1,233 | 1,201 |
| Property tax and insurance | 1,208 | 1,195 |
| Materials and supplies | 995 | 972 |
| Fleet operations and maintenance | 897 | 1,028 |
| Bad debts | 737 | 703 |
| Office equipment services and maintenance | 417 | 492 |
| Allocations to capital and billable activities | (2,073) | (2,047) |
| | \$ 44,229 | \$ 43,709 |

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019

(in thousands of dollars)

21. Finance (income) and expenses

| | 2019 | 2018 |
|-------------------------------------------------|-----------------|-----------------|
| Finance income | | |
| Interest income on bank deposits | \$ (140) | \$ (180) |
| Finance expenses | | |
| Interest on long-term debt | 4,216 | 3,591 |
| Interest on short-term debt | 118 | 58 |
| Interest on funds used for construction project | - | (188) |
| Lease liability interest | 68 | 69 |
| Other | 224 | 189 |
| | 4,626 | 3,719 |
| Change in interest rate swap | | |
| Unrealized loss on interest rate swap | 419 | 341 |
| Net finance expense | \$ 4,905 | \$ 3,880 |

22. Due to shareholder

Trade balances due to shareholder:

| | 2019 | 2018 |
|---------------------------------------------------------------------------------------|-----------------|-----------------|
| Water consumption | \$ 6,550 | \$ 5,604 |
| Non-interest bearing trade balance due to shareholder, without stated repayment terms | 402 | 847 |
| | \$ 6,952 | \$ 6,451 |

The Company delivers electricity to the City of London throughout the year for the electricity needs of the City of London and its related organizations. Electricity delivery charges are at prices and under terms approved by the OEB. The Company also provides additional services to the City of London, including water and waste water billing, customer care services and water meter replacement administrative services.

During the year ended December 31, 2019, the Company billed customers for water related service on behalf of the shareholder and remitted funds to the shareholder in the amount of \$174.4 million (2018 – \$174.2 million). The shareholder paid \$3.9 million (2018 - \$3.9 million) for this service.

During the year ended December 31, 2019, the Company performed water meter replacement administrative services on behalf of the shareholder. The shareholder paid \$0.1 million (2018 – \$0.1 million) for this service.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019

(in thousands of dollars)

23. Commitments and contingencies

General

From time to time, the Company is involved in various litigation matters arising in the ordinary course of its business. The Company has no reason to believe that the outcome of any of these matters could reasonably be expected to have a materially adverse impact on the Company's financial position, results of operations or its ability to carry on any of its business activities.

General Liability Insurance

The Company is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2019, no assessments have been made.

Letters of credit

At December 31, 2019, the Company had provided \$6.6 million (2018 – \$6.6 million) in bank standby letters of credit to the IESO.

Vendor commitments

The Company has commitments in connection with Infrastructure projects of \$0.2 million (2018 – \$0.5 million), new vehicle acquisitions of \$1.1 million (2018 - \$0.2 million) and Information Systems projects of \$0.3 million (2018 - nil).

Operating leases

The Company is committed to lease agreements for various vehicles, equipment and property rights. The future minimum non-cancellable annual lease payments are as follows:

| | 2019 | 2018 |
|----------------------------|-----------------|---------------|
| Less than one year | \$ 319 | \$ 321 |
| Between one and five years | 868 | 209 |
| More than five years | 61 | 74 |
| | \$ 1,248 | \$ 604 |

The Company does not recognize right-of-use assets and lease liabilities for leases of low-value assets or leases with lease terms that are less than 12 months. Lease payments associated with these arrangements are instead recognized as an expense over the term on either a straight-line basis, or another systematic basis if more representative of the pattern of benefit. Operating leases expensed during the year ended December 31, 2019 was of \$0.4 million (2018 - \$0.3 million).

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
(in thousands of dollars)

24. Joint venture agreement

On January 1, 2013, The Company entered into an agreement with London District Renewable Energy Co-Operative Inc. (“LDREC”) to create a joint venture with the legal name “London Renewable Energy Initiative” for the intention of identifying, applying for and constructing solar projects that have been approved under the Feed-in Tariff (“FIT”) government program. The Company has a 49% equity interest in LDREC while appointing 60% of the members of the Executive Committee resulting in controlling interest. To date no significant work has been completed and no amounts have been recorded in these financial statements in connection with this venture.

25. Financial instruments and risk management

Fair value disclosure

The carrying values of cash, accounts receivable, due to shareholder and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

The fair value of the long-term debt at December 31, 2019 is \$156 million (2018 - \$124 million). The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date. The interest rate used to calculate fair value at December 31, 2019 was 2.58% (2018 – 3.34%). The fair value of interest rate swaps is recorded based on valuation amounts as provided by RBC Capital Markets on a quarterly basis.

Financial risks

The Company understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Company’s exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies are discussed below.

a) Credit risk

Financial assets carry credit risk that a counter-party will fail to discharge an obligation which would result in a financial loss. Financial assets held by the Company, such as accounts receivable, expose it to credit risk. The Company primarily assesses credit risk exposure by customer segment. Concentrations of consumption by segment or individual customer, may impact risk due to varying energy consumption patterns and allowable security deposit requirements associated with each segment. The Company is not exposed to a significant concentration of credit risk within any customer segment or individual customer. No single customer accounts for revenue in excess of 10% of total revenue.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
(in thousands of dollars)

25. Financial instruments and risk management (continued)

a) Credit risk (continued)

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in the Statement of Comprehensive Income as bad debt expense. Subsequent recoveries of receivables previously provisioned are credited to the Statement of Comprehensive Income. The balance of the allowance for impairment loss at December 31, 2019 is \$2.6 million (2018 - \$2.3 million). During the year ended December 31, 2019, bad debt expense was \$0.7 million (2018 - \$0.7 million).

At December 31, 2019, approximately \$1.0 million (2018 - \$0.8 million) is included in the allowance for doubtful accounts for uncollectible amounts relating to water consumption. No bad debt expense has been realized in the Statement of Comprehensive Income in connection with water consumption as these amounts are fully recovered from the City of London.

The Company's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2019, approximately \$2.2 million (2018 - \$2.0 million) is considered 60 days past due. The Company has approximately 161 thousand customers, the majority of whom are residential.

By regulation, the Company is responsible for collecting both the distribution and energy portions of the electricity bill. On average, the Company earns 23% of amounts billed to customers with the remaining 77% being collected for other parties. The Company is therefore exposed to a credit risk substantially greater than the income that it regularly earns.

Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. At December 31, 2019, the Company held deposits in the amount of \$4.4 million (2018 - \$5.9 million). If presented with substantial credit losses, the Company has the ability to make an application to the regulator for recovery of those losses through distribution rate adjustments in future years.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
(in thousands of dollars)

25. Financial instruments and risk management (continued)

b) Market risk

Market risks primarily refer to the risk of loss that result from changes in commodity prices, foreign exchange rates, and interest rates. The Company currently does not have significant commodity or foreign exchange risk. The Company is exposed to fluctuations in interest rates as the regulated rate of return for the Company's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

A 1% increase in the interest rate at December 31, 2019 would have increased interest expense on the long-term debt by \$0.3 million (2018 - \$0.2 million), assuming all other variables remain constant. A 1% decrease in the interest rate would have an equal but opposite effect.

c) Liquidity risk

The Company monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Company's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Company monitors cash balances to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due. The majority of accounts payable, as reported on the Statement of Financial Position, are due within 30 days.

The Company has an uncommitted operating revolving line of credit facility of \$40.0 million with the Toronto Dominion Bank. At December 31, 2019 the amount drawn by the Company under this line of credit was nil (2018 - nil). The line of credit is unsecured and interest is at bank prime rate on prime based borrowings minus 0.5%, or at Bankers' Acceptances ("B/A") rates plus a 0.75% stamping fee on B/A based borrowings.

At December 31, 2019 the Company had a committed 364 day extendable operating revolving loan facility of \$30.0 million with the Toronto Dominion Bank and the amount drawn by the Company under this loan facility was \$30.0 million (2018 - \$15.0 million). Under the terms of this agreement, the loan has a maturity date of March 31, 2021. The Company has a one year period from the loan maturity date to repay any outstanding balances in the event the lender elects not to extend the loan for an additional 364 day period. Interest is at bank prime rate on prime based borrowings minus 0.5%, or at B/A rates plus a 0.75% stamping fee on B/A based borrowings.

The Company also has a bilateral facility for \$6.6 million for the purpose of issuing letters of credit mainly to support the prudential requirements of the IESO, of which nil has been drawn and posted with the IESO (2018 - nil).

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2019
(in thousands of dollars)

25. Financial instruments and risk management (continued)

d) Capital disclosures

The main objectives of the Company, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Corporation's definition of capital includes shareholder's equity and long-term debt.

| | 2019 | 2018 |
|----------------------|-------------------|-------------------|
| Long-term debt | \$ 155,000 | \$ 141,522 |
| Shareholder's equity | 174,690 | 169,302 |
| | \$ 329,690 | \$ 310,824 |

26. Subsequent events

On March 31, 2020, the Board of Directors declared a \$5.0 million special dividend payable to the sole shareholder, the Corporation of the City of London, to be paid by the end of 2021.

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Company's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our business are not known at this time.

Financial Statements of

**LONDON & MIDDLESEX
COMMUNITY HOUSING INC.**

And Independent Auditors' Report thereon

Year ended December 31, 2019



KPMG LLP
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London ON N6A 5P2
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of London & Middlesex Community Housing Inc.

Opinion

We have audited the financial statements of London & Middlesex Community Housing Inc. (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations for the year then ended
- the statement of change in net debt for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of operations, its change in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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



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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

May 21, 2020

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Statement of Financial Position

As at December 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|------------------------------------------------|----------------------|----------------------|
| Financial Assets: | | |
| Cash | \$ - | \$ 1,520,921 |
| Accounts receivable (note 3) | 1,532,963 | 914,739 |
| Due from The Corporation of the City of London | 2,906,199 | 740,062 |
| | <u>4,439,162</u> | <u>3,175,722</u> |
| Financial Liabilities: | | |
| Cheques issued in excess of funds on deposit | 99,637 | - |
| Accounts payable and accrued liabilities | 4,059,641 | 2,962,605 |
| Tenant advances | 741,071 | 649,246 |
| Unearned miscellaneous revenue | 48,397 | 67,672 |
| | <u>4,948,746</u> | <u>3,679,523</u> |
| Net debt | (509,584) | (503,801) |
| Non-Financial Assets: | | |
| Tangible capital assets (note 7) | 58,878,638 | 54,281,872 |
| Prepaid expenses | 509,584 | 503,801 |
| | <u>59,388,222</u> | <u>54,785,673</u> |
| Commitments (note 5) | | |
| Subsequent events (note 10) | | |
| Contingencies (note 11) | | |
| Accumulated surplus (note 9) | \$ 58,878,638 | \$ 54,281,872 |

See accompanying notes to financial statements

On behalf of the Board:

Director

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Statement of Operations

Year ended December 31, 2019, with comparative information for 2018

| | Budget | 2019 | 2018 |
|-----------------------------------------|----------------------|----------------------|----------------------|
| Revenue: | | | |
| Rental revenue | \$ 11,731,910 | \$ 11,870,011 | \$ 11,460,132 |
| The Corporation of the City of London: | | | |
| Rental subsidy | 10,698,018 | 10,698,018 | 10,202,215 |
| Funding adjustment | - | 363,231 | 35,284 |
| Capital funding | - | 6,664,904 | 3,904,191 |
| Other | 200,902 | 340,231 | 292,406 |
| | <u>22,630,830</u> | <u>29,936,395</u> | <u>25,894,228</u> |
| Expenses: | | | |
| Salaries, wages and employee benefits | 5,121,239 | 5,576,501 | 5,239,281 |
| Maintenance, materials and services: | | | |
| Building, general | 3,982,824 | 4,590,332 | 3,554,708 |
| Grounds | 632,012 | 978,474 | 1,048,150 |
| Painting | 319,020 | 280,483 | 288,203 |
| Other | 228,497 | 164,541 | 145,870 |
| | <u>5,162,353</u> | <u>6,013,830</u> | <u>5,036,931</u> |
| Utilities: | | | |
| Electricity | 2,167,172 | 1,951,090 | 1,927,787 |
| Water | 1,114,961 | 1,237,439 | 1,147,591 |
| Natural gas | 857,071 | 837,752 | 884,663 |
| | <u>4,139,204</u> | <u>4,026,281</u> | <u>3,960,041</u> |
| Amortization | - | 1,930,562 | 1,680,278 |
| Property: | | | |
| Municipal taxes | 5,495,001 | 5,023,084 | 5,396,636 |
| Insurance | 641,724 | 647,776 | 598,618 |
| Mortgage payments | 46,911 | 46,475 | 46,871 |
| | <u>6,183,636</u> | <u>5,717,335</u> | <u>6,042,125</u> |
| Administration | 2,024,398 | 2,075,120 | 1,610,997 |
| Total expenses | <u>22,630,830</u> | <u>25,339,629</u> | <u>23,569,653</u> |
| Annual surplus | - | 4,596,766 | 2,324,575 |
| Accumulated surplus, beginning of year | 54,281,872 | 54,281,872 | 51,957,297 |
| Accumulated surplus, end of year | <u>\$ 54,281,872</u> | <u>\$ 58,878,638</u> | <u>\$ 54,281,872</u> |

See accompanying notes to financial statements

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Statement of Change in Net Debt

Year ended December 31, 2019, with comparative information for 2018

| | Budget | 2019 | 2018 |
|---------------------------------------------------------------------|--------------|--------------|--------------|
| Annual surplus | \$ - | \$ 4,596,766 | \$ 2,324,575 |
| Acquisition of tangible capital assets | - | (6,527,328) | (4,047,920) |
| Disposal of tangible capital assets net of accumulated amortization | - | - | 43,067 |
| Amortization of tangible capital assets | - | 1,930,562 | 1,680,278 |
| | - | (4,596,766) | (2,324,575) |
| Acquisition of prepaid expenses | - | (6,606,627) | (6,832,742) |
| Use of prepaid expenses | - | 6,600,844 | 6,800,389 |
| Change in net debt | - | (5,783) | (32,353) |
| Net debt, beginning of year | (503,801) | (503,801) | (471,448) |
| Net debt, end of year | \$ (503,801) | \$ (509,584) | \$ (503,801) |

See accompanying notes to financial statements

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|------------------------------------------------------------------|--------------|--------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus | \$ 4,596,766 | \$ 2,324,575 |
| Items not involving cash: | | |
| Amortization | 1,930,562 | 1,680,278 |
| Loss on disposal of tangible capital assets | - | 43,067 |
| Changes in non-cash items: | | |
| Accounts receivable | (618,224) | 365,578 |
| Prepaid expenses | (5,783) | (32,353) |
| Due from The Corporation of the City of London | (2,166,137) | 539,094 |
| Accounts payable and accrued liabilities | 1,097,036 | (888,901) |
| Tenant advances | 91,825 | 25,909 |
| Unearned miscellaneous revenue | (19,275) | 9,697 |
| | 4,906,770 | 4,066,944 |
| Capital activities: | | |
| Acquisition of tangible capital assets | (6,527,328) | (4,047,920) |
| Net increase (decrease) in cash | (1,620,558) | 19,024 |
| Cash, beginning of year | 1,520,921 | 1,501,897 |
| Cash (cheques issued in excess of funds on deposit), end of year | \$ (99,637) | \$ 1,520,921 |

See accompanying notes to financial statements

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to the Financial Statements

Year ended December 31, 2019

1. Incorporation:

London & Middlesex Community Housing Inc. (formerly London & Middlesex Housing Corporation) (the "Corporation") operates housing accommodation primarily for persons of low and moderate income. The Corporation operates 3,282 units throughout The City of London and the County of Middlesex and is 100% owned by The Corporation of the City of London.

2. Significant accounting policies:

The financial statements of the Corporation are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the Corporation are as follows:

(a) Tangible Capital Assets:

i) 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, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

| Assets | Useful Life-Years |
|-------------------------------|-------------------|
| Site improvements | 25 - 30 |
| Buildings and improvements | 25 - 40 |
| Technology and communications | 3 |
| Vehicles | 10 |
| Furniture and fixtures | 10 |
| Machinery and equipment | 25 |
| Appliances | 10 |

One half-year's amortization is charged in the year of acquisition.

ii) Contributions of Capital Assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt.

(b) Revenue recognition:

Rental revenue is recognized at the time the service is provided. Other revenues are recognized when the services are earned.

Government transfer payments are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(c) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the carrying value of tangible capital assets and the valuation allowances for receivables. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

(d) Budget data:

Budget Figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to the Financial Statements (continued)

Year ended December 31, 2019

2. Significant accounting policies (continued):

(e) Pension contributions:

The Corporation has a pension agreement with the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer defined contribution benefit plan. The Corporation's costs are the contributions due to the plan in the period.

(f) Contaminated sites:

Under PS 3260, 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 organisms that exceeds the environmental standard. This standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination.

3. Accounts receivable:

Accounts receivable recorded on the statement of financial position are composed of the following:

| | 2019 | 2018 |
|---------------------------------|---------------------|-------------------|
| Rent | \$ 823,537 | \$ 784,566 |
| Allowance for doubtful accounts | (464,295) | (417,084) |
| Harmonized Sales Tax | 566,076 | 261,841 |
| Sundry | 607,645 | 285,416 |
| | <u>\$ 1,532,963</u> | <u>\$ 914,739</u> |

4. Income Producing properties:

The income producing properties held by London & Middlesex Housing Authority and passed through to the Corporation were originally financed by the Province of Ontario through general obligation provincial debentures. At the time of the transfer of ownership the Province did not transfer the responsibility for repayment of these debentures. Accordingly, the value of the provincial debentures associated with them have not been recorded on the Corporation's financial statements.

5. Commitments:

(a) Debt service payment:

The Corporation is responsible for the debt service payments on one of its properties located on Bella Street in Strathroy, Ontario. These payments of both principal and interest are made directly to the mortgagee and are expensed when incurred. A total of \$46,871 was expensed and paid in 2019 (2018 - \$46,871). The Ontario government is considered to be the holder of this debt, thus no provision has been made in the Corporation's financial statements for the mortgage.

(b) Contractual Obligations:

The Corporation is committed to the following minimum annual operating lease payments for premises and equipment

| | | |
|------|----|---------|
| 2020 | \$ | 342,923 |
| 2021 | | 140,715 |

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to the Financial Statements (continued)

Year ended December 31, 2019

6. Pension Agreement:

The Corporation makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), a multi-employer plan, on behalf of its employees. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. In 2019 contribution rates are 9.0% for employee earnings below the year's maximum pensionable earnings and 14.6% thereafter. Employee contributions match these rates.

Contributions to OMERS by the Corporation are recognized as an expense in the period they are incurred. A total of \$370,803 was incurred as pension expense in 2019 (2018 - \$343,064).

The last available report for the OMERS plan was on December 31, 2019. At that time, the plan reported a \$3.4 billion actuarial deficit (2018 - \$4.2 billion), based on actuarial liabilities for \$107.7 billion (2018 - \$99 billion) and actuarial assets for \$104.3 billion (2018 - \$95 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.

7. Tangible capital assets:

| Cost | Balance at December 31, 2018 | 2019 Additions | 2019 Disposals | Balance at December 31, 2019 |
|-------------------------------|---------------------------------|---------------------|-------------------|---------------------------------|
| Land | \$ 24,605,751 | \$ - | \$ - | \$ 24,605,751 |
| Site improvements | 3,433,364 | - | - | 3,433,364 |
| Buildings and improvements | 87,993,654 | 5,968,918 | - | 93,962,572 |
| Technology and communications | 829,700 | 403,420 | 48,778 | 1,184,342 |
| Vehicles | 48,297 | - | - | 48,297 |
| Furniture and fixtures | 230,017 | - | - | 230,017 |
| Machinery and equipment | 3,485,546 | 21,002 | - | 3,506,548 |
| Appliances | 1,996,583 | 133,988 | - | 2,130,571 |
| TOTAL | \$ 122,622,912 | \$ 6,527,328 | \$ 48,778 | \$ 129,101,462 |

| Accumulated Amortization | Balance at December 31, 2018 | 2019 Disposals | 2019 Amortization | Balance at December 31, 2019 |
|-------------------------------|---------------------------------|-------------------|----------------------|---------------------------------|
| Site improvements | \$ 1,745,682 | \$ - | \$ 75,798 | \$ 1,821,480 |
| Buildings and improvements | 62,665,927 | - | 1,489,199 | 64,155,126 |
| Technology and communications | 611,684 | 48,778 | 165,755 | 728,661 |
| Vehicles | 31,395 | - | 4,830 | 36,225 |
| Furniture and fixtures | 98,565 | - | 22,948 | 121,513 |
| Machinery and equipment | 1,571,250 | - | 108,812 | 1,680,062 |
| Appliances | 1,616,537 | - | 63,220 | 1,679,757 |
| TOTAL | \$ 68,341,040 | \$ 48,778 | \$ 1,930,562 | \$ 70,222,824 |

| | Net Book Value At December 31, 2018 | Net Book Value At December 31, 2019 |
|-------------------------------|----------------------------------------|----------------------------------------|
| Land | \$ 24,605,751 | \$ 24,605,751 |
| Site improvements | 1,687,682 | 1,611,884 |
| Buildings and improvements | 25,327,727 | 29,807,446 |
| Technology and communications | 218,016 | 455,681 |
| Vehicles | 16,902 | 12,072 |
| Furniture and fixtures | 131,452 | 108,504 |
| Machinery and equipment | 1,914,296 | 1,826,486 |
| Appliances | 380,046 | 450,814 |
| TOTAL | \$ 54,281,872 | \$ 58,878,638 |

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to the Financial Statements (continued)

Year ended December 31, 2019

8. Capital allotment:

An approved capital allotment is managed by the City of London to finance future capital expenditures. The allotment has not been recognized in these financial statements and will be accounted for as the funds are received and expensed.

| | 2019 | 2018 |
|-------------------------------|--------------|--------------|
| Opening balance | \$ 2,979,582 | \$ 1,735,040 |
| Contributions during the year | 2,708,000 | 2,708,000 |
| Capital expenditures | (3,576,926) | (1,463,588) |
| | \$ 2,110,656 | \$ 2,979,452 |

9. Accumulated Surplus:

Accumulated surplus consists of surplus funds as follows:

| | 2019 | 2018 |
|-------------------------------------|---------------|---------------|
| Surplus: | | |
| Invested in tangible capital assets | \$ 58,878,638 | \$ 54,281,872 |

10. Subsequent Events:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had significant financial, market and social distancing impact.

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

- Closure of administrative buildings, community facilities, and on-site programs from March 17, 2020 to the date of the auditors' report based on public health recommendations
- Reduced rotational staff schedules
- Termination of contract employees

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

11. Contingencies:

The Corporation is subject to certain actual and potential legal claims, which have arisen in the normal course of operations. It has been determined by management that an unfavourable settlement for certain of these claims is likely, however the amount of the loss is indeterminable at the date of the financial statements and, as such, no amount has been included in these financial statements.

Financial Statements of

THE LONDON PUBLIC LIBRARY BOARD

And Independent Auditors' Report thereon

Year ended December 31, 2019



KPMG LLP
140 Fullarton Street Suite 1400
London ON N6A 5P2
Canada
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INDEPENDENT AUDITORS' REPORT

To the London Public Library Board

Opinion

We have audited the accompanying financial statements of the London Public Library Board ("the Board"), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2019, and its results of operations, its changes in net assets and its 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 Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

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.



Page 2

In preparing the financial statements, management is responsible for assessing the Board'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 Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board'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 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 Board'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 Board'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 Board to cease to continue as a going concern.



Page 3

- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

May 26, 2020

THE LONDON PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|---------------------------------------------------------|----------------------|----------------------|
| Financial assets: | | |
| Cash | \$ 1,162,439 | \$ 982,374 |
| Accounts receivable | | |
| The Corporation of the City of London | 175,575 | 488,377 |
| London Public Library Board Trust Funds | 5,561 | 557,303 |
| Other | 138,214 | 173,977 |
| | <u>1,481,789</u> | <u>2,202,031</u> |
| Financial liabilities: | | |
| Accounts payable and accrued liabilities | 1,014,774 | 1,693,114 |
| Deferred revenue | 85,609 | 73,176 |
| Payable to The Corporation of the City of London | 24,096 | 19,334 |
| Accrued interest on long-term debt (note 2) | 47,703 | 52,203 |
| Long-term debt (note 2) | 1,752,219 | 1,917,507 |
| Employee future benefits and other liabilities (note 3) | 2,286,673 | 2,531,018 |
| | <u>5,211,074</u> | <u>6,286,352</u> |
| Net financial debt | (3,729,285) | (4,084,321) |
| Non-financial assets: | | |
| Tangible capital assets (note 7) | 26,432,969 | 27,537,184 |
| Prepaid expenses | 313,518 | 300,784 |
| | <u>26,746,487</u> | <u>27,837,968</u> |
| Commitments (note 5) | | |
| Subsequent events (note 10) | | |
| Accumulated surplus (note 8) | <u>\$ 23,017,202</u> | <u>\$ 23,753,647</u> |

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

THE LONDON PUBLIC LIBRARY BOARD

Statement of Operations

Year ended December 31, 2019, with comparative information for 2018

| | Budget 2019 | 2019 | 2018 |
|-----------------------------------------|------------------------|----------------------|----------------------|
| | (note 9) | | |
| Revenue: | | | |
| User charges | | | |
| Fines | \$ 317,278 | \$ 208,417 | \$ 243,031 |
| Fee, rental, sundry | 567,520 | 630,942 | 525,815 |
| Grants | | | |
| Federal | - | 29,400 | 98,494 |
| Ontario | 598,829 | 598,829 | 598,829 |
| Other | - | 19,037 | 12,471 |
| The Corporation of the City of London | | | |
| Current | 20,550,672 | 20,550,672 | 20,263,640 |
| Capital | 679,145 | 679,146 | 1,246,441 |
| Investment income | 18,500 | 35,403 | 53,905 |
| Contribution from Trust Funds (note 4) | - | 376,963 | 704,103 |
| Total revenues | 22,731,944 | 23,128,809 | 23,746,729 |
| Expenses: | | | |
| Personnel | 14,975,465 | 14,614,892 | 14,664,123 |
| Amortization of tangible capital assets | - | 3,628,698 | 3,501,969 |
| Facility services | 1,903,144 | 1,830,793 | 1,916,858 |
| Collections and lending services | 2,512,483 | 1,021,821 | 905,930 |
| Utilities | 1,000,000 | 921,032 | 883,716 |
| Purchased services | 749,960 | 729,261 | 662,935 |
| Technology | 710,465 | 502,791 | 257,164 |
| Trust fund expenditures (note 4) | - | 243,491 | 322,934 |
| Administrative | 153,300 | 166,639 | 139,414 |
| Contribution to self-insurance reserve | 90,923 | 90,923 | 87,680 |
| Program services | 59,000 | 73,120 | 69,030 |
| Major repairs and maintenance (capital) | 715,641 | 28,958 | 405,067 |
| Equipment | 65,000 | 8,382 | 13,276 |
| General | 6,000 | 4,453 | 5,939 |
| Total expenses | 22,941,381 | 23,865,254 | 23,836,035 |
| Annual deficit | (209,437) | (736,445) | (89,306) |
| Accumulated surplus, beginning of year | 23,753,647 | 23,753,647 | 23,842,953 |
| Accumulated surplus, end of year | \$ 23,544,210 | \$ 23,017,202 | \$ 23,753,647 |

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

THE LONDON PUBLIC LIBRARY BOARD

Statement of Change in Net Financial Debt

Year ended December 31, 2019, with comparative information for 2018

| | Budget 2019 | 2019 | 2018 |
|------------------------------------------------|------------------------|----------------|----------------|
| | (note 9) | | |
| Annual deficit | (209,437) \$ | (736,445) \$ | (89,306) |
| Acquisition of tangible capital assets | (715,641) | (2,524,483) | (7,643,009) |
| Amortization of tangible capital assets | - | 3,628,698 | 3,501,969 |
| | (925,078) | 367,770 | (4,230,346) |
| Change in prepaid expenses | - | (12,734) | (151,625) |
| Change in net financial assets (debt) | (925,078) | 355,036 | (4,381,971) |
| Net financial assets (debt), beginning of year | (4,084,321) | (4,084,321) | 297,650 |
| Net financial debt, end of year | \$ (5,009,399) | \$ (3,729,285) | \$ (4,084,321) |

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

THE LONDON PUBLIC LIBRARY BOARD

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|----------------------------------------------------------|---------------------|-------------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus (deficit) | \$ (736,445) | \$ (89,306) |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 3,628,698 | 3,501,969 |
| Change in employee future benefits and other liabilities | (244,345) | (169,582) |
| Change in non-cash assets and liabilities: | | |
| Receivable from The Corporation of the City of London | 312,802 | 2,436,511 |
| Receivable from London Public Library Board Trust Funds | 551,742 | (557,303) |
| Other accounts receivable | 35,763 | (22,872) |
| Accounts payable and accrued liabilities | (678,340) | 91,586 |
| Payable to The Corporation of the City of London | 4,762 | (939) |
| Payable to London Public Library Board Trust Funds | - | (40,379) |
| Deferred revenue | 12,433 | (82,553) |
| Accrued interest on long-term debt | (4,500) | 52,203 |
| Prepaid expenses | (12,734) | (151,625) |
| | 2,869,836 | 4,967,710 |
| Capital activities: | | |
| Cash used to acquire tangible capital assets | (2,524,483) | (7,643,009) |
| | (2,524,483) | (7,643,009) |
| Financing Activities: | | |
| Long-term debt issued | - | 1,917,507 |
| Long-term debt repayments | (165,288) | - |
| | (165,288) | 1,917,507 |
| Increase (decrease) in cash | 180,065 | (757,792) |
| Cash, beginning of year | 982,374 | 1,740,166 |
| Cash, end of year | \$ 1,162,439 | \$ 982,374 |

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

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2019

1. Significant accounting policies:

The financial statements of The London Public Library Board (the "Board"), a registered charity and a local board of the Corporation of the City of London (the "City"), are prepared in accordance with Canadian generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants Canada. Significant accounting policies adopted by the Board are as follows:

(a) Basis of accounting:

The Board follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(b) Municipal funding:

The City provides funding to the Board for both operating and capital expenditures such as refurbishment, replacement and major repairs and maintenance to the Library buildings. Government transfer payments from the City are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(c) Deferred revenue:

Deferred revenues represent grants and other designated funding which has been received but for which the service has yet to be performed. These amounts will be recognized as revenues in the fiscal year in which the services are performed.

(d) Investment income:

Investment income is reported as revenue in the period earned.

(e) Employee future benefits:

The Board provides certain employee benefits which will require funding in future periods. These benefits include life insurance, extended health and dental benefits for early retirees.

The costs of life insurance, extended health and dental benefits are actuarially determined using management's best estimate of salary escalation, insurance and health care cost trends, long term inflation rates and discount rates.

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(f) Pension contributions:

The Board has a pension agreement with the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer defined contribution benefit plan. The Board's costs are the contributions due to the plan in the period.

(g) Non-financial assets:

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

(i) Tangible capital assets:

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

| Asset | Useful Life - Years |
|-------------------------|---------------------|
| Buildings | 15 - 60 years |
| Leasehold improvements | 40 years |
| Shelving | 40 years |
| Furniture and equipment | 7 years |
| Collections | 7 years |
| Computers | 3 years |

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) Works of art and cultural and historic assets:

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

(iii) Leased tangible capital assets:

Leases which transfer substantially all 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.

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(h) Budget data:

Budget information has been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities and in preparing actuarial valuations for employee future benefits.

In addition, the Board's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets.

Actual results could differ from those estimates.

(j) 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. This Standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination.

2. Long-term debt:

a) Long-term debt is as follows:

| | 2019 | 2018 |
|-----------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| Long-term debt issued by The Corporation of the City of London at an interest rate of 3.258%, with a maturity date of March 2028. | \$ 1,752,219 | \$ 1,917,507 |
| | \$ 1,752,219 | \$ 1,917,507 |

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

| | 2019 | 2018 |
|----------------------------|-----------|-----------|
| Interest on long-term debt | \$ 47,703 | \$ 52,203 |
| | \$ 47,703 | \$ 52,203 |

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2019

3. Employee future benefits and other liabilities:

Employee future benefits and other liabilities are comprised of the following:

| | 2019 | 2018 |
|------------------------------------------|--------------|--------------|
| Liability for vested sick leave benefits | \$ 62,431 | \$ 114,202 |
| Vacation pay liability | 197,242 | 357,816 |
| Employee future benefits obligation | 2,027,000 | 2,059,000 |
| | \$ 2,286,673 | \$ 2,531,018 |

(a) Liability for vested sick leave benefits:

Under the sick leave benefit plan, employees hired prior to May 1, 1985 can accumulate unused sick leave and may become entitled to a cash payment when they leave the employment of the Board.

The liability of these accumulated days, to the extent that they have vested and could be taken in cash by an employee upon ceasing employment with the Board as at December 31, 2019, amounts to \$62,431 (2018 - \$114,202). This amount is fully funded by a reserve held by The City of London in the amount of \$73,815 (2018 - \$131,912).

(b) Retiree benefits:

The Board provides certain post-employment and post-retirement employee benefits which will require funding in future periods.

The Board pays certain life insurance benefits on behalf of the retired employees as well as extended health and dental benefits for early retirees to age sixty-five. The Board recognizes these post-retirement costs in the period in which the employees rendered the services. The most recent actuarial valuation was performed as at December 31, 2019.

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2019

3. Employee future benefits and other liabilities (continued):

(b) Retiree benefits (continued):

Detailed information about retiree benefits is as follows:

| | 2019 | 2018 |
|---------------------------------------------|--------------|--------------|
| Accrued employee future benefit obligation: | | |
| Balance, beginning of year | \$ 1,434,000 | \$ 1,435,000 |
| Current period benefit cost | 65,000 | 73,000 |
| Interest | 46,000 | 48,000 |
| Benefits paid | (99,000) | (85,000) |
| Actuarial gain | (44,000) | (37,000) |
| Balance, end of year | 1,402,000 | 1,434,000 |
| Unamortized actuarial gain | 625,000 | 625,000 |
| Employee future benefits obligation | \$ 2,027,000 | \$ 2,059,000 |

Post-employment and post-retirement benefit expenses included in total expenditures consist of the following:

| | 2019 | 2018 |
|----------------------------------------|------------|------------|
| Current year benefit cost | \$ 65,000 | \$ 73,000 |
| Interest on accrued benefit obligation | 46,000 | 48,000 |
| Amortization of net actuarial gain | 44,000 | 42,000 |
| Total payments made during the year | \$ 155,000 | \$ 163,000 |

Significant assumptions used in the actuarial valuation are as follows:

| | |
|-------------------------------|-------|
| Discount rate | 3.25% |
| Rate of compensation increase | 2.00% |
| Healthcare cost increases | 4.00% |

The actuarial gain is amortized over the expected average remaining service life of the related employee group of thirteen years.

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2019

4. Trust funds:

Trust funds administered by the Board amounting to \$3,342,830 (2018 - \$3,858,821) have not been included in the statement of financial position nor have their operations been included in the statement of operations. They are reported separately on The London Public Library Board Trust Fund Financial Statements ("Trust Funds").

During the year, the Trust Funds transferred \$376,963 (2018 - \$704,103) to the Board for capital and operating expenses. This amount and the related expenditures have been included in the statement of operations.

5. Commitments:

The Board is committed under operating leases for the rental of premises and equipment. The minimum annual payments under these leases are as follows:

| | | |
|-----------------|----|-----------|
| 2020 | \$ | 663,130 |
| 2021 | | 593,302 |
| 2022 | | 359,004 |
| 2023 | | 363,354 |
| 2024 and beyond | | 1,314,377 |
| | \$ | 3,293,167 |

6. Pension agreement:

The Board has a pension agreement with OMERS, which is a multi-employer plan, on behalf of its full and part-time staff. The plan is a contributory defined benefit plan which specifies the amount of retirement benefit to be received by the employees based on the length of service and rates of pay. The amount contributed to OMERS for 2019 is \$1,021,014 (2018 - \$1,018,122) for current service and is included as an expenditure in the statement of operations.

The last available report for the OMERS plan was on December 31, 2019. At that time, the plan reported a \$3.4 billion actuarial deficit (2018 - \$4.2 billion), based on actuarial liabilities for \$107.7 billion (2018 - \$99 billion) and actuarial assets for \$104.3 billion (2018 - \$95 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.

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2019

7. Tangible capital assets:

| Cost | Balance at December 31, 2018 | Additions | Disposals | Balance at December 31, 2019 |
|-------------------------|------------------------------------|---------------------|---------------------|------------------------------------|
| Land | \$ 3,904,165 | \$ - | \$ - | \$ 3,904,165 |
| Buildings | 38,873,228 | 181,431 | - | 39,054,660 |
| Leasehold improvements | 4,925,896 | 35,667 | - | 4,961,563 |
| Collections | 9,376,960 | 1,479,296 | 1,385,157 | 9,471,099 |
| Shelving | 1,347,913 | - | - | 1,347,913 |
| Computers | 1,159,716 | 692,531 | 136,189 | 1,716,057 |
| Furniture and equipment | 1,144,429 | 135,558 | 37,413 | 1,242,574 |
| Total | \$ 60,732,307 | \$ 2,524,483 | \$ 1,558,759 | \$ 61,698,031 |

| Accumulated amortization | Balance at December 31, 2018 | Additions | Disposals | Balance at December 31, 2019 |
|--------------------------|------------------------------------|---------------------|---------------------|------------------------------------|
| Buildings | \$ 26,460,510 | \$ 1,461,158 | \$ - | \$ 27,921,668 |
| Leasehold improvements | 392,137 | 131,655 | - | 523,792 |
| Collections | 4,835,366 | 1,353,768 | 1,385,157 | 4,803,977 |
| Shelving | 750,275 | 33,698 | - | 783,974 |
| Computers | 429,627 | 479,294 | 136,189 | 772,732 |
| Furniture and equipment | 327,208 | 169,125 | 37,413 | 458,919 |
| Total | \$ 33,195,123 | \$ 3,628,698 | \$ 1,558,759 | \$ 35,265,062 |

| | Net book value December 31, 2018 | Net book value December 31, 2019 |
|-------------------------|----------------------------------------|----------------------------------------|
| Land | \$ 3,904,165 | \$ 3,904,165 |
| Buildings | 12,412,718 | 11,132,992 |
| Leasehold improvements | 4,533,759 | 4,437,771 |
| Collections | 4,541,594 | 4,667,122 |
| Shelving | 597,637 | 563,939 |
| Computers | 730,089 | 943,325 |
| Furniture and equipment | 817,222 | 783,655 |
| Total | \$ 27,537,184 | \$ 26,432,969 |

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2019

8. Accumulated surplus:

Accumulated surplus consists of surplus and reserve funds as follows:

| | 2019 | 2018 |
|--------------------------------------------------|---------------|---------------|
| Surplus: | | |
| Invested in tangible capital assets | \$ 26,432,969 | \$ 27,537,184 |
| Unfunded: | | |
| Employee benefits, accrued sick and vacation | (259,673) | (472,018) |
| Employee benefits, future benefit liability | (2,027,000) | (2,059,000) |
| Net long-term debt | (1,752,219) | (1,917,507) |
| Total surplus | 22,394,077 | 23,088,659 |
| Reserves set aside by the Board: | | |
| Stabilization fund | 547,719 | 422,608 |
| Collections encumbrance fund | 1,591 | 110,469 |
| Total reserves | 549,310 | 533,076 |
| Reserve held by the City on behalf of the Board: | | |
| Sick leave reserve | 73,815 | 131,912 |
| | \$ 23,017,202 | \$ 23,753,647 |

9. Budget data:

Budget information has been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

| | Budget amount |
|-----------------------------------------------|---------------|
| Revenues: | |
| Operating budget | \$ 22,391,028 |
| Expenses: | |
| Operating budget | 22,391,028 |
| Annual surplus, as per approved budget | \$ - |
| Capital funding from The City of London | \$ 679,145 |
| Major repairs and maintenance | (715,641) |
| Contribution from Reserves | (338,229) |
| Principal portion of long term-debt repayment | 165,288 |
| Annual deficit, revised | \$ (209,437) |

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2019

10. Subsequent Events

- (a) On March 2, 2020, The Corporation of the City of London approved the forgiveness of the long-term debt issued in 2018 at an interest rate of 3.258%, with a maturity date of March 2028. As of March 2020, the total value of the long term debt was \$1,799,922.
- (b) Subsequent to December 31, 2019, 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 entity has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Closure of all library branches from March 16, 2020 to the date of the auditors' report based on public health recommendations
- Mandatory working from home requirements for those able to do so
- Temporary staff layoffs

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

Financial Statements of

LONDON TRANSIT COMMISSION

And Independent Auditors' Report thereon

Year ended December 31, 2019



KPMG LLP
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Canada
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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of the London Transit Commission ("the Entity"), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of operations, its changes in net assets and its 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 responsibilities in accordance with these requirements.

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



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 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

May 8, 2020

LONDON TRANSIT COMMISSION

Statement of Financial Position

December 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|----------------------------------------------|-----------------------|-----------------------|
| Financial Assets | | |
| Cash and cash equivalents | \$ 32,489,209 | \$ 23,801,178 |
| Investments | - | 12,806,655 |
| Accounts receivable | 4,553,692 | 4,838,786 |
| Due from The City of London | 607,580 | 526,129 |
| | <u>37,650,481</u> | <u>41,972,748</u> |
| Financial Liabilities | | |
| Accounts payable and accrued liabilities | 9,748,606 | 10,154,843 |
| Due to The City of London | 50,662 | 24,784 |
| Accrued liability insurance claims (note 7) | 1,674,284 | 2,316,305 |
| Employee future benefits (note 6) | 4,354,000 | 4,412,000 |
| Deferred fare media | 4,355,715 | 4,549,677 |
| Deferred revenue (note 10) | 11,393,505 | 16,947,157 |
| | <u>31,576,772</u> | <u>38,404,766</u> |
| Net financial assets | 6,073,709 | 3,567,982 |
| Non - Financial Assets | | |
| Inventories (note 2) | 2,313,168 | 2,276,955 |
| Tangible capital assets (note 9) | 93,886,751 | 100,330,370 |
| Prepaid expenses | 1,042,339 | 902,621 |
| | <u>97,242,258</u> | <u>103,509,946</u> |
| Commitments (note 8) | | |
| Subsequent event and contingencies (note 12) | | |
| Accumulated surplus (note 3) | <u>\$ 103,315,967</u> | <u>\$ 107,077,928</u> |

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Statement of Operations

Year ended December 31, 2019, with comparative information for 2018

| | Budget | 2019 | 2018 |
|--------------------------------------|----------------------|----------------------|----------------------|
| Revenue: | | | |
| Grants: | | | |
| The City of London (note 4) | \$ 38,459,100 | \$ 36,771,416 | \$ 37,567,077 |
| Province of Ontario (note 4) | 16,886,000 | 15,895,194 | 15,590,125 |
| Government of Canada (note 4) | - | 84,266 | 3,696,878 |
| | <u>55,345,100</u> | <u>52,750,876</u> | <u>56,854,080</u> |
| User charges, conventional transit: | | | |
| Cash fares | 3,483,800 | 3,446,028 | 3,580,159 |
| Ticket fares | 9,613,100 | 9,538,896 | 9,627,074 |
| Pass fares | 20,400,200 | 20,925,266 | 19,290,210 |
| Contract service | - | 2,538 | 2,556 |
| Other transportation revenue | 2,480,500 | 58,182 | 128,466 |
| | <u>35,977,600</u> | <u>33,970,910</u> | <u>32,628,465</u> |
| Other revenue, conventional transit: | | | |
| Advertising | 627,400 | 672,432 | 605,759 |
| Interest and discounts | 720,000 | 821,923 | 821,395 |
| Rent | 2,500 | 2,676 | 2,513 |
| Gain on disposal of capital assets | 48,000 | 65,283 | 29,819 |
| Miscellaneous | 55,000 | 18,185 | 25,065 |
| | <u>1,452,900</u> | <u>1,580,499</u> | <u>1,484,551</u> |
| User charges, specialized transit: | | | |
| Cash fares | 20,700 | 16,504 | 19,607 |
| Ticket fares | 361,000 | 346,141 | 339,445 |
| Pass fares | 234,400 | 208,007 | 198,759 |
| | <u>616,100</u> | <u>570,652</u> | <u>557,811</u> |
| Total revenue | \$ 93,391,700 | \$ 88,872,937 | \$ 91,524,907 |

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Statement of Operations

Year ended December 31, 2019, with comparative information for 2018

| | Budget | 2019 | 2018 |
|------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Expenses: | | | |
| Salaries, wages and benefits: | | | |
| Transportation | \$ 37,625,993 | \$ 36,698,989 | \$ 36,300,852 |
| Vehicle maintenance | 9,335,854 | 9,001,025 | 9,070,149 |
| Facility | 488,202 | 483,992 | 437,791 |
| Planning, marketing and general administration | 3,596,851 | 3,495,841 | 3,529,582 |
| | <u>51,046,900</u> | <u>49,679,847</u> | <u>49,338,374</u> |
| Materials, supplies, utilities and services: | | | |
| Transportation | 2,568,000 | 2,131,472 | 2,677,135 |
| Vehicle maintenance | 5,979,300 | 6,670,410 | 5,585,738 |
| Facility | 3,327,400 | 3,002,316 | 2,949,588 |
| Planning, marketing and general administration | 1,750,200 | 1,891,485 | 1,539,972 |
| Fuel | 8,511,200 | 6,907,440 | 7,428,781 |
| Amortization | - | 13,154,922 | 12,746,775 |
| | <u>22,136,100</u> | <u>33,758,045</u> | <u>32,927,989</u> |
| Current operations, specialized transit: | | | |
| Administration: | | | |
| Salaries and benefits | 1,016,100 | 1,052,646 | 1,023,482 |
| Materials and supplies | 215,800 | 274,148 | 249,191 |
| | <u>1,231,900</u> | <u>1,326,794</u> | <u>1,272,673</u> |
| Contracted service delivery | 8,049,900 | 7,870,212 | 7,231,710 |
| | <u>9,281,800</u> | <u>9,197,006</u> | <u>8,504,383</u> |
| Total expenses | <u>82,464,800</u> | <u>92,634,898</u> | <u>90,770,746</u> |
| Annual surplus (deficit) (note 11) | \$ 10,926,900 | \$ (3,761,961) | \$ 754,161 |
| Accumulated surplus, beginning of year | 107,077,928 | 107,077,928 | 106,323,767 |
| Accumulated surplus, end of year | <u>\$ 118,004,828</u> | <u>\$ 103,315,967</u> | <u>\$ 107,077,928</u> |

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Statement of Change in Net Financial Assets

Year ended December 31, 2019, with comparative information for 2018

| | Budget | 2019 | 2018 |
|---------------------------------------------|---------------|----------------|--------------|
| Annual surplus (deficit) | \$ 10,926,900 | \$ (3,761,961) | \$ 754,161 |
| Acquisition of tangible capital assets | (10,868,500) | (6,711,303) | (14,833,959) |
| Amortization of tangible capital assets | - | 13,154,922 | 12,746,775 |
| Gain on disposal of tangible capital assets | (48,000) | (65,283) | (29,819) |
| Proceeds on sale of tangible capital assets | 48,000 | 65,283 | 29,819 |
| | 58,400 | 2,681,658 | (1,333,023) |
| Inventories | - | (36,213) | (39,383) |
| Prepaid expenses | - | (139,718) | 46,202 |
| | - | (175,931) | 6,819 |
| Change in net financial assets | 58,400 | 2,505,727 | (1,326,204) |
| Net financial assets, beginning of year | 3,567,982 | 3,567,982 | 4,894,186 |
| Net financial assets, end of year | \$ 3,626,382 | \$ 6,073,709 | \$ 3,567,982 |

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|----------------------------------------------|----------------|---------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus (deficit) | \$ (3,761,961) | \$ 754,161 |
| Items not involving cash: | | |
| Amortization | 13,154,922 | 12,746,775 |
| Gain on disposal of tangible capital assets | (65,283) | (29,819) |
| Change in employee future benefit liability | (58,000) | 434,000 |
| Changes in non-cash assets and liabilities: | | |
| Accounts receivable | 285,094 | 1,069,233 |
| Due from The City of London | (81,451) | (94,975) |
| Inventories | (36,213) | (39,383) |
| Prepaid expenses | (139,718) | 46,202 |
| Investments | 12,806,655 | (894,363) |
| Accounts payable and accrued liabilities | (406,237) | (598,187) |
| Due to The City of London | 25,878 | (103,928) |
| Accrued liability insurance claims | (642,021) | (97,341) |
| Deferred fare media | (193,962) | 461,042 |
| Deferred revenue | (5,553,652) | (5,591,493) |
| Net change in cash from operating activities | 15,334,051 | 8,061,924 |
| Capital activities: | | |
| Proceeds on sale of tangible capital assets | 65,283 | 29,819 |
| Cash used to acquire tangible capital assets | (6,711,303) | (14,833,959) |
| Net change in cash from capital activities | (6,646,020) | (14,804,140) |
| Net change in cash and cash equivalents | 8,688,031 | (6,742,216) |
| Cash and cash equivalents, beginning of year | 23,801,178 | 30,543,394 |
| Cash and cash equivalents, end of year | \$ 32,489,209 | \$ 23,801,178 |
| Cash | \$ 8,856,210 | \$ 10,130,566 |
| Cash equivalents | 23,632,999 | 13,670,612 |
| Cash and cash equivalents, end of year | \$ 32,489,209 | \$ 23,801,178 |

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Notes to Financial Statements

Year ended December 31, 2019

1. Significant accounting policies:

The financial statements of the London Transit Commission (the "Commission"), a local commission of the Corporation of the City of London (the "City of London"), are the representation of management prepared in accordance with Canadian generally accepted accounting principles as defined in the Chartered Professional Accountants Canada Public Sector Accounting Handbook.

(a) Basis of accounting:

The Commission follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(b) Cash and cash equivalents:

The balances reported for cash and cash equivalents in these financial statements include both funds for current purposes and balances held for reserve funds.

Cash and cash equivalents include amounts held in banks and highly liquid investments with maturities at time of purchase of three months or less.

(c) Deferred fare media and revenue:

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

Government transfer payments from the City of London are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If the funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as deferred revenue at year end.

(d) Post-employment benefits liability:

The Commission provides defined retirement and other future benefits to specified employee groups. These benefits include pension, health, dental, life insurance, compensated absences, and workers' compensation benefits. The Commission has adopted the following policies with respect to accounting for

- (i) The cost of employee future benefit plans are actuarially determined using management's best estimate of salary escalation, insurance and health care cost trends, long-term inflation rates and discount rates.
- (ii) The cost of multi-employer defined benefit pension plan, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions, are the employer's contributions to the plan in the period. OMERS provides benefits for employees of Ontario municipalities, local boards, public utilities and school boards. As this is a multi employer plan, no liability is recorded on the Commission's books.

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(e) 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, less residual value, of the tangible capital assets, excluding land, are amortized on a straight-line basis over their estimated useful lives as follows:

| Asset | Useful life - years |
|------------------------------------|---------------------|
| Site work | 25 |
| Buildings | 10 - 60 |
| Shelters, pads, and terminals | 10 |
| Rolling stock | 12 |
| Fare and data collection equipment | 15 |
| Radio/communication equipment | 15 |
| Bike racks on buses | 5 |
| Service fleet | 3 |
| Shop equipment | 5 |
| Small tools | 3 |
| Computer hardware | 3 |
| Computer software | 3 |

Tangible capital assets which are under construction are not amortized until the tangible capital assets are ready for productive use.

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2019

2. Inventories:

| | 2019 | 2018 |
|-------------|--------------|--------------|
| Spare parts | \$ 2,313,168 | \$ 2,276,955 |

3. Accumulated surplus:

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

| | 2019 | 2018 |
|----------------------------------------------------------------------------|----------------|----------------|
| Surplus: | | |
| Invested in tangible capital assets | \$ 93,886,751 | \$ 100,330,370 |
| To be recovered from public liability insurance reserve fund | (1,674,284) | (2,316,305) |
| Unfunded: | | |
| Employee future benefits liability | (4,354,000) | (4,412,000) |
| Vacation pay earned and accrued payroll | (2,785,300) | (2,809,799) |
| Total surplus | 85,073,167 | 90,792,266 |
| Reserves set aside for specific purposes of the Commission (note 10): | | |
| Energy management reserve | 2,403,250 | 3,203,250 |
| General operating reserve | 3,407,362 | 3,399,865 |
| Health care management reserve | 3,403,063 | 2,363,180 |
| Total reserves | 9,213,675 | 8,966,295 |
| Reserve funds set aside for specific purposes by the Commission (note 10): | | |
| Capital program reserve fund | 5,228,416 | 4,307,742 |
| Public liability insurance reserve fund | 3,800,709 | 3,011,625 |
| Total reserve funds | 9,029,125 | 7,319,367 |
| | \$ 103,315,967 | \$ 107,077,928 |

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2019

4. Grants:

(a) The City of London:

Grants from The City of London for current and capital operations for conventional transit and specialized transit are as follows:

| | 2019 | 2018 |
|-----------------------------------------------|---------------|---------------|
| Operating grants: | | |
| Specialized transit | \$ 5,518,200 | \$ 5,212,800 |
| Conventional transit | 26,788,985 | 26,034,775 |
| | 32,307,185 | 31,247,575 |
| Capital grants: | | |
| Capital levy and debentures | 4,464,231 | 6,319,502 |
| Total grants received from The City of London | \$ 36,771,416 | \$ 37,567,077 |

In addition, The City of London sponsors certain groups using both conventional and specialized public transit. These groups receive reduced fares or free fares. The Commission receives grants, on behalf of the respective groups, as fare offsets and are shown as such on the Statement of Operations as part of the ticket and pass fares. Particulars of the grants are as follows:

| | 2019 | 2018 |
|----------------------------------------------------|--------------|--------------|
| Equalization grant, seniors (reduced fares) | \$ 163,533 | \$ - |
| Equalization grant, income related (reduced fares) | 367,140 | 413,511 |
| Equalization grant, youth (reduced fares) | 194,469 | 63,758 |
| Free transportation, blind | 156,395 | 160,303 |
| Free transportation, children | 359,748 | 422,802 |
| | \$ 1,241,285 | \$ 1,060,374 |

(b) Province of Ontario:

Provincial grants recognized as revenue during the year ended December 31, for capital and operating programs are as follows:

| | 2019 | 2018 |
|-------------------|---------------|---------------|
| Capital grants: | | |
| Gas tax program | \$ 1,244,718 | \$ 3,893,071 |
| Operating grants: | | |
| Gas tax program | 14,650,476 | 11,697,054 |
| | \$ 15,895,194 | \$ 15,590,125 |

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2019

4. Grants (continued):

(c) Government of Canada:

| | 2019 | | 2018 | |
|------------------------------------------|-----------|---------------|-----------|------------------|
| Capital grants: | | | | |
| Public Transit Infrastructure Funding | \$ | 84,266 | \$ | 3,696,878 |
| Total Government of Canada grants | \$ | 84,266 | \$ | 3,696,878 |

5. Pension agreement:

Effective February 1, 1989, the London Transit Commission commenced participation in the Ontario Municipal Employees Retirement System (OMERS) which is a multi employer plan, for all active employees at that date as well as for all new employees. As of December 31, 2019 there were 574 (2018 - 552) active employees. The plan is a contributory defined benefit plan which specifies the amount of retirement benefit to be received by the employees based on their length of service and rates of pay. Changes by OMERS to the plan, since February 1, 1989, apply to service after February 1, 1989. For pre-February 1, 1989 service, the Commission provides pension benefits, as determined by the pension plan document.

At December 31, 2019, the OMERS plan is in an actuarial deficit position, which is being addressed through rate contributions and benefit reductions. Depending on an individual's normal retirement age and pensionable earnings, 2019 contribution rates were 9.0% and 14.6% (2018 - 9.0% and 14.6%). Total employer contributions to OMERS for 2019 were \$3,235,574 (2018 - \$3,043,547), and are recorded in the statement of operations.

The last available report for the OMERS plan was on December 31, 2019. At that time, the plan reported a \$3.4 billion actuarial deficit (2018 - \$4.2 billion), based on actuarial liabilities for \$107.7 billion (2018 - \$99 billion) and actuarial assets for \$104.3 billion (2018 - \$95 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.

The London Transit Commission continues to sponsor a pre-February 1, 1989, contributory defined benefit pension plan for employees on long term disability at February 1, 1989 that are not likely to return to active employment.

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2019

6. Employee future benefits:

The Commission provides benefits to retirees until they reach sixty-five years of age and provides certain benefits to employees on long-term disability. The employee future benefit liability has been estimated based on an actuarial valuation which was completed at December 31, 2018.

| | 2019 | 2018 |
|------------------------------------------------------|--------------|--------------|
| Employee future benefits liability as of December 31 | \$ 4,354,000 | \$ 4,412,000 |

Retirement and other future benefit expenses included in total expenditures consist of the following:

| | 2019 | 2018 |
|----------------------------------------|-------------|------------|
| Current year benefit cost | \$ 248,000 | \$ 233,000 |
| Interest on accrued benefit obligation | 104,000 | 103,000 |
| Amortized loss (gain) | (108,000) | 346,000 |
| Benefits paid | (302,000) | (248,000) |
| | \$ (58,000) | \$ 434,000 |

Significant assumptions are as follows:

| | 2019 | 2018 |
|-------------------------------|-------|-------|
| Discount rate | 3.25% | 3.25% |
| Rate of compensation increase | 2.00% | 2.00% |
| Healthcare cost current | 5.77% | 5.84% |
| Healthcare cost ultimate | 4.00% | 4.00% |

7. Public liability insurance:

At December 31, 2019, there were 95 liability claims (2018- 155) and 8 accident benefits claims (2018- 3) outstanding that may result in payment under the insurance deductible provisions. The estimated cost to the Commission is \$1,570,967 and \$103,318 (2018 - \$2,294,805 and \$21,500) respectively for a total of \$1,674,284 (2018 - \$2,316,305) to be funded from the public liability reserve fund.

8. Commitments:

(a) Lease obligation:

The Commission rents a portion of a property located at 150 Dundas Street for an information office and sales outlet. The lease expires August 31, 2020. The annual base lease amount is \$20,427 plus an approximate additional amount of \$8,858 for taxes and common area maintenance. Lease payments until the expiry of the lease total \$19,524.

(b) Bus procurement:

The Commission has approved the awarding of contracts with New Flyer Industries for the purchase of sixteen buses (\$9 million). It is anticipated that these buses will arrive from July to October 2020.

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2019

9. Tangible capital assets:

The historical cost, accumulated amortization and net book value of tangible capital assets employed by the Commission at December 31 is as follows:

| Cost | Balance | | | Disposals | Balance |
|------------------------------------|-------------------|--------------|----------------|-----------|-------------------|
| | December 31, 2018 | Additions | | | December 31, 2019 |
| Land | \$ 2,804,632 | \$ - | \$ - | \$ - | 2,804,632 |
| Site work | 2,973,024 | 106,549 | - | - | 3,079,573 |
| Buildings | 45,952,559 | 282,808 | - | - | 46,235,367 |
| Shelters, pads, and terminals | 3,344,525 | 320,516 | - | - | 3,665,041 |
| Rolling stock | 118,803,644 | 5,303,303 | (5,049,057) | - | 119,057,890 |
| Fare and data collection equipment | 6,484,653 | 191,868 | - | - | 6,676,521 |
| Radio/communication equipment | 9,266,149 | 113,890 | - | - | 9,380,039 |
| Bike racks on buses | 158,878 | - | - | - | 158,878 |
| Service fleet | 381,990 | 37,795 | (60,832) | - | 358,953 |
| Shop equipment | 3,512,340 | 167,197 | (10,341) | - | 3,669,196 |
| Small tools | 281,166 | 93,705 | (62,927) | - | 311,944 |
| Computer hardware | 963,684 | 93,672 | - | - | 1,057,356 |
| Computer software | 1,927,271 | - | - | - | 1,927,271 |
| | \$ 196,854,515 | \$ 6,711,303 | \$ (5,183,157) | \$ - | \$ 198,382,661 |

| Accumulated amortization | Balance | | | Amortization | Balance |
|------------------------------------|-------------------|----------------|---------------|--------------|-------------------|
| | December 31, 2018 | Disposals | | | December 31, 2019 |
| Land | \$ - | \$ - | \$ - | \$ - | - |
| Site work | 1,344,428 | - | - | 123,183 | 1,467,611 |
| Buildings | 16,774,063 | - | - | 1,464,767 | 18,238,830 |
| Shelters, pads, and terminals | 1,083,296 | - | - | 321,649 | 1,404,945 |
| Rolling stock | 62,501,373 | (5,049,057) | - | 9,380,364 | 66,832,680 |
| Fare and data collection equipment | 3,133,016 | - | - | 320,603 | 3,453,619 |
| Radio/communication equipment | 5,740,796 | - | - | 625,336 | 6,366,132 |
| Bike racks on buses | 158,878 | - | - | - | 158,878 |
| Service fleet | 346,904 | (60,832) | - | 36,360 | 322,432 |
| Shop equipment | 3,008,077 | (10,341) | - | 229,333 | 3,227,069 |
| Small tools | 173,778 | (62,927) | - | 103,982 | 214,833 |
| Computer hardware | 742,658 | - | - | 154,191 | 896,849 |
| Computer software | 1,516,878 | - | - | 395,154 | 1,912,032 |
| | \$ 96,524,145 | \$ (5,183,157) | \$ 13,154,922 | \$ - | \$ 104,495,910 |

| Net book value | Balance | | | Balance |
|------------------------------------|-------------------|--|--|-------------------|
| | December 31, 2018 | | | December 31, 2019 |
| Land | \$ 2,804,632 | | | \$ 2,804,632 |
| Site work | 1,628,596 | | | 1,611,962 |
| Buildings | 29,178,496 | | | 27,996,537 |
| Shelters, pads, and terminals | 2,261,229 | | | 2,260,096 |
| Rolling stock | 56,302,271 | | | 52,225,210 |
| Fare and data collection equipment | 3,351,637 | | | 3,222,902 |
| Radio/communication equipment | 3,525,353 | | | 3,013,907 |
| Bike racks on buses | - | | | - |
| Service fleet | 35,086 | | | 36,521 |
| Shop equipment | 504,263 | | | 442,127 |
| Small tools | 107,388 | | | 97,111 |
| Computer hardware | 221,026 | | | 160,507 |
| Computer software | 410,393 | | | 15,239 |
| | \$ 100,330,370 | | | \$ 93,886,751 |

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2019

10. Analysis of reserves, reserve funds, and deferred revenues:

| | Energy management reserve | General operating reserve | Health care management reserve | 2019 Total | 2018 Total |
|---------------------------------------|---------------------------------|---------------------------------|--------------------------------------|---------------|---------------|
| Reserves: | | | | | |
| Balance, beginning of year | \$ 3,203,250 | \$ 3,399,865 | \$ 2,363,180 | \$ 8,966,295 | \$ 9,242,631 |
| Contributions from current operations | | 7,497 | 1,039,883 | 1,047,380 | 79,338 |
| Appropriations to current operations | (800,000) | - | - | (800,000) | (355,674) |
| | \$ 2,403,250 | \$ 3,407,362 | \$ 3,403,063 | \$ 9,213,675 | \$ 8,966,295 |

| | Capital program | Public liability insurance | 2019 Total | 2018 Total |
|---------------------------------------|--------------------|----------------------------------|---------------|---------------|
| Reserve funds: | | | | |
| Balance, beginning of year | \$ 4,307,742 | \$ 3,011,625 | \$ 7,319,367 | \$ 7,947,594 |
| Interest earned | 99,671 | 72,455 | 172,126 | 154,668 |
| Contributions from current operations | 1,315,283 | 1,400,000 | 2,715,283 | 679,819 |
| | 5,722,696 | 4,484,080 | 10,206,776 | 8,782,081 |
| Expenditures: | | | | |
| Appropriations to current operations | - | (683,371) | (683,371) | (854,482) |
| Appropriations to capital LTC | (494,280) | - | (494,280) | (608,232) |
| | (494,280) | (683,371) | (1,177,651) | (1,462,714) |
| Balance, end of year | \$ 5,228,416 | \$ 3,800,709 | \$ 9,029,125 | \$ 7,319,367 |

Provincial gas tax program

| | 2019 Total | 2018 Total |
|--------------------------------------|---------------|---------------|
| Deferred revenues: | | |
| Balance, beginning of year | \$ 16,947,157 | \$ 22,538,650 |
| Interest earned | 423,807 | 519,266 |
| Contributions | 10,341,542 | 9,998,632 |
| | 27,712,506 | 33,056,548 |
| Expenditures: | | |
| Appropriations to current operations | (14,650,476) | (11,697,054) |
| Appropriations to capital LTC | (1,668,525) | (4,412,337) |
| | (16,319,001) | (16,109,391) |
| Balance, end of year | \$ 11,393,505 | \$ 16,947,157 |

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2019

11. Reconciliation of annual surplus to Commission approved operating surplus:

The Commission's annual operating and capital budget programs are fully funded with actual to budget performance expected to be in a balanced position, that is the Commission does not budget for a surplus or deficit.

PSAB requirements impact how and where revenue and expenditure items are reported and on what financial statement. This results in the reporting of a 2019 budget surplus, a 2019 actual deficit and a 2018 actual surplus.

These reported surplus and deficits, budgeted and actual, are reconciled to the balanced position in the following table:

| | Budget | 2019 | 2018 |
|-------------------------------------------------|---------------|----------------|--------------|
| Annual surplus (deficit) | \$ 10,926,900 | \$ (3,761,961) | \$ 754,161 |
| Capital expenditures | (10,868,500) | (6,711,303) | (14,833,959) |
| Transfers from reserves and reserve funds | 1,447,000 | 1,970,154 | 1,818,388 |
| Contributions to reserves and reserve funds | (1,505,400) | (3,927,292) | (913,825) |
| Amortization of tangible capital assets | - | 13,154,922 | 12,746,775 |
| Increase (decrease) in employee future benefits | - | (58,000) | 434,000 |
| Decrease in liability for insurance claims | - | (642,021) | (97,341) |
| Other | - | (24,499) | 91,801 |
| Commission approved surplus | \$ - | \$ - | \$ - |

12. Subsequent event and contingencies:

Subsequent to December 31, 2019, 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 commission has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic.

- Suspension of fare collection starting March 20, 2020 to allow for adequate social distancing
- Significant reductions in service provided starting March 20, 2020 due to lower service demand and reduced availability of operator labour

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

Financial Statements of

MIDDLESEX-LONDON HEALTH UNIT

Year ended December 31, 2019



MIDDLESEX-LONDON HEALTH UNIT

Financial Statements

Year ended December 31, 2019

Financial Statements

| | |
|----------------------------------------------------------------|------|
| Management's Responsibility for the Financial Statements | 1 |
| Independent Auditors' Report..... | 2-4 |
| Statement of Financial Position | 5 |
| Statement of Operations and Accumulated Surplus..... | 6 |
| Statement of Change in Net Debt..... | 7 |
| Statement of Cash Flows..... | 8 |
| Notes to Financial Statements..... | 9-17 |

MIDDLESEX-LONDON HEALTH UNIT

Financial Statements

Year ended December 31, 2019

Management's Responsibility for the Financial Statements

The accompanying financial statements of the Middlesex-London Health Unit ("Health Unit") are the responsibility of the Health Unit's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is described in Note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Health Unit's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Finance & Facilities Committee meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

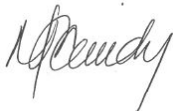
The financial statements have been audited by KPMG LLP, independent external auditors appointed by The Corporation of the City of London. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Health Unit's financial statements.



Christopher Mackie, MD, MHSc, CCFP, FRCPC
Medical Officer of Health / CEO



Brian Glasspoole, CPA, CA
Manager, Finance



Maureen Cassidy, Chair
Board of Health



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INDEPENDENT AUDITORS' REPORT

To the Chair and Members, Middlesex-London Board of Health

Opinion

We have audited the financial statements of Middlesex-London Health Unit (the "Health Unit"), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net debt for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Health Unit as at December 31, 2019, and its results of operations, and its 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 Health Unit in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



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 Health Unit'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 Health Unit or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Health Unit'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 Health Unit'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 Health Unit'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 Health Unit 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

July 2, 2020

London, Canada

MIDDLESEX-LONDON HEALTH UNIT

Statement of Financial Position

December 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|---------------------------------------------------|------------------|------------------|
| Financial Assets | | |
| Cash | \$ 1,414,530 | \$ 4,481,129 |
| Accounts receivable | 1,182,010 | 566,108 |
| Grants receivable | 404,088 | 341,452 |
| | <u>3,000,628</u> | <u>5,388,689</u> |
| Financial Liabilities | | |
| Accounts payable and accrued liabilities | 2,295,018 | 1,621,987 |
| Demand loan (note 4) | 1,500,000 | - |
| Due to Province of Ontario | 513,307 | 384,867 |
| Due to Government of Canada | 62,636 | 17,849 |
| Due to The Corporation of the City of London | 7,767 | 283,977 |
| Due to The Corporation of the County of Middlesex | 1,477 | 54,088 |
| Accrued wages and benefits | 541,447 | 899,844 |
| Post-employment benefits liability (note 2(b)) | 2,725,700 | 2,554,700 |
| | <u>7,647,352</u> | <u>5,817,312</u> |
| Net Debt | (4,646,724) | (428,623) |
| Non-Financial Assets | | |
| Tangible capital assets (note 5) | 5,281,985 | 980,177 |
| Prepaid expenses | 212,983 | 277,535 |
| | <u>5,494,968</u> | <u>1,257,712</u> |
| Commitments (note 6) | | |
| Contingencies (note 7) | | |
| Subsequent event (note 11) | | |
| Accumulated surplus (note 8) | \$ 848,244 | \$ 829,089 |

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

MIDDLESEX-LONDON HEALTH UNIT

Statement of Operations and Accumulated Surplus

Year ended December 31, 2019, with comparative information for 2018

| | 2019 Budget | 2019 | 2018 |
|--------------------------------------------|-------------------|-------------------|-------------------|
| Revenue: | | | |
| Grants: | | | |
| Ministry of Health | \$ 21,359,262 | \$ 21,788,069 | \$ 22,025,400 |
| The Corporation of the City of London | 6,095,059 | 6,087,292 | 5,811,082 |
| Ministry of Children and Youth Services | 4,580,072 | 4,646,438 | 5,758,404 |
| The Corporation of the County of Middlesex | 1,160,961 | 1,159,484 | 1,106,873 |
| Government of Canada | 428,261 | 396,413 | 396,054 |
| | 33,623,615 | 34,077,696 | 35,097,813 |
| Other: | | | |
| Property search fees | 3,750 | 3,600 | 2,550 |
| Family planning | 285,000 | 131,093 | 155,242 |
| Investment income | 20,000 | 50,250 | 57,354 |
| Prenatal class income | - | 2,438 | 11,550 |
| Other income (note 9) | 669,616 | 1,173,315 | 690,961 |
| | 978,366 | 1,360,696 | 917,657 |
| Total Revenue | 34,601,981 | 35,438,392 | 36,015,470 |
| Expenditures: | | | |
| Salaries: | | | |
| Public Health Nurses | 10,058,850 | 9,759,278 | 9,146,443 |
| Other salaries | 3,152,872 | 4,188,321 | 4,224,038 |
| Administrative staff | 3,353,857 | 3,261,572 | 3,340,108 |
| Public Health Inspectors | 2,423,456 | 2,337,292 | 2,468,496 |
| Dental staff | 770,662 | 690,998 | 848,183 |
| Medical Officers of Health | 500,649 | 529,373 | 474,467 |
| | 20,260,346 | 20,766,834 | 20,501,735 |
| Other Operating: | | | |
| Benefits | 5,853,730 | 5,805,038 | 5,847,732 |
| Professional services | 3,763,587 | 3,797,114 | 4,624,029 |
| Rent and maintenance | 1,642,914 | 1,665,468 | 1,698,491 |
| Other expenses (note 10) | 1,357,316 | 1,173,690 | 1,346,306 |
| Materials and supplies | 944,012 | 1,453,667 | 1,204,966 |
| Amortization expense | 441,171 | 495,965 | 631,272 |
| Travel | 338,905 | 261,461 | 291,177 |
| | 14,341,635 | 14,652,403 | 15,643,973 |
| Total Expenditures | 34,601,981 | 35,419,237 | 36,145,708 |
| Annual surplus (deficit) | - | 19,155 | (130,238) |
| Accumulated surplus, beginning of year | 829,089 | 829,089 | 959,327 |
| Accumulated surplus, end of year | \$ 829,089 | \$ 848,244 | \$ 829,089 |

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

MIDDLESEX-LONDON HEALTH UNIT

Statement of Change in Net Debt

Year ended December 31, 2019, with comparative information for 2018

| | 2019 Budget | 2019 | 2018 |
|---------------------------------------------|--------------|----------------|--------------|
| Annual surplus (deficit) | \$ - | \$ 19,155 | \$ (130,238) |
| Acquisition of tangible capital assets, net | - | (4,797,776) | (437,923) |
| Amortization of tangible capital assets | - | 495,965 | 631,272 |
| | - | (4,282,656) | 63,111 |
| Acquisition of prepaid expenses | - | (212,983) | (277,535) |
| Use of prepaid expenses | - | 277,535 | 207,725 |
| | - | 64,552 | (69,810) |
| Change in net debt | - | (4,218,101) | (6,699) |
| Net debt, beginning of year | (428,623) | (428,623) | (421,924) |
| Net debt, end of year | \$ (428,623) | \$ (4,646,724) | \$ (428,623) |

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

MIDDLESEX-LONDON HEALTH UNIT

Statement of Cash Flows

December 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|---------------------------------------------------|--------------|--------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus (deficit) | \$ 19,155 | \$ (130,238) |
| Items not involving cash: | | |
| Amortization expense | 495,965 | 631,272 |
| Change in post-employment benefits liability | 171,000 | 182,300 |
| Changes in non-cash assets and liabilities: | | |
| Accounts receivable | (615,899) | (146,051) |
| Grants receivable | (62,636) | (142,702) |
| Prepaid expenses | 64,552 | (69,810) |
| Due to Province of Ontario | 128,440 | 155,361 |
| Due to Government of Canada | 44,787 | 6,339 |
| Due to The Corporation of the City of London | (276,210) | (210,414) |
| Due to The Corporation of the County of Middlesex | (52,611) | (40,079) |
| Accounts payable and accrued liabilities | 673,031 | (295,282) |
| Accrued wages and benefits | (358,397) | 61,685 |
| Net change in cash from operating activities | 231,177 | 2,381 |
| Financing Activities: | | |
| Proceeds from demand loan | 1,500,000 | - |
| Net change in cash from financing activities | 1,500,000 | - |
| Capital activities: | | |
| Cash used to acquire tangible capital assets | (4,797,776) | (437,923) |
| Net change in cash from capital activities | (4,797,776) | (437,923) |
| Net change in cash | (3,066,599) | (435,542) |
| Cash and cash equivalents, beginning of year | 4,481,129 | 4,916,671 |
| Cash and cash equivalents, end of year | \$ 1,414,530 | \$ 4,481,129 |

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

MIDDLESEX-LONDON HEALTH UNIT

Notes to Financial Statements

Year ended December 31, 2019

The Middlesex-London Health Unit (the "Health Unit") is a joint local board of the municipalities of The Corporation of the City of London and The Corporation of the County of Middlesex that was created on January 1, 1972. The Middlesex-London Health Unit provides programs which promote healthy and active living throughout the participating municipalities.

1. Significant accounting policies:

The financial statements of the Middlesex-London Health Unit are prepared by management in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the Middlesex-London Health Unit are as follows:

(a) Basis of presentation:

The financial statements reflect the assets, liabilities, revenue and expenditures of the reporting entity. The reporting entity is comprised of all programs funded by the Government of Canada, the Province of Ontario, The Corporation of the City of London, and The Corporation of the County of Middlesex. It also includes other programs that the Board of Health may offer from time to time with special grants and/or donations from other sources.

Inter-departmental transactions and balances have been eliminated.

(b) Basis of accounting:

Sources of financing and expenditures are reported on the accrual basis of accounting with the exception of donations, which are included in the statement of operations as received.

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of services and the creation of a legal obligation to pay.

The operations of the Middlesex-London Health Unit are funded by government transfers from the Government of Canada, Province of Ontario, The Corporation of the City of London and The Corporation of the County of Middlesex. Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made. Government transfers not received at year end are recorded as grants receivable due from the related funding organization in the statement of financial position.

Funding amounts in excess of actual expenditures incurred during the year are either contributed to reserves or reserve funds, when permitted, or are repayable and are reflected as liabilities due to the related funding organization in the statement of financial position.

MIDDLESEX-LONDON HEALTH UNIT

Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(c) Employee future benefits:

- (i) The Middlesex-London Health Unit provides certain employee benefits which will require funding in future periods. These benefits include sick leave, life insurance, extended health and dental benefits for early retirees.

The cost of sick leave, life insurance, extended health and dental benefits are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care cost trends, long term inflation rates and discount rates.

- (ii) The cost of multi-employer defined benefit pension plan, namely the Ontario Municipal Employees Retirement System (OMERS) pensions, are the employer's contributions due to the plan in the period. As this is a multi-employer plan, no liability is recorded on the Middlesex-London Health Unit's general ledger.

(d) 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 that extend beyond the current year and are not intended for sale in the ordinary course of operations.

- (i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributed to acquisition, construction, development or betterment of the asset. The cost, less residual value of the tangible capital assets, are amortized on a straight-line basis over the estimated useful lives as follows:

| Asset | Useful Life - Years |
|------------------------|----------------------------|
| Leasehold Improvements | 5 - 20 |
| Computer Systems | 4 |
| Motor Vehicles | 5 |
| Furniture & Equipment | 7 |

Assets under construction are not amortized until the asset is available for productive use.

MIDDLESEX-LONDON HEALTH UNIT

Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(d) Non-financial assets (continued):

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair market value at the date of receipt and are recorded as revenue.

(iii) Leased tangible capital assets

Leases which transfer substantially all 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 payment are charged to expense as incurred.

(e) Use of estimates:

The preparation of the Middlesex-London Health Unit's financial statements requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, and in performing actuarial valuations of post-employment benefits.

In addition, the Middlesex-London Health Unit's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of the useful lives of tangible capital assets.

Actual results could differ from these estimates.

MIDDLESEX-LONDON HEALTH UNIT

Financial Statements (continued)

Year ended December 31, 2019

2. Employee future benefits:

The Middlesex-London Health Unit provides certain employee benefits which will require funding in future periods, as follows:

(a) Vested sick leave liability:

Under the sick leave benefit plan, unused sick leave can accumulate, and employees may become entitled to a cash payment when they leave the Middlesex-London Health Unit's employment. This plan applies to employees hired prior to January 1, 1982.

A residual reserve of \$29,462 remains after all commitments for this liability have been met. This reserve was used during the year to defray the cost of contributions to OMERS.

(b) Post-retirement benefits liability:

The Middlesex-London Health Unit pays certain life insurance benefits on behalf of the retired employees as well as extended health and dental benefits for early retirees to age sixty-five. The Middlesex-London Health Unit recognizes these post-retirement costs in the period in which the employees render services. The most recent actuarial valuation was performed as at December 31, 2017.

| | 2019 | 2018 |
|-------------------------------------------------------------|---------------------|---------------------|
| Accrued employee future benefit obligations | \$ 3,219,400 | \$ 3,042,000 |
| Unamortized net actuarial loss | (493,700) | (487,300) |
| Employee future benefits liability as of December 31 | \$ 2,725,700 | \$ 2,554,700 |

Retirement and other employee future benefit expenses included in the benefits in the statement of operations consist of the following:

| | 2019 | 2018 |
|----------------------------------------|-------------------|-------------------|
| Current year benefit cost | \$ 190,300 | \$ 180,700 |
| Interest on accrued benefit obligation | 102,200 | 96,100 |
| Amortization of net actuarial loss | 53,300 | 48,800 |
| Total benefit cost | \$ 345,800 | \$ 325,600 |

Benefits paid during the year were \$174,800 (2018 - \$143,300).

MIDDLESEX-LONDON HEALTH UNIT

Financial Statements (continued)

Year ended December 31, 2019

2. Employee future benefits (continued):

(b) Post-retirement benefits liability (continued):

The main actuarial assumptions employed for the valuation are as follows:

(i) Discount rate:

The obligation as at December 31, 2019, of the present value of future liabilities and the expense for the year ended December 31, 2019, are determined using a discount rate of 3.25% (2018 – 3.25%).

(ii) Medical costs:

Prescription drug costs are assumed to increase at the rate of 7% per year (2018 - 7%) declining to 4% per year over 20 years. Other Medical and Vision costs are assumed to increase at a rate of 4% per year, and 0% per year respectively.

(iii) Dental costs:

Dental costs are assumed to increase at the rate of 4% per year (2018 - 4%).

3. Pension agreement:

The Middlesex-London Health Unit contributes to the OMERS which is a multi-employer plan, on behalf of 307 members. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

During 2019, the plan required employers to contribute 9.0% of employee earnings up to the year's maximum pensionable earnings and 14.6% thereafter. The Middlesex-London Health Unit contributed \$2,026,821 (2018 - \$1,932,916) to the OMERS pension plan on behalf of its employees during the year ended December 31, 2019.

The last available report for the OMERS plan was on December 31, 2019. At that time, the plan reported a \$3.4 billion actuarial deficit (2018 - \$4.2 billion), based on actuarial liabilities for \$107.7 billion (2018 - \$99 billion) and actuarial assets for \$104.3 billion (2018 - \$95 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.

4. Demand loan:

During the year, the Middlesex-London Health Unit entered a loan agreement for a \$7.0 million line of credit to finance the fit-up and relocation costs related to the move to Citi Plaza. Rate of interest charged is variable and based off Canadian Prime. Any residual loan outstanding after completion of fit-up and relocation is convertible to a non-revolving amortizing instalment loan with an amortization period not to exceed 20 years.

MIDDLESEX-LONDON HEALTH UNIT

Financial Statements (continued)

Year ended December 31, 2019

5. Tangible Capital Assets:

| Cost | Balance at December 31, 2018 | Additions | Disposals / Transfers | Balance at December 31, 2019 |
|-----------------------------------|------------------------------------|---------------------|--------------------------|------------------------------------|
| Leasehold Improvements – 20 years | \$ - | \$ 4,403,906 | \$ - | \$ 4,403,906 |
| Leasehold Improvements – 15 years | 2,700,140 | - | - | 2,700,140 |
| Leasehold Improvements – 5 years | 21,780 | - | - | 21,780 |
| Computer Systems | 1,135,581 | 391,311 | (269,179) | 1,257,713 |
| Motor Vehicle | 5,385 | - | - | 5,385 |
| Furniture & Equipment | 1,492,212 | 2,559 | (454,474) | 1,040,297 |
| Total | \$ 5,355,098 | \$ 4,797,776 | \$ (723,653) | \$ 9,429,221 |

| Accumulated amortization | Balance at December 31, 2018 | Amortization expense | Disposals / Transfers | Balance at December 31, 2019 |
|-----------------------------------|------------------------------------|-------------------------|--------------------------|------------------------------------|
| Leasehold Improvements – 15 years | \$ 2,700,140 | \$ - | \$ - | \$ 2,700,140 |
| Leasehold Improvements – 5 years | 21,780 | - | - | 21,780 |
| Computer Systems | 805,412 | 201,474 | (269,179) | 737,707 |
| Motor Vehicle | 4,711 | 674 | - | 5,385 |
| Furniture & Equipment | 842,878 | 293,820 | (454,474) | 682,224 |
| Total | \$ 4,374,921 | \$ 495,968 | \$ (723,653) | \$ 4,147,236 |

| | Net book value December 31, 2018 | Net book value December 31, 2019 |
|-----------------------------------|----------------------------------------|----------------------------------------|
| Leasehold Improvements – 20 years | \$ - | \$ 4,403,907 |
| Computer Systems | 330,169 | 520,006 |
| Motor Vehicle | 674 | - |
| Furniture & Equipment | 649,334 | 358,073 |
| Total | \$ 980,177 | \$ 5,281,985 |

During the year, the Middlesex-London Health Unit deemed to have disposed of or transferred fully amortized assets with a cost basis of \$723,650 (2018 - \$616,925). This includes computer systems of \$2,205 and equipment of \$342,081 which were transferred to Thames Valley Children's Centre when they assumed responsibility for the Screening Assessment and Intervention program.

MIDDLESEX-LONDON HEALTH UNIT

Financial Statements (continued)

Year ended December 31, 2019

5. Tangible Capital Assets (continued):

| Cost | Balance at December 31, 2017 | Additions | Disposals / Transfers | Balance at December 31, 2018 |
|-----------------------------------|---------------------------------------|-------------------|--------------------------|------------------------------------|
| Leasehold Improvements – 15 years | \$ 2,700,140 | \$ - | \$ - | \$ 2,700,140 |
| Leasehold Improvements – 5 years | 21,780 | - | - | 21,780 |
| Computer Systems | 1,242,387 | 162,576 | (269,383) | 1,135,580 |
| Motor Vehicle | 5,385 | - | - | 5,385 |
| Furniture & Equipment | 1,564,407 | 275,347 | (347,542) | 1,492,212 |
| Total | \$ 5,534,099 | \$ 437,923 | \$ (616,925) | \$ 5,355,097 |

| Accumulated amortization | Balance at December 31, 2017 | Amortization expense | Disposals / Transfers | Balance at December 31, 2018 |
|-----------------------------------|------------------------------------|-------------------------|--------------------------|------------------------------------|
| Leasehold Improvements – 15 years | \$ 2,517,094 | \$ 183,045 | \$ - | \$ 2,700,139 |
| Leasehold Improvements – 5 years | 13,235 | 8,545 | - | 21,780 |
| Computer Systems | 844,593 | 230,202 | (269,383) | 805,412 |
| Motor Vehicle | 3,365 | 1,346 | - | 4,711 |
| Furniture & Equipment | 982,286 | 208,134 | (347,542) | 842,878 |
| Total | \$ 4,360,573 | \$ 631,272 | \$ (616,925) | \$ 4,374,920 |

| | Net book value December 31, 2017 | Net book value December 31, 2018 |
|-----------------------------------|----------------------------------------|----------------------------------------|
| Leasehold Improvements – 15 years | \$ 183,046 | \$ - |
| Leasehold Improvements – 5 years | 8,545 | - |
| Computer Systems | 397,794 | 330,169 |
| Motor Vehicle | 2,020 | 674 |
| Furniture & Equipment | 582,121 | 649,334 |
| Total | \$ 1,173,526 | \$ 980,177 |

MIDDLESEX-LONDON HEALTH UNIT

Financial Statements (continued)

Year ended December 31, 2019

6. Commitments:

The Middlesex-London Health Unit is committed under operating leases for office equipment and rental property.

Future minimum payments to expiry are as follows:

| | |
|------------|------------|
| 2020 | \$ 753,227 |
| 2021 | 732,771 |
| 2022 | 672,165 |
| 2023 | 672,165 |
| 2024 | 672,165 |
| Thereafter | 10,003,564 |

7. Contingencies:

From time to time, the Middlesex-London Health Unit is subject to claims and other lawsuits that arise in the ordinary course of business, some of which may seek damages in substantial amounts. These claims may be covered by the Middlesex-London Health Unit's insurance. Liability for these claims and lawsuits are recorded to the extent that the probability of a loss is likely, and it is estimable.

8. Accumulated Surplus:

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

| | 2019 | 2018 |
|-------------------------------------|-------------------|--------------------|
| Surpluses: | | |
| Invested in tangible capital assets | \$ 5,281,985 | \$ 980,177 |
| Net transfer to surplus | (384,118) | - |
| Unfunded: | | |
| Demand loan | (1,500,000) | - |
| Post-employment benefits | (2,725,700) | (2,554,700) |
| Total surplus (deficit) | 672,167 | (1,574,523) |
| Reserves set aside by the Board: | | |
| Accumulated sick leave | - | 29,462 |
| Funding stabilization | - | 818,258 |
| Employment costs | 176,077 | 176,077 |
| Technology and infrastructure | - | 1,250,000 |
| Environmental – septic tank | - | 6,044 |
| Dental treatment | - | 123,771 |
| Total reserves | 176,077 | 2,403,612 |
| Accumulated surplus | \$ 848,244 | \$ 829,089 |

MIDDLESEX-LONDON HEALTH UNIT

Financial Statements (continued)

Year ended December 31, 2019

9. Other income:

The following revenues are presented as other income in the statement of operations:

| | 2019 Budget | 2019 | 2018 |
|-----------------------|-------------|--------------|------------|
| Collaborative project | \$ 10,000 | \$ 481,764 | \$ 277,328 |
| Food handler training | 20,000 | 26,322 | 26,706 |
| Public Fit-testing | - | - | 1,695 |
| Miscellaneous | 278,416 | 314,672 | 124,312 |
| OHIP | 244,000 | 237,269 | 197,710 |
| Vaccines | 117,200 | 113,288 | 63,210 |
| | \$ 669,616 | \$ 1,173,315 | \$ 690,961 |

10. Other expenses:

The following expenditures are presented as other expenses in the statement of operations:

| | 2019 Budget | 2019 | 2018 |
|------------------------------|--------------|--------------|--------------|
| Communications | \$ 147,246 | \$ 156,379 | \$ 236,473 |
| Health promotion/advertising | 331,610 | 341,949 | 302,338 |
| Miscellaneous | 479,783 | 310,700 | 387,029 |
| Postage and courier | 67,280 | 68,157 | 57,173 |
| Printing | 138,929 | 138,443 | 163,818 |
| Staff development | 192,468 | 158,062 | 199,475 |
| | \$ 1,357,316 | \$ 1,173,690 | \$ 1,346,306 |

11. Subsequent event:

Subsequent to December 31, 2019, 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 entity has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Initiated a comprehensive incident management (IMS) response and has redeployed a majority of staff to support COVID-19 related assignments;
- Implemented a 7 day a week call centre, case management, and contact tracing throughout the London and Middlesex community, and to support the COVID-19 Assessment Centres;
- Continued to provide prioritized essential services to the community;
- Instituted mandatory working from home requirement for those staff able to do so.

At this time, these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

Financial Statements of

MUSEUM LONDON

And Independent Auditors' Report thereon

Year ended December 31, 2019



KPMG LLP
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Canada
Tel 519 672-4800
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INDEPENDENT AUDITORS' REPORT

To the Chair and Members of Museum London

Opinion

We have audited the financial statements of Museum London, which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations for the year then ended
- the statement of change in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Museum London as at December 31, 2019, and its results of operations, and its 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 Museum London in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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



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 Museum London'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 Museum London or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Museum London'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 these 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 Museum London'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 Museum London'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 Museum London 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

March 31, 2020

London, Canada

MUSEUM LONDON

Statements of Financial Position

December 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|-----------------------------------------------------------|----------------------|----------------------|
| Financial assets: | | |
| Cash and cash equivalents | \$ 429,900 | \$ 313,290 |
| Due from the Corporation of the City of London (note 8) | 287,845 | 28,340 |
| Due from Museum London Foundation (note 8) | 6,968 | 18,519 |
| Other receivables | 83,286 | 170,686 |
| Investments (note 2) | 6,098,050 | 6,216,933 |
| | <u>6,906,049</u> | <u>6,747,768</u> |
| Financial liabilities: | | |
| Accounts payable and accrued liabilities | 502,692 | 522,158 |
| Payable to the Corporation of the City of London (note 8) | 45,731 | 10,665 |
| Deferred revenue | 191,584 | 435,319 |
| Employee future benefits (note 3) | 63,711 | 62,549 |
| | <u>803,718</u> | <u>1,030,691</u> |
| Net financial assets | 6,102,331 | 5,717,077 |
| Non-financial assets: | | |
| Tangible capital assets (note 4) | 10,304,263 | 10,931,771 |
| Prepaid expenses | 104,015 | 122,365 |
| | <u>10,408,278</u> | <u>11,054,136</u> |
| Subsequent events (note 12) | | |
| Accumulated surplus (note 5) | <u>\$ 16,510,609</u> | <u>\$ 16,771,213</u> |

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

On behalf of the Board:

_____ Chair

_____ Member

MUSEUM LONDON

Statement of Operations and Accumulated Surplus

Year ended December 31, 2019, with comparative information for 2018

| | Budget 2019 | Actual 2019 | Actual 2018 |
|-------------------------------------------|----------------|----------------|----------------|
| Revenue: | | | |
| Federal | \$ 472,557 | \$ 484,096 | \$ 388,116 |
| Provincial | 221,392 | 226,392 | 207,903 |
| Municipal: | | | |
| Operating | 1,740,471 | 1,746,971 | 1,863,723 |
| Capital | 400,000 | 436,549 | 115,831 |
| Community: | | | |
| Donations (note 8) | 574,956 | 608,165 | 767,713 |
| Public programs | 94,200 | 124,204 | 111,839 |
| Ancillary services: | | | |
| Catering and rentals | 162,373 | 136,429 | 143,568 |
| Fundraising events | 37,000 | 33,200 | 40,111 |
| Public program and exhibition sponsorship | 2,500 | 13,099 | 22,636 |
| Donation of art and artifacts | 1,100,000 | 1,126,300 | 289,685 |
| Investment income | 253,000 | 264,804 | 570,870 |
| Other | 341,150 | 405,424 | 401,649 |
| | 5,399,599 | 5,605,633 | 4,923,644 |
| Expenses: | | | |
| Operating: | | | |
| Operations | 997,016 | 1,047,373 | 985,053 |
| General and administration | 877,310 | 882,998 | 862,900 |
| Public programs | 173,951 | 217,490 | 204,153 |
| Publicity | 175,982 | 176,514 | 152,271 |
| Curatorial and collections management | 599,828 | 650,962 | 622,330 |
| Amortization of tangible capital assets | 1,000,000 | 1,077,448 | 629,738 |
| Ancillary services: | | | |
| Catering and rentals | 101,378 | 91,139 | 96,528 |
| Public programs and exhibitions | 590,951 | 449,340 | 399,642 |
| Donation of art and artifacts | 1,100,000 | 1,126,300 | 289,685 |
| Purchase of art and artifacts | 50,000 | 89,165 | 41,966 |
| Collection expense | 20,484 | 19,035 | 26,719 |
| Investment expense | 35,000 | 38,473 | 30,029 |
| | 5,721,900 | 5,866,237 | 4,341,014 |
| Annual surplus (deficit) | (322,301) | (260,604) | 562,630 |
| Accumulated surplus, beginning of year | 16,771,213 | 16,771,213 | 16,188,583 |
| Accumulated surplus, end of year | \$ 16,448,912 | \$ 16,510,609 | \$ 16,751,213 |

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

MUSEUM LONDON

Statement of Change in Net Financial Assets

Year ended December 31, 2019, with comparative information for 2018

| | Budget 2019 | Actual 2019 | Actual 2018 |
|-----------------------------------------|----------------|----------------|----------------|
| Annual surplus (deficit) | \$ (322,301) | \$ (260,604) | \$ 582,630 |
| Acquisition of tangible capital assets | (120,000) | (449,940) | (1,513,401) |
| Amortization of tangible capital assets | 1,000,000 | 1,077,448 | 629,738 |
| | 557,699 | 366,904 | (301,033) |
| Change in prepaid expenses | – | 18,350 | (19,747) |
| Change in net financial assets | 557,699 | 385,254 | (320,780) |
| Net financial assets, beginning of year | 5,717,077 | 5,717,077 | 6,037,857 |
| Net financial assets, end of year | \$ 6,274,776 | \$ 6,102,331 | \$ 5,717,077 |

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

MUSEUM LONDON

Statement of Cash Flows

December 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|-------------------------------------------------------------------|--------------|-------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus | \$ (260,604) | \$ 582,630 |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 1,077,448 | 629,738 |
| Change in employee future benefits | 1,162 | (19,174) |
| Change in non-cash assets and liabilities: | | |
| Due from the Corporation of the City of London | (259,505) | 14,728 |
| Due from Museum London Foundation | 11,551 | (30,927) |
| Other receivables | 87,400 | 44,794 |
| Accounts payable and accrued liabilities | (19,466) | 79,279 |
| Payable to the Corporation of the City of London | 35,066 | — |
| Deferred revenue | (243,735) | 172,114 |
| Prepaid expenses | 18,350 | (19,747) |
| Net change in cash and cash equivalents from operating activities | 447,667 | 1,453,435 |
| Capital activities: | | |
| Acquisition of tangible capital assets | (449,940) | (1,513,401) |
| Investing activities: | | |
| Change in investments, net | 118,883 | (232,109) |
| Increase (decrease) in cash and cash equivalents | 116,610 | (292,075) |
| Cash and cash equivalents, beginning of year | 313,290 | 605,365 |
| Cash, end of year | \$ 429,900 | \$ 313,290 |

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

MUSEUM LONDON

Notes to Financial Statements

Year ended December 31, 2019

1. Significant accounting policies:

The financial statements of Museum London, a registered charity are prepared by management in accordance with Canadian generally accepted accounting principles as defined in the Chartered Professional Accountants Canada Public Sector Accounting Handbook.

The statement of operations combines financial transactions of the operating, tangible capital asset, and reserve and restricted funds.

- (a) Operating funds are available for financing expenditures for the day to day operations of Museum London;
- (b) Tangible capital asset funds are available for financing expansion, replacement and major repairs and maintenance of Museum London facilities; and
- (c) Reserves and restricted funds are designated for specific purposes and are either not available for day to day operations or require special approval in accordance with Museum London Board policy.

Note 9 provides a summary of the financial activities of each fund. Transfers between the funds are made as approved by the Board.

- (a) Basis of accounting:

Museum London follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

- (b) Government transfers:

Government transfer payments are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expense have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(c) Deferred revenue:

Deferred revenue represent grants, sponsorships and other designated funding which has been received but for which the related exhibitions, programs or other services have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed.

(d) Investment income:

Investment income is reported as revenue in the period earned. Income earned on restricted and unrestricted investment funds becomes part of the investment funds and are not available for operating purposes.

(e) Investments:

Investments are recorded at cost. If the market value of investments becomes lower than cost and this decline is considered to be other than temporary, the investments are written down to market value.

(f) Employee future benefits:

The Museum provides certain employee benefits which will require funding in future periods. These benefits include amounts for vacation for current employees. These future liabilities are recognized at current cost.

(g) Pension contributions:

The costs of defined contribution pension plan benefits to the Ontario Municipal Employees Retirement Fund (OMERS) are the employer's contributions due to the plan in the period.

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(h) Non-financial assets:

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

(i) Tangible capital assets:

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

| Asset | Useful life |
|-----------------------------------------------------|-------------|
| Building and building improvements: | |
| Building structure and initial site-works | 60 years |
| Building shell (cladding, roofing, windows) | 20 years |
| Building services (heating, electrical, mechanical) | 5-15 years |
| Site-work betterments and interior refurbishing | 5-7 years |
| Furniture and equipment: | |
| Heavy equipment | 10 years |
| Furniture and small equipment | 5 years |

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) Works of art and cultural and historic assets:

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

(i) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles, as defined in the Chartered Professional Accountants Canada Public Sector Accounting Handbook, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(j) Budget figures:

Budget figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

2. Investments:

At December 31, investments at cost were comprised of the following:

| | 2019 | 2018 |
|----------------------|---------------------|---------------------|
| Canadian bond | \$ 3,294,397 | \$ 3,405,263 |
| Canadian equity | 1,306,158 | 1,268,448 |
| US equity | 629,323 | 648,758 |
| International equity | 868,172 | 894,464 |
| | <u>\$ 6,098,050</u> | <u>\$ 6,216,933</u> |

At December 31, 2019 the approximate market value of the investments amounted to \$6,622,922 (2018 - \$6,209,228).

3. Employee future benefits:

Employee future benefits, reported on the statement of financial position, are comprised of the following:

| | 2019 | 2018 |
|-----------------------------------|-----------|-----------|
| Vacation pay earned but not taken | \$ 63,711 | \$ 62,549 |

Under the provision of certain employee vacation plans, some vacation credits are earned as at December 31, but are generally unavailable for use until a later date.

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2019

4. Tangible capital assets:

| | Balance December 31, 2018 | Additions | Disposal | Write-offs | Balance December 31, 2019 |
|---------------------------------------|---------------------------------|---------------------|-------------|---------------------|---------------------------------|
| Cost: | | | | | |
| Land | \$ 1,175,120 | \$ – | \$ – | \$ – | \$ 1,175,120 |
| Building and building improvements | 16,213,616 | 437,865 | – | 1,074,394 | 15,577,087 |
| Furniture and equipment | 309,072 | 12,075 | – | 15,065 | 306,082 |
| | <u>\$17,697,808</u> | <u>\$ 449,940</u> | <u>\$ –</u> | <u>\$ 1,089,459</u> | <u>\$17,058,289</u> |
| Accumulated amortization: | | | | | |
| Building and building improvements | \$ 6,703,776 | \$ 1,049,946 | \$ – | \$ 1,074,394 | \$ 6,679,328 |
| Furniture and equipment | 62,261 | 27,502 | – | 15,065 | 74,698 |
| | <u>\$ 6,766,037</u> | <u>\$ 1,077,448</u> | <u>\$ –</u> | <u>\$ 1,089,459</u> | <u>\$ 6,754,026</u> |
| Net book value: | | | | | |
| Land | \$ 1,175,120 | | | | \$ 1,175,120 |
| Building and building improvements | 9,509,840 | | | | 8,897,759 |
| Furniture and equipment | 246,811 | | | | 231,384 |
| | <u>\$10,931,771</u> | | | | <u>\$10,304,263</u> |

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2019

5. Accumulated surplus:

The accumulated surplus consists of the following:

| | 2019 | 2018 |
|--------------------------------------------------------------------|---------------|---------------|
| Surplus: | | |
| Operating fund | \$ – | \$ 99,926 |
| Investment in tangible capital assets | 10,304,263 | 10,931,771 |
| Unfunded employee benefits | (63,711) | (62,549) |
| Total surplus | 10,240,552 | 10,969,148 |
| Reserve funds set aside for specific purposes by Museum London: | | |
| Operating endowment | 2,634,631 | 2,561,089 |
| Restricted funds held by Museum London include the following: | | |
| Moore acquisitions fund | 2,974,002 | 2,961,151 |
| Moore collection management fund | 323,549 | 313,737 |
| Nancy Geddes Poole fund | 117,923 | 114,366 |
| Volunteer committee acquisitions fund | 219,240 | 212,665 |
| Centre at the Forks | – | (363,049) |
| Satellite Gallery | 712 | 2,106 |
| | 3,635,426 | 3,240,976 |
| | \$ 16,510,609 | \$ 16,771,213 |

6. Insurance:

Museum London has accumulated works of art with an insured value of \$70,131,670 (2018 - \$47,716,335). These works of art are not recorded as tangible capital assets in the financial statements.

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2019

7. Pension plan:

Museum London makes contributions to the Ontario Municipal Employees Retirement Fund (“OMERS”) on behalf of twenty members of its staff. The plan is a contributory defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay.

Contributions for employees with a normal retirement age of sixty-five were made at the rate of 9.0% for earnings up to the yearly maximum pensionable earnings of \$57,400 and at a rate of 14.60% for earnings greater than the yearly maximum pensionable earnings.

The amount contributed to OMERS for 2019 was \$102,378 (2018 - \$105,040) and is included as an expense in the statement of operations. Employees' contributions to OMERS in 2019 was \$102,378 (2018 - \$105,040).

The last available report for the OMERS plan was on December 31, 2019. At that time, the plan reported a \$3.4 billion actuarial deficit (2018 - \$4.2 billion), based on actuarial liabilities for \$107.7 billion (2018 - \$99 billion) and actuarial assets for \$104.3 billion (2018 - \$95 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.

8. Related party transactions and balances:

Amounts due to and from the Corporation of the City of London, an organization that has significant influence over Museum London, and from Museum London Foundation, an organization under common significant influence, are non-interest bearing and have no specific terms of repayment.

Transactions are entered into with related parties in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Community donations includes gifts from Museum London Foundation of \$184,875.

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2019

9. Annual surplus (deficit):

The annual surplus in the statement of operations includes the net change of the balance of each of the three funds: operating, investment in tangible capital asset, and reserve and restricted funds along with the change in unfunded employee future benefits as follows:

| | 2019 | 2018 |
|---------------------------------------|--------------|------------|
| Operating fund | \$ (99,926) | \$ 41,796 |
| Investment in tangible capital assets | (627,508) | 883,663 |
| Reserves and restricted funds | 467,992 | (362,003) |
| Change in unfunded employee benefits | (1,162) | 19,174 |
| Annual surplus (deficit) | \$ (260,604) | \$ 582,630 |

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2019

9. Annual surplus (deficit) (continued):

Statements of financial activities for the three funds follow:

(i) Operating Fund:

| | 2019 Budget | 2019 Total | 2018 Total |
|-------------------------------------------|---------------------|---------------------|---------------------|
| Revenue: | | | |
| Federal: | | | |
| Canada Council for the Arts: | | | |
| Operating Programs | \$ 460,229 | \$ 300,000 | \$ 320,816 |
| Canadian Heritage | 4,828 | – | – |
| Other | – | – | 33,650 |
| Other | 7,500 | 184,096 | – |
| Provincial: | | | |
| Ontario Arts Council: | | | |
| Operating grant | 169,438 | 169,438 | 155,949 |
| Ministry of Tourism and Culture | 51,954 | 51,954 | 51,954 |
| Other | – | 5,000 | – |
| Municipal | 1,740,471 | 1,740,471 | 1,690,199 |
| Community: | | | |
| Donations | 184,956 | 159,263 | 166,386 |
| Public programs | 94,200 | 124,204 | 111,839 |
| Ancillary services: | | | |
| Catering and rentals | 162,373 | 136,429 | 143,568 |
| Fundraising events | 37,000 | 33,200 | 40,111 |
| Public program and exhibition sponsorship | 2,500 | 13,099 | 22,636 |
| Investment income | 3,000 | 6,040 | 9,182 |
| Other | 341,150 | 370,424 | 348,208 |
| | <u>\$ 3,259,599</u> | <u>\$ 3,293,618</u> | <u>\$ 3,094,498</u> |

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2019

9. Annual surplus (deficit) (continued):

(i) Operating Fund (continued):

| | 2019 Budget | 2019 Total | 2018 Total |
|---------------------------------------------|----------------|---------------|---------------|
| Expenses: | | | |
| Operating: | | | |
| Operations | \$ 997,016 | \$ 1,047,372 | \$ 985,053 |
| General and administration | 877,310 | 880,373 | 862,900 |
| Public programs | 173,951 | 174,597 | 163,307 |
| Publicity | 175,982 | 176,514 | 152,271 |
| Curatorial and collections management | 599,828 | 650,962 | 622,330 |
| Ancillary services: | | | |
| Catering and rentals | 101,378 | 91,139 | 96,528 |
| Fundraising events | – | – | 168,081 |
| Exhibitions | 590,951 | 449,340 | 231,561 |
| Purchase of art and artifacts | 50,000 | 89,165 | 41,966 |
| Collection expense | 20,484 | 19,035 | 26,719 |
| | 3,586,900 | 3,578,497 | 3,350,716 |
| Net expenditures | (327,301) | (284,879) | (256,218) |
| Financing and transfers: | | | |
| Transfer to reserves | – | (180,351) | – |
| Transfer from reserves and restricted funds | – | 366,466 | 317,188 |
| Employee benefits | – | (1,162) | (19,174) |
| Net financing and transfers | – | 184,953 | 298,014 |
| Change in fund balance | (327,301) | (99,926) | 41,796 |
| Surplus, beginning of year | 99,926 | 99,926 | 58,130 |
| Surplus (deficit), end of year | \$ (227,375) | \$ – | \$ 99,926 |

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2019

9. Annual surplus (deficit) (continued):

(ii) Investment in tangible capital assets:

| | 2019 | 2018 |
|-----------------------------------------|---------------|---------------|
| Revenue: | | |
| Municipal | \$ 436,549 | \$ 115,831 |
| Expenditure: | | |
| Amortization of tangible capital assets | (1,077,448) | (629,738) |
| Net expenditures | (640,899) | (513,907) |
| Financing and transfers: | | |
| Transfer from restricted funds | 13,391 | 1,397,570 |
| Change in fund balance | (627,508) | 883,663 |
| Surplus, beginning of year | 10,931,771 | 10,048,108 |
| Surplus, end of year | \$ 10,304,263 | \$ 10,931,771 |

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2019

9. Annual surplus (deficit) (continued):

(iii) Reserve and Restricted Funds:

(a) Reserves:

| | 2019 | 2018 |
|---------------------------------------|--------------|--------------|
| Revenue: | | |
| Net investment revenue | \$ 95,242 | \$ 232,507 |
| Museum London Foundation contribution | 60,575 | 55,797 |
| Net revenue | 155,817 | 288,304 |
| Financing and transfers: | | |
| Transfer from restricted funds | 14,675 | 383 |
| Transfer from operating fund | 180,351 | – |
| Transfer to operating fund | (277,301) | (292,222) |
| Net financing and transfers | (82,275) | (291,839) |
| Change in reserves balance | 73,542 | (3,535) |
| Surplus, beginning of year | 2,561,089 | 2,564,624 |
| Surplus, end of year | \$ 2,634,631 | \$ 2,561,089 |

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2019

9. Annual surplus (continued):

(iii) Reserves and Restricted Funds (continued):

(b) Restricted Funds:

| | 2019 | 2018 |
|------------------------------------------|--------------|--------------|
| Revenue: | | |
| Net investment revenue | \$ 124,748 | \$ 299,152 |
| Donations: | | |
| Learning centre | 388,327 | 545,530 |
| Federal cultural spaces grant | – | 33,650 |
| Municipal | 6,500 | 173,524 |
| Partnership contributions | 35,000 | 53,000 |
| Transfer from operating, Learning Centre | – | 17,000 |
| Miscellaneous | – | 26,392 |
| | 554,575 | 1,148,248 |
| Expenditure: | | |
| Satellite Centre expenditures | 42,895 | 40,847 |
| Net revenue | 511,680 | 1,107,401 |
| Financing and transfers: | | |
| Transfer to operating fund | (89,164) | (67,917) |
| Transfer to reserves | (14,675) | (383) |
| Learning Centre tangible capital assets | (13,391) | (1,397,569) |
| | (117,230) | (1,465,869) |
| Change in fund balance | 394,450 | (358,468) |
| Surplus, beginning of year | 3,240,976 | 3,599,444 |
| Surplus, end of year | \$ 3,635,426 | \$ 3,240,976 |

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2019

10. Budget data:

Budget figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

| | Budget amount |
|-----------------------------------------|---------------|
| Revenue: | |
| Operating budget | \$ 3,259,599 |
| Expense: | |
| Operating budget | 3,586,900 |
| Annual operating surplus, as budgeted | (327,301) |
| Learning Centre donations | 390,000 |
| Capital funding | 400,000 |
| Donation of art and artifacts | 1,100,000 |
| Investment income | 250,000 |
| Investment expense | (35,000) |
| Donation of art and artifacts | (1,100,000) |
| Amortization of tangible capital assets | (1,000,000) |
| Annual deficit, revised | \$ (322,301) |

11. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2019

12. Subsequent events:

Subsequent to December 31, 2019, 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 entity has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Temporary declines in fair value of investments and investment income
- Loss of revenue due to cancellation of events, rentals, programs and activities
- Facility closure from March 14, 2020 to the date of the auditors' report based on public health recommendations
- Mandatory working from home requirements for those able to do so

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

Financial Statements of

**OLD EAST VILLAGE BUSINESS
IMPROVEMENT AREA BOARD OF
MANAGEMENT**

And Independent Auditors' Report thereon

Year ended December 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Chair and Members of Old East Village Business Improvement Area Board of Management

Opinion

We have audited the financial statements of Old East Village Business Improvement Area Board of Management (the "Board"), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations for the year then ended
- the statement of change in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2019, and its results of operations, its changes in net financial assets and its 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 Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



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 Board'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 Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board'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 Board'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 Board'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 Board 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

June 17, 2020

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Financial Position

December 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|----------------------------------------------------------------------------------------|-------------------|------------------|
| Financial assets | | |
| Cash and short-term investments (note 3) | \$ 99,918 | \$ 96,960 |
| Accounts receivable (note 6) | 37,767 | 1,881 |
| Due from Hyde Park Business Improvement Association Board of Management (note 6) | 6,560 | - |
| | <u>144,245</u> | <u>98,841</u> |
| Financial liabilities | | |
| Accounts payable and accrued liabilities | 6,470 | 1,989 |
| Deferred revenue | 10,768 | 4,208 |
| | <u>17,238</u> | <u>6,197</u> |
| Net financial assets | 127,007 | 92,644 |
| Non-financial assets | | |
| Tangible capital assets (note 5) | 3,557 | 4,681 |
| Prepaid expenses and deposits | 1,413 | 1,353 |
| | <u>4,970</u> | <u>6,034</u> |
| Subsequent event (note 7) | | |
| Accumulated surplus (note 4) | <u>\$ 131,977</u> | <u>\$ 98,678</u> |

See accompanying notes to financial statements.

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Operations

Year ended December 31, 2019, with comparative information for 2018

| | Budget | | |
|-----------------------------------------------------------|------------------|-------------------|------------------|
| | 2019 | 2019 | 2018 |
| Revenue: | | | |
| Requisition: | | | |
| Municipal levy - The Corporation of the City of London | \$ 40,000 | \$ 40,000 | \$ 14,781 |
| Other: | | | |
| The Corporation of the City of London | 141,102 | 141,102 | 141,102 |
| Digital Main Street grant | - | 3,440 | - |
| Miscellaneous | 24,089 | 169 | 417 |
| | <u>205,191</u> | <u>184,711</u> | <u>156,300</u> |
| Expenditures: | | | |
| Wages and salaries | 134,761 | 91,810 | 108,516 |
| Office rental | 14,461 | 12,661 | 12,661 |
| Purchased services | 13,300 | 7,938 | 2,688 |
| Advertising, marketing and promotion | 6,500 | 6,828 | 3,925 |
| Payroll deductions | - | 6,511 | 7,257 |
| Special projects | 6,500 | 6,023 | 1,820 |
| Community initiatives and appreciation | 5,500 | 4,933 | 3,804 |
| Administration | 7,000 | 4,876 | 5,453 |
| Equipment and building maintenance | 5,500 | 2,048 | 50 |
| Beautification | 5,000 | 1,832 | 1,697 |
| Financial audit | 1,469 | 1,400 | 1,300 |
| Telephone and internet service | 1,500 | 1,199 | 1,169 |
| Amortization of tangible capital assets | - | 1,124 | 1,421 |
| Travel and transportation costs | 700 | 750 | 550 |
| HST expense | - | 714 | 508 |
| Training, education and development | 500 | 302 | 161 |
| Printing and communications | 1,500 | 283 | 781 |
| Operating supplies and costs | 1,000 | 180 | 561 |
| | <u>205,191</u> | <u>151,412</u> | <u>154,322</u> |
| Annual surplus | - | 33,299 | 1,978 |
| Accumulated surplus, beginning of year | 98,678 | 98,678 | 96,700 |
| Accumulated surplus, end of year | \$ 98,678 | \$ 131,977 | \$ 98,678 |

See accompanying notes to financial statements.

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Change in Net Financial Assets

Year ended December 31, 2019, with comparative information for 2018

| | Budget 2019 | 2019 | 2018 |
|-----------------------------------------|----------------|------------|-----------|
| Annual surplus | \$ - | \$ 33,299 | \$ 1,978 |
| Amortization of tangible capital assets | - | 1,124 | 1,421 |
| | - | 34,423 | 3,399 |
| Acquisition of prepaid expenses | - | (2,582) | (1,476) |
| Use of prepaid expenses | - | 2,522 | 1,927 |
| | - | (60) | 451 |
| | - | 34,363 | 3,850 |
| Net financial assets, beginning of year | 92,644 | 92,644 | 88,794 |
| Net financial assets, end of year | \$ 92,644 | \$ 127,007 | \$ 92,644 |

See accompanying notes to financial statements.

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|-------------------------------------------------------------------------|------------------|------------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus | \$ 33,299 | \$ 1,978 |
| Item not involving cash: | | |
| Amortization of tangible capital assets | 1,124 | 1,421 |
| Changes in non-cash operating working capital: | | |
| Accounts receivable | (35,886) | (209) |
| Due from Hyde Park Business Improvement Association Board of Management | (6,560) | - |
| Accounts payable and accrued liabilities | 4,481 | 405 |
| Deferred revenue | 6,560 | (132) |
| Prepaid expenses and deposits | (60) | 451 |
| | <u>2,958</u> | <u>3,914</u> |
| Increase in cash and short-term investments | 2,958 | 3,914 |
| Cash and short-term investments, beginning of year | 96,960 | 93,046 |
| Cash and short-term investments, end of year (note 2) | <u>\$ 99,918</u> | <u>\$ 96,960</u> |

See accompanying notes to financial statements.

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Notes to Financial Statements

Year ended December 31, 2019

1. Nature of reporting entity:

Subsection 204(1) of the Municipal Act, 2001 provides that a local municipality may designate an area as an improvement area and may establish a board of management. The Old East Village Business Improvement Area Board of Management (the "Board") was incorporated on November 15, 1993, in the Province of Ontario. The Board was established as a local board of the Corporation of the City of London to manage the Old East Village Business Improvement Area.

The Board was established to oversee the improvement, beautification and maintenance of municipally-owned land, buildings and structures in the area beyond that provided at the expense of the municipality generally and to promote the area as a business or shopping area.

2. Significant accounting policies:

The financial statements of the Board are prepared in accordance with Canadian generally accepted accounting principles as defined in the Chartered Professional Accountants of Canada Public Sector Accounting Handbook.

(a) Basis of accounting:

Sources of financing and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a declining balance basis over their estimated useful lives as follows:

| Asset | Rate |
|------------------------|--------|
| Furniture and fixtures | 20% |
| Computer hardware | 30-45% |
| Computer software | 45% |

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Notes to Financial Statements (continued)

Year ended December 31, 2019

2. Significant accounting policies (continued):

(c) Government transfers:

Government transfer payments from The Corporation of the City of London are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(d) Deferred revenue:

Contributions received for expenses of future periods are recorded as deferred revenue and recognized as revenue in the fiscal period the expenses are incurred.

(e) Donations in kind:

The Old East Village Business Improvement Board of Management recognizes revenues and expenses for services which are donated which can be reasonably valued and are services which otherwise would have been purchased.

(f) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(g) Budget figures:

Budget figures have been provided for comparison purposes.

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Notes to Financial Statements (continued)

Year ended December 31, 2019

3. Cash and short-term investments:

| | 2019 | 2018 |
|---------------------------------------------|------------------|------------------|
| Cash and short-term investments consist of: | | |
| Cash | \$ 93,830 | \$ 90,921 |
| Guaranteed investment certificates | 6,088 | 6,039 |
| | <u>\$ 99,918</u> | <u>\$ 96,960</u> |

4. Accumulated surplus:

The balance of accumulated surplus is comprised of the following:

| | 2019 | 2018 |
|-------------------------------------|-------------------|------------------|
| Invested in tangible capital assets | \$ 3,557 | \$ 4,681 |
| Reserves: | | |
| Contingencies | 3,733 | 3,733 |
| Pole decorations | 2,333 | 2,333 |
| Mural maintenance | 1,936 | 1,936 |
| | <u>8,002</u> | <u>8,002</u> |
| Operating fund | 120,418 | 85,995 |
| | <u>\$ 131,977</u> | <u>\$ 98,678</u> |

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Notes to Financial Statements (continued)

Year ended December 31, 2019

5. Tangible capital assets:

| Cost | December 31, 2018 | Additions | Disposals | December 31, 2019 |
|------------------------|----------------------|-------------|-------------|----------------------|
| Furniture and fixtures | \$ 22,476 | \$ - | \$ - | \$ 22,476 |
| Computer hardware | 11,018 | - | - | 11,018 |
| Computer software | 3,609 | - | - | 3,609 |
| Total | \$ 37,103 | \$ - | \$ - | \$ 37,103 |

| Accumulated amortization | December 31, 2018 | Disposals | Amortization expense | December 31, 2019 |
|--------------------------|----------------------|-------------|-------------------------|----------------------|
| Furniture and fixtures | \$ 17,837 | \$ - | \$ 1,103 | \$ 18,940 |
| Computer hardware | 10,980 | - | 17 | 10,997 |
| Computer software | 3,605 | - | 4 | 3,609 |
| Total | \$ 32,422 | \$ - | \$ 1,124 | \$ 33,546 |

| | Net book value December 31, 2018 | Net book value December 31, 2019 |
|------------------------|----------------------------------------|----------------------------------------|
| Furniture and fixtures | \$ 4,639 | \$ 3,536 |
| Computer hardware | 38 | 21 |
| Computer software | 4 | - |
| Total | \$ 4,681 | \$ 3,557 |

6. Related parties:

During the current year, the amount due from the City of London was \$35,276 (2018 - nil) and the amount due from Hyde Park BIA was \$6,560 (2018 - nil).

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Notes to Financial Statements (continued)

Year ended December 31, 2019

7. Subsequent event:

Subsequent to December 31, 2019, 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 entity has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- closure of office to the public from the March 23, 2020 to the date of the auditors' report based on public health recommendations; and
- mandatory working from home requirement for those able to do so.

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

Financial Statements of

**ELGIN AREA PRIMARY
WATER SUPPLY SYSTEM**

And Independent Auditors' Report thereon

Year ended December 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Elgin Area Primary Water Supply System

Opinion

We have audited the financial statements of Elgin Area Primary Water Supply System (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net debt for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of operations, its changes in net debt and its 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 responsibilities in accordance with these requirements.

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



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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

June 4, 2020

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM

Statement of Financial Position

December 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|---------------------------------------------------------|----------------------|----------------------|
| Financial assets | | |
| Due from the Corporation of the City of London (note 3) | \$ 10,613,374 | \$ 9,700,078 |
| Trade and other receivables | 1,089,187 | 2,122,110 |
| Long-term loan receivable (note 9) | 206,543 | 229,190 |
| Total financial assets | 11,909,104 | 12,051,378 |
| Financial liabilities | | |
| Accounts payable and accrued liabilities | 1,045,990 | 2,163,740 |
| Accrued interest on long-term debt | 89,283 | 102,436 |
| Long-term debt (note 4) | 12,107,323 | 14,269,676 |
| Total financial liabilities | 13,242,596 | 16,535,852 |
| Net debt | (1,333,492) | (4,484,474) |
| Non-financial assets | | |
| Tangible capital assets (note 5) | 66,699,790 | 68,147,998 |
| Prepaid expenses | 116,086 | 86,181 |
| Total non-financial assets | 66,815,876 | 68,234,179 |
| Accumulated surplus (note 6) | \$ 65,482,384 | \$ 63,749,705 |

Subsequent events (note 10)

See accompanying notes to financial statements

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM

Statement of Operations and Accumulated Surplus

Year ended December 31, 2019, with comparative information for 2018

| | Budget (Note 8) | 2019 | 2018 |
|--------------------------------------------------------|----------------------|----------------------|----------------------|
| Revenues | | | |
| User charges | \$ 12,524,031 | \$ 12,974,247 | \$ 12,403,077 |
| Investment income | 6,000 | 256,607 | 182,352 |
| Transfer payments | | | |
| Provincial | - | - | 860,379 |
| Federal | - | - | 1,060,358 |
| Other (note 9) | 4,000 | 24,868 | 129,815 |
| Total revenues | 12,534,031 | 13,255,722 | 14,635,981 |
| Expenses | | | |
| Salaries, wages and benefits | 723,794 | 765,473 | 667,733 |
| Materials and supplies | 5,532,719 | 5,898,379 | 5,560,667 |
| Contracted services | 88,600 | 797,667 | 548,747 |
| Rents and financial expenses | 57,500 | 66,618 | 57,239 |
| Interest on long-term debt (note 4) | 336,854 | 336,853 | 436,484 |
| Amortization of tangible capital assets (note 5) | - | 3,444,594 | 3,471,860 |
| Administrative charges | 213,459 | 213,459 | 208,252 |
| Total expenses | 6,952,926 | 11,523,043 | 10,950,982 |
| Annual surplus | 5,581,105 | 1,732,679 | 3,684,999 |
| Accumulated surplus, beginning of year (note 6) | 63,749,705 | 63,749,705 | 60,064,706 |
| Accumulated surplus, end of year (note 6) | \$ 69,330,810 | \$ 65,482,384 | \$ 63,749,705 |

See accompanying notes to financial statements

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM

Statement of Change in Net Debt

Year ended December 31, 2019, with comparative information for 2018

| | Budget | 2019 | 2018 |
|-----------------------------------------|----------------|----------------|----------------|
| | (Note 8) | | |
| Annual surplus | \$ 5,581,105 | \$ 1,732,679 | \$ 3,684,999 |
| Acquisition of tangible capital assets | (5,804,000) | (1,996,385) | (2,113,402) |
| Amortization of tangible capital assets | - | 3,444,594 | 3,471,860 |
| | (222,895) | 3,180,888 | 5,043,457 |
| Change in prepaid expenses | - | (29,906) | 6,448 |
| Change in net debt | (222,895) | 3,150,982 | 5,049,905 |
| Net debt, beginning of year | (4,484,474) | (4,484,474) | (9,534,379) |
| Net debt, end of year | \$ (4,707,369) | \$ (1,333,492) | \$ (4,484,474) |

See accompanying notes to financial statements

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|---------------------------------------------------------|--------------------|--------------------|
| Cash provided by: | | |
| Operating activities: | | |
| Annual surplus | \$ 1,732,679 | \$ 3,684,999 |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 3,444,594 | 3,471,860 |
| Amortization of debenture discount | 15,178 | 27,783 |
| Changes in non-cash assets and liabilities: | | |
| Due from (due to) the Corporation of the City of London | (913,296) | (271,041) |
| Prepaid expenses | (29,906) | 6,448 |
| Trade and other receivables | 1,032,923 | (1,079,036) |
| Accounts payable and accrued liabilities | (1,117,749) | 418,163 |
| Deferred revenue | - | (860,379) |
| Accrued interest on long-term debt | (13,153) | (32,486) |
| Net change in cash from operating activities | 4,151,270 | 5,366,311 |
| Capital activities: | | |
| Purchase of tangible capital assets | (1,996,385) | (2,113,402) |
| Cash used in capital activities | (1,996,385) | (2,113,402) |
| Financing activities: | | |
| Long-term debt repayments | (2,177,530) | (3,023,719) |
| Loan receivables | 22,645 | (229,190) |
| Cash provided by financing activities | (2,154,885) | (3,252,909) |
| Net change in cash flows | \$ - | \$ - |

See accompanying notes to financial statements

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements

Year ended December 31, 2019

1. Nature of reporting entity

The Ontario Water Resources Commission (the "Commission") of the Province of Ontario constructed, owned and operated a water treatment plant on Lake Erie and pipeline to the City of St. Thomas and the Ford Talbotville Assembly Plant on or about 1967. The Ministry of the Environment (the "Ministry") was created in about 1973 and assumed all operations and activities of the Commission. In or about 1991, operational related activities (water and wastewater systems) of the Ministry were transferred to the Ontario Clean Water Agency, a Crown corporation of the Province of Ontario. In accordance with agreements with the associated municipalities, the Ministry extended pipelines to the present communities of Port Burwell, Port Stanley, and Southwold, and in 1996 to the City of London and the Town of Aylmer.

In accordance with the *Municipal Water and Sewage Systems Transfer Act, 1997*, the final Transfer Order for Elgin Area Primary Water Supply System (the "Entity") was effective on November 29, 2000.

Under the transfer order, the works, properties and all assets, liabilities, rights and obligations of the system were transferred jointly to The Corporation of the City of London, The Corporation of the Town of Aylmer, The Corporation of the Municipality of Bayham, The Corporation of the Municipality of Central Elgin, The Corporation of the Township of Malahide, The Corporation of the Township of Southwold and The Corporation of the City of St. Thomas. The Corporation of the City of London (the "Corporation") was named as the administering municipality. The Corporation of the Municipality of Dutton Dunwich joined the joint board of management in 2018. The appointment and voting structure was approved in the December 2019 board meeting.

The transfer order established a joint board of management to govern the management of the water supply system. The joint board of management is comprised of seven members appointed by the respective councils of participating municipalities. The Board composition is as follows:

| Municipality | Members | Votes |
|------------------------------------------------------------------------------------------------------------------------------------------|---------|-------|
| The Corporation of the City of London | 3 | 3 |
| The Corporation of the City of St. Thomas | 2 | 2 |
| The Corporations of the Township of Southwold, the Municipality of Central Elgin and the Municipality of Dutton Dunwich (acting jointly) | 1 | 1 |
| The Corporations of the Township of Bayham, Township of Malahide and Town of Alymer (acting jointly) | 1 | 1 |

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements

Year ended December 31, 2019

2. Significant accounting policies

The financial statements of the Entity are prepared by management in accordance with Canadian generally accepted accounting principles as defined in the CPA Canada Public Sector Handbook - Accounting. Significant accounting policies are as follows:

(a) Accrual accounting

Sources of financing and expenses are reported on the accrual basis of accounting.

(b) Non-financial assets

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

i) Tangible capital assets

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

| Asset | Useful Life - Years |
|-------------------------------------|---------------------|
| Buildings and building improvements | 15 – 40 |
| Vehicles | 5 – 15 |
| Machinery and equipment | 7 – 20 |
| Water infrastructure | 10 – 60 |
| Computers | 3 |

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

ii) Interest capitalization

The interest costs associated with the acquisition or construction of a tangible capital asset are not capitalized.

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements

Year ended December 31, 2019

2. Significant accounting policies (continued)

(c) Revenue recognition

The Entity recognizes revenue when water is drawn by each customer, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

(d) Government transfers

Government transfer payments to the Corporation are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performance. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(e) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the valuation allowances for receivables and useful lives assigned to tangible capital assets.

Actual results could differ from those estimates.

(f) Budget figures

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.

(g) Liability for contaminated sites

Under PS 3260, 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. This Standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination.

3. Due from the Corporation of the City of London

As the Administering Municipality, the Corporation manages the daily operations of the Entity. The Corporation maintains a separate general ledger on behalf of the Entity. All funds are paid and received through the Corporation's bank account and held for use by the Entity or payable to the Corporation for expenses paid on behalf of the Entity.

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements

Year ended December 31, 2019

4. Long-term debt

(a) Long-term debt is stated as follows:

| | 2019 | 2018 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| Long-term debt assumed by The Corporation of the City of London, as administering municipality, on behalf of the Elgin Area Primary Water Supply System, with semi-annual interest payments: | | |
| (a) at rates ranging from 2.70% to 3.20%, maturing September 2022. | \$ 3,426,450 | \$ 4,513,350 |
| (b) at rates ranging from 1.40% to 2.70%, maturing March 2026. | 5,047,259 | 5,711,481 |
| (c) at rates ranging from 1.30% to 2.85%, maturing March 2027. | 3,709,506 | 4,135,914 |
| Total long-term debt | 12,183,215 | 14,360,745 |
| Less: Unamortized debenture discount | (75,892) | (91,069) |
| Net long-term debt | \$ 12,107,323 | \$ 14,269,676 |

(b) The long-term debt repayment schedule is as follows:

| | |
|-----------------|--------------|
| 2020 | \$ 2,223,979 |
| 2021 | 2,272,512 |
| 2022 | 2,323,163 |
| 2023 | 1,176,125 |
| 2024 | 1,201,240 |
| 2025 and beyond | 2,986,196 |

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements

Year ended December 31, 2019

4. Long-term debt

- (c) Total interest charges for the year for long-term debt which are reported on the Statement of Operations and Accumulated Surplus are as follows:

| | 2019 | 2018 |
|------------------------------------|-------------------|-------------------|
| Interest | \$ 321,675 | \$ 408,701 |
| Amortization of debenture discount | 15,178 | 27,783 |
| | \$ 336,853 | \$ 436,484 |

5. Tangible capital assets

| Cost | Balance at December 31, 2018 | Additions | Disposals | Balance at December 31, 2019 |
|-------------------------------------|------------------------------------|---------------------|-------------------|------------------------------------|
| Land | \$ 1,251,559 | \$ - | \$ - | \$ 1,251,559 |
| Buildings and building improvements | 29,346,451 | 627,211 | 21,317 | 29,952,345 |
| Machinery and equipment | 34,633,548 | 757,228 | 416,391 | 34,974,385 |
| Vehicles | 32,425 | - | 20,898 | 11,527 |
| Water infrastructure | 25,699,667 | - | - | 25,699,667 |
| Computers | 89,732 | - | - | 89,732 |
| Assets under construction | 357,471 | 686,610 | 74,663 | 969,418 |
| Total | \$ 91,410,853 | \$ 2,071,049 | \$ 533,269 | \$ 92,948,633 |

| Accumulated Amortization | Balance at December 31, 2018 | Amortization expense | Disposals | Balance at December 31, 2019 |
|-------------------------------------|------------------------------------|-------------------------|-------------------|------------------------------------|
| Land | \$ - | \$ - | \$ - | \$ - |
| Buildings and building improvements | 6,816,869 | 885,411 | 21,317 | 7,680,963 |
| Machinery and equipment | 12,411,794 | 2,000,382 | 416,391 | 13,995,785 |
| Vehicles | 23,369 | 1,646 | 20,898 | 4,117 |
| Water infrastructure | 3,995,827 | 527,245 | - | 4,523,072 |
| Computers | 14,996 | 29,910 | - | 44,906 |
| Assets under construction | - | - | - | - |
| Total | \$ 23,262,855 | \$ 3,444,594 | \$ 458,606 | \$ 26,248,843 |

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements

Year ended December 31, 2019

5. Tangible capital assets (continued)

| | Net book value December 31, 2018 | Net book value December 31, 2019 |
|-------------------------------------|-------------------------------------|-------------------------------------|
| Land | \$ 1,251,559 | \$ 1,251,559 |
| Buildings and building improvements | 22,529,582 | 22,271,382 |
| Machinery and equipment | 22,221,754 | 20,978,600 |
| Vehicles | 9,056 | 7,410 |
| Water infrastructure | 21,703,841 | 21,176,595 |
| Computers | 74,735 | 44,826 |
| Assets under construction | 357,471 | 969,418 |
| Total | \$ 68,147,998 | \$ 66,699,790 |

(a) Assets under construction

Assets under construction with a net book value of \$969,418 (2018 - \$357,471) have not been amortized. Amortization of these assets will commence when the asset is available for productive use.

(b) 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.

(c) Write-down of tangible capital assets

There were no write-downs in tangible capital assets during the year.

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements

Year ended December 31, 2019

6. Accumulated surplus

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

| | 2019 | 2018 |
|-------------------------------------------------------------------|----------------------|----------------------|
| Surplus: | | |
| Invested in tangible capital assets | \$ 53,675,606 | \$ 53,353,315 |
| Total surplus | 53,675,606 | 53,353,315 |
| Reserve funds set aside for specific purpose by the Board: | | |
| Infrastructure renewal - water operations | 11,806,778 | 10,396,390 |
| Total reserve funds | 11,806,778 | 10,396,390 |
| | \$ 65,482,384 | \$ 63,749,705 |

7. Financial instruments

- (a) The carrying values of due from the Corporation of the City of London, trade accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of the instruments.

The fair value of long-term debt approximates its carrying value as interest rates are similar to current market rates of interest available to the Entity.

- (b) Financial risks:

The Entity is not exposed to any significant interest, foreign currency or credit risks arising from its financial instruments.

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements

Year ended December 31, 2019

8. Budget data

Budget data presented in these financial statements are based upon the 2019 operating budget approved by the joint board of management. Adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. The chart below reconciles the approved budget with the budget figures as presented in these financial statements.

| | Budget |
|--------------------------------------------------------------|---------------------|
| Revenues: | |
| User Charges | \$ 12,524,031 |
| Municipal Revenue - Other | 10,000 |
| Total Revenues | 12,534,031 |
| Expenses: | |
| Personnel Costs | 681,294 |
| Administrative Expenses | 62,500 |
| Financial Expenses – Other | 160,000 |
| Financial Expenses – Interest and Discount on Long-term Debt | 336,854 |
| Financial Expenses – Debt Principal Repayments | 2,177,530 |
| Financial Expenses – Transfers to Reserves and Reserve Funds | 3,403,575 |
| Purchased Services | 365,914 |
| Materials and Supplies | 5,098,155 |
| Furniture and Equipment | 34,750 |
| Other Expenses | 213,459 |
| Total Expenses | 12,534,031 |
| Annual Surplus (Deficit) as per Budget | \$ - |
| PSAB Reporting Requirements: | |
| Transfers to Reserves and Reserve Funds | \$ 3,403,575 |
| Debt Principal Repayments | 2,177,530 |
| Net PSAB Budget Surplus as per Financial Statements | \$ 5,581,105 |

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements

Year ended December 31, 2019

9. Loan receivable

| | 2019 | 2018 |
|-----------------------------------------------------|------------|------------|
| Buy-in Charge Loan – Municipality of Dutton Dunwich | \$ 206,543 | \$ 229,190 |
| Interest Earned on Loan at prime rate less 1.53% | 5,353 | 5,190 |

Effective January 1, 2018, the Municipality of Dutton Dunwich entered into a four-party water supply agreement with the Township of Southwold, the St. Thomas Secondary Water Supply System, and the Elgin Area Water Supply System resulting in a buy-in charge of \$252,000. Dutton Dunwich has requested and the Elgin Board has consented to payment of this buy-in charge over a 10 year term bearing interest on the outstanding amount. During the year, \$22,647 was received as payment on the loan. This loan is paid quarterly and will mature in December 2027.

10. Subsequent events

Subsequent to December 31, 2019, 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 entity has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Due to the Province of Ontario's declaration of a State of Emergency Order and the temporary closure of non-essential business and restrictions in activities, consumption within the municipalities served by the water system has moderately declined.
- Lower water demand volumes within the municipalities may result in lower expenditures
- The Regional Water Supply office has remained open but reduced their staffing compliment on premises from March 18, 2020 to the date of the auditors' report based on public health recommendations
- Implemented voluntary working from home strategy in service delivery
- Modifications to shift coverage and work-isolations to minimize risks to operating staff at the water treatment plants

At this time, these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

Financial Statements of

**LAKE HURON AREA
PRIMARY WATER
SUPPLY SYSTEM**

And Independent Auditors' Report thereon

Year ended December 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Lake Huron Area Primary Water Supply System

Opinion

We have audited the financial statements of Lake Huron Area Primary Water Supply System (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of operations, its changes in net financial assets and its 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 responsibilities in accordance with these requirements.

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

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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

June 4, 2020

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM

Statement of Financial Position

December 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|---------------------------------------------------------|-----------------------|-----------------------|
| Financial assets | | |
| Due from the Corporation of the City of London (note 3) | \$ 37,632,030 | \$ 29,833,381 |
| Trade and other receivables | 673,067 | 1,908,629 |
| Total financial assets | 38,305,097 | 31,742,010 |
| Financial liabilities | | |
| Accounts payable and accrued liabilities | 1,511,085 | 1,912,744 |
| Accrued interest on long-term debt | 43,209 | 49,253 |
| Long-term debt (note 4) | 6,855,465 | 8,065,505 |
| Total financial liabilities | 8,409,759 | 10,027,502 |
| Net financial assets | 29,895,338 | 21,714,508 |
| Non-financial assets | | |
| Tangible capital assets (note 5) | 148,540,345 | 153,032,700 |
| Prepaid expenses | 243,388 | 202,510 |
| Total non-financial assets | 148,783,733 | 153,235,210 |
| Accumulated surplus (note 6) | \$ 178,679,071 | \$ 174,949,718 |

Commitments (note 8)

Contingent liabilities (note 9)

Subsequent events (note 11)

See accompanying notes to financial statements

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM

Statement of Operations and Accumulated Surplus

Year ended December 31, 2019, with comparative information for 2018

| | Budget (note 10) | 2019 | 2018 |
|--------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Revenues | | | |
| User charges | \$ 22,079,357 | \$ 22,838,742 | \$ 22,549,736 |
| Investment income | 22,000 | 832,509 | 506,101 |
| Transfer payments: | | | |
| Provincial | - | - | 674,777 |
| Federal | - | - | 1,077,471 |
| Other | 5,000 | 1,536 | 27,349 |
| Total revenues | 22,106,357 | 23,672,787 | 24,835,434 |
| Expenses | | | |
| Salaries, wages and benefits | 749,294 | 784,142 | 691,444 |
| Materials and supplies | 11,097,153 | 10,645,143 | 10,731,894 |
| Contracted services | 116,100 | 517,263 | 352,983 |
| Rents and financial expenses | 82,500 | 77,098 | 72,300 |
| Interest on long-term debt (note 4) | 162,889 | 162,889 | 181,625 |
| Amortization of tangible capital assets (note 5) | - | 7,543,440 | 7,425,041 |
| Administrative charges | 213,459 | 213,459 | 208,252 |
| Total expenses | 12,421,395 | 19,943,434 | 19,663,539 |
| Annual surplus | 9,684,962 | 3,729,353 | 5,171,895 |
| Accumulated surplus, beginning of year (note 6) | 174,949,718 | 174,949,718 | 169,777,823 |
| Accumulated surplus, end of year (note 6) | \$ 184,634,680 | \$ 178,679,071 | \$ 174,949,718 |

See accompanying notes to financial statements

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM

Statement of Changes in Net Financial Assets

Year ended December 31, 2019, with comparative information for 2018

| | Budget | 2019 | 2018 |
|-----------------------------------------|---------------|----------------------|---------------|
| | (note 10) | | |
| Annual surplus | \$ 9,684,962 | \$ 3,729,353 | \$ 5,171,895 |
| Acquisition of tangible capital assets | (15,127,000) | (3,051,085) | (2,774,993) |
| Amortization of tangible capital assets | - | 7,543,440 | 7,425,041 |
| | (5,442,038) | 8,221,708 | 9,821,943 |
| Change in prepaid expenses | - | (40,878) | 4,154 |
| Change in net financial assets | (5,442,038) | 8,180,830 | 9,826,097 |
| Net financial assets, beginning of year | 21,714,508 | 21,714,508 | 11,888,411 |
| Net financial assets, end of year | \$ 16,272,470 | \$ 29,895,338 | \$ 21,714,508 |

See accompanying notes to financial statements

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|-----------------------------------------------------|--------------------|--------------------|
| Cash provided by: | | |
| Operating activities: | | |
| Annual surplus | \$ 3,729,353 | \$ 5,171,895 |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 7,543,440 | 7,425,041 |
| Amortization of debenture discount | 8,200 | 8,200 |
| Changes in non-cash assets and liabilities: | | |
| Due from the Corporation of the City of London | (7,798,649) | (6,327,849) |
| Prepaid expenses | (40,878) | 4,154 |
| Trade and other receivables | 1,235,562 | (1,281,184) |
| Accounts payable and accrued liabilities | (401,659) | (348,066) |
| Deferred revenue | - | (674,777) |
| Accrued interest on long-term debt | (6,044) | (4,943) |
| Net change in cash from operating activities | 4,269,325 | 3,972,471 |
| Capital activities: | | |
| Purchase of tangible capital assets | (3,051,085) | (2,774,993) |
| Cash used in capital activities | (3,051,085) | (2,774,993) |
| Financing activities: | | |
| Long-term debt repayments | (1,218,240) | (1,197,478) |
| Cash used in financing activities | (1,218,240) | (1,197,478) |
| Net change in cash flows | \$ - | \$ - |

See accompanying notes to financial statements

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements

Year ended December 31, 2019

1. Nature of reporting entity

The final transfer order for Lake Huron Area Primary Water Supply System (the "Entity") was effective September 15, 2000, transferring assets along with any other real property to The Corporation of the City of London (the "Corporation") in trust to act as the Administering Municipality on behalf of the participating municipalities.

Under the transfer order, the works, properties and all assets, liabilities, rights and obligations of the system are conveyed, assigned and transferred to the Corporation as Trustee. Each of the benefitting municipalities, for so long as the municipality is serviced by the works has an undivided beneficial ownership interest in the works as tenant in common with all other municipalities jointly. The proportion that each municipality's interest bears to the total of all municipalities' interests shall be in the same ratio that the quantity of water supplied from the works to the municipalities at any time and from time to time bears to the total quantity of water supplied to all municipalities at such time. At present, the benefitting municipalities are The City of London, the Municipalities of Bluewater, South Huron, Lambton Shores, North Middlesex, Lucan-Biddulph, Middlesex Centre and Strathroy-Caradoc.

The transfer order established a joint board of management to govern the management of the water supply system. The joint board of management is comprised of eleven members appointed by the respective councils of participating municipalities. The Board composition is as follows:

| Municipality | Members | Votes |
|--------------------|---------|-------|
| The City of London | 4 | 17 |
| Bluewater | 1 | 1 |
| South Huron | 1 | 1 |
| Lucan-Biddulph | 1 | 1 |
| Lambton Shores | 1 | 1 |
| North Middlesex | 1 | 3 |
| Middlesex Centre | 1 | 1 |
| Strathroy-Caradoc | 1 | 3 |

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements (continued)

Year ended December 31, 2019

2. Significant accounting policies

The financial statements of the Entity are prepared by management, in accordance with Canadian generally accepted accounting principles as defined in the CPA Canada Public Sector Handbook – Accounting. Significant accounting policies are as follows.

(a) Accrual accounting

Sources of financing and expenses are reported on the accrual basis of accounting.

(b) Non-financial assets

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

i) Tangible capital assets

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

| Asset | Useful Life - Years |
|-------------------------------------|---------------------|
| Buildings and building improvements | 15 – 40 |
| Vehicles | 5 – 15 |
| Machinery and equipment | 7 – 20 |
| Water infrastructure | 10 – 60 |
| Computers | 3 |

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

ii) Interest capitalization

The interest costs associated with the acquisition or construction of a tangible capital asset are not capitalized.

(c) Revenue recognition

The Entity recognizes revenue when water is drawn by each customer, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements (continued)

Year ended December 31, 2019

2. Significant accounting policies (continued)

(d) Government transfers

Government transfer payments to the Corporation are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(e) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the valuation allowances for receivables and useful lives assigned to tangible capital assets.

Actual results could differ from those estimates.

(f) Budget figures

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.

(g) Liability for contaminated sites

Under PS 3260, liability for 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. This Standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination.

(h) Related party disclosures

The Entity adopted Public Sector Accounting Board Standard PS 2200 *Related Party Transactions* effective for fiscal periods beginning on or after April 1, 2017. The standard defines related party and provides disclosure requirements. Disclosure is only required when the transactions or events between related parties occur at a value different from what would have been recorded if they were not related and the transactions could have a material financial impact on the financial statements. The standard also requires disclosure of related party transactions that have occurred where no amounts have been recognized. The Entity adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements (continued)

Year ended December 31, 2019

2. Significant accounting policies (continued)

(i) Inter-entity transactions

The Entity adopted Public Sector Accounting Board standard PS 3420 *Inter-entity Transactions* effective for fiscal periods beginning on or after April 1, 2017. The standards specifies how to account for transactions between public sector entities within the government reporting entity.

Transactions undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length are recorded at the exchange amount. Transfers of an asset or liability at nominal or no consideration is recorded by the provider at the carrying amount and the recipient has the choice of using either the 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 recipient at the carrying amount or fair value unless otherwise dictated by policy, accountability structure or budget practice.

All other transactions are measured at the carrying amount.

The Entity adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

3. Due from the Corporation of the City of London

As the Administering Municipality, the Corporation manages the daily operations of the Entity. The Corporation maintains a separate general ledger on behalf of the Entity. All funds are paid and received through the Corporation's bank account and are held for use by the Entity.

4. Long-term debt

(a) Long-term debt is stated as follows:

| | 2019 | 2018 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| Long-term debt assumed by The Corporation of the City of London, as administering municipality, on behalf of the Lake Huron Area Primary Water Supply System, with semi-annual interest payments: | | |
| (a) at rates ranging from 2.50% to 3.20%, maturing September 2022. | \$ 571,075 | \$ 752,225 |
| (b) at rates ranging from 2.65% to 3.80%, maturing September 2023. | 647,370 | 798,930 |
| (c) at rates ranging from 0.95% to 2.25%, maturing March 2025. | 5,346,840 | 6,194,298 |
| (d) at rates ranging from 1.15% to 2.85%, maturing March 2027. | 331,212 | 369,285 |
| Total long-term debt | 6,896,497 | 8,114,738 |
| Less: Unamortized debenture discount | (41,032) | (49,233) |
| Net long-term debt | \$ 6,855,465 | \$ 8,065,505 |

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements (continued)

Year ended December 31, 2019

4. Long-term debt

(b) The long-term debt repayment schedule is as follows:

| | | |
|---------------|----|-----------|
| 2020 | \$ | 1,239,448 |
| 2021 | | 1,261,262 |
| 2022 | | 1,283,326 |
| 2023 | | 1,106,232 |
| 2024 | | 951,752 |
| 2025 & beyond | | 1,054,477 |

(c) Total charges for the year for long-term debt which are reported on the Statement of Operations and Accumulated Surplus are as follows:

| | 2019 | 2018 |
|------------------------------------|-------------------|-------------------|
| Interest | \$ 154,688 | \$ 173,425 |
| Amortization of debenture discount | 8,201 | 8,200 |
| | \$ 162,889 | \$ 181,625 |

5. Tangible capital assets

| Cost | Balance at December 31, 2018 | Additions | Disposals | Balance at December 31, 2019 |
|-------------------------------------|------------------------------------|---------------------|-------------------|------------------------------------|
| Land | \$ 1,843,513 | \$ 545,549 | \$ - | \$ 2,389,062 |
| Buildings and building improvements | 55,553,348 | 303,521 | 55,590 | 55,801,279 |
| Machinery and equipment | 42,888,999 | 1,601,662 | 464,883 | 44,025,778 |
| Vehicles | 32,425 | - | 20,898 | 11,527 |
| Water infrastructure | 118,418,737 | 241,541 | - | 118,660,278 |
| Computers | 85,620 | 1,217 | - | 86,837 |
| Assets under construction | 367,691 | 591,798 | 234,203 | 725,286 |
| Total | \$ 219,190,333 | \$ 3,285,288 | \$ 775,574 | \$ 221,700,047 |

| Accumulated Amortization | Balance at December 31, 2018 | Amortization expense | Disposals | Balance at December 31, 2019 |
|-------------------------------------|------------------------------------|-------------------------|-------------------|------------------------------------|
| Land | \$ - | \$ - | \$ - | \$ - |
| Buildings and building improvements | 15,911,689 | 2,202,742 | 55,590 | 18,058,841 |
| Machinery and equipment | 20,925,399 | 3,070,999 | 464,883 | 23,531,515 |
| Vehicles | 23,369 | 1,646 | 20,898 | 4,117 |
| Water infrastructure | 29,282,867 | 2,239,309 | - | 31,522,176 |
| Computers | 14,309 | 28,744 | - | 43,053 |
| Assets under construction | - | - | - | - |
| Total | \$ 66,157,633 | \$ 7,543,440 | \$ 541,371 | \$ 73,159,702 |

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements (continued)

Year ended December 31, 2019

5. Tangible capital assets (continued)

| | Net book value December 31, 2018 | Net book value December 31, 2019 |
|-------------------------------------|----------------------------------------|----------------------------------------|
| Land | \$ 1,843,513 | \$ 2,389,062 |
| Buildings and building improvements | 39,641,659 | 37,742,438 |
| Machinery and equipment | 21,963,600 | 20,494,263 |
| Vehicles | 9,056 | 7,410 |
| Water infrastructure | 89,135,870 | 87,138,102 |
| Computers | 71,311 | 43,784 |
| Assets under construction | 367,691 | 725,286 |
| Total | \$ 153,032,700 | \$ 148,540,345 |

(a) Assets under construction

Assets under construction with a net book value of \$725,286 (2018 - \$367,691) have not been amortized. Amortization of these assets will commence when the asset is available for productive use.

(b) 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.

(c) Write-down of tangible capital assets

There were no write-downs in tangible capital assets during the year (2018 – nil).

6. Accumulated surplus

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

| | 2019 | 2018 |
|-------------------------------------------------------------------|----------------------|---------------|
| Surplus: | | |
| Invested in tangible capital assets | \$139,069,937 | \$142,376,307 |
| Total surplus | 139,069,937 | 142,376,307 |
| Reserve funds set aside for specific purpose by the Board: | | |
| Infrastructure renewal - water operations | 39,609,134 | 32,573,411 |
| Total reserve funds | 39,609,134 | 32,573,411 |
| | \$178,679,071 | \$174,949,718 |

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements (continued)

Year ended December 31, 2019

7. Financial instruments

- (a) The carrying values of due from the Corporation of the City of London, trade and other receivables and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of the instruments.

The fair value of long-term debt approximates its carrying value as interest rates are similar to current market rates of interest available to the Entity.

- (b) Financial risks

The Entity is not exposed to any significant interest, foreign currency or credit risks arising from its financial instruments.

8. Commitments

Derivatives

The Entity has the following derivative:

- 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, remaining contract cost at December 31, 2019 is \$431,587 (2018 - \$689,832 under contract expired October 31, 2019).

This derivative contract was purchased to ensure price certainty for 26% of the Entity's electricity needs over the term of the contract. The value of the contract is not reflected as an asset or liability in these financial statements.

9. Contingent liabilities

There are certain claims pending against the Entity as at December 31, 2019. The final outcome of these claims cannot be determined at this time, however management believes that settlement of these matters will not materially exceed amounts recorded in these financial statements.

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements (continued)

Year ended December 31, 2019

10. Budget data

Budget data presented in these consolidated financial statements are based upon 2019 operating budget approved by the joint board of management. Adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. The chart below reconciles the approved budget with the budget figures as presented in these financial statements.

| | Budget |
|--------------------------------------------------------------|---------------------|
| Revenues | |
| User charges | \$ 22,079,357 |
| Municipal Revenues - Other | 27,000 |
| Total revenues | 22,106,357 |
| Expenses | |
| Personnel Costs | 681,294 |
| Administrative Expenses | 88,000 |
| Financial Expenses - Other | 310,000 |
| Financial Expenses - Interest and Discount on LTD | 162,889 |
| Financial Expenses - Debt Principal Repayments | 1,218,241 |
| Financial Expenses - Transfers to Reserves and Reserve Funds | 8,466,721 |
| Purchased Services | 609,100 |
| Materials and Supplies | 10,321,903 |
| Furniture and Equipment | 34,750 |
| Other Expenses | 213,459 |
| Recovered Expenses | - |
| Total expenses | 21,106,357 |
| Net surplus as per Budget | \$ - |
| PSAB Reporting Requirements: | |
| Transfers to Reserves and Reserve Funds | \$ 8,466,721 |
| Debt principal repayments | 1,218,241 |
| Net PSAB Budget surplus as per Financial Statements | \$ 9,684,962 |

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM

Notes to Financial Statements (continued)

Year ended December 31, 2019

11. Subsequent events

Subsequent to December 31, 2019, 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 entity has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Due to the Province of Ontario's declaration of a State of Emergency Order and the temporary closure of non-essential business and restrictions in activities, consumption within the municipalities served by the water system has moderately declined.
- Lower water demand volumes within the municipalities may result in lower expenditures
- The Regional Water Supply office has remained open but reduced their staffing compliment on premises from March 18, 2020 to the date of the auditors' report based on public health recommendations
- Implemented voluntary working from home strategy in service delivery
- Modifications to shift coverage and work-isolations to minimize risks to operating staff at the water treatment plants

At this time, these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

2019 FINANCIAL INFORMATION RETURN

Municipality: **London C**
 Tier: **Single-Tier**
 Area: **Middlesex Co**

MSO Office: **Western Ontario**
 Asmt Code: **3936**
 MAH Code: **59101**

Submitting: **FIR Schedules Only**
 Version: **2019.01001**

DECLARATION OF THE MUNICIPAL TREASURER

Pursuant to the information required by the Province of Ontario under the Municipal Affairs Act, the following schedules are attached:

| Schedule | Title | Completion |
|----------|--------------------------------------------------------------------------------------------------------------------------------|------------------------|
| 10 | CONSOLIDATED STATEMENT OF OPERATIONS: REVENUE | |
| 12 | GRANTS, USER FEES AND SERVICE CHARGES | |
| 20 | TAXATION INFORMATION | |
| 22 | MUNICIPAL AND SCHOOL BOARD TAXATION | |
| 24 | PAYMENTS-IN-LIEU OF TAXATION | |
| 26 | TAXATION AND PAYMENTS-IN-LIEU SUMMARY | |
| 28 | UPPER-TIER ENTITLEMENTS | UPPER-TIER ONLY |
| 40 | CONSOLIDATED STATEMENT OF OPERATIONS: EXPENSES | |
| 42 | ADDITIONAL INFORMATION | |
| 51 | SCHEDULE OF TANGIBLE CAPITAL ASSETS | |
| 53 | CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (NET DEBT) AND TANGIBLE CAPITAL ASSET ACQUISITION FINANCING/DONATIONS | |
| 54 | CONSOLIDATED STATEMENT OF CASH FLOW (SELECT DIRECT OR INDIRECT METHOD) | |
| 60 | CONTINUITY OF RESERVES AND RESERVE FUNDS | |
| 61 | DEVELOPMENT CHARGES RESERVE FUNDS | |
| 62 | DEVELOPMENT CHARGES RATES (INCLUDING SPECIAL AREAS) | |
| 70 | CONSOLIDATED STATEMENT OF FINANCIAL POSITION | |
| 72 | CONTINUITY OF TAXES RECEIVABLE | SINGLE/LOWER-TIER ONLY |
| 74 | LONG TERM LIABILITIES AND COMMITMENTS | |
| 76 | GOVERNMENT BUSINESS ENTERPRISES (GBE) | |
| 77 | OTHER ENTITIES (DSSAB, HEALTH UNIT, OTHER AND TOTAL ALL) | |
| 79 | COMMUNITY IMPROVEMENT PLANS | |
| 80 | STATISTICAL INFORMATION | |
| 81 | ANNUAL DEBT REPAYMENT LIMIT | |
| 83 | NOTES | |

For the purposes of this Financial Information Return, the amounts disclosed on the attached schedules are in agreement with the books and records of the municipality and its consolidated entities.

This Financial Information Return has been prepared in accordance with the Financial Information Return instructions.

Questions regarding the information contained in the Schedules should be addressed to:

| | | |
|------|----------------------------------------|-----------------------|
| 0020 | Name | Sharon Swance |
| 0022 | Telephone | 519-661-2489 ext 0146 |
| 0024 | Fax | 519-661-5932 |
| 0028 | Email (Required) | sswance@london.ca |
| 0030 | Website address of Municipality | www.london.ca |
| 0091 | Municipal Auditor | Katie denBok |
| 0092 | Municipal Audit Firm | KPMG LLP |
| 0095 | Municipal Auditor's Email (Required) | kdenbok@kpmg.ca |
| 0090 | Municipal Treasurer | Anna Lisa Barbon |
| 0093 | Municipal Treasurer's Email (Required) | abarbon@london.ca |
| 0094 | Date | 9/1/2020 |

Signature of Municipal Treasurer

| | |
|-----------|------|
| Signature | Date |
|-----------|------|

0070 Outstanding In-Year Critical Errors

0075 Schedule 54: Cashflow - Direct or Indirect Method Chosen

0077 Method used to allocate Program Support to other functions in Schedule 40

0078 If "Other Method" is selected in line 0077, please describe method of allocating Program Support

| | Municipal Data 1 (#) | Data Source 2 (List) |
|------|----------------------------|----------------------------|
| 0040 | Households | MPAC |
| 0041 | Population | Municipal |
| 0042 | Youth Population | Municipal |

FIR2019: London C

Schedule 10

Asmt Code: 3936

CONSOLIDATED STATEMENT OF OPERATIONS: REVENUE

MAH Code: 59101

for the year ended December 31, 2019

| STATEMENT OF OPERATIONS: REVENUE | | Own Purposes Revenue |
|----------------------------------|----------------------------------------------------------------------------------------------------------------------------------|----------------------|
| | | 1 |
| | | \$ |
| 0299 | Property Taxation Taxation - Own Purposes (SLC 26 9199 04 - 72 2899 07) For UT (SLC 28 0299 12 - 28 0299 08) | 622,509,346 |
| 0499 | Payments-In-Lieu of Taxation (SLC 26 9599 08) For UT (SLC 28 0299 08) | 9,659,916 |
| 9940 | Subtotal | 632,169,262 |
| 0510 | Estimated tax revenue | |
| 0620 | Ontario Municipal Partnership Fund (OMPF) | 0 |
| 0625 | Ontario Cannabis Legalization Implementation Fund (OCLIF) | 239,149 |
| 0695 | Other | |
| 0696 | Other | |
| 0697 | Other | |
| 0698 | Other | |
| 0699 | Subtotal | 239,149 |
| 0810 | Conditional Grants | |
| 0810 | Ontario conditional grants (SLC 12 9910 01) | 247,467,851 |
| 0815 | Ontario Grants for Tangible Capital Assets (SLC 12 9910 05) | 2,939,899 |
| 0820 | Canada conditional grants (SLC 12 9910 02) | 2,109,334 |
| 0825 | Canada Grants for Tangible Capital Assets (SLC 12 9910 06) | 19,499,419 |
| 0830 | Deferred revenue earned (Provincial Gas Tax) (SLC 60 1042 01 + SLC 60 1045 01) | 16,319,001 |
| 0831 | Deferred revenue earned (Canada Gas Tax) (SLC 60 1047 01) | 7,949,945 |
| 0899 | Subtotal | 296,285,449 |
| 1098 | Revenue from other municipalities for Tangible Capital Assets (SLC 12 9910 07) | 0 |
| 1099 | Revenue from other municipalities (SLC 12 9910 03) | 6,584,190 |
| 1299 | Total User Fees and Service Charges (SLC 12 9910 04) | 257,910,845 |
| 1410 | Licences, permits, rents, etc. | |
| 1410 | Trailer revenue and permits | 0 |
| 1420 | Licences and permits | 11,723,840 |
| 1430 | Rents, concessions and franchises | 24,050,177 |
| 1431 | Royalties | |
| 1432 | Green Energy | |
| 1498 | Other Other | 291,067 |
| 1499 | Subtotal | 36,065,084 |
| 1605 | Fines and penalties | |
| 1605 | Provincial Offences Act (POA) Municipality which administers POA only | 5,063,293 |
| 1610 | Other fines | 3,008,912 |
| 1620 | Penalties and interest on taxes | 4,667,379 |
| 1698 | Other | |
| 1699 | Subtotal | 12,739,584 |
| 1805 | Other revenue | |
| 1805 | Investment income | 8,634,950 |
| 1806 | Interest earned on reserves and reserve funds | 16,265,664 |
| 1811 | Gain/Loss on sale of land & capital assets | 65,283 |
| 1812 | Deferred revenue earned (Development Charges) (SLC 60 1025 01 + SLC 60 1026 01) | 34,934,114 |
| 1813 | Deferred revenue earned (Recreational land (The Planning Act)) (SLC 60 1032 01 + SLC 60 1035 01) | 131,402 |
| 1814 | Other Deferred revenue earned | |
| 1830 | Donations | 1,947,602 |
| 1831 | Donated Tangible Capital Assets (SLC 53 0610 01) | 64,953,296 |
| 1840 | Sale of publications, equipment, etc. | 5,716,546 |
| 1850 | Contributions from non-consolidated entities | |
| 1865 | Other Revenues from Government Business Enterprise (ie. Dividends, etc.) | |
| 1870 | Gaming and Casino Revenues | 5,061,660 |
| 1890 | Other | |
| 1891 | Other | |
| 1892 | Other | |
| 1893 | Other | |
| 1894 | Other | |
| 1895 | Other Other | 262,590 |
| 1896 | Other Other | 2,029,539 |
| 1897 | Other Other | 27,213,766 |
| 1898 | Other | |
| 1899 | Subtotal | 167,216,412 |
| 1880 | Municipal Land Transfer Tax (City of Toronto Act, 2006) | |
| 1886 | Transient Accommodation Tax | 3,442,328 |
| 1905 | Increase/Decrease in Government Business Enterprise equity | 9,028,528 |
| 9910 | TOTAL Revenues | 1,421,680,831 |

2019.01

FIR2019: London C

Schedule 10

Asmt Code: 3936

CONSOLIDATED STATEMENT OF OPERATIONS: REVENUE

MAH Code: 59101

for the year ended December 31, 2019

| Continuity of Accumulated Surplus/(Deficit) | | 1 |
|----------------------------------------------------|---------------------------------------------------------------------------------------------------------------|---------------|
| | | \$ |
| 2010 | PLUS: Total Revenues (SLC 10 9910 01) | 1,421,680,831 |
| 2020 | LESS: Total Expenses (SLC 40 9910 11) | 1,199,515,678 |
| 2030 | PLUS: | |
| 2040 | PLUS: | |
| 2045 | PLUS: PSAB Adjustments | |
| 2099 | Annual Surplus/(Deficit) | 222,165,153 |
| 2060 | Accumulated surplus/(deficit) at the beginning of year | 4,316,746,973 |
| 2061 | Prior period adjustments | |
| 2062 | Restated accumulated surplus/(deficit) at the beginning of year | 4,316,746,973 |
| 2063 | Other comprehensive Income (loss) | |
| 9950 | Accumulated surplus/(deficit) at the end of year (SLC 10 2099 01 + SLC 10 2062 01 + SLC 10 2063 01) | 4,538,912,126 |

| Continuity of Government Business Enterprise Equity | | 1 |
|------------------------------------------------------------|------------------------------------------------------------------------|-------------|
| | | \$ |
| 6010 | Government Business Enterprise Equity, beginning of year | 189,381,478 |
| 6020 | PLUS: Net Income for Government Business Enterprise for year | 9,028,528 |
| 6060 | PLUS: Other | -5,000,000 |
| 6090 | Government Business Enterprise Equity, end of year | 193,410,006 |

| Total of line 0899 includes: | | 1 |
|-------------------------------------|-------------------------------------------------------------|------------|
| Provincial Gas Tax Funding | | \$ |
| 4018 | Provincial Gas Tax for Transit operating expenses | 14,650,476 |
| 4019 | Provincial Gas Tax for Transit capital expenses | 1,668,525 |
| 4020 | Provincial Gas Tax | 16,319,001 |

| Total of line 0899 includes: | | 1 |
|-------------------------------------|----------------------------------------------------|------------|
| Canada Gas Tax Funding | | \$ |
| 4025 | General Government | 568,045 |
| Transportation Services: | | |
| 4030 | Roads - Paved | 12,536,321 |
| 4031 | Roads - Unpaved | |
| 4032 | Roads - Bridges and Culverts | 475,057 |
| 4033 | Roadways - Traffic Operations & Roadside | |
| 4040 | Transit - Conventional | |
| 4041 | Transit - Disabled & special needs | |
| 4045 | Air transportation | |
| 4046 | Other | |
| Environmental Services: | | |
| 4060 | Wastewater collection/conveyance | 1,502,682 |
| 4061 | Wastewater treatment & disposal | 62,128 |
| 4062 | Urban storm sewer system | 756,662 |
| 4063 | Rural storm sewer system | |
| 4064 | Water treatment | |
| 4065 | Water distribution/transmission | 698,845 |
| 4066 | Solid waste collection | |
| 4067 | Solid waste disposal | 1,052,152 |
| 4068 | Waste diversion | |
| 4069 | Other | |
| 4075 | Recreation Facilities - All Other | 253,686 |
| 4076 | Cultural services | |
| 4080 | Commercial and industrial | |
| 4099 | Canada Gas Tax | 17,905,578 |

FIR2019: London C

Asmt Code: 3936
MAH Code: 59101

Schedule 12
GRANTS, USER FEES AND SERVICE CHARGES
for the year ended December 31, 2019

| | Ontario Conditional Grants 1 \$ | Canada Conditional Grants 2 \$ | Other Municipalities 3 \$ | User Fees and Service Charges 4 \$ | Ontario Grants - Tangible Capital Assets 5 \$ | Canada Grants - Tangible Capital Assets 6 \$ | Other Municipalities - Tangible Capital Assets 7 \$ |
|------------------------------------------------------------|---------------------------------------|--------------------------------------|---------------------------------|------------------------------------------|-----------------------------------------------------|----------------------------------------------------|-----------------------------------------------------------|
| 0299 General government | 1,606,381 | | 5,333 | 2,277,779 | | 51,655 | |
| Protection services | | | | | | | |
| 0410 Fire | | | | 320,080 | | | |
| 0420 Police | 5,467,907 | 3,624 | 884,350 | 930,247 | | | |
| 0421 Court Security | | | | | | | |
| 0422 Prisoner Transportation | | | | | | | |
| 0430 Conservation authority | | | | | | | |
| 0440 Protective inspection and control | | | | 815,125 | | | |
| 0445 Building permit and inspection services | | | | 75,293 | | | |
| 0450 Emergency measures | | | | | | | |
| 0460 Provincial Offences Act (POA) | | | | | | | |
| 0498 Other | | | | | | | |
| 0499 Subtotal | 5,467,907 | 3,624 | 884,350 | 2,140,745 | 0 | 0 | 0 |
| Transportation services | | | | | | | |
| 0611 Roads - Paved | | | | 368,139 | | 14,409,155 | |
| 0612 Roads - Unpaved | | | | 9,948 | | | |
| 0613 Roads - Bridges and Culverts | | | | 95,553 | | 3,214 | |
| 0614 Roads - Traffic Operations & Roadside | | | | 66,825 | | -9,160 | |
| 0621 Winter Control - Except sidewalks, Parking Lots | | | | 431,562 | | | |
| 0622 Winter Control - Sidewalks, Parking Lots Only | | | | 69,934 | | | |
| 0631 Transit - Conventional | | 84,266 | | 32,741,472 | | | |
| 0632 Transit - Disabled & special needs | | | | 570,652 | | | |
| 0640 Parking | | | | 3,406,898 | | 916 | |
| 0650 Street lighting | | | | | | | |
| 0660 Air transportation | | | | | | | |
| 0698 Other | 40,000 | | | | 2,000 | | |
| 0699 Subtotal | 40,000 | 84,266 | 0 | 37,760,983 | 2,000 | 14,404,125 | 0 |
| Environmental services | | | | | | | |
| 0811 Wastewater collection/conveyance | 11,570 | -246 | 31,403 | 28,441,512 | 4,593 | 755,206 | |
| 0812 Wastewater treatment & disposal | 17,355 | | 47,104 | 42,662,268 | 658,373 | 1,316,746 | |
| 0821 Urban storm sewer system | 9,642 | | 26,169 | 23,701,260 | 1,170,557 | 2,333,596 | |
| 0822 Rural storm sewer system | | | | | | | |
| 0831 Water treatment | | | 88,742 | 28,566,357 | | | |
| 0832 Water distribution/transmission | | | 495,105 | 53,051,806 | 90,967 | 194,695 | |
| 0840 Solid waste collection | | | | 694,782 | | | |
| 0850 Solid waste disposal | | | 43,123 | 6,026,704 | | | |
| 0860 Waste diversion | | | 466,544 | 4,085,068 | | | |
| 0898 Other | | 0 | | | | | |
| 0899 Subtotal | 38,567 | -246 | 1,198,190 | 187,229,757 | 1,924,490 | 4,600,243 | 0 |
| Health services | | | | | | | |
| 1010 Public health services | 4,721,990 | 70,811 | 207,118 | | | | |
| 1020 Hospitals | | | | | | | |
| 1030 Ambulance services | | | | | | | |
| 1035 Ambulance dispatch | | | | | | | |
| 1040 Cemeteries | | | | | | | |
| 1098 Other | | | | | | | |
| 1099 Subtotal | 4,721,990 | 70,811 | 207,118 | 0 | 0 | 0 | 0 |
| Social and family services | | | | | | | |
| 1210 General assistance | 147,593,051 | 1,079,882 | | 18,467 | | | |
| 1220 Assistance to aged persons | 12,867,561 | | | 6,344,440 | | | |
| 1230 Child care | 52,639,705 | 251,002 | | | | | |
| 1298 Other | | | | 89,795 | | | |
| 1299 Subtotal | 213,100,317 | 1,330,884 | 0 | 6,452,702 | 0 | 0 | 0 |
| Social Housing | | | | | | | |
| 1410 Public Housing | 3,038,023 | | | 340,231 | | | |
| 1420 Non - Profit/Cooperative Housing | 6,479,832 | | 4,289,199 | | | | |
| 1430 Rent Supplement Programs | 10,721,712 | | | | | | |
| 1497 Other | | | | | | | |
| 1498 Other | 1,132,669 | | | | | 31,389 | |
| 1499 Subtotal | 21,372,236 | 0 | 4,289,199 | 340,231 | 0 | 31,389 | 0 |
| Recreation and cultural services | | | | | | | |
| 1610 Parks | | | | | 1,013,409 | 259,605 | |
| 1620 Recreation programs | 96,643 | 30,870 | | 7,245,175 | | | |
| 1631 Recreation facilities - Golf Course, Marina, Ski Hill | | | | 2,658,878 | | | |
| 1634 Recreation facilities - All Other | 162,758 | | | 620,378 | | 152,400 | |
| 1640 Libraries | 598,829 | 29,400 | | 540,246 | | | |
| 1645 Museums | | 47,131 | | | | | |
| 1650 Cultural services | 228,282 | 484,096 | | 573,153 | | | |
| 1698 Other | | | | | | | |
| 1699 Subtotal | 1,086,512 | 591,497 | 0 | 11,637,830 | 1,013,409 | 412,005 | 0 |
| Planning and development | | | | | | | |
| 1810 Planning and zoning | 30,501 | | | 1,871,914 | | | |
| 1820 Commercial and industrial | 3,440 | 28,498 | | 8,198,904 | | 2 | |
| 1830 Residential development | | | | | | | |
| 1840 Agriculture and reforestation | | | | | | | |
| 1850 Tile drainage/shoreline assistance | | | | | | | |
| 1898 Other | | | | | | | |
| 1899 Subtotal | 33,941 | 28,498 | 0 | 10,070,818 | 0 | 2 | 0 |
| 1910 Other | | | | | | | |
| 9910 TOTAL | 247,467,851 | 2,109,334 | 6,584,190 | 257,910,845 | 2,939,899 | 19,499,419 | 0 |

FIR2019: London C

Asmt Code: 3936
MAH Code: 59101

Schedule 20 TAXATION INFORMATION for the year ended December 31, 2019

General Information

1. Optional Property Classes in Effect

| | | |
|------|-------------------------------------------------------|--------|
| | | 2 |
| | | Y or N |
| 0202 | N New Multi-Residential | N |
| 0205 | G Parking Lot (Includes CJ, CR, CX, CY, CZ) | N |
| 0210 | D Office Building | N |
| 0215 | S Shopping Centre | N |
| 0220 | L Large Industrial | N |
| 0225 | Other <input type="text"/> | N |

2. Capping Parameters and Results

| | Exit capping immediately | Decrease - Percentage Retained | Tax Adjustment - Increases | Net Class Impact | Annualized Tax Limit | CVA Tax Limit | CVA Threshold Value for Protected Properties | CVA Threshold Value for Clawed Back Properties | Exclude Properties Previously at CVA Tax | Exclude Properties that go from Capped to Clawed Back | Exclude Properties that go from Clawed Back to Capped |
|------|-------------------------------|--------------------------------|----------------------------|------------------|----------------------|---------------|----------------------------------------------|------------------------------------------------|------------------------------------------|-------------------------------------------------------|-------------------------------------------------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| | Y or N | % | \$ | \$ | % | % | \$ | \$ | Y or N | Y or N | Y or N |
| 0320 | M Multi-Residential | Y | | | | | | | | | |
| 0330 | C Commercial | N | 100.0% | -1,790 | -1,790 | 10.0% | 10.0% | 500 | 0 | Y | Y |
| 0340 | I Industrial | Y | | | | | | | | | |

3. Graduated Taxation (Tax Bands)

| | Grad. Tax Rates in Effect? | Number of Tax Bands | Low Band | | Middle Band | |
|------|------------------------------|---------------------|--------------|------------------------|--------------|------------------------|
| | | | CVA Boundary | % of Highest Band Rate | CVA Boundary | % of Highest Band Rate |
| | 2 | 3 | 4 | 5 | 6 | 7 |
| | Y or N | # | \$ | % | \$ | % |
| 0610 | C Commercial | N | | | | |
| 0611 | G Parking Lot | N | | | | |
| 0612 | D Office Building | N | | | | |
| 0613 | S Shopping Centre | N | | | | |
| 0620 | I Industrial | N | | | | |
| 0621 | L Large Industrial | N | | | | |

4. Phase-In Program in Effect (Most recent Phase-In only)

| | Phase-In Program in Effect? | Year Current Phase-In Initiated | Term of Current Phase-In |
|------|-------------------------------------------|---------------------------------|--------------------------|
| | 2 | 3 | 4 |
| | Y or N | Year | # of Yrs |
| 0805 | R Residential | N | |
| 0810 | M Multi-Residential | N | |
| 0815 | N New Multi-Residential | N | |
| 0820 | C Commercial (Includes G, D, S) | N | |
| 0840 | I Industrial (Includes L) | N | |
| 0850 | F Farmland | N | |
| 0855 | T Managed Forest | N | |
| 0860 | P Pipeline | N | |

5. Rebates for Eligible Charities

| | |
|------|---------------------------------------------------------------------|
| | 2 |
| | % |
| 1010 | Rebate Percentage for Eligible Charities (SLC 72 2099 xx) |
| | 40.0% |

6. Property Tax Due Dates for Current Year

To be completed by Single/Lower-tier Municipalities Only

| | INTERIM Billing Instalments | | | FINAL Billing Instalments | | | |
|------|--------------------------------------|----------------|---------------|---------------------------|----------------|---------------|----------|
| | Instalments | First Due Date | Last Due Date | Instalments | First Due Date | Last Due Date | |
| | 2 | 3 | 4 | 5 | 6 | 7 | |
| | # | YYYYMMDD | YYYYMMDD | # | YYYYMMDD | YYYYMMDD | |
| 1210 | R Residential | 2 | 20190228 | 20190329 | 3 | 20190628 | 20191031 |
| 1220 | M Multi-Residential | 2 | 20190228 | 20190329 | 3 | 20190628 | 20191031 |
| 1230 | F Farmland | 2 | 20190228 | 20190329 | 3 | 20190628 | 20191031 |
| 1240 | T Managed Forest | 2 | 20190228 | 20190329 | 3 | 20190628 | 20191031 |
| 1250 | C Commercial | 2 | 20190228 | 20190329 | 3 | 20190628 | 20191031 |
| 1260 | I Industrial | 2 | 20190228 | 20190329 | 3 | 20190628 | 20191031 |
| 1270 | P Pipeline | 2 | 20190228 | 20190329 | 3 | 20190628 | 20191031 |
| 1298 | Other <input type="text"/> | | | | | | |

FIR2019: London C

Asmt Code: 3936
MAH Code: 59101

Schedule 22 MUNICIPAL and SCHOOL BOARD TAXATION for the year ended December 31, 2019

1. GENERAL PURPOSE LEVY INFORMATION

| | | | | | | | | | | | |
|------|-------|-----------------------------|----------------|-------------|-------------|----------|---|-----------------|-------------|-------|-------------|
| 9299 | TOTAL | Phase-In Taxable Assessment | 44,852,463.078 | LT/ST Taxes | 606,536,544 | UT Taxes | 0 | Education Taxes | 141,204,178 | TOTAL | 747,740,722 |
|------|-------|-----------------------------|----------------|-------------|-------------|----------|---|-----------------|-------------|-------|-------------|

| RTC RTQ | Tax Band | Property Class | Tax Rate Description | Tax Ratio | Percent of Full Rate | CVA Assessment | Phase-In Taxable Assessment | Tax Rates | | | | Municipal Taxes | | Education | TOTAL |
|---------|----------|---------------------------|-------------------------------|-----------|----------------------|----------------|-----------------------------|-------------|-------------|--------------|--------------|-----------------|-------|-------------|-------------|
| | | | | | | | | LT / ST | UT | EDUC | TOTAL | LT / ST | UT | Taxes | |
| 1 LIST | 2 LIST | 3 | 4 | 5 | 6 % | 7 \$ | 16 \$ | 8 0.xxxxxx% | 9 0.xxxxxx% | 10 0.xxxxxx% | 11 0.xxxxxx% | 12 \$ | 13 \$ | 14 \$ | 15 \$ |
| 2001 | 0 | London C | | | | | | | | | | | | | |
| 0010 | RT | 0 Residential | Full Occupied | 1.000000 | 100% | 37,040,487,221 | 36,341,795,344 | 1.179225% | | 0.161000% | 1.340225% | 428,551,536 | 0 | 58,510,291 | 487,061,827 |
| 0031 | R1 | 0 Residential | Farm. Awaiting Devel. - Ph I | 1.000000 | 75% | 8,190,800 | 7,303,517 | 0.884419% | | 0.120750% | 1.005169% | 64,594 | 0 | 8,819 | 73,413 |
| 0050 | MT | 0 Multi-Residential | Full Occupied | 1.795800 | 100% | 1,726,398,503 | 1,652,826,006 | 2.062582% | | 0.161000% | 2.223582% | 34,090,892 | 0 | 2,661,050 | 36,751,942 |
| 0061 | M1 | 0 Multi-Residential | Farm. Awaiting Devel. - Ph I | 1.000000 | 75% | 8,543,000 | 7,524,827 | 0.884419% | | 0.120750% | 1.005169% | 66,551 | 0 | 9,086 | 75,637 |
| 0110 | FT | 0 Farmland | Full Occupied | 0.102820 | 100% | 503,484,700 | 439,486,337 | 0.121248% | | 0.040250% | 0.161498% | 532,868 | 0 | 176,893 | 709,761 |
| 0140 | TT | 0 Managed Forest | Full Occupied | 0.250000 | 100% | 1,102,111 | 1,102,111 | 0.294806% | | 0.040250% | 0.335056% | 3,249 | 0 | 444 | 3,693 |
| 0210 | CT | 0 Commercial | Full Occupied | 1.930000 | 100% | 3,101,766,468 | 2,941,077,917 | 2.264112% | | 1.290000% | 3.554112% | 66,589,298 | 0 | 37,939,905 | 104,529,203 |
| 0215 | CH | 0 Commercial | Full Occupied, Shared PIL | 1.930000 | 100% | 17,258,464 | 16,347,718 | 2.264112% | | 1.290000% | 3.554112% | 370,131 | 0 | 210,886 | 581,017 |
| 0231 | C1 | 0 Commercial | Farm. Awaiting Devel. - Ph I | 1.000000 | 75% | 1,193,000 | 1,120,750 | 0.884419% | | 0.120750% | 1.005169% | 9,912 | 0 | 1,353 | 11,265 |
| 0240 | CU | 0 Commercial | Excess Land | 1.930000 | 70% | 40,333,146 | 38,071,080 | 1.584878% | | 1.096500% | 2.681378% | 603,380 | 0 | 417,449 | 1,020,829 |
| 0245 | CK | 0 Commercial | Excess Land, Shared PIL | 1.930000 | 70% | 630,300 | 580,975 | 1.584878% | | 1.096500% | 2.681378% | 9,208 | 0 | 6,370 | 15,578 |
| 0270 | CX | 0 Commercial | Vacant Land | 1.930000 | 70% | 98,888,900 | 91,751,803 | 1.584878% | | 1.096500% | 2.681378% | 1,454,154 | 0 | 1,006,059 | 2,460,213 |
| 0310 | GT | 0 Office Building | Full Occupied | 1.930000 | 100% | 123,827,651 | 109,087,004 | 2.264112% | | 1.290000% | 3.554112% | 2,469,852 | 0 | 1,407,222 | 3,877,074 |
| 0320 | DT | 0 Office Building | Full Occupied | 1.930000 | 100% | 368,460,760 | 356,427,366 | 2.264112% | | 1.290000% | 3.554112% | 8,069,915 | 0 | 4,597,913 | 12,667,828 |
| 0330 | DU | 0 Office Building | Excess Land | 1.930000 | 70% | 2,159,380 | 2,024,418 | 1.584878% | | 1.096500% | 2.681378% | 32,085 | 0 | 22,198 | 54,283 |
| 0340 | ST | 0 Shopping Centre | Full Occupied | 1.930000 | 100% | 1,513,551,812 | 1,400,806,533 | 2.264112% | | 1.290000% | 3.554112% | 31,715,829 | 0 | 18,070,404 | 49,786,233 |
| 0350 | SU | 0 Shopping Centre | Excess Land | 1.930000 | 70% | 1,864,800 | 1,700,641 | 1.584878% | | 1.096500% | 2.681378% | 26,953 | 0 | 18,648 | 45,601 |
| 0510 | IT | 0 Industrial | Full Occupied | 1.930000 | 100% | 248,680,900 | 242,541,035 | 2.264112% | | 1.290000% | 3.554112% | 5,491,401 | 0 | 3,128,779 | 8,620,180 |
| 0515 | IH | 0 Industrial | Full Occupied, Shared PIL | 1.930000 | 100% | 6,859,000 | 6,485,448 | 2.264112% | | 1.290000% | 3.554112% | 146,838 | 0 | 83,662 | 230,500 |
| 0531 | I1 | 0 Industrial | Farm. Awaiting Devel. - Ph I | 1.000000 | 75% | 1,407,000 | 1,273,768 | 0.884419% | | 0.120750% | 1.005169% | 11,265 | 0 | 1,538 | 12,803 |
| 0534 | I4 | 0 Industrial | Farm. Awaiting Devel. - Ph II | 1.930000 | 100% | 112,200 | 104,150 | 2.264112% | | 1.290000% | 3.554112% | 2,358 | 0 | 1,344 | 3,702 |
| 0540 | IU | 0 Industrial | Excess Land | 1.930000 | 70% | 7,773,800 | 7,458,835 | 1.584878% | | 1.096500% | 2.681378% | 118,213 | 0 | 81,786 | 199,999 |
| 0570 | IX | 0 Industrial | Vacant Land | 1.930000 | 70% | 50,042,200 | 46,460,354 | 1.584878% | | 1.096500% | 2.681378% | 736,340 | 0 | 509,438 | 1,245,778 |
| 0610 | LT | 0 Large Industrial | Full Occupied | 1.930000 | 100% | 136,736,209 | 134,417,709 | 2.264112% | | 1.290000% | 3.554112% | 3,043,367 | 0 | 1,733,988 | 4,777,355 |
| 0620 | LU | 0 Large Industrial | Excess Land | 1.930000 | 70% | 6,684,623 | 6,456,778 | 1.584878% | | 1.096500% | 2.681378% | 102,332 | 0 | 70,799 | 173,131 |
| 0710 | PT | 0 Pipeline | Full Occupied | 1.713000 | 100% | 107,399,500 | 105,171,698 | 2.020012% | | 1.290000% | 3.310012% | 2,124,481 | 0 | 1,356,715 | 3,481,196 |
| 2140 | JT | 0 Industrial, NConstr. | Full Occupied | 1.930000 | 100% | 63,865,300 | 61,572,706 | 2.264112% | | 1.030000% | 3.294112% | 1,394,075 | 0 | 634,199 | 2,028,274 |
| 2145 | JU | 0 Industrial, NConstr. | Excess Land | 1.930000 | 70% | 2,172,800 | 2,064,223 | 1.584878% | | 0.875500% | 2.460378% | 32,715 | 0 | 18,072 | 50,787 |
| 2235 | KT | 0 Large Ind., NConstr. | Full Occupied | 1.930000 | 100% | 57,686,400 | 55,678,764 | 2.264112% | | 1.030000% | 3.294112% | 1,260,630 | 0 | 573,491 | 1,834,121 |
| 2240 | KU | 0 Large Ind., NConstr. | Excess Land | 1.930000 | 70% | 1,979,100 | 1,873,391 | 1.584878% | | 0.875500% | 2.460378% | 29,691 | 0 | 16,402 | 46,093 |
| 2440 | XT | 0 Commercial, NConstr. | Full Occupied | 1.930000 | 100% | 544,791,081 | 521,275,267 | 2.264112% | | 1.030000% | 3.294112% | 11,802,256 | 0 | 5,369,135 | 17,171,391 |
| 2445 | XU | 0 Commercial, NConstr. | Excess Land | 1.930000 | 70% | 12,959,671 | 12,097,342 | 1.584878% | | 0.875500% | 2.460378% | 191,728 | 0 | 105,912 | 297,640 |
| 2635 | YT | 0 Office Build., NConstr. | Full Occupied | 1.930000 | 100% | 17,792,460 | 17,319,012 | 2.264112% | | 1.030000% | 3.294112% | 392,122 | 0 | 178,386 | 570,508 |
| 2640 | YU | 0 Office Build., NConstr. | Excess Land | 1.930000 | 70% | 1,403,200 | 1,368,635 | 1.584878% | | 0.875500% | 2.460378% | 21,691 | 0 | 11,982 | 33,673 |
| 2835 | ZT | 0 Shopp. Centre, NConstr. | Full Occupied | 1.930000 | 100% | 231,362,305 | 219,500,033 | 2.264112% | | 1.030000% | 3.294112% | 4,969,727 | 0 | 2,260,850 | 7,230,577 |
| 2840 | ZU | 0 Shopp. Centre, NConstr. | Excess Land | 1.930000 | 70% | 337,883 | 309,583 | 1.584878% | | 0.875500% | 2.460378% | 4,907 | 0 | 2,710 | 7,617 |
| 9201 | | | Subtotal | | | 46,058,186,648 | 44,852,463,078 | | | | | 606,536,544 | 0 | 141,204,178 | 747,740,722 |

FIR2019: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 22
MUNICIPAL and SCHOOL BOARD TAXATION
 for the year ended December 31, 2019

1. GENERAL PURPOSE LEVY INFORMATION

| | | Phase-In Taxable Assessment | LT/ST Taxes | UT Taxes | Education Taxes | TOTAL |
|------|-------|-----------------------------|-------------|----------|-----------------|-------------|
| 9299 | TOTAL | 44,852,463.078 | 606,536,544 | 0 | 141,204,178 | 747,740,722 |

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2019.01001

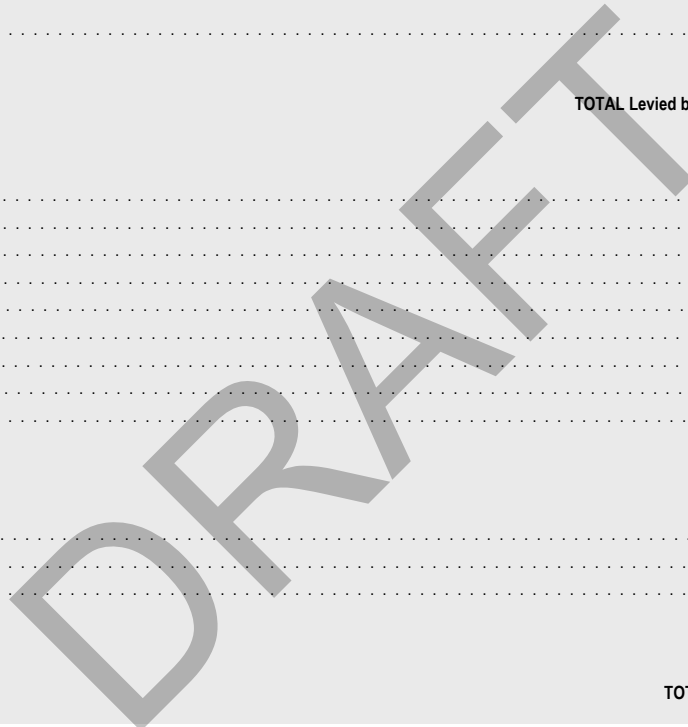
FIR2019: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 22 MUNICIPAL and SCHOOL BOARD TAXATION for the year ended December 31, 2019

| | Municipal Taxes | | Education | TOTAL |
|----------------------------------------------------------------------------------------------------------|-----------------|----|-------------|-------------|
| | LT / ST | UT | Taxes | |
| | 12 | 13 | 14 | 15 |
| | \$ | \$ | \$ | \$ |
| 4. ADJUSTMENTS TO TAXATION | | | | |
| 7010 Adjustments for properties, shared as if Payment-In-Lieu (Hydro properties RTQ = H, J, K) | 300,918 | | -300,918 | 0 |
| 5. SUPPLEMENTARY TAXES | | | | |
| 9799 Total of all supplementary taxes (Supps, Omits, Section 359) | 12,116,567 | | 2,468,814 | 14,585,381 |
| 6. AMOUNT LEVIED BY TAX RATE | | | | |
| 9910 TOTAL Levied by Tax Rate | 618,954,029 | 0 | 143,372,074 | 762,326,103 |
| 7. AMOUNTS ADDED TO TAX BILL | | | | |
| 8005 Local improvements | 569,181 | | | 569,181 |
| 8010 Sewer and water service charges | 3,001,610 | | | 3,001,610 |
| 8015 Sewer and water connection charges | | | | 0 |
| 8020 Fire service charges | | | | 0 |
| 8025 Minimum tax (differential only) | | | | 0 |
| 8030 Municipal drainage charges | | | | 0 |
| 8035 Waste management collection charges | | | | 0 |
| 8040 Business improvement area | 2,593,287 | | | 2,593,287 |
| 8097 Other <input type="text"/> | | | | 0 |
| 9890 Subtotal | 6,164,078 | 0 | 0 | 6,164,078 |
| 8. OTHER TAXATION AMOUNTS | | | | |
| 8045 Railway rights-of-way (RTC = W) | 54,468 | | 56,933 | 111,401 |
| 8050 Utility transmission and utility corridors (RTC = U) | | | | 0 |
| 8098 Other <input type="text"/> | | | | 0 |
| 9892 Subtotal | 54,468 | 0 | 56,933 | 111,401 |
| 9. TOTAL AMOUNT LEVIED | | | | |
| 9990 TOTAL Levies | 625,172,575 | 0 | 143,429,007 | 768,601,582 |



FIR2019: London C

Asmt Code: 3936
MAH Code: 59101

Schedule 24
PAYMENTS-IN-LIEU of TAXATION
for the year ended December 31, 2019

1. GENERAL PURPOSE PAYMENTS-IN-LIEU

| | | | | | | |
|------|-------|--------------------------|------------|---------|----------------|-----------|
| 9299 | TOTAL | PIL Phased-In Assessment | LT/ST PILS | UT PILS | Education PILS | TOTAL |
| | | 198,260,732 | 4,511,829 | 0 | 1,383,721 | 5,895,550 |

| KIC DTD 1 LIST | Tax Rate 2 LIST | Property Class 3 | Tax Rate Description 4 | Tax Ratio 5 | Percent of Full Rate 6 % | PIL CVA Assessment 7 \$ | PIL Phased-In Assessment 16 \$ | Tax Rates | | | | Municipal PILS | | Education PILS 14 \$ | TOTAL 15 \$ |
|----------------|-----------------|----------------------|------------------------------------------------|-------------|--------------------------|-------------------------|--------------------------------|---------------------|----------------|-------------------|--------------------|----------------|----------|----------------------|-------------|
| | | | | | | | | LT / ST 8 0.xxxxxx% | UT 9 0.xxxxxx% | EDUC 10 0.xxxxxx% | TOTAL 11 0.xxxxxx% | LT / ST 12 \$ | UT 13 \$ | PILS 14 \$ | TOTAL 15 \$ |
| 0 | | London C | | | | | | | | | | | | | |
| 1011 | RF 0 | Residential | PIL: Full Occupied | 1.000000 | 100% | 1,674,000 | 1,529,000 | 1.179225% | | 0.161000% | 1.340225% | 18,030 | 0 | 2,462 | 20,492 |
| 1015 | RP 0 | Residential | PIL: Full Occupied, Taxable Tenant of Province | 1.000000 | 100% | 69,100 | 67,927 | 1.179225% | | 0.161000% | 1.340225% | 801 | 0 | 109 | 910 |
| 1028 | RG 0 | Residential | PIL: 'General' Only (No Educ.) | 1.000000 | 100% | 321,400 | 299,373 | 1.179225% | | | 1.179225% | 3,530 | 0 | 0 | 3,530 |
| 1210 | CF 0 | Commercial | PIL: Full Occupied | 1.930000 | 100% | 76,748,600 | 73,345,376 | 2.264112% | | 1.030000% | 3.294112% | 1,660,621 | 0 | 755,457 | 2,416,078 |
| 1220 | CG 0 | Commercial | PIL: 'General' Only (No Educ.) | 1.930000 | 100% | 41,504,100 | 39,785,990 | 2.264112% | | | 2.264112% | 900,799 | 0 | 0 | 900,799 |
| 1260 | CW 0 | Commercial | PIL: Excess Land, 'General' Only | 1.930000 | 70% | 481,300 | 444,435 | 1.584878% | | | 1.584878% | 7,044 | 0 | 0 | 7,044 |
| 1280 | CY 0 | Commercial | PIL: Vacant Land | 1.930000 | 70% | 1,292,700 | 1,188,025 | 1.584878% | | 1.096500% | 2.681378% | 18,829 | 0 | 13,027 | 31,856 |
| 1290 | CZ 0 | Commercial | PIL: Vacant Land, 'General' Only | 1.930000 | 70% | 3,398,000 | 2,808,000 | 1.584878% | | | 1.584878% | 44,503 | 0 | 0 | 44,503 |
| 1310 | GF 0 | Parking Lot | PIL: Full Occupied | 1.930000 | 100% | 12,293,000 | 11,717,206 | 2.264112% | | 1.030000% | 3.294112% | 265,291 | 0 | 120,687 | 385,978 |
| 1320 | DF 0 | Office Building | PIL: Full Occupied | 1.930000 | 100% | 25,310,000 | 24,008,800 | 2.264112% | | 1.030000% | 3.294112% | 543,586 | 0 | 247,291 | 790,877 |
| 1328 | DG 0 | Office Building | PIL: 'General' Only (No Educ.) | 1.930000 | 100% | 21,203,000 | 21,203,000 | 2.264112% | | | 2.264112% | 480,060 | 0 | 0 | 480,060 |
| 1590 | IZ 0 | Industrial | PIL: Vacant Land, 'General' Only | 1.930000 | 70% | 432,600 | 400,600 | 1.584878% | | | 1.584878% | 6,349 | 0 | 0 | 6,349 |
| 4410 | XF 0 | Commercial, NConstr. | PIL: Full Occupied | 1.930000 | 100% | 12,379,000 | 12,379,000 | 2.264112% | | 1.030000% | 3.294112% | 280,274 | 0 | 127,504 | 407,778 |
| 5010 | HF 0 | Landfill | PIL: Full Occupied | 2.633590 | 100% | 9,084,000 | 9,084,000 | 3.105595% | | 1.290000% | 4.395595% | 282,112 | 0 | 117,184 | 399,296 |
| | | | | | | | | | | | 0 | 0 | 0 | 0 | |
| | | | | | | | | | | | 0 | 0 | 0 | 0 | |
| | | | | | | | | | | | 0 | 0 | 0 | 0 | |
| | | | | | | | | | | | 0 | 0 | 0 | 0 | |
| | | | | | | | | | | | 0 | 0 | 0 | 0 | |
| | | | | | | | | | | | 0 | 0 | 0 | 0 | |
| 9201 | | | Subtotal | | | 206,190,800 | 198,260,732 | | | | | 4,511,829 | 0 | 1,383,721 | 5,895,550 |

2019.01001

FIR2019: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 24 PAYMENTS-IN-LIEU of TAXATION for the year ended December 31, 2019

| | | Municipal PILS | | Education | TOTAL |
|-----------------------------------------------|-------------------------------------------------------------------------------------------|--------------------------------------|----|-----------|------------|
| | | LT / ST | UT | PILS | 15 |
| | | 12 | 13 | 14 | 15 |
| | | \$ | \$ | \$ | \$ |
| 4. SUPPLEMENTARY PAYMENTS-IN-LIEU | | | | | |
| 9799 | Total of all supplementary PILS (Supps, Omits, Section 444) | | | | 0 |
| 5. PAYMENTS-IN-LIEU LEVIED BY TAX RATE | | | | | |
| 9910 | | TOTAL PILS Levied by Tax Rate | | | |
| | | 4,511,829 | 0 | 1,383,721 | 5,895,550 |
| 6. AMOUNTS ADDED TO PAYMENTS-IN-LIEU | | | | | |
| 8005 | Local improvements | | | | 0 |
| 8010 | Sewer and water service charges | | | | 0 |
| 8015 | Sewer and water connection charges | | | | 0 |
| 8020 | Fire service charges | | | | 0 |
| 8030 | Municipal drainage charges | | | | 0 |
| 8035 | Waste management collection charges | | | | 0 |
| 8040 | Business improvement area | | | | 0 |
| 8097 | Other <input type="text" value="Airport"/> | 857,156 | | | 857,156 |
| 9890 | | Subtotal | | 0 | 857,156 |
| | | 857,156 | 0 | 0 | 857,156 |
| 7. OTHER PAYMENTS-IN-LIEU AMOUNTS | | | | | |
| 8045 | Railway rights-of-way (RTC = W) - from Ontario Enterprises | | | | 0 |
| 8046 | Railway rights-of-way (RTC = W) - from Province | | | | 0 |
| 8050 | Utility transmission and utility corridors (RTC = U) - from Ontario Enterprises | 37,308 | | 52,809 | 90,117 |
| 8051 | Utility transmission and utility corridors (RTC = U) - from Province | | | | 0 |
| 8055 | Institutional Payments - Heads and Beds (Mun. Act 323, 324) | 4,225,950 | | | 4,225,950 |
| 8060 | Hydro-electric Power Dams - from Province | | | | 0 |
| 8098 | Other <input type="text"/> | | | | 0 |
| 9892 | | Subtotal | | 52,809 | 4,316,067 |
| | | 4,263,258 | 0 | 52,809 | 4,316,067 |
| 8. TOTAL PAYMENTS-IN-LIEU LEVIED | | | | | |
| 9990 | | TOTAL PILS Levied | | | |
| | | 9,632,243 | 0 | 1,436,530 | 11,068,773 |

FIR2019: London C

Asmt Code: 3936
MAH Code: 59101

Schedule 26 TAXATION and PAYMENTS-IN-LIEU SUMMARY for the year ended December 31, 2019

1. Municipal and School Board Taxation

| | | | | | | TOTAL | | | | | | | |
|-------------------------------------|------------------------------------------------------------------------------------------------------------|--------------------------------|------------------------------|-----------------------------------------|--------------------|--------------------|--------------|-------------------------------------------------------------|--------------------|----------------|-------------------|------------------|----------|
| | | | | | | 100.000% | ENG - Public | FRE - Public | ENG - Separate | FRE - Separate | Other | | |
| | | | | | | | 77.590% | 0.870% | 19.887% | 1.653% | 0.000% | | |
| 9010 | Legislated Percentage of Education Taxes distributed to each School Board (Applic. to Com, Ind, Pipelines) | | | | | | | | | | | | |
| Property Class Group | Taxable Asmt. (CVA) | Taxable Asmt. (Wtd & Disc CVA) | Phase-In Taxable Asmt. (CVA) | Phase-In Taxable Asmt. (Wtd & Disc CVA) | TOTAL Taxes | Municipal Taxes | | Distribution of Education Taxes in column 6 by School Board | | | | | |
| | 16 \$ | 2 \$ | 18 \$ | 17 \$ | 3 \$ | LT / ST | UT | Education Taxes | ENG - Public | FRE - Public | ENG - Separate | FRE - Separate | Other |
| | | | | | | 4 \$ | 5 \$ | 6 \$ | 7 \$ | 8 \$ | 9 \$ | 10 \$ | 11 \$ |
| 0010 Residential | 37,048,678,021 | 37,046,630,321 | 36,349,098,861 | 36,347,272,982 | 487,135,240 | 428,616,130 | 0 | 58,519,110 | 49,006,745 | 188,830 | 9,075,244 | 248,291 | |
| 0050 Multi-residential | 1,734,941,503 | 3,106,673,682 | 1,660,350,833 | 2,973,788,562 | 36,827,579 | 34,157,443 | 0 | 2,670,136 | 2,485,708 | 3,721 | 176,205 | 4,502 | |
| 0110 Farmland | 503,484,700 | 51,768,297 | 439,486,337 | 45,187,985 | 709,761 | 532,868 | 0 | 176,893 | 167,010 | 4 | 9,871 | 8 | |
| 0140 Managed Forests | 1,102,111 | 275,528 | 1,102,111 | 275,528 | 3,693 | 3,249 | 0 | 444 | 436 | 0 | 7 | 1 | |
| 9110 Subtotal | 39,288,206,335 | 40,205,347,827 | 38,450,038,142 | 39,366,525,056 | 524,676,273 | 463,309,690 | 0 | 61,366,583 | 51,659,899 | 192,555 | 9,261,327 | 252,802 | 0 |
| 0210 Commercial | 3,260,070,278 | 6,209,553,388 | 3,088,950,243 | 5,884,847,650 | 108,618,105 | 69,036,083 | 0 | 39,582,022 | 30,711,691 | 344,364 | 7,871,677 | 654,291 | 0 |
| 0215 Commercial New Construction | 557,750,752 | 1,068,955,302 | 533,372,609 | 1,022,404,774 | 17,469,031 | 11,993,984 | 0 | 5,475,047 | 4,248,089 | 47,633 | 1,088,823 | 90,503 | 0 |
| 0310 Parking Lot | 123,827,651 | 238,987,366 | 109,087,004 | 210,537,918 | 3,877,074 | 2,469,852 | 0 | 1,407,222 | 1,091,864 | 12,243 | 279,854 | 23,261 | 0 |
| 0320 Office Building | 370,620,140 | 714,046,589 | 358,451,784 | 690,639,805 | 12,722,111 | 8,102,000 | 0 | 4,620,111 | 3,584,744 | 40,195 | 918,801 | 76,370 | 0 |
| 0325 Office Building New Constructi | 19,195,660 | 36,235,171 | 18,687,647 | 35,274,719 | 604,181 | 413,813 | 0 | 190,368 | 147,707 | 1,656 | 37,858 | 3,147 | 0 |
| 0340 Shopping Centre | 1,515,416,612 | 2,923,674,342 | 1,402,507,174 | 2,705,854,175 | 49,831,834 | 31,742,782 | 0 | 18,089,052 | 14,035,295 | 157,375 | 3,597,370 | 299,012 | 0 |
| 0345 Shopping Centre New Constru | 231,700,188 | 446,985,729 | 219,809,616 | 424,053,310 | 7,238,194 | 4,974,634 | 0 | 2,263,560 | 1,756,296 | 19,693 | 450,154 | 37,417 | 0 |
| 9120 Subtotal | 6,078,581,281 | 11,638,437,887 | 5,730,866,077 | 10,973,612,351 | 200,360,530 | 128,733,148 | 0 | 74,627,382 | 55,575,686 | 623,158 | 14,244,537 | 1,184,001 | 0 |
| 0510 Industrial | 314,875,100 | 572,573,219 | 304,323,590 | 554,622,272 | 10,312,962 | 6,506,415 | 0 | 3,806,547 | 2,953,500 | 33,117 | 757,008 | 62,922 | 0 |
| 0515 Industrial New Construction | 66,038,100 | 126,195,482 | 63,636,929 | 121,624,088 | 2,079,061 | 1,426,790 | 0 | 652,271 | 506,097 | 5,675 | 129,717 | 10,782 | 0 |
| 0610 Large Industrial | 143,420,832 | 272,931,809 | 140,874,487 | 268,149,285 | 4,950,486 | 3,145,699 | 0 | 1,804,787 | 1,400,334 | 15,702 | 358,918 | 29,833 | 0 |
| 0615 Large Industrial New Construct | 59,665,500 | 114,008,516 | 57,552,155 | 109,990,966 | 1,880,214 | 1,290,321 | 0 | 589,893 | 457,698 | 5,132 | 117,312 | 9,751 | 0 |
| 9130 Subtotal | 583,999,532 | 1,085,709,026 | 566,387,161 | 1,054,386,611 | 19,222,723 | 12,369,225 | 0 | 6,853,498 | 5,317,629 | 59,625 | 1,362,955 | 113,288 | 0 |
| 0705 Landfill | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0710 Pipelines | 107,399,500 | 183,975,344 | 105,171,698 | 180,159,119 | 3,481,196 | 2,124,481 | 0 | 1,356,715 | 1,052,675 | 11,803 | 269,810 | 22,426 | 0 |
| 0810 Other Property Classes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9160 Adj. for shared PIL properties | 0 | 0 | 0 | 0 | 0 | 300,918 | 0 | -300,918 | -233,482 | -2,618 | -59,844 | -4,974 | 0 |
| 9170 Supplementary Taxes | 0 | 0 | 0 | 0 | 14,585,381 | 12,116,567 | 0 | 2,468,814 | 2,263,190 | 6,638 | 185,016 | 13,970 | 0 |
| 9180 Total Levied by Rate | | | | | 762,326,103 | 618,954,029 | 0 | 143,372,074 | 115,635,597 | 891,162 | 25,263,802 | 1,581,513 | 0 |
| 9190 Armts Added to Tax Bill | | | | | 6,164,078 | 6,164,078 | 0 | 0 | | | | | |
| 9192 Other Taxation Amounts | | | | | 111,401 | 54,468 | 0 | 56,933 | 44,175 | 495 | 11,322 | 941 | 0 |
| 9199 TOTAL before Adj. | 46,058,186,648 | 53,113,470,084 | 44,852,463,078 | 51,574,683,138 | 768,601,582 | 625,172,575 | 0 | 143,429,007 | 115,679,772 | 891,657 | 25,275,124 | 1,582,454 | 0 |

2. Payments-In-Lieu of Taxation

| Property Class Group | PIL Asmt. (CVA) | PIL Asmt. (Wtd & Disc CVA) | Phase-In PIL Asmt. (CVA) | Phase-In PIL Asmt. (Wtd & Disc CVA) | Total PILS Levied | Municipal PILS | | Education PILS |
|-------------------------------------|--------------------|----------------------------|--------------------------|-------------------------------------|-------------------|------------------|----------|------------------|
| | 16 \$ | 2 \$ | 18 \$ | 17 \$ | 3 \$ | LT / ST | UT | 6 \$ |
| | | | | | | 4 \$ | 5 \$ | |
| 1010 Residential | 2,064,500 | 2,064,500 | 1,896,300 | 1,896,300 | 24,932 | 22,361 | 0 | 2,571 |
| 1050 Multi-residential | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1110 Farmland | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1140 Managed Forests | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9210 Subtotal | 2,064,500 | 2,064,500 | 1,896,300 | 1,896,300 | 24,932 | 22,361 | 0 | 2,571 |
| 1210 Commercial | 123,424,700 | 235,215,083 | 117,571,826 | 224,342,598 | 3,400,280 | 2,631,796 | 0 | 768,484 |
| 1215 Commercial New Construction | 12,379,000 | 23,891,470 | 12,379,000 | 23,891,470 | 407,778 | 280,274 | 0 | 127,504 |
| 1310 Parking Lot | 12,293,000 | 23,725,490 | 11,717,206 | 22,614,208 | 385,978 | 265,291 | 0 | 120,687 |
| 1320 Office Building | 46,513,000 | 89,770,090 | 45,211,800 | 87,258,774 | 1,270,937 | 1,023,646 | 0 | 247,291 |
| 1325 Office Building New Constructi | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1340 Shopping Centre | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1345 Shopping Centre New Constru | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9220 Subtotal | 194,609,700 | 372,602,133 | 186,879,832 | 358,107,049 | 5,464,973 | 4,201,007 | 0 | 1,263,966 |
| 1510 Industrial | 432,600 | 584,443 | 400,600 | 541,211 | 6,349 | 6,349 | 0 | 0 |
| 1515 Industrial New Construction | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1610 Large Industrial | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1615 Large Industrial New Construct | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9230 Subtotal | 432,600 | 584,443 | 400,600 | 541,211 | 6,349 | 6,349 | 0 | 0 |
| 1705 Landfill | 9,084,000 | 23,923,532 | 9,084,000 | 23,923,532 | 399,296 | 282,112 | 0 | 117,184 |
| 1718 Pipelines | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1810 Other Property Classes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9270 Supplementary PILS | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9280 Total Levied by Rate | | | | | 5,895,550 | 4,511,829 | 0 | 1,383,721 |
| 9290 Armts Added to PILS | | | | | 857,156 | 857,156 | 0 | 0 |
| 9292 Other PIL Amounts | | | | | 4,316,067 | 4,263,258 | 0 | 52,809 |
| 9299 TOTAL before Adj. | 206,190,800 | 399,174,607 | 198,260,732 | 384,468,092 | 11,068,773 | 9,632,243 | 0 | 1,436,530 |

Part 3 contains Distribution of PILS by School Boards

FIR2019: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 40
CONSOLIDATED STATEMENT OF OPERATIONS: EXPENSES
for the year ended December 31, 2019

| | Salaries, Wages and Employee Benefits | Interest on Long Term Debt | Materials | Contracted Services | Rents and Financial Expenses | External Transfers | Amortization | Total Expenses Before Adjustments | Inter-Functional Adjustments | Allocation of Program Support * | Total Expenses After Adjustments |
|------------------------------------------------------|---------------------------------------|----------------------------|-------------------|---------------------|------------------------------|--------------------|-------------------|-----------------------------------|------------------------------|---------------------------------|----------------------------------|
| | 1 \$ | 2 \$ | 3 \$ | 4 \$ | 5 \$ | 6 \$ | 16 \$ | 7 \$ | 12 \$ | 13 \$ | 11 \$ |
| General government | | | | | | | | | | | |
| 0240 Governance | 2,952,702 | | 212,774 | 34,741 | 0 | 4,000 | 32,273 | 3,236,490 | | 1,090,885 | 4,327,375 |
| 0250 Corporate Management | 18,741,968 | 478,763 | 10,991,456 | 6,931,520 | 6,819,729 | 250 | 120,353 | 44,084,039 | -232,000 | 1,857,239 | 45,709,278 |
| 0260 Program Support | 35,478,961 | 83 | 3,724,781 | 5,781,674 | 724,260 | 230,000 | 11,043,508 | 56,993,267 | -414,794 | -45,304,882 | 11,273,591 |
| 0299 Subtotal | 57,173,631 | 478,846 | 14,929,011 | 12,757,935 | 7,543,989 | 234,250 | 11,196,134 | 104,313,796 | -646,794 | -42,356,758 | 61,310,244 |
| Protection services | | | | | | | | | | | |
| 0410 Fire | 61,830,982 | 71,350 | 2,444,409 | 213,305 | 1,640 | | 3,125,151 | 67,686,837 | | 3,732,812 | 71,419,649 |
| 0420 Police | 104,756,772 | 324,756 | 6,399,747 | 2,230,346 | -31,374 | | 5,190,329 | 118,870,576 | | 5,155,481 | 124,026,057 |
| 0421 Court Security | 4,187,492 | | 48,162 | 4,189 | 0 | | | 4,239,843 | | 7,627 | 4,247,470 |
| 0422 Prisoner Transportation | 247,415 | | 44,855 | 209 | 0 | | 31,514 | 323,993 | | 7,232 | 331,225 |
| 0430 Conservation authority | | | | | | 4,398,889 | | 4,398,889 | | 4,217 | 4,403,106 |
| 0440 Protective inspection and control | 4,702,545 | | 2,823,794 | 597,725 | 161,827 | | 64,819 | 8,350,710 | | 695,631 | 9,046,341 |
| 0445 Building permit and inspection services | 4,997,300 | | 363,587 | 80,835 | 16,378 | | 9,104 | 5,467,204 | | 619,800 | 6,087,004 |
| 0450 Emergency measures | 344,860 | | 6,901 | 112,718 | | | 62,977 | 527,456 | | 41,030 | 568,486 |
| 0460 Provincial Offences Act (POA) | 1,537,765 | | 436,531 | 831,256 | 84,263 | 238,418 | 110,980 | 3,239,213 | 646,794 | 318,838 | 4,204,845 |
| 0498 Other | | | | | | | | 0 | | | 0 |
| 0499 Subtotal | 182,605,131 | 396,106 | 12,567,966 | 4,070,583 | 232,734 | 4,637,307 | 8,594,874 | 213,104,721 | 646,794 | 10,582,668 | 224,334,183 |
| Transportation services | | | | | | | | | | | |
| 0611 Roads - Paved | 9,313,144 | 1,933,792 | 6,607,376 | 20,767,467 | 3,961,227 | | 37,106,078 | 79,689,084 | | 1,476,408 | 81,165,492 |
| 0612 Roads - Unpaved | 168,540 | | 167,684 | 5,045 | 57,819 | | | 399,088 | | 87,146 | 486,234 |
| 0613 Roads - Bridges and Culverts | 1,328,131 | | 354,664 | 180,311 | 569,461 | | 3,342,608 | 5,775,165 | | 115,801 | 5,890,966 |
| 0614 Roads - Traffic Operations & Roadside | 6,073,810 | | 2,307,659 | 3,619,932 | 217,266 | | | 16,415,836 | | 618,635 | 17,034,471 |
| 0621 Winter Control - Except sidewalks, Parking Lots | 4,144,311 | | 5,576,409 | 116,620 | 3,902,619 | | 253 | 13,740,212 | | 428,129 | 14,168,341 |
| 0622 Winter Control - Sidewalks, Parking Lots Only | 592,498 | | 882,310 | 16,292 | 631,247 | | | 2,122,347 | | 68,510 | 2,190,857 |
| 0631 Transit - Conventional | 49,663,947 | 676,078 | 19,881,651 | | 4,367 | | 13,156,085 | 83,382,128 | | 183,902 | 83,566,030 |
| 0632 Transit - Disabled & special needs | 1,052,646 | | 276,860 | 7,870,212 | | | | 9,199,718 | | 8,938 | 9,208,656 |
| 0640 Parking | 1,063,398 | | 457,026 | 1,750,164 | 55,121 | 3,160 | 252,820 | 3,581,689 | | 243,884 | 3,825,573 |
| 0650 Street lighting | 144,273 | 14,310 | 6,530,188 | 242,619 | -1,337 | | 5,830,114 | 12,760,167 | | 117,337 | 12,877,504 |
| 0660 Air transportation | | | | | | | | 0 | | | 0 |
| 0698 Other | | | | | | | | 0 | | 770 | 770 |
| 0699 Subtotal | 73,544,698 | 2,624,180 | 43,041,827 | 34,568,662 | 9,397,780 | 3,160 | 63,885,127 | 227,065,434 | 0 | 3,349,460 | 230,414,894 |
| Environmental services | | | | | | | | | | | |
| 0811 Wastewater collection/conveyance | 2,470,966 | 1,120,450 | 1,510,208 | 1,421,658 | 2,322,631 | | 13,069,038 | 21,914,951 | | 685,630 | 22,600,581 |
| 0812 Wastewater treatment & disposal | 9,046,919 | 599,968 | 10,106,121 | 1,429,927 | 312,718 | | 18,537,532 | 40,033,235 | | 1,284,665 | 41,317,900 |
| 0821 Urban storm sewer system | 1,789,966 | 963,146 | 1,213,057 | 4,402,467 | 811,490 | | 15,525,067 | 24,705,193 | | 512,946 | 25,218,139 |
| 0822 Rural storm sewer system | 98,984 | | 2,797 | 340 | | | | 102,121 | | 20,167 | 122,288 |
| 0831 Water treatment | 1,320,101 | 169,989 | 6,506,717 | 834,777 | 52,053 | 6,908 | 4,713,390 | 13,603,935 | | 318,789 | 13,922,724 |
| 0832 Water distribution/transmission | 8,794,459 | 180,115 | 10,876,201 | 5,464,172 | 1,234,082 | 6,908 | 20,371,919 | 46,927,856 | | 1,068,401 | 47,996,257 |
| 0840 Solid waste collection | 5,779,436 | | 3,016,777 | 648,695 | | | 52,093 | 9,497,001 | | 302,982 | 9,799,983 |
| 0850 Solid waste disposal | 1,839,017 | | 3,049,022 | 897,733 | 1,678,631 | 3,549 | 1,576,441 | 9,044,393 | | 240,010 | 9,284,403 |
| 0860 Waste diversion | 1,387,647 | | 387,056 | 11,945,993 | 572,818 | | 845,685 | 15,139,199 | | 205,046 | 15,344,245 |
| 0898 Other | 685,759 | | 118,834 | 156,850 | 21,106 | | | 982,549 | | 110,678 | 1,093,227 |
| 0899 Subtotal | 33,213,254 | 3,033,668 | 36,786,840 | 27,202,612 | 6,432,711 | 990,183 | 74,691,165 | 181,950,433 | 0 | 4,749,314 | 186,699,747 |
| Health services | | | | | | | | | | | |
| 1010 Public health services | 4,793,233 | | 443,370 | 678,278 | 297,502 | 5,084,591 | 88,594 | 11,385,568 | | 13,738 | 11,399,306 |
| 1020 Hospitals | | | | | | | | 0 | | | 0 |
| 1030 Ambulance services | | | | 16,442,956 | | | | 16,442,956 | | 13,791 | 16,456,747 |
| 1035 Ambulance dispatch | | | | | | | | 0 | | | 0 |
| 1040 Cemeteries | | | | | | | | 0 | | | 0 |
| 1098 Other | | | | | | | | 0 | | | 0 |
| 1099 Subtotal | 4,793,233 | 0 | 443,370 | 17,121,234 | 297,502 | 5,084,591 | 88,594 | 27,828,524 | 0 | 27,529 | 27,856,053 |
| Social and family services | | | | | | | | | | | |
| 1210 General assistance | 22,519,251 | | 882,291 | 8,006,168 | 2,803,486 | 134,770,277 | 457,598 | 169,439,071 | -169,837 | 4,548,674 | 173,817,908 |
| 1220 Assistance to aged persons | 20,117,514 | 655,812 | 2,875,017 | 405,778 | | 206,931 | 1,295,578 | 25,556,630 | 4,641 | 1,638,202 | 27,199,473 |
| 1230 Child care | 2,093,478 | | 202,192 | 23,097,975 | 148,378 | 34,588,277 | 2,236 | 60,132,536 | 269,652 | 530,800 | 60,932,988 |
| 1298 Other | 319,782 | | 134,129 | 6,852 | 1,478 | | 592 | 462,833 | | 89,602 | 552,435 |
| 1299 Subtotal | 45,050,025 | 655,812 | 4,093,629 | 31,516,773 | 2,953,342 | 169,565,485 | 1,756,004 | 255,591,070 | 104,456 | 6,807,278 | 262,502,804 |

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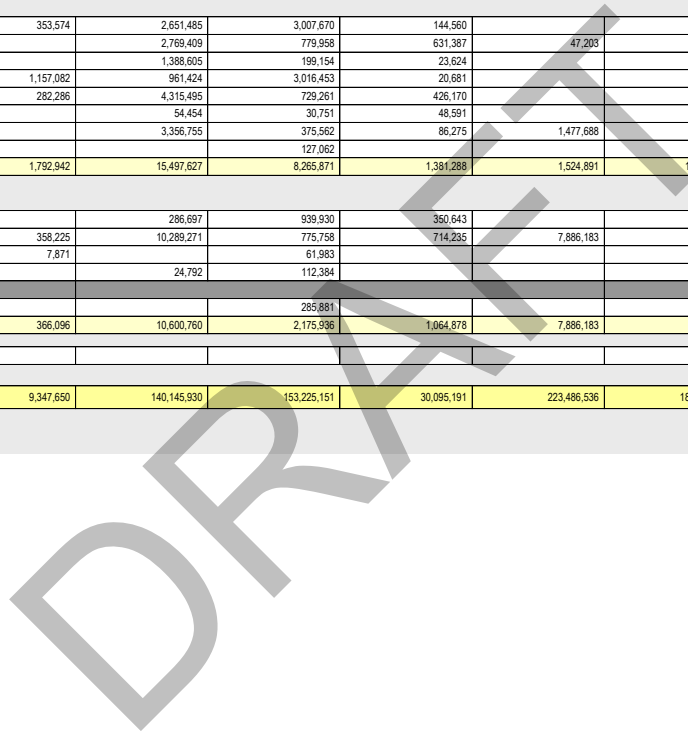
Asmt Code: 3936

MAH Code: 59101

Schedule 40 CONSOLIDATED STATEMENT OF OPERATIONS: EXPENSES

for the year ended December 31, 2019

| | Salaries, Wages and Employee Benefits | Interest on Long Term Debt | Materials | Contracted Services | Rents and Financial Expenses | External Transfers | Amortization | Total Expenses Before Adjustments | Inter-Functional Adjustments | Allocation of Program Support * | Total Expenses After Adjustments |
|---------------------------------------------|------------------------------------------|-------------------------------|--------------------|------------------------|---------------------------------|-----------------------|--------------------|--------------------------------------|---------------------------------|------------------------------------|-------------------------------------|
| | 1 \$ | 2 \$ | 3 \$ | 4 \$ | 5 \$ | 6 \$ | 16 \$ | 7 \$ | 12 \$ | 13 \$ | 11 \$ |
| Social Housing | | | | | | | | | | | |
| 1410 Public Housing | 5,576,501 | | 2,071,740 | 15,043,203 | 667,668 | 7,538 | 1,930,562 | 25,297,212 | | 98,546 | 25,395,758 |
| 1420 Non-Profit/Cooperative Housing | | | | 120,047 | | 18,408,603 | | 18,528,650 | | 25,054 | 18,553,704 |
| 1430 Rent Supplement Programs | | | | 2,836 | | 2,622,362 | | 2,625,198 | | 42,517 | 2,667,715 |
| 1497 Other Other | 1,529,953 | | 55,235 | 151,474 | 89,574 | 42,096 | 9,931 | 1,678,263 | | 215,764 | 2,094,027 |
| 1498 Other Other | 688,758 | | 57,905 | 227,985 | 33,725 | 12,879,887 | 44,791 | 13,933,051 | | 58,730 | 13,991,781 |
| 1499 Subtotal | 7,795,212 | 0 | 2,184,880 | 15,545,545 | 790,967 | 33,960,486 | 1,985,284 | 62,262,374 | 0 | 440,611 | 62,702,985 |
| Recreation and cultural services | | | | | | | | | | | |
| 1610 Parks | 6,743,932 | 353,574 | 2,651,485 | 3,007,670 | 144,560 | | 4,930,053 | 17,831,274 | | 3,156,262 | 20,987,536 |
| 1620 Recreation programs | 11,342,615 | | 2,769,409 | 779,958 | 631,387 | 47,203 | 35,135 | 15,605,707 | -104,456 | 2,495,506 | 17,996,757 |
| 1631 Rec. Fac. - Golf Crs, Marina, Ski Hill | 1,866,003 | | 1,388,605 | 199,154 | 23,624 | | 234,202 | 3,711,588 | | 260,568 | 3,972,156 |
| 1634 Rec. Fac. - All Other | 5,504,888 | 1,157,082 | 961,424 | 3,016,453 | 20,681 | | 7,079,557 | 17,740,085 | | 8,087,683 | 25,827,768 |
| 1640 Libraries | 14,615,252 | 282,286 | 4,315,495 | 729,261 | 426,170 | | 3,628,698 | 23,997,162 | | 23,881 | 24,021,043 |
| 1645 Museums | 296,710 | | 54,454 | 30,751 | 48,591 | | 9,228 | 439,734 | | 24,053 | 463,787 |
| 1650 Cultural services | 2,243,082 | | 3,356,755 | 375,562 | 86,275 | 1,477,688 | 1,760,243 | 9,299,605 | | 403,358 | 9,702,963 |
| 1698 Other Other | | | | 127,062 | | | 1,018 | 128,080 | | 7,502 | 135,582 |
| 1699 Subtotal | 42,612,482 | 1,792,942 | 15,497,627 | 8,265,671 | 1,381,288 | 1,524,891 | 17,678,134 | 88,753,235 | -104,456 | 14,458,813 | 103,107,592 |
| Planning and development | | | | | | | | | | | |
| 1810 Planning and zoning | 8,346,010 | | 286,697 | 939,930 | 350,643 | | 83,772 | 10,007,052 | | 1,135,015 | 11,142,067 |
| 1820 Commercial and Industrial | 5,558,509 | 358,225 | 10,289,271 | 775,758 | 714,235 | 7,886,183 | 1,960,770 | 27,542,951 | | 681,240 | 28,224,191 |
| 1830 Residential development | | 7,871 | | 61,983 | | | 0 | 69,854 | | 51,627 | 121,481 |
| 1840 Agriculture and reforestation | 505,981 | | 24,792 | 112,384 | | | 97,196 | 740,353 | | 71,690 | 812,043 |
| 1850 Tile drainage/shoreline assistance | | | | | | | | 0 | | | 0 |
| 1898 Other Other | | | | 285,881 | | | 0 | 285,881 | | 1,513 | 287,394 |
| 1899 Subtotal | 14,410,500 | 366,096 | 10,600,760 | 2,175,936 | 1,064,878 | 7,886,183 | 2,141,738 | 38,646,091 | 0 | 1,941,085 | 40,587,176 |
| 1910 Other | | | | | | | | 0 | | | 0 |
| 9910 TOTAL | 461,198,166 | 9,347,650 | 140,145,930 | 153,225,151 | 30,095,191 | 223,486,536 | 182,017,054 | 1,199,515,678 | 0 | 0 | 1,199,515,678 |



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FIR2019: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 42

ADDITIONAL INFORMATION

for the year ended December 31, 2019

Additional information contained in Schedule 40

| | | 1 |
|----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|-------------|
| | | \$ |
| Total of column 1 includes: | | |
| 5010 | Salaries and wages | 351,686,766 |
| 5020 | Employee benefits | 109,511,400 |
| 5099 | Total Salaries, Wages and Employee benefits (Not including line 5050) | 461,198,166 |
| 5050 | Salaries, Wages and Employee benefits capitalized on Schedule 51 | |
| 5098 | Total Salaries, Wages and Employee benefits (including capitalized wages) | 461,198,166 |
| Total of column 3 includes: | | |
| 5110 | Amounts for tax write-offs reported in SLC 40 0250 03 | 2,551,189 |
| Total of column 4 includes: | | |
| 5210 | Municipal Property Assessment Corporation (MPAC) | 4,912,215 |
| Total of column 5 includes: | | |
| 5610 | Short term interest costs | |
| Total of column 6 includes: | | |
| 5810 | Grants to charitable and non-profit organizations | 4,937,882 |
| 5820 | Grants to universities and colleges | 87,545 |
| Contributions to UNCONSOLIDATED joint local boards | | |
| 5840 | Health unit | |
| 5850 | District Social Services Administration Board (DSSAB) | |
| 5860 | Consolidated Municipal Service Manager (CMSM) | |
| 5870 | Homes for the aged | |
| 5880 | Recreation boards | |
| 5890 | Fire area boards | |
| 5895 | Other | |
| 5896 | Other | |
| 5897 | Other | 2,027,176 |
| 5898 | Other | 4,135,846 |
| Tourism | | |
| 5991 | Specify Tourism London | 1,703,649 |
| 5992 | Specify | |
| 5993 | Specify | |
| Total of column 11 includes: | | |
| 6010 | Payments for long term commitments and liabilities financed from the consolidated statement of operations | |

FIR2019: London C

Asmt Code: 3936
MAH Code: 59101

Schedule 51 SCHEDULE OF TANGIBLE CAPITAL ASSETS for the year ended December 31, 2019

ANALYSIS BY FUNCTIONAL CLASSIFICATION

| | 2019 Opening Net Book Value | COST | | | | AMORTIZATION | | | | 2019 Closing Net Book Value | |
|------------------------------------------------------|-----------------------------------|------------------------------|------------------------------|------------|-------------|------------------------------|-----------------------------------------|------------------------|--------------------------|--------------------------------|-----------------------------------------|
| | | 2019 Opening Cost Balance | Additions and Betterments | Disposals | Write Downs | 2019 Closing Cost Balance | 2019 Opening Amortization Balance | Annual Amortization | Amortization Disposal | | 2019 Closing Amortization Balance |
| | | 1 \$ | 2 \$ | 3 \$ | 4 \$ | 5 \$ | 6 \$ | 7 \$ | 8 \$ | | 9 \$ |
| 0299 General government | 93,134,485 | 161,054,417 | 9,816,214 | 10,121,718 | | 160,748,913 | 67,919,932 | 11,196,134 | 9,932,940 | 69,183,126 | 91,565,787 |
| Protection services | | | | | | | | | | | |
| 0410 Fire | 32,624,543 | 61,810,705 | 1,467,198 | 4,113,208 | | 59,164,695 | 29,186,162 | 3,125,151 | 4,113,208 | 28,198,105 | 30,966,590 |
| 0420 Police | 39,075,672 | 70,598,256 | 3,963,546 | 3,128,438 | | 71,433,364 | 31,522,584 | 5,221,842 | 3,035,443 | 33,708,983 | 37,724,381 |
| 0421 Court Security | 0 | 0 | | | | 0 | 0 | | | 0 | 0 |
| 0422 Prisoner Transportation | 0 | 0 | | | | 0 | 0 | | | 0 | 0 |
| 0430 Conservation authority | 0 | 0 | | | | 0 | 0 | | | 0 | 0 |
| 0440 Protective inspection and control | 818,532 | 1,028,801 | | 48,369 | | 980,432 | 210,269 | 64,819 | 48,369 | 226,719 | 753,713 |
| 0445 Building permit and inspection services | 39,127 | 59,721 | 11,561 | 8,044 | | 63,238 | 20,594 | 9,104 | 8,044 | 21,654 | 41,584 |
| 0450 Emergency measures | 302,647 | 761,654 | 23,332 | | | 784,986 | 459,007 | 62,977 | | 521,984 | 263,002 |
| 0460 Provincial Offences Act (POA) | 2,345,214 | 3,747,038 | | | | 3,747,038 | 1,401,824 | 110,980 | | 1,512,804 | 2,234,234 |
| 0498 Other | 0 | 0 | | | | 0 | 0 | | | 0 | 0 |
| 0499 Subtotal | 75,205,735 | 138,006,175 | 5,465,637 | 7,298,059 | 0 | 136,173,753 | 62,800,440 | 8,594,873 | 7,205,064 | 64,190,249 | 71,983,504 |
| Transportation services | | | | | | | | | | | |
| 0611 Roads - Paved | 763,807,602 | 1,094,008,289 | 97,735,044 | 22,144,343 | | 1,169,598,990 | 330,200,687 | 37,106,077 | 18,568,052 | 348,738,712 | 820,860,278 |
| 0612 Roads - Unpaved | 0 | 0 | | | | 0 | 0 | | | 0 | 0 |
| 0613 Roads - Bridges and Culverts | 88,813,959 | 129,791,696 | 4,081,842 | 1,190,522 | | 132,683,016 | 40,977,737 | 3,342,608 | 675,140 | 43,645,205 | 89,037,811 |
| 0614 Roads - Traffic Operations & Roadside | 74,187,818 | 115,811,291 | 11,294,961 | 1,943,161 | | 125,163,091 | 41,623,473 | 4,197,169 | 1,804,411 | 44,016,231 | 81,146,860 |
| 0621 Winter Control - Except sidewalks, Parking Lots | 631 | 2,525 | | | | 2,525 | 1,894 | 253 | | 2,147 | 378 |
| 0622 Winter Control - Sidewalks, Parking Lots Only | 0 | 0 | | | | 0 | 0 | | | 0 | 0 |
| 0631 Transit - Conventional | 101,323,636 | 197,866,391 | 7,830,333 | 5,183,157 | | 200,513,567 | 96,542,755 | 13,156,085 | 5,183,157 | 104,515,683 | 95,997,884 |
| 0632 Transit - Disabled & special needs | 0 | 0 | | | | 0 | 0 | | | 0 | 0 |
| 0640 Parking | 2,427,020 | 3,452,852 | 76,890 | 446,150 | | 3,083,592 | 1,025,832 | 252,820 | 446,150 | 832,502 | 2,251,090 |
| 0650 Street lighting | 77,052,426 | 166,225,376 | 7,953,641 | 4,285,612 | | 169,893,405 | 89,172,950 | 5,830,114 | 4,205,541 | 90,797,523 | 79,095,882 |
| 0660 Air transportation | 0 | 0 | | | | 0 | 0 | | | 0 | 0 |
| 0698 Other | 0 | 0 | | | | 0 | 0 | | | 0 | 0 |
| 0699 Subtotal | 1,107,613,092 | 1,707,158,420 | 128,972,711 | 35,192,945 | 0 | 1,800,938,186 | 599,545,328 | 63,885,126 | 30,882,451 | 632,548,003 | 1,168,390,183 |
| Environmental services | | | | | | | | | | | |
| 0811 Wastewater collection/conveyance | 375,791,678 | 583,555,174 | 42,873,915 | 3,841,747 | | 622,587,342 | 207,763,496 | 13,069,038 | 2,160,422 | 218,672,112 | 403,915,230 |
| 0812 Wastewater treatment & disposal | 228,965,784 | 488,521,818 | 3,860,058 | 526,147 | | 491,855,729 | 259,556,034 | 18,537,532 | 526,147 | 277,567,419 | 214,288,310 |
| 0821 Urban storm sewer system | 672,398,357 | 959,955,078 | 38,373,077 | 2,578,925 | | 995,749,230 | 287,556,721 | 15,525,067 | 608,161 | 302,473,627 | 693,275,603 |
| 0822 Rural storm sewer system | 0 | 0 | | | | 0 | 0 | | | 0 | 0 |
| 0831 Water treatment | 66,412,650 | 99,150,668 | 2,097,317 | 743,844 | | 100,504,141 | 32,738,018 | 4,713,390 | 709,794 | 36,741,614 | 63,762,527 |
| 0832 Water distribution/transmission | 593,737,403 | 884,507,205 | 28,415,195 | 5,629,354 | | 907,293,046 | 290,769,802 | 20,371,919 | 4,681,839 | 306,459,882 | 600,833,164 |
| 0840 Solid waste collection | 294,427 | 530,731 | 36,590 | 55,679 | | 511,642 | 236,304 | 52,093 | 55,679 | 232,718 | 278,924 |
| 0850 Solid waste disposal | 45,505,107 | 61,765,801 | 896,244 | 63,337 | | 62,598,708 | 16,260,694 | 1,576,441 | 63,337 | 17,773,798 | 44,824,910 |
| 0860 Waste diversion | 16,812,748 | 22,792,440 | 153,406 | | | 22,945,846 | 5,979,692 | 845,685 | | 6,825,377 | 16,120,469 |
| 0898 Other | 0 | 0 | | | | 0 | 0 | | | 0 | 0 |
| 0899 Subtotal | 1,999,918,154 | 3,100,778,915 | 116,705,802 | 13,439,033 | 0 | 3,204,045,684 | 1,100,860,761 | 74,691,165 | 8,805,379 | 1,166,746,547 | 2,037,299,137 |
| Health services | | | | | | | | | | | |
| 1010 Public health services | 162,286 | 1,078,839 | 869,828 | 129,266 | | 1,819,401 | 916,553 | 88,594 | 129,266 | 875,881 | 943,520 |
| 1020 Hospitals | 0 | 0 | | | | 0 | 0 | | | 0 | 0 |
| 1030 Ambulance services | 0 | 0 | | | | 0 | 0 | | | 0 | 0 |
| 1035 Ambulance dispatch | 0 | 0 | | | | 0 | 0 | | | 0 | 0 |
| 1040 Cemeteries | 0 | 0 | | | | 0 | 0 | | | 0 | 0 |
| 1098 Other | 0 | 0 | | | | 0 | 0 | | | 0 | 0 |
| 1099 Subtotal | 162,286 | 1,078,839 | 869,828 | 129,266 | 0 | 1,819,401 | 916,553 | 88,594 | 129,266 | 875,881 | 943,520 |
| Social and family services | | | | | | | | | | | |
| 1210 General assistance | 7,674,694 | 9,312,436 | 79,443 | 153,148 | | 9,238,731 | 1,637,742 | 457,598 | 153,148 | 1,942,192 | 7,296,539 |
| 1220 Assistance to aged persons | 23,810,851 | 38,834,342 | 392,335 | 703,716 | | 38,522,961 | 15,023,691 | 1,295,578 | 703,716 | 15,615,553 | 22,907,408 |
| 1230 Child care | 12,998 | 25,886 | 6,195 | 1,399 | | 30,682 | 12,888 | 2,828 | 1,399 | 14,317 | 16,365 |
| 1298 Other | 0 | 0 | | | | 0 | 0 | | | 0 | 0 |
| 1299 Subtotal | 31,498,343 | 48,172,664 | 477,973 | 858,263 | 0 | 47,792,374 | 16,674,321 | 1,756,004 | 858,263 | 17,572,062 | 30,220,312 |

FIR2019: London C

Asmt Code: 3936
MAH Code: 59101

Schedule 51 SCHEDULE OF TANGIBLE CAPITAL ASSETS for the year ended December 31, 2019

ANALYSIS BY FUNCTIONAL CLASSIFICATION

| | 2019 Opening Net Book Value | COST | | | | AMORTIZATION | | | | 2019 Closing Net Book Value | |
|---------------------------------------------|-----------------------------------|------------------------------|------------------------------|------------|-------------|------------------------------|-----------------------------------------|------------------------|--------------------------|--------------------------------|-----------------------------------------|
| | | 2019 Opening Cost Balance | Additions and Betterments | Disposals | Write Downs | 2019 Closing Cost Balance | 2019 Opening Amortization Balance | Annual Amortization | Amortization Disposal | | 2019 Closing Amortization Balance |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Social Housing | | | | | | | | | | | |
| 1410 Public Housing | 54,281,872 | 122,622,912 | 6,527,328 | 48,778 | | 129,101,462 | 68,341,040 | 1,930,562 | 48,778 | 70,222,824 | 58,876,638 |
| 1420 Non-Profit/Cooperative Housing | 0 | 0 | | | | 0 | 0 | | | 0 | 0 |
| 1430 Rent Supplement Programs | 0 | 0 | | | | 0 | 0 | | | 0 | 0 |
| 1497 Other | 518,741 | 586,156 | 32,616 | 3,737 | | 615,035 | 67,415 | 54,722 | 3,737 | 118,400 | 496,635 |
| 1498 Other | | | | | | 0 | 0 | | | 0 | 0 |
| 1499 Subtotal | 54,800,613 | 123,209,068 | 6,559,944 | 52,515 | 0 | 129,716,497 | 68,408,455 | 1,985,284 | 52,515 | 70,341,224 | 59,375,273 |
| Recreation and cultural services | | | | | | | | | | | |
| 1610 Parks | 208,600,684 | 254,046,567 | 13,050,725 | 2,682,073 | | 264,415,219 | 45,445,883 | 4,930,053 | 2,374,031 | 48,001,905 | 216,413,314 |
| 1620 Recreation programs | 161,731 | 297,517 | 59,236 | 25,278 | | 331,475 | 135,786 | 35,135 | 25,278 | 145,643 | 185,832 |
| 1631 Rec. Fac. - Golf Crs, Marina, Ski Hill | 1,906,739 | 5,773,479 | 22,570 | 213,513 | | 5,582,536 | 3,866,740 | 234,202 | 213,513 | 3,887,429 | 1,695,107 |
| 1634 Rec. Fac. - All Other | 104,174,146 | 179,567,884 | 4,779,486 | 2,210,886 | | 182,136,484 | 75,393,738 | 7,079,557 | 2,210,886 | 80,262,409 | 101,874,075 |
| 1640 Libraries | 27,537,184 | 61,347,551 | 2,524,484 | 2,174,003 | | 61,698,032 | 33,810,367 | 3,628,698 | 2,174,003 | 35,265,062 | 26,432,970 |
| 1645 Museums | 863,638 | 1,025,167 | 3,220 | 1,028,387 | | 1,028,387 | 161,529 | 78,187 | | 239,716 | 788,671 |
| 1650 Cultural services | 15,335,315 | 29,601,109 | 694,545 | 2,090,477 | | 28,205,177 | 14,265,794 | 1,691,285 | 2,090,477 | 13,866,602 | 14,338,575 |
| 1698 Other | 3,560 | 10,176 | | 10,176 | | 10,176 | 6,616 | 1,018 | | 7,634 | 2,542 |
| 1699 Subtotal | 358,582,997 | 531,669,450 | 21,134,266 | 9,396,230 | 0 | 543,407,486 | 173,086,453 | 17,678,135 | 9,088,188 | 181,676,400 | 361,731,086 |
| Planning and development | | | | | | | | | | | |
| 1810 Planning and zoning | 388,366 | 491,348 | 545,774 | 37,342 | | 999,780 | 102,982 | 83,773 | 37,342 | 149,413 | 850,367 |
| 1820 Commercial and Industrial | 39,972,520 | 71,267,844 | 3,511,840 | 1,098,959 | | 73,680,725 | 31,295,324 | 1,960,770 | 979,753 | 32,276,341 | 41,404,384 |
| 1830 Residential development | 1,091,865 | 2,155,100 | | | | 2,155,100 | 1,063,235 | | | 1,063,235 | 1,091,865 |
| 1840 Agriculture and reforestation | 1,087,377 | 1,888,757 | 34,586 | | | 1,923,343 | 801,380 | 97,196 | | 898,576 | 1,024,767 |
| 1850 Tile drainage/shoreline assistance | 0 | 0 | | | | 0 | 0 | | | 0 | 0 |
| 1898 Other | 0 | 0 | | | | 0 | 0 | | | 0 | 0 |
| 1899 Subtotal | 42,540,128 | 75,803,049 | 4,092,200 | 1,136,301 | 0 | 78,758,948 | 33,262,921 | 2,141,739 | 1,017,095 | 34,387,565 | 44,371,383 |
| 1910 Other | 0 | 0 | | | | 0 | 0 | | | 0 | 0 |
| 9910 Total Tangible Capital Assets | 3,763,455,833 | 5,886,930,997 | 294,094,575 | 77,624,330 | 0 | 6,103,401,242 | 2,123,475,164 | 182,017,054 | 67,971,161 | 2,237,521,057 | 3,865,880,185 |

2019.01001

FIR2019: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 51

SCHEDULE OF TANGIBLE CAPITAL ASSETS

for the year ended December 31, 2019

SEGMENTED BY ASSET CLASS

| | | 2019 Opening Net Book Value (NBV) 1 \$ | 2019 Closing Net Book Value (NBV) 11 \$ |
|-------------------------------|-------------------------------------|----------------------------------------------------|-----------------------------------------------------|
| General Capital Assets | | | |
| 2005 | Land | 439,698,806 | 452,847,939 |
| 2010 | Land Improvements | 76,627,804 | 76,089,670 |
| 2020 | Buildings | 364,183,936 | 360,570,144 |
| 2030 | Machinery & Equipment | 110,518,992 | 93,903,316 |
| 2040 | Vehicles | 8,562,949 | 7,879,338 |
| 2097 | Other <input type="text"/> | 0 | |
| 2098 | Other <input type="text"/> | 14,783,690 | 14,257,848 |
| 2099 | Total General Capital Assets | 1,014,376,177 | 1,005,548,255 |

| | | 2019 Opening Net Book Value (NBV) 1 \$ | 2019 Closing Net Book Value (NBV) 11 \$ |
|------------------------------|------------------------------------|----------------------------------------------------|-----------------------------------------------------|
| Infrastructure Assets | | | |
| 2205 | Land | 0 | |
| 2210 | Land Improvements | 0 | |
| 2220 | Buildings | 237,721,854 | 228,994,632 |
| 2230 | Machinery & Equipment | 65,761,778 | 70,301,748 |
| 2240 | Vehicles | 56,302,271 | 52,225,210 |
| 2250 | Linear Assets | 2,389,293,753 | 2,508,810,340 |
| 2297 | Other <input type="text"/> | 0 | |
| 2298 | Other <input type="text"/> | 0 | |
| 2299 | Total Infrastructure Assets | 2,749,079,656 | 2,860,331,930 |

| | | | |
|------|-------------------------------------------------------------------|----------------------|----------------------|
| 9920 | Total Tangible Capital Assets | 3,763,455,833 | 3,865,880,185 |
| 2405 | Construction-in-progress | 129,341,639 | 129,799,676 |
| 9921 | Total Tangible Capital Assets and Construction-in-progress | 3,892,797,472 | 3,995,679,861 |

2019.01

FIR2019: London C**Schedule 51**

Asmt Code: 3936

SCHEDULE OF TANGIBLE CAPITAL ASSET: CONSTRUCTION-IN-PROGRESS

MAH Code: 59101

for the year ended December 31, 2019

ANALYSIS BY FUNCTIONAL CLASSIFICATION

| | | COST | | | |
|-------------|-------------------------------------------------|----------------------|----------------------|-------------------------|----------------------|
| | | 2019 Opening Balance | Expenditures in 2019 | Less Assets Capitalized | 2019 Closing Balance |
| | | 1 | 2 | 3 | 4 |
| | | \$ | \$ | \$ | \$ |
| 0299 | General government | 1,247,246 | 1,922,619 | 811,309 | 2,358,556 |
| | Protection services | | | | |
| 0410 | Fire | 217,401 | 429,136 | 180,269 | 466,268 |
| 0420 | Police | 983,696 | 833,813 | 757,094 | 1,060,415 |
| 0421 | Court Security | 0 | 0 | 0 | 0 |
| 0422 | Prisoner Transportation | 0 | 0 | 0 | 0 |
| 0430 | Conservation authority | 0 | 0 | 0 | 0 |
| 0440 | Protective inspection and control | 0 | 0 | 0 | 0 |
| 0445 | Building permit and inspection services | 0 | 0 | 0 | 0 |
| 0450 | Emergency measures | 0 | 0 | 0 | 0 |
| 0460 | Provincial Offences Act (POA) | 0 | 0 | 0 | 0 |
| 0498 | Other | 0 | 20,358 | 0 | 20,358 |
| 0499 | Other | 0 | 0 | 0 | 0 |
| | Subtotal | 1,201,097 | 1,283,307 | 937,363 | 1,547,041 |
| | Transportation services | | | | |
| 0611 | Roads - Paved | 40,043,816 | 12,194,516 | 37,443,549 | 14,794,783 |
| 0612 | Roads - Unpaved | 0 | 0 | 0 | 0 |
| 0613 | Roads - Bridges and Culverts | 902,200 | 407,510 | 213,518 | 1,096,192 |
| 0614 | Roadways - Traffic Operations & Roadside | 1,461,474 | 2,422,597 | 1,368,344 | 2,515,727 |
| 0621 | Winter Control - Except sidewalks, Parking Lots | 0 | 0 | 0 | 0 |
| 0622 | Winter Control - Sidewalks, Parking Lots Only | 0 | 0 | 0 | 0 |
| 0631 | Transit - Conventional | 0 | 0 | 0 | 0 |
| 0632 | Transit - Disabled & special needs | 0 | 0 | 0 | 0 |
| 0640 | Parking | 0 | 0 | 0 | 0 |
| 0650 | Street lighting | 880,094 | 689,777 | 837,482 | 732,389 |
| 0660 | Air transportation | 0 | 0 | 0 | 0 |
| 0698 | Other | 0 | 0 | 0 | 0 |
| 0699 | Other | 0 | 0 | 0 | 0 |
| | Subtotal | 43,287,584 | 15,714,400 | 39,862,893 | 19,139,091 |
| | Environmental services | | | | |
| 0811 | Wastewater collection/conveyance | 21,157,865 | 11,031,946 | 19,285,366 | 12,904,445 |
| 0812 | Wastewater treatment & disposal | 13,912,104 | 7,928,332 | 9,274,659 | 12,565,777 |
| 0821 | Urban storm sewer system | 22,559,834 | 32,578,312 | 15,035,988 | 40,102,158 |
| 0822 | Rural storm sewer system | 0 | 0 | 0 | 0 |
| 0831 | Water treatment | 124,350 | 529,331 | 173,409 | 480,272 |
| 0832 | Water distribution/transmission | 11,601,176 | 10,972,212 | 9,800,872 | 12,772,516 |
| 0840 | Solid waste collection | 0 | 0 | 0 | 0 |
| 0850 | Solid waste disposal | 93,850 | 49,481 | 6,290 | 137,041 |
| 0860 | Waste diversion | 0 | 0 | 0 | 0 |
| 0898 | Other | 0 | 0 | 0 | 0 |
| 0899 | Other | 0 | 0 | 0 | 0 |
| | Subtotal | 69,449,179 | 63,089,614 | 53,576,584 | 78,962,209 |
| | Health services | | | | |
| 1010 | Public health services | 0 | 0 | 0 | 0 |
| 1020 | Hospitals | 0 | 0 | 0 | 0 |
| 1030 | Ambulance services | 0 | 0 | 0 | 0 |
| 1035 | Ambulance dispatch | 0 | 0 | 0 | 0 |
| 1040 | Cemeteries | 0 | 0 | 0 | 0 |
| 1098 | Other | 0 | 0 | 0 | 0 |
| 1099 | Other | 0 | 0 | 0 | 0 |
| | Subtotal | 0 | 0 | 0 | 0 |
| | Social and family services | | | | |
| 1210 | General assistance | 0 | 0 | 0 | 0 |
| 1220 | Assistance to aged persons | 23,755 | 5,877 | 0 | 29,632 |
| 1230 | Child care | 0 | 0 | 0 | 0 |
| 1298 | Other | 0 | 0 | 0 | 0 |
| 1299 | Other | 0 | 0 | 0 | 0 |
| | Subtotal | 23,755 | 5,877 | 0 | 29,632 |
| | Social Housing | | | | |
| 1410 | Public Housing | 0 | 0 | 0 | 0 |
| 1420 | Non-Profit/Cooperative Housing | 0 | 0 | 0 | 0 |
| 1430 | Rent Supplement Programs | 0 | 0 | 0 | 0 |
| 1497 | Other | 0 | 0 | 0 | 0 |
| 1498 | Other | 0 | 0 | 0 | 0 |
| 1499 | Other | 0 | 0 | 0 | 0 |
| | Subtotal | 0 | 0 | 0 | 0 |
| | Recreation and cultural services | | | | |
| 1610 | Parks | 2,307,403 | 6,421,929 | 1,275,988 | 7,453,344 |
| 1620 | Recreation programs | 0 | 0 | 0 | 0 |
| 1631 | Rec. Fac. - Golf Crs, Marina, Ski Hill | 15,977 | 0 | 8,684 | 7,293 |
| 1634 | Rec. Fac. - All Other | 11,589,116 | 9,518,802 | 1,873,264 | 19,234,654 |
| 1640 | Libraries | 0 | 0 | 0 | 0 |
| 1645 | Museums | 0 | 91,855 | 0 | 91,855 |
| 1650 | Cultural services | 21,036 | 46,413 | 10,737 | 56,712 |
| 1698 | Other | 0 | 0 | 0 | 0 |
| 1699 | Other | 0 | 0 | 0 | 0 |
| | Subtotal | 13,933,532 | 16,078,999 | 3,168,673 | 26,843,858 |
| | Planning and development | | | | |
| 1810 | Planning and zoning | 0 | 0 | 0 | 0 |
| 1820 | Commercial and Industrial | 199,246 | 694,289 | 199,246 | 694,289 |
| 1830 | Residential development | 0 | 0 | 0 | 0 |
| 1840 | Agriculture and reforestation | 0 | 225,000 | 0 | 225,000 |
| 1850 | Tile drainage/shoreline assistance | 0 | 0 | 0 | 0 |
| 1898 | Other | 0 | 0 | 0 | 0 |
| 1899 | Other | 0 | 0 | 0 | 0 |
| | Subtotal | 199,246 | 919,289 | 199,246 | 919,289 |
| 1910 | Other | 0 | 0 | 0 | 0 |
| 9910 | Total Construction-In-Progress | 129,341,639 | 99,014,105 | 98,556,068 | 129,799,676 |

FIR2019: London C

Asmt Code: 3936
MAH Code: 59101

Schedule 53
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
(NET DEBT) AND TANGIBLE CAPITAL ASSET ACQUISITION FINANCING/DONATIONS
for the year ended December 31, 2019

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (NET DEBT)

| | | 1 |
|-------------|--------------------------------------------------------------------|---------------------|
| | | \$ |
| 1010 | Annual Surplus/(Deficit) (SLC 10 2099 01) | 222,165,153 |
| 1020 | Acquisition of tangible capital assets | -229,223,680 |
| 1030 | Amortization of tangible capital assets (SLC 51 9910 08) | 182,017,054 |
| 1031 | Contributed (Donated) tangible capital assets | -64,953,296 |
| 1032 | Change in construction-in-progress | |
| 1040 | (Gain)/Loss on sale of tangible capital assets | -65,283 |
| 1050 | Proceeds on sale of tangible capital assets | 9,342,819 |
| 1060 | Write-downs of tangible capital assets | |
| 1070 | Other <input type="text"/> | |
| 1071 | Other <input type="text"/> | |
| 1099 | Subtotal | -102,882,386 |
| 1210 | Change in supplies inventories | -215,998 |
| 1220 | Change in prepaid expenses | 2,010,249 |
| 1230 | Other <input type="text"/> | |
| 1299 | Subtotal | 1,794,251 |
| 1410 | (Increase)/decrease in net financial assets/net debt | 121,077,018 |
| 1420 | Net financial assets (net debt), beginning of year | 401,079,851 |
| 1421 | Other comprehensive income (loss) | |
| 9910 | Net financial assets (net debt), end of year | 522,156,869 |

SOURCES OF FINANCING FOR TCA ACQUISITIONS / DONATIONS

| | | 1 |
|-----------------------------------------|------------------------------------------------------------------------------------------|--------------------|
| | | \$ |
| Long Term Liabilities Incurred | | |
| 0205 | Canada Mortgage and Housing Corporation (CMHC) | |
| 0210 | Ontario Financing Authority | |
| 0215 | Commercial Area Improvement Program | |
| 0220 | Other Ontario housing programs | |
| 0235 | Serial debentures | |
| 0240 | Sinking fund debentures | |
| 0245 | Long term bank loans | |
| 0250 | Long term reserve fund loans | |
| 0255 | Lease purchase agreements (Tangible capital leases) | |
| 0260 | Construction Financing Debentures | |
| 0265 | Infrastructure Ontario | |
| 0297 | Other <input type="text"/> | |
| 0298 | Other <input type="text"/> | |
| 0299 | Subtotal | 0 |
| Financing from Dedicated Revenue | | |
| 0405 | Municipal Property Tax by Levy | 2,245,345 |
| 0406 | Reserves and Reserve funds (SLC 60 1012 01 + SLC 60 1012 02 + SLC 60 1012 03) | 63,443,140 |
| 0410 | Municipal User Fees & Service Charges | |
| 0415 | Development Charges (SLC 61 0299 08) | 34,934,114 |
| 0416 | Recreation land (The Planning Act) (SLC 60 1032 01) | 131,402 |
| 0419 | Donations | |
| 0420 | Other <input type="text"/> | |
| 0446 | Proceeds from the sale of Tangible Capital Assets, etc | |
| 0447 | Investment income | |
| 0448 | Prepaid special charges | |
| 0495 | Other <input type="text"/> | |
| 0496 | Other <input type="text"/> | |
| 0497 | Other <input type="text"/> | |
| 0498 | Other <input type="text"/> | |
| 0501 | Subtotal | 100,754,001 |
| Government Transfers | | |
| 0425 | Capital Grants: Federal (SLC 12 9910 06 - (SLC 10 4099 01 - SLC 60 1047 01) | 9,543,786 |
| 0430 | Capital Grants: Provincial (SLC 12 9910 05 - (SLC 10 4019 01 - SLC 60 1045 01) | 2,939,899 |
| 0435 | Capital Grants: Other Municipalities (SLC 12 9910 07) | 0 |
| 0440 | Canada Gas Tax (SLC 10 4099 01) | 17,905,578 |
| 0445 | Provincial Gas Tax (SLC 10 4019 01) | 1,668,525 |
| 0502 | Subtotal | 32,057,788 |
| 0499 | Subtotal | 132,811,789 |
| 0610 | Contributed (Donated) tangible capital assets | 64,953,296 |
| 9920 | Total Capital Financing | 197,765,085 |
| 0810 | Unexpended Capital Financing or (Unfinanced Capital Outlay) | -96,411,891 |

FIR2019: London C

Schedule 54

Asmt Code: 3936

CONSOLIDATED STATEMENT OF CASH FLOW - INDIRECT METHOD

MAH Code: 59101

for the year ended December 31, 2019

* Municipalities must choose either the direct or indirect method. If direct method is chosen, please use Schedule 54A.

CONSOLIDATED STATEMENT OF CASH FLOW - INDIRECT METHOD

| | | 2019 Actual 1 \$ |
|-------------------------------|---------------------------------------------------------------|---------------------------|
| Operating Transactions | | |
| 2010 | Annual Surplus/(Deficit) (SLC 10 2099 01) | 222,165,153 |
| 2020 | Non-cash items including amortization | 175,843,713 |
| 2021 | Contributed (Donated) tangible capital assets | -64,953,296 |
| 2022 | Change in non-cash assets and liabilities | 17,445,506 |
| 2030 | Prepaid expenses | 1,808,533 |
| 2040 | Change in deferred revenue | 52,406,863 |
| 2096 | Other | |
| 2097 | Other | |
| 2098 | Other | |
| 2099 | Cash provided by operating transactions | 404,716,472 |
| Capital Transactions | | |
| 0610 | Proceeds on sale of tangible capital assets | 9,342,819 |
| 0620 | Cash used to acquire tangible capital assets | -130,214,573 |
| 0630 | Change in construction-in-progress | -99,009,105 |
| 0698 | Other | |
| 0699 | Cash applied to capital transactions | -219,880,859 |
| Investing Transactions | | |
| 0810 | Proceeds from portfolio investments | 0 |
| 0820 | Portfolio investments | -179,567,729 |
| 0898 | Other | 6,382,792 |
| 0899 | Cash provided by / (applied to) investing transactions | -173,184,937 |
| Financing Transactions | | |
| 1010 | Proceeds from long term debt issues | 49,380,000 |
| 1020 | Principal long term debt repayment | -59,659,032 |
| 1030 | Temporary loans | |
| 1031 | Repayment of temporary loans | |
| 1096 | Other | |
| 1097 | Other | |
| 1098 | Other | |
| 1099 | Cash applied to financing transactions | -10,279,032 |
| 1210 | Increase in cash and cash equivalents | 1,371,644 |
| 1220 | Cash and cash equivalents, beginning of year | 490,039,570 |
| 9920 | Cash and cash equivalents, end of year | 491,411,214 |

| | | 2019 Actual 1 \$ |
|--------------------------------------------------|-----------------------------------------------|---------------------------|
| Cash and cash equivalents represented by: | | |
| 1401 | Cash | 491,411,214 |
| 1402 | Temporary borrowings | |
| 1403 | Short term investments | |
| 1404 | Other | |
| 9940 | Cash and cash equivalents, end of year | 491,411,214 |
| Cash: | | |
| 1501 | Unrestricted | 491,411,214 |
| 1502 | Restricted | |
| 1503 | Unallocated | |
| 9950 | Cash and cash equivalents, end of year | 491,411,214 |

2019.01

FIR2019: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 60

CONTINUITY OF RESERVES AND RESERVE FUNDS

for the year ended December 31, 2019

| | Obligatory Res. Funds, Deferred Rev. | Discretionary Res. Funds | Reserves |
|----------------------------------------------------------------------------------------|-----------------------------------------|--------------------------|--------------------|
| | 1 | 2 | 3 |
| | \$ | \$ | \$ |
| 0299 Balance, beginning of year | 287,430,422 | 663,028,539 | 98,046,678 |
| 0310 Allocation of Surplus | | 151,585,249 | 20,054,623 |
| 0315 Allocation of Surplus : for operating. | | 133,646,233 | 22,697,244 |
| 0320 Allocation of Surplus : for capital. | | 17,939,016 | -2,642,621 |
| Development Charges Act | | | |
| 0610 Non-discounted services | 60,271,692 | | |
| 0620 Discounted services | 5,799,940 | | |
| 0630 Credits utilized (Development Charges Act) (SLC 61 0299 05). | 0 | | |
| 0699 Subtotal Development Charges Act | 66,071,632 | | |
| 0810 Lot levies | | | |
| 0820 Subdivider contributions | | | |
| 0830 Recreational land (the Planning Act) | 570,492 | | |
| 0841 Investment Income | 6,531,502 | 16,437,790 | |
| 0860 Gasoline Tax - Province | 10,341,542 | | |
| 0861 Building Code Act, 1992 (Section 1.9.1.1 (d)) | | | |
| 0862 Gasoline Tax - Federal | 37,090,720 | | |
| 0864 Building Canada Fund (BCF) | | | |
| 0870 Inter - Reserve Fund / Reserves Transfer | | | |
| 0895 Other | | | |
| 0896 Other | | | |
| 0897 Other | | | |
| 0898 Other | | | |
| 9940 TOTAL Revenues & Surplus | 120,605,888 | 168,023,039 | 20,054,623 |
| Less: Utilization of reserve funds and reserves (transfers) | | | |
| 1012 For acquisition of tangible capital asset | 0 | 63,216,832 | 226,308 |
| 1015 For current operations | 2,029,539 | 24,920,575 | 6,001,775 |
| 1025 Development Charges earned to tangible capital asset acquisition (SLC 61 0299 08) | 34,934,114 | | |
| 1026 Development Charges earned to operations (SLC 61 0299 07) | 0 | | |
| 1032 Recreational land (the Planning Act) earned to tangible capital asset acquisition | 131,402 | | |
| 1035 Recreational land (the Planning Act) earned to operations | 0 | | |
| 1042 Deferred revenue earned (Provincial Gas Tax) for Transit (Operations) | 14,650,476 | | |
| 1045 Deferred revenue earned (Provincial Gas Tax) for Transit (Capital) | 1,668,525 | | |
| 1047 Deferred revenue earned (Canada Gas Tax) | 7,949,945 | | |
| 1055 Development Charges Act - Credits Provided (SLC 61 0299 10) | 262,590 | | |
| 1070 Inter - Reserve Fund / Reserves Transfer | | -6,076,373 | 6,076,373 |
| 0910 Less: Utilization (deferred revenue recognized) | 61,626,591 | 82,061,034 | 12,304,456 |
| 2099 Balance, end of year | 346,409,719 | 748,990,544 | 105,796,845 |

2019.01

FIR2019: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 60

CONTINUITY OF RESERVES AND RESERVE FUNDS

for the year ended December 31, 2019

Totals in line 2099 are analysed as follows:

| | | Obligatory Res. Funds, Deferred Rev. | Discretionary Res. Funds | Reserves |
|-------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------|--------------------------|--------------------|
| | | 1 | 2 | 3 |
| | | \$ | \$ | \$ |
| 5010 | Working funds | | 0 | 500,000 |
| 5020 | Contingencies | | 92,004,511 | 95,278,876 |
| Asset Replacement funds for: Sewer & Water | | | | |
| 5030 | Sewer | | | |
| 5040 | Water | | | |
| 5050 | Replacement of equipment | | 27,248,121 | |
| 5060 | Sick leave | | 1,497,115 | |
| 5070 | Insurance | | 11,891,396 | |
| 5080 | Workplace Safety and Insurance Board (WSIB) | | 14,812,191 | |
| 5090 | Post-employment benefits | | 3,635,426 | |
| 5091 | Tax rate stabilization | | | |
| 5630 | Lot levies | | | |
| 5660 | Parking revenues | | 3,557,440 | |
| 5670 | Debenture repayment | | | |
| 5680 | Exchange rate stabilization | | | |
| Per Service Purpose: | | | | |
| 5205 | General government | | 61,548,683 | |
| 5210 | Protection services | | 10,842,533 | |
| Transportation services: | | | | |
| 5215 | Roadways | | 1,316,858 | |
| 5216 | Winter Control | | | |
| 5220 | Transit | | 5,228,416 | 9,213,675 |
| 5221 | Parking | | | |
| 5222 | Street lighting | | | |
| 5223 | Air transportation | | | |
| Environmental services: | | | | |
| 5225 | Wastewater system | | 119,206,389 | |
| 5230 | Storm water system | | 4,860,638 | |
| 5235 | Waterworks system | | 102,233,616 | |
| 5240 | Solid waste collection | | | |
| 5245 | Solid waste disposal | | 21,649,240 | |
| 5246 | Waste diversion | | 1,800,484 | |
| 5250 | Health services | | | |
| 5255 | Social and family services | | 12,901,832 | |
| 5260 | Social housing | | 34,603,706 | |
| Recreation and cultural services: | | | | |
| 5265 | Parks | | 3,076,788 | |
| 5266 | Recreation programs | | | |
| 5271 | Recreation facilities - Golf Course, Marina, Ski Hill | | 265,498 | |
| 5274 | Recreation facilities - All Other | | | |
| 5275 | Libraries | | 1,684,871 | 549,310 |
| 5276 | Museums | | 0 | |
| 5277 | Cultural services | | 5,303,362 | |
| 5280 | Planning and development | | 176,598,188 | |
| 5290 | Other <input type="text" value="Other"/> | | 31,223,242 | 254,984 |
| Obligatory Deferred Revenue: | | | | |
| 5610 | Development Charges Act - Non-discounted services | 230,795,737 | | |
| 5620 | Development Charges Act - Discounted services | 33,046,478 | | |
| 5640 | Subdivider contributions | 0 | | |
| 5650 | Recreational land (the Planning Act) | 3,698,794 | | |
| 5661 | Building Code Act, 1992 (Section 1.9.1.1 (d)) | 0 | | |
| 5690 | Gasoline Tax - Province | 11,393,505 | | |
| 5691 | Gasoline Tax - Federal | 67,475,205 | | |
| 5692 | Canada Transit Funding (Bill C-48) | | | |
| 5693 | Building Canada Fund (BCF) | | | |
| 5695 | Other <input type="text"/> | | | |
| 5696 | Other <input type="text"/> | | | |
| 5697 | Other <input type="text"/> | | | |
| 5698 | Other <input type="text"/> | | | |
| 5699 | Other <input type="text"/> | | | |
| 9930 | TOTAL | 346,409,719 | 748,990,544 | 105,796,845 |

FIR2019: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 61

DEVELOPMENT CHARGES RESERVE FUNDS

for the year ended December 31, 2019

| | | Development Charges Proceeds | | | | Development Charges Disbursements | | | | | | |
|----------------------------|--------------------------------------|------------------------------|-------------------------------|--------------------------------|------------------|-----------------------------------|------------------------------------------|----------------------------------------|---------------------|------------------|-------------------|---------------------|
| | | Balance January 1 | Development Charges Collected | Interest and Investment Income | Credits Utilized | Total | To: Consolidated Statement of Operations | To: Tangible Capital Asset Acquisition | Other Disbursements | Credits Provided | Total | Balance December 31 |
| | | 1 | 2 | 3 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Development Charges | | | | | | | | | | | | |
| 0205 | General Government | 2,288,018 | 1,266,723 | 77,042 | | 1,343,765 | | 92,182 | | 5,476 | 97,658 | 3,534,125 |
| 0210 | Fire Protection | 1,162,021 | 168,663 | 33,364 | | 202,027 | | -5,844 | | 716 | -5,128 | 1,369,176 |
| 0215 | Police Protection | 3,645,121 | 776,291 | 12,021 | | 788,312 | | | 151,721 | 215 | 157,657 | 4,275,776 |
| 0220 | Roads and Structures | 80,060,652 | 31,353,168 | 2,429,054 | | 33,782,222 | | 10,023,480 | -3,662,200 | 155,620 | 6,516,900 | 107,325,974 |
| 0225 | Transit | 5,789,734 | 657,047 | 166,268 | | 823,315 | | -155,040 | 0 | 4,367 | -150,673 | 6,763,722 |
| 0230 | Wastewater | 32,162,347 | 7,838,167 | 150,912 | | 7,989,079 | | 9,738,278 | -1,383,208 | 12,491 | 8,367,561 | 31,783,865 |
| 0235 | Stormwater | 54,854,451 | 14,426,212 | 1,046,395 | | 15,472,607 | | 13,498,338 | -1,135,843 | 60,743 | 12,423,238 | 57,903,820 |
| 0240 | Water | 20,883,840 | 2,780,084 | 608,998 | | 3,389,082 | | -334,227 | | 4,152 | -330,075 | 24,602,997 |
| 0245 | Emergency Medical Services | 0 | | | | 0 | | | | | 0 | 0 |
| 0250 | Homes for the Aged | 0 | | | | 0 | | | | | 0 | 0 |
| 0255 | Daycare | 0 | | | | 0 | | | | | 0 | 0 |
| 0260 | Housing | 0 | | | | 0 | | | | | 0 | 0 |
| 0265 | Parkland Development | 0 | | | | 0 | | | | | 0 | 0 |
| 0270 | GO Transit | 0 | | | | 0 | | | | | 0 | 0 |
| 0275 | Library | 3,907,631 | 64,368 | 104,361 | | 168,729 | | | | | 0 | 4,076,360 |
| 0280 | Recreation | 19,490,759 | 4,812,415 | 420,433 | | 5,232,848 | | 2,249,547 | 267,663 | | 2,517,210 | 22,206,397 |
| 0285 | Development Studies | 0 | | | | 0 | | | | | 0 | 0 |
| 0286 | Parking | 0 | | | | 0 | | | | | 0 | 0 |
| 0287 | Animal Control | 0 | | | | 0 | | | | | 0 | 0 |
| 0288 | Municipal Cemeteries | 0 | | | | 0 | | | | | 0 | 0 |
| 0290 | Other | 5,601,779 | 1,928,494 | 101,627 | | 2,030,121 | | -178,321 | 7,791,408 | 18,810 | 7,631,897 | 3 |
| 0295 | Other | 0 | | | | 0 | | | | | 0 | 0 |
| 0296 | Other | 0 | | | | 0 | | | | | 0 | 0 |
| 0297 | Other | 0 | | | | 0 | | | | | 0 | 0 |
| 0299 | TOTAL | 229,846,353 | 66,071,632 | 5,150,475 | 0 | 71,222,107 | 0 | 34,934,114 | 2,029,541 | 262,590 | 37,226,245 | 263,842,215 |

FIR2019: London C

Asmt Code: 3936

MAH Code: 59101

**Schedule 62
DEVELOPMENT CHARGES RATES - SPECIAL AREAS**

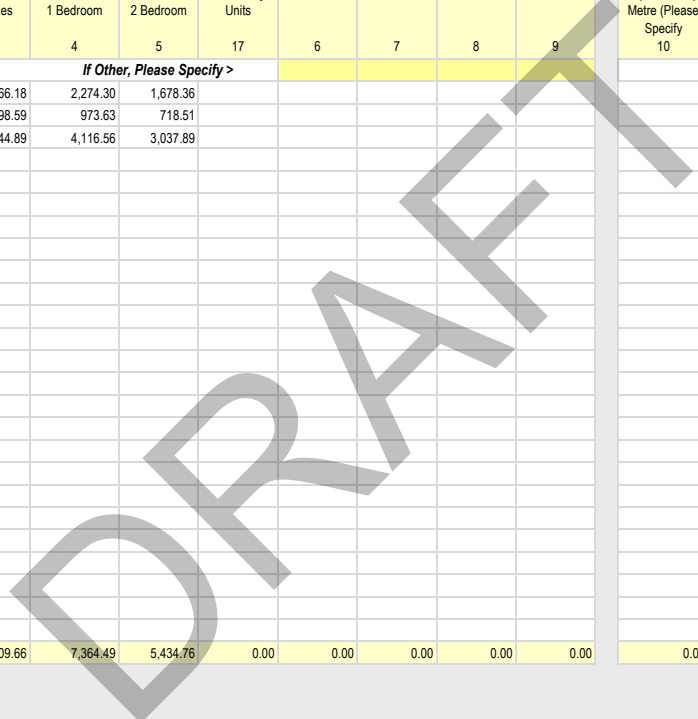
for the year ended December 31, 2019

RESIDENTIAL CHARGES (\$)

| Service | Single Detached 1 | Semi-Detached 2 | Other Multiples 3 | Apartments | | Secondary Units 17 | Other 6 | Other 7 | Other 8 | Other 9 |
|----------------------------------------------------|----------------------|--------------------|----------------------|--------------------------------------|-----------------------|-----------------------|------------|------------|------------|------------|
| | | | | < = 1 Bedroom 4 | > = 2 Bedroom 5 | | | | | |
| | | | | <i>If Other, Please Specify ></i> | | | | | | |
| 1 Inside the Urban Growth Area | | | | <i>If Other, Please Specify ></i> | | | | | | |
| 1100 Sanitary Sewerage | 3,794.55 | 3,794.55 | 2,566.18 | 2,274.30 | 1,678.36 | | | | | |
| 730 Water Distribution | 1,624.46 | 1,624.46 | 1,098.59 | 973.63 | 718.51 | | | | | |
| 1101 Major Stormwater Management Works | 6,868.28 | 6,868.28 | 4,644.89 | 4,116.56 | 3,037.89 | | | | | |
| 9910 TOTAL FOR INSIDE THE URBAN GROWTH AREA | 12,287.29 | 12,287.29 | 8,309.66 | 7,364.49 | 5,434.76 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

NON - RESIDENTIAL CHARGES (\$)

| NON Res. Sq. Foot / Sq. Metre (Please Specify 10 | Industrial Sq. Foot / Sq. Metre (Please Specify 11 | Commercial Sq. Foot / Sq. Metre (Please Specify 12 | Institutional Sq. Foot / Sq. Metre (Please Specify 13 | Other 14 | Other 15 | Other 16 |
|--------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------|-------------------------------------------------------------|-------------|-------------|-------------|
| <i>If Other, Please Specify ></i> | | | | | | |
| | 48.19 | 24.51 | 13.86 | 6.93 | | |
| | 17.95 | 18.57 | 11.54 | 5.77 | | |
| | 69.09 | 63.91 | 38.76 | 19.38 | | |
| 0.00 | 135.23 | 106.99 | 64.16 | 32.08 | 0.00 | 0.00 |



2019.01

FIR2019: London C

Schedule 70

Asmt Code: 3936

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MAH Code: 59101

for the year ended December 31, 2019

| Financial Assets | | 1 |
|-------------------------------------|---------------------------------------------------------------|---------------|
| | | \$ |
| 0299 | Cash and cash equivalents | 491,411,214 |
| Accounts receivable | | |
| 0410 | Canada | 33,278,858 |
| 0420 | Ontario | 4,153,885 |
| 0430 | Upper-tier | 0 |
| 0440 | Other municipalities | 208,164 |
| 0450 | School boards | 1,513,886 |
| 0490 | Other receivables | 38,164,203 |
| 0499 | Subtotal | 77,318,996 |
| Taxes receivable | | |
| 0610 | Current year's levies | 13,957,404 |
| 0620 | Previous year's levies | 5,037,431 |
| 0630 | Prior year's levies | -160,815 |
| 0640 | Penalties and interest | 1,600,073 |
| 0690 | LESS: Allowance for uncollectables | 7,149,068 |
| 0699 | Subtotal | 13,285,025 |
| Investments * | | |
| 0805 | Canada | 111,380,664 |
| 0810 | Ontario | 78,925,512 |
| 0815 | Municipal | 110,269 |
| 0820 | Government business enterprises | 193,410,006 |
| 0828 | Other <input type="text" value="Other"/> | 574,486,987 |
| 0829 | Subtotal | 958,313,438 |
| Debt Recoverable from Others | | |
| 0861 | Municipalities (SLC 74 0630 01) | 6,755,371 |
| 0862 | School Boards (SLC 74 0620 01) | 0 |
| 0863 | Retirement Funds (SLC 74 0899 01) | 0 |
| 0864 | Sinking Funds (SLC 74 1099 01) | 0 |
| 0865 | Individuals | |
| 0868 | Other <input type="text" value=""/> | |
| 0845 | Subtotal | 6,755,371 |
| Other financial assets | | |
| 0830 | Inventories held for resale | 205,868 |
| 0831 | Land held for resale | 38,322,406 |
| 0835 | Notes receivable | 4,306,242 |
| 0840 | Mortgages receivable | |
| 0850 | Deferred taxes receivable | 8,521 |
| 0890 | Other <input type="text" value="Other"/> | 8,773,910 |
| 0898 | Subtotal | 51,616,947 |
| 9930 | TOTAL Financial Assets | 1,598,700,991 |
| 8010 | * Market value of Investments included in Line 0829 | 1,049,148,799 |

2019.01

FIR2019: London C

Schedule 70

Asmt Code: 3936

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MAH Code: 59101

for the year ended December 31, 2019

| | | |
|------------------------------------------------------|----------------------------------------------------------------------------------------|---------------|
| Liabilities | | 1 |
| | | \$ |
| Temporary loans | | |
| 2010 | Operating purposes | |
| Tangible Capital Assets: | | |
| 2020 | Canada | |
| 2030 | Ontario | |
| 2040 | Other | |
| 2099 | Subtotal | 0 |
| Accounts Payable | | |
| 2210 | Canada | 419,217 |
| 2220 | Ontario | 1,456,444 |
| 2230 | Upper-tier | 0 |
| 2240 | Other municipalities | 490,294 |
| 2250 | School boards | 68,550 |
| 2260 | Interest on debt | 2,025,710 |
| 2270 | Trade accounts payable | 132,142,704 |
| 2290 | Other | 53,298,270 |
| 2299 | Subtotal | 189,901,189 |
| 2301 | Estimated Tax Liabilities (PS3510) | |
| Deferred revenue | | |
| 2410 | Obligatory reserve funds (SLC 60 2099 01) | 346,409,719 |
| 2490 | Other | 25,836,371 |
| 2499 | Subtotal | 372,246,090 |
| Long term liabilities | | |
| 2610 | Debt issued | 305,647,914 |
| 2620 | Debt payable to others | 4,500,000 |
| 2630 | Lease purchase agreements (Tangible capital leases) | 649,150 |
| 2640 | Other | |
| 2650 | Other | |
| 2660 | LESS: Debt issued on behalf of Government Business Enterprise | |
| 2699 | Subtotal | 310,797,064 |
| Solid Waste Management Facility Liabilities | | |
| 2799 | Solid waste landfill closure and post-closure | 41,051,000 |
| Post employment benefits | | |
| 2810 | Accumulated sick leave | 1,738,709 |
| 2820 | Accrued vacation pay | 16,696,674 |
| 2830 | Accrued pensions payable | 0 |
| 2840 | Accrued Workplace Safety and Insurance Board claims (WSIB) | 48,275,505 |
| 2898 | Other | 94,987,891 |
| 2899 | Subtotal post employment benefits | 161,698,779 |
| Liability for contaminated sites | | |
| 2910 | Remediation costs of contaminated sites | 850,000 |
| 9940 | TOTAL Liabilities | 1,076,544,122 |
| 9945 | Net Financial Assets / Net Debt (Total Financial Assets LESS Total Liabilities) | 522,156,869 |
| Non-Financial Assets | | |
| | | 1 |
| | | \$ |
| 6210 | Tangible Capital Assets (SLC 51 9921 11) | 3,995,679,861 |
| 6250 | Inventories of Supplies | 5,055,705 |
| 6260 | Prepaid Expenses | 16,019,691 |
| 6299 | Total Non-Financial Assets | 4,016,755,257 |
| 9970 | Total Accumulated Surplus/(Deficit) | 4,538,912,126 |
| Analysis of the Accumulated Surplus/(Deficit) | | |
| | | 1 |
| | | \$ |
| 6410 | Equity in Tangible Capital Assets | 4,033,353,114 |
| 6420 | Reserves and Reserve Funds (SLC 60 2099 02 + SLC 60 2099 03) | 854,787,389 |
| 6430 | General Surplus/ (Deficit) | -2,461,942 |
| 6431 | Unexpended capital financing | 19,778,551 |
| Local boards | | |
| 5030 | Transit operations | |
| 5035 | Water operations | |
| 5040 | Wastewater operations | |
| 5041 | Solid waste operations | |
| 5045 | Libraries | |
| 5050 | Cemeteries | |
| 5055 | Recreation, community centres and arenas | |
| 5060 | Business Improvement Area | 186,266 |
| 5076 | Other | |
| 5077 | Other | 2,471,637 |
| 5078 | Other | |
| 5079 | Other | 13,708 |
| 5098 | Total Local Boards | 2,671,611 |
| 5080 | Equity in Government Business Enterprises (SLC 10 6090 01) | 193,410,006 |
| 6601 | Unfunded Employee Benefits | -163,043,936 |
| 6602 | Unfunded Landfill closure costs | -41,051,000 |
| 6603 | Unfunded Remediation costs of contaminated sites | -850,000 |
| 6610 | Other | -289,932,760 |
| 6620 | Other | |
| 6630 | Other | -67,748,907 |
| 6640 | Other | |
| 6699 | Total Other | -562,626,603 |
| 9971 | Total Accumulated Surplus/(Deficit) | 4,538,912,126 |

2019.01001

FIR2019: London C

Asmt Code: 3936

MAH Code: 59101

Single/Lower-Tier ONLY Schedule 72 CONTINUITY OF TAXES RECEIVABLE

for the year ended December 31, 2019

| Continuity of Taxes Receivable | | 9 |
|--------------------------------|--------------------------------------------------------------------------|--------------------|
| | | \$ |
| 0210 | Taxes receivable, beginning of year | 14,843,389 |
| 0215 | PLUS: Amounts added to tax bills for collection purposes only | 3,231,710 |
| 0220 | PLUS: Tax amounts levied in the year (SLC 26 9199 03) | 768,601,582 |
| 0225 | PLUS: Current Year Penalties and Interest | 4,984,712 |
| 0240 | LESS: Total cash collections (SLC 72 0699 09) | 771,208,703 |
| 0250 | LESS: Tax adjustments before allowances (SLC 72 2899 09) | 6,606,661 |
| 0260 | LESS: Tax adjustments not applied to taxation (SLC 72 4999 09) | 561,004 |
| 0280 | PLUS: <input type="text"/> | |
| 0290 | Taxes receivable, end of year | 13,285,025 |
| Cash Collections | | 9 |
| | | \$ |
| 0610 | Current year's tax | 744,787,092 |
| 0620 | Previous year's tax | 19,544,950 |
| 0630 | Penalties and interest | 4,392,410 |
| 0640 | Amounts added to tax bills for collection purposes only | 2,484,251 |
| 0690 | Other <input type="text"/> | |
| 0699 | TOTAL Cash Collections | 771,208,703 |

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2019.01001

FIR2019: London C

Asmt Code: 3936

MAH Code: 59101

Single/Lower-Tier ONLY Schedule 72

CONTINUITY OF TAXES RECEIVABLE

for the year ended December 31, 2019

| Tax Adjustments Applied to Taxation | | SCHOOL BOARDS | | | | | TOTAL Education | Lower-Tier (Single-Tier) | Upper-Tier | TOTAL Tax Adjustment | |
|-------------------------------------|-------------------------------------------------------------------------------|-----------------------------------|-----------------|--------------------|-------------------|-------|-----------------|--------------------------|------------|----------------------|-----------|
| | | English - Public | French - Public | English - Separate | French - Separate | Other | | | | | |
| | | 1 | 2 | 3 | 4 | 5 | | | | | |
| | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | | |
| 1099 | Municipal Act (353, 354, 357, 358, RfR) | 2,599,638 | 21,644 | 608,846 | 49,564 | | 3,279,692 | -2,739,932 | | 539,760 | |
| 1299 | Discounts for Advance Payments (Mun. Act 345(10)) | | | | | | | | | 0 | |
| 1499 | Tax Credit (Mun. Act 474.3) | | | | | | | | | 0 | |
| 1699 | Tax Cancellation - Low income seniors and Disabled persons (Mun. Act 345(10)) | | | | | | 0 | | | 0 | |
| 1810 | Rebates to Commercial properties (Mun. Act 362) | | | | | | 0 | | | 0 | |
| 1820 | Rebates to Industrial properties (Mun. Act 362) | | | | | | 0 | | | 0 | |
| 1899 | Subtotal | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 2099 | Rebates for Charities (Mun. Act 361) | 182,134 | 1,813 | 46,440 | 4,120 | | 234,507 | 377,568 | | 612,075 | |
| 2299 | Vacant Unit Rebates (Mun. Act 364) | 333,553 | 3,388 | 84,687 | 7,605 | | 429,233 | 734,949 | | 1,164,182 | |
| 2399 | Reduction for Heritage Property (Mun. Act 365.2) | | | | | | 0 | | | 0 | |
| 2890 | Other | LEGIONS | | | | | | 0 | 17,732 | | 17,732 |
| 2891 | Other | MUNICIPAL HOUSING | | | | | | 0 | 405,889 | | 405,889 |
| 2892 | Other | Less: Prior Yr. Tax Adj Allowance | | | | | | 0 | 3,867,023 | | 3,867,023 |
| 2893 | Other | | | | | | 0 | | | 0 | |
| 2899 | Tax adjustments before allowances | 3,115,325 | 26,845 | 739,973 | 61,289 | 0 | 3,943,432 | 2,663,229 | 0 | 6,606,661 | |

| Tax Adjustments Not Applied to Taxation | | SCHOOL BOARDS | | | | | TOTAL Education | Lower-Tier (Single-Tier) | Upper-Tier | TOTAL Tax Adjustment |
|-----------------------------------------|---------------------------------------------------------------------------|------------------|-----------------|--------------------|-------------------|-------|-----------------|--------------------------|------------|----------------------|
| | | English - Public | French - Public | English - Separate | French - Separate | Other | | | | |
| | | 1 | 2 | 3 | 4 | 5 | | | | |
| | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| 4010 | Tax sale, Tax registration accounts | | | | | | | 560,665 | | 560,665 |
| 4210 | Tax Deferral - Low income seniors and Disabled persons (Mun. Act 345(10)) | 41 | | | | | 41 | 298 | | 339 |
| 4420 | Net Impact of 5% Capping Limit Program | | | | | | 0 | | | 0 |
| 4890 | Other | | | | | | 0 | | | 0 |
| 4891 | Other | | | | | | 0 | | | 0 |
| 4999 | Tax Adjustments Not Applied to Taxation | 41 | 0 | 0 | 0 | 0 | 41 | 560,963 | 0 | 561,004 |

| Additional Information | | SCHOOL BOARDS | | | | | TOTAL Education | Lower-Tier (Single-Tier) | Upper-Tier | TOTAL Tax Adjustment |
|------------------------|------------------------------|--------------------|-------------------|------------|-----------|---|-----------------|--------------------------|------------|----------------------|
| English - Public | French - Public | English - Separate | French - Separate | Other | | | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | | |
| 6010 | Recovery of Tax Deferrals | | | | | 0 | | | 0 | |
| 7010 | Entitlement of School Boards | 112,564,406 | 864,812 | 24,535,151 | 1,521,165 | 0 | 139,485,534 | | | |

2019.01

FIR2019: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 74 LONG TERM LIABILITIES AND COMMITMENTS

for the year ended December 31, 2019

1. Debt burden of the municipality

| | | |
|-------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|--------------------|
| All outstanding debt issued by the municipality, predecessor municipalities and consolidated entities | | 1 |
| | | \$ |
| 0210 | To Ontario and agencies | 36,618,148 |
| 0220 | To Canada and agencies | 6,988,636 |
| 0230 | To Others | 267,190,280 |
| 0297 | Other <input type="text"/> | |
| 0298 | Other <input type="text"/> | |
| 0299 | Subtotal | 310,797,064 |
| 0499 | PLUS: All debt assumed by the municipality from others | |
| LESS: All debt assumed by others | | |
| 0610 | Ontario | |
| 0620 | School boards | |
| 0630 | Other Municipalities | 6,755,371 |
| 0640 | Government Business Enterprises | |
| 0697 | Other <input type="text"/> | |
| 0698 | Other <input type="text"/> | |
| 0699 | Subtotal | 6,755,371 |
| LESS: Debt retirement funds | | |
| 0810 | Sewer | |
| 0820 | Water | |
| 0896 | Other <input type="text"/> | |
| 0897 | Other <input type="text"/> | |
| 0898 | Other <input type="text"/> | |
| 0899 | Subtotal | 0 |
| LESS: Own sinking funds (Actual balances) | | |
| 1010 | General municipal | |
| 1020 | Enterprises and others | |
| 1096 | Other <input type="text"/> | |
| 1097 | Other <input type="text"/> | |
| 1098 | Other <input type="text"/> | |
| 1099 | Subtotal | 0 |
| 9910 | TOTAL Net Long Term Liabilities of the Municipality | 304,041,693 |

2. Debt burden of the municipality: Analysed by debt instrument

| | | |
|-------------|---------------------------------------------------------------|--------------------|
| 1210 | Sinking fund debentures | |
| 1220 | Installation (serial) debentures | 298,892,543 |
| 1230 | Long term bank loans | |
| 1240 | Lease purchase agreements (Tangible capital leases) | 649,150 |
| 1250 | Mortgages | |
| 1280 | Construction Financing Debentures | |
| 1297 | Other <input type="text"/> | 4,500,000 |
| 1298 | Other <input type="text"/> | |
| 9920 | TOTAL Net Long Term Liabilities of the Municipality | 304,041,693 |

3. Debt burden of the municipality: Analysed by function

| | | |
|-----------------------------------|-----------------------------------------------------------------|--------------------|
| 1405 | General government | 3,228,635 |
| 1410 | Protection services | 8,832,671 |
| Transportation services: | | |
| 1415 | Roadways | 69,755,142 |
| 1416 | Winter Control | |
| 1420 | Transit | 23,148,423 |
| 1421 | Parking | |
| 1422 | Street Lighting | 342,807 |
| 1423 | Air Transportation | |
| Environmental services: | | |
| 1425 | Wastewater system | 58,121,594 |
| 1430 | Storm water system | 35,536,023 |
| 1435 | Waterworks system | 13,080,812 |
| 1440 | Solid Waste collection | |
| 1445 | Solid Waste disposal | |
| 1446 | Waste diversion | |
| 1450 | Health services | |
| 1455 | Social and family services | 9,852,989 |
| 1460 | Social housing | |
| Recreation and cultural services: | | |
| 1465 | Parks | 2,171,548 |
| 1466 | Recreation programs | |
| 1471 | Recreation facilities - Golf Course, Marina, Ski Hill | |
| 1474 | Recreation facilities - All Other | 56,464,064 |
| 1475 | Libraries | 5,484,349 |
| 1476 | Museums | |
| 1477 | Cultural services | |
| 1480 | Planning and development | 13,522,636 |
| 1490 | Other long term liabilities | 4,500,000 |
| 9930 | TOTAL Net Long Term Liabilities of the Municipality | 304,041,693 |

2019.01001

FIR2019: London C

Schedule 74

Asmt Code: 3936

LONG TERM LIABILITIES AND COMMITMENTS

MAH Code: 59101

for the year ended December 31, 2019

12. Future principal and interest payments on EXISTING debt

| | | RECOVERABLE FROM: | | | | | | | |
|------|--------------------------------------------|--------------------------------------|-------------------|-------------------|----------------|-------------------------|----------|-------------------|------------------|
| | | Consolidated Statement of Operations | | Reserve Funds | | Unconsolidated Entities | | All Others | |
| | | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| 3210 | Year 2020 | 43,345,800 | 5,978,790 | 4,424,921 | 346,618 | | | 10,436,349 | 1,974,174 |
| 3220 | Year 2021 | 40,389,433 | 4,754,179 | 2,020,748 | 198,564 | | | 10,643,613 | 1,730,726 |
| 3230 | Year 2022 | 31,969,201 | 3,581,241 | 2,082,454 | 127,960 | | | 9,588,227 | 1,471,127 |
| 3240 | Year 2023 | 26,950,294 | 2,589,764 | 1,158,855 | 51,923 | | | 9,117,206 | 1,225,902 |
| 3250 | Year 2024 | 20,594,448 | 1,758,028 | 487,139 | 8,456 | | | 8,482,435 | 982,973 |
| 3260 | Years 2025 to 2029 | 51,173,657 | 2,830,339 | 0 | 0 | | | 30,793,767 | 1,910,691 |
| 3270 | Years 2030 onwards | 295,645 | 8,915 | 0 | 0 | | | 87,501 | 1,905 |
| 3280 | Int. to be earned on sink. funds | | | | | | | | |
| 3299 | TOTAL | 214,718,478 | 21,501,256 | 10,174,117 | 733,521 | 0 | 0 | 79,149,098 | 9,297,498 |

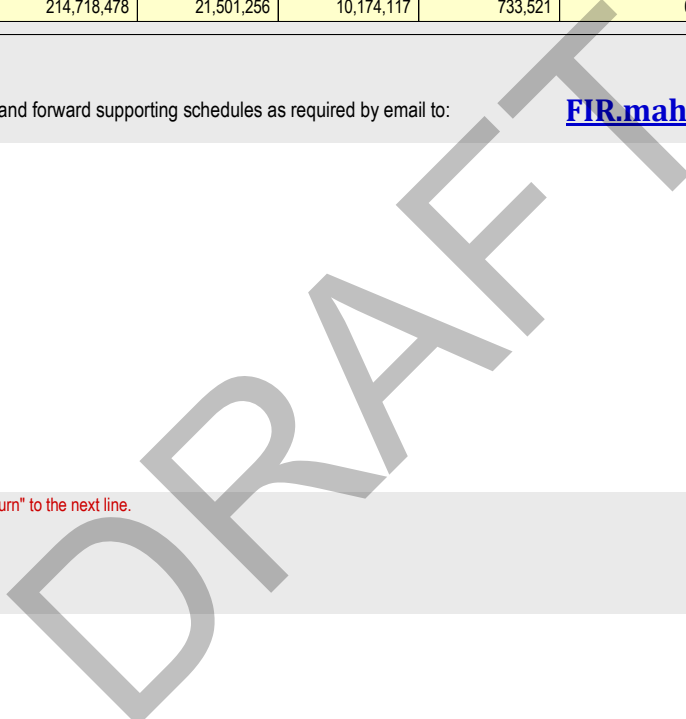
13. Other notes

Please list all Other Notes and forward supporting schedules as required by email to:

FIR.mah@ontario.ca

3601

* Use ALT + ENTER Keys to "Return" to the next line.



2019.01001

FIR2019: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 76 GOVERNMENT BUSINESS ENTERPRISES for the year ended December 31, 2019

GOVERNMENT BUSINESS ENTERPRISES

STATEMENT OF FINANCIAL POSITION

| | | Please Specify GBE | | | | | Total |
|--------------------------------|------------------------------------------|---------------------------------|-------------------------------------|-------------------------------------|----------|----------|--------------------|
| | | Investment in London Hydro Inc. | Fair-City Joint Venture Partnership | City-YMCA Joint Venture Partnership | | | |
| | | 1 | 2 | 3 | 4 | 5 | |
| | | \$ | \$ | \$ | \$ | \$ | 20 |
| | | | | | | | \$ |
| Assets | | | | | | | |
| 0210 | Current | 78,724,000 | 1,306,526 | | | | 80,030,526 |
| 0220 | Capital | 354,155,000 | 11,138,033 | 20,360,396 | | | 385,653,429 |
| 0297 | Other | | | | | | 0 |
| 0298 | Other <input type="text" value="Other"/> | 21,019,000 | | | | | 21,019,000 |
| 0299 | Total Assets | 453,898,000 | 12,444,559 | 20,360,396 | 0 | 0 | 486,702,955 |
| Liabilities | | | | | | | |
| 0410 | Current | 68,277,000 | 2,031,791 | | | | 70,308,791 |
| 0420 | Long-term | 155,000,000 | 2,484,624 | | | | 157,484,624 |
| 0497 | Other | 53,592,000 | 2,886,632 | | | | 56,478,632 |
| 0498 | Other <input type="text" value="Other"/> | 2,339,000 | | | | | 2,339,000 |
| 0499 | Total Liabilities | 279,208,000 | 7,403,047 | 0 | 0 | 0 | 286,611,047 |
| 9910 | Net Equity | 174,690,000 | 5,041,512 | 20,360,396 | 0 | 0 | 200,091,908 |
| 0610 | Municipality's Share | 100 | 39 | 73 | | | 212 |
| STATEMENT OF OPERATIONS | | | | | | | |
| 0810 | Revenues | 448,250,000 | 3,993,049 | | | | 452,243,049 |
| 0820 | Expenses | 437,862,000 | 3,449,442 | -678,680 | | | 440,632,762 |
| 9920 | Net Income (Loss) | 10,388,000 | 543,607 | 678,680 | 0 | 0 | 11,610,287 |
| 1010 | Municipality's Share | 100 | 39 | 73 | | | 212 |
| 1020 | Dividends paid | 5,000,000 | | | | | 5,000,000 |

2019.01001

FIR2019: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 79

COMMUNITY IMPROVEMENT PLANS

for the year ended December 31, 2019

Community Improvement Plans (Section 28 of the Planning Act)

| | | Total Value of all approved Grants, Loans & Tax Assistance | Number of Approved Grants/Loans/Tax Assistance Applications |
|------------------------------------------------------------------------------|-------------------------------------------------------|------------------------------------------------------------|-------------------------------------------------------------|
| | | 1 \$ | 2 # |
| Grants | | | |
| 2010 | Environment Site Assessment/Remediation | 25,586 | 3 |
| 2020 | Development/Redevelopment of Land/Buildings | 0 | 0 |
| Loans | | | |
| 2210 | Loans issued in current year (2019) | 902,591 | 24 |
| 2220 | Outstanding Loans as of 2019 | 3,002,791 | 159 |
| Tax Assistance (per Municipal Act 365.1 ss21) | | | |
| 2410 | Cancellation | 0 | 0 |
| 2420 | Deferral | 0 | 0 |
| Long Term Commitments for Grants, Loans or Tax Assistance beyond 2019 | | | |
| 2610 | Year: 2020 | 1,038,972 | |
| 2620 | Year: 2021 | 3,926,568 | |
| 2630 | Year: 2022 | 1,342,707 | |
| 2640 | Year: 2023 | 1,635,513 | |
| 2650 | Year: 2024 | 2,665,317 | |
| 2660 | Years beyond 2024 | 8,717,075 | |

DRAFT

FIR2019: London C **Schedule 81**
Asmt Code: 3936 **ANNUAL DEBT REPAYMENT LIMIT**
MAH Code: 59101 based on the information reported for the year ended December 31, 2019

NOTE: THE ESTIMATED ANNUAL REPAYMENT LIMIT IS EFFECTIVE JANUARY 01, 2021
Please note that fees and revenues for Homes for the Aged are not reflected in this estimate.

| DETERMINATION OF ANNUAL DEBT REPAYMENT LIMIT | | 1 |
|-----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Debt Charges for the Current Year | | \$ |
| 0210 | Principal (SLC 74 3099 01) | 59,659,032 |
| 0220 | Interest (SLC 74 3099 02) | 9,347,650 |
| 0299 | Subtotal | 69,006,682 |
| 0610 | Payments for Long Term Commitments and Liabilities financed from the consolidated statement of operations (SLC 42 6010 01) | 0 |
| 9910 | Total Debt Charges | 69,006,682 |

| Excluded Debt Charges | | 1 |
|------------------------------|------------------------------------------------------------------------------------------------------|-------------------|
| | | \$ |
| 1010 | Electricity - Principal (SLC 74 3030 01) | 0 |
| 1020 | Electricity - Interest (SLC 74 3030 02) | 0 |
| 1030 | Gas - Principal (SLC 74 3040 01) | 0 |
| 1040 | Gas - Interest (SLC 74 3040 02) | 0 |
| 1050 | Telephone - Principal (SLC 74 3050 01) | 0 |
| 1060 | Telephone - Interest (SLC 74 3050 02) | 0 |
| 1099 | Subtotal | 0 |
| 1410 | Debt Charges for Tile Drainage/Shoreline Assistance (SLC 74 3015 01 + SLC 74 3015 02) | 0 |
| 1411 | Provincial Grant funding for repayment of long term debt (SLC 74 3120 01 + SLC 74 3120 02) | 0 |
| 1412 | Lump sum (balloon) repayments of long term debt (SLC 74 3110 01 + SLC 74 3110 02) | 0 |
| 1420 | Total Debt Charges to be Excluded | 0 |
| 9920 | Net Debt Charges | 69,006,682 |

| | | 1 |
|---------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| | | \$ |
| 1610 | Total Revenues (SLC 10 9910 01) | 1,421,680,831 |
| Excluded Revenue Amounts | | |
| 2010 | Fees for Tile Drainage / Shoreline Assistance (SLC 12 1850 04) | 0 |
| 2210 | Ontario Grants, including Grants for Tangible Capital Assets (SLC 10 0699 01 + SLC 10 0810 01 + SLC 10 0815 01) | 250,646,899 |
| 2220 | Canada Grants, including Grants for Tangible Capital Assets (SLC 10 0820 01 + SLC 10 0825 01) | 21,608,753 |
| 2225 | Deferred revenue earned (Provincial Gas Tax) (SLC 10 0830 01) | 16,319,001 |
| 2226 | Deferred revenue earned (Canada Gas Tax) (SLC 10 0831 01) | 7,949,945 |
| 2230 | Revenue from other municipalities, including Revenue for Tangible Capital Assets (SLC 10 1099 01 + SLC 10 1098 01) | 6,584,190 |
| 2240 | Gain/Loss on sale of land & capital assets (SLC 10 1811 01) | 65,283 |
| 2250 | Deferred revenue earned (Development Charges) (SLC 10 1812 01) | 34,934,114 |
| 2251 | Deferred revenue earned (Recreation Land (The Planning Act)) (SLC 10 1813 01) | 131,402 |
| 2253 | Other Deferred revenue earned (SLC 10 1814 01) | 0 |
| 2252 | Donated Tangible Capital Assets (SLC 53 0610 01) | 64,953,296 |
| 2254 | Increase / Decrease in Government Business Enterprise equity (SLC 10 1905 01) | 9,028,528 |
| 2255 | Other Revenue (SLC 10 1890 01 + SLC 10 1891 01 + SLC 10 1892 01 + SLC 10 1893 01 + SLC 10 1894 01 + SLC 10 1895 01 + SLC 10 1896 01 + SLC 10 1897 01 + SLC 10 1898 01) | 29,505,895 |
| 2299 | Subtotal | 441,727,306 |
| 2410 | Fees and Revenue for Joint Local Boards for Homes for the Aged | 0 |
| 2610 | Net Revenues | 979,953,525 |
| 2620 | 25% of Net Revenues | 244,988,381 |
| 9930 | ESTIMATED ANNUAL REPAYMENT LIMIT | 175,981,699 |

For Illustration Purposes Only

| | | | | | | |
|--|----------------------|---|--|------|---------|--|
| | Annual Interest Rate | @ | | Term | years = | |
|--|----------------------|---|--|------|---------|--|



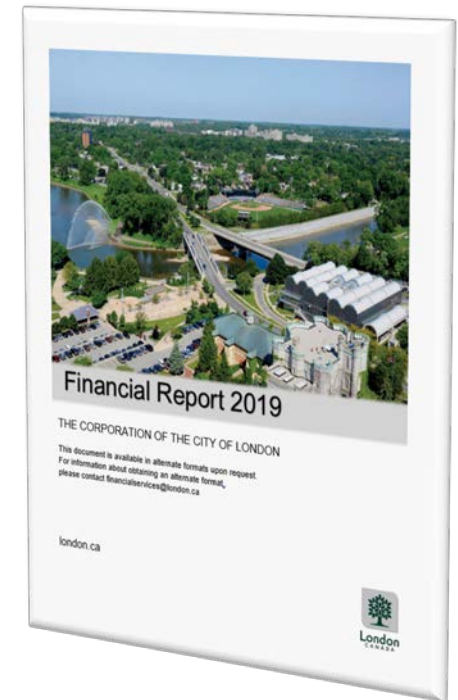
2019 Consolidated Financial Report



Audit Committee
September 16, 2020

Composition of Financial Consolidated Report

- Highlights of Key Financial Policies
- 2019 Financial Results including trends
- Five Year Review and General Statistics
- Consolidated Financial Statements



Section 294.1 of the *Municipal Act, 2001* indicates that for each fiscal year, a municipality **shall** prepare annual financial statements in accordance with **generally accepted accounting principles**.



Consolidated Financial Statements

Highlights and Changes

Consolidated Entities

| | |
|-------------------|-----|
| Hamilton Road BIA | In |
| PUC | Out |

Subsequent Event

COVID – 19
(Note 25)

City Services Payable

- Replaces Urban Works Payable based on Council direction given the 2019 Development Charges Background Study.
- Liability recognized at substantial completion, signed off by an Engineer.
(Note 11)

WSIB Liability

- Change in year end statement provided by Workplace Safety Insurance Board identifying future cost.
- Civic Administration required to engage an actuary to finalize liability. More in depth process to be set out for 2020 commencing in the fall.

Unusual Transaction

- Recognition of monies owed to benefit provider. Understated 2018 expense, overstated 2019 expense. Payment made in 2019 to clear up.
- Increased joint monitoring of accounts held with benefit providers, including the establishment of thresholds for funds held with them.

Consolidated Financial Report



Reflects the assets, liabilities, revenues, and expenses of the Corporation, including:

- 14 fully consolidated boards and commissions*
- 3 proportionately consolidated entities
- 3 government business enterprises

(Refer to Note 1 for breakdown)

**Change from 2018, inclusion of Hamilton Road Business Improvement Area Board of Management, excludes Public Utilities Commission*

Consolidated Statements Comprise

Statement of Financial Position

Provides a summary of the City's **assets** (financial and non financial) and **liabilities**, both present and future, at a point in time.

Statement of Operations

Summarizes **revenues, expenses, surplus for the year** and calculation of the City's **accumulated surplus** at year end

Statement of Changes in Net Financial Assets

Shows 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.

Statement of Cash Flows

Summarizes the City's **cash position** and changes during the year. Shows all the sources and uses of cash.





Statement of Financial Position

(in \$ millions)

Financial Assets \$1,591

Cash, Accounts Receivable, Land held for resale, Investments, Loan receivable, Investments in government business enterprises

Financial Liabilities \$1,069

Accounts payable, deferred revenue, long-term debt, city services payable, employee benefits payable, and landfill closure and post closure liability

Net Financial Assets \$ 522

Total of Financial Assets less Total Financial Liabilities

Non Financial Assets \$4,017

Tangible capital assets (buildings, vehicles, infrastructure (roads, water, wastewater), equipment) are not liquid or readily available for sale. Also included here are prepaid expenses.

Accumulated Surplus \$4,539

Includes the balances of the City's consolidated reserves and reserve funds. Indicates a government's ability to provide future service.



Statement of Financial Position

(in \$ millions)

+ / - over 2018

Financial Assets \$1,591

↑
+\$185

Increase in investments held driven by increase purchases working towards achieving higher investment targets approved in latest Investment Policy update. (Note 4)

Financial Liabilities \$1,069

↑
+\$ 64

Increase in deferred revenue related to Development Charges, and Federal and Provincial Gas Tax. (Note 7) Further increase in City Services Payable. (Note 11)

Net Financial Assets \$ 522

↑
+\$121

The increase in Financial Assets was greater than the increase in Financial Liabilities.

Non Financial Assets \$4,017

↑
+\$101

Increase predominantly due to the increase in tangible capital assets. (Note 14)
NOTE: Developer contributions accounted for 30% of the increase. (Note 14 b)

Accumulated Surplus \$4,539

↑
+\$222

Assets less Liabilities

Notable Assets Recognized in 2019

Western & Wharncliffe
Road Upgrade
\$12.5 million

Dundas Flex Street Phase 2
(Dundas Place)
\$ 9.9 million

Main Street & Longwoods
Road Upgrade in Lambeth
\$10.3 million

West London Dykes
Upgrades Phase 5 & 6
\$ 4.3 million

Force main and sanitary
pipes required for the new
Colonel Talbot Pumping
Station
\$9.4 million

Developer Contributions to
Tangible Capital Assets
\$64.9 million
(12.3 km of roadways, 14 km of sidewalk, 328
street lights, 12.5 km water pipe, 13.4 km of
sanitary sewer pipes, 12 km storm sewer pipes)

Net Book Value of Assets – December 31, 2019 (in millions)

| Tangible Capital Assets (Note 14) | Historical Cost 2019 | Accumulated Amortization 2019 | Net Book Value 2019 |
|-------------------------------------|-------------------------|----------------------------------|------------------------|
| Land | \$ 453 | \$ - | \$ 453 |
| Landfill and Land Improvements | 162 | 86 | 76 |
| Buildings and Building Improvements | 1,093 | 510 | 583 |
| Leasehold Improvements | 9 | 2 | 7 |
| Machinery, Equipment and Furniture | 440 | 271 | 169 |
| Vehicles | 135 | 75 | 60 |
| Water Infrastructure | 808 | 267 | 540 |
| Wastewater Infrastructure | 1,526 | 490 | 1,036 |
| Roads Infrastructure | 1,455 | 523 | 932 |
| Computers and Computers under lease | 22 | 13 | 9 |
| Assets under Construction | 130 | - | 130 |
| Totals | \$ 6,235 | \$ 2,239 | \$ 3,996 |

Statement of Operations (\$ 000's)

- City Financial Statements are presented on a **full accrual accounting basis (PSAB)** whereas the Multi-Year Budget is presented on a **modified cash basis**.

| 2019 | Modified Cash Basis Budget | Financial Statement Adjustments | Full Accrual Basis PSAB |
|--------------------|----------------------------|---------------------------------|-------------------------|
| Revenue | 1,138,459 | 205,707 | 1,344,166 |
| Expenses | 1,138,459 | (16,458) | 1,122,001 |
| Surplus (Rev – Ex) | - | 222,165 | 222,165 |

- Key items different than budget:**
 - Amortization** is recorded as an **expense** on the Statement of Operations
 - Debt principal** repayments are **not expensed**.
 - Contributions to **capital and reserve funds** are also **not expensed**.
 - Revenue recognition for tangible capital assets.
 - Consolidation of boards and commissions: **gross** versus net

City Budget vs. PSAB Accounting (\$ 000's)

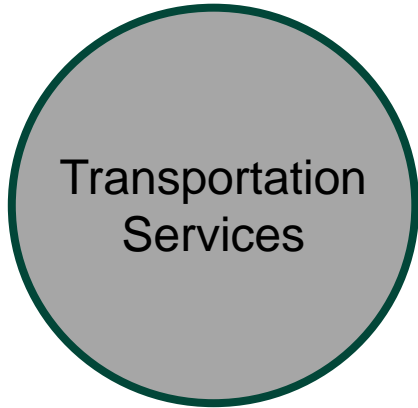
| Statement of Operations - Revenues | City Budget 2019 (Unconsolidated) | PSAB Accounting 2019 Actuals |
|-----------------------------------------------|--------------------------------------------------|---------------------------------------------|
| Net Municipal Taxation | 627,860 | 635,280 |
| Grants, User Fees and Other Revenue | 502,992 | 545,904 |
| Transfers from Capital and Reserve Funds | 7,607 | - |
| Capital Funding Earned | - | 36,827 |
| Developer Contributions | - | 64,953 |
| Reserve Fund Deferred Revenue Earned | - | 50,809 |
| Government Business Enterprise Adjustments | - | 4,029 |
| Boards and Commissions Surplus | - | 6,363 |
| Total Revenues | <u>1,138,459</u> | <u>1,344,166</u> |

City Budget vs. PSAB Accounting (000's) continued

| Statement of Operations - Expenses | City Budget 2019 (Unconsolidated) | PSAB Accounting 2019 Actuals |
|-------------------------------------------------------------------------|--------------------------------------------------|---------------------------------------------|
| Operating Expenses | 913,302 | 916,741 |
| Debt Principal Repayments | 42,371 | - |
| Transfer to Reserve & Reserve Funds | 94,036 | - |
| Capital Expenditures (pay as you go financing) | 86,750 | - |
| Capital Expenses not capitalized | - | 44,269 |
| Amortization | - | 152,278 |
| Loss on Disposal of Capital Assets | - | 4,711 |
| Landfill, Contaminated Sites, and Employee future benefits Liability | - | 4,002 |
| Total Expenses | <u>1,138,459</u> | <u>1,122,001</u> |
| Annual Surplus | <u>0</u> | <u>222,165</u> |

Statement of Operations - Expenses

- Overall, expenses **increased** by **\$49.1 million** in 2019
 - a **4.3% increase** over 2018



\$14.9 million attributable to Roads and Transit



\$8.1 million for Affordable Housing



\$10.3 million for Police and Fire



\$6.7 million attributable to benefit payment and legal accruals



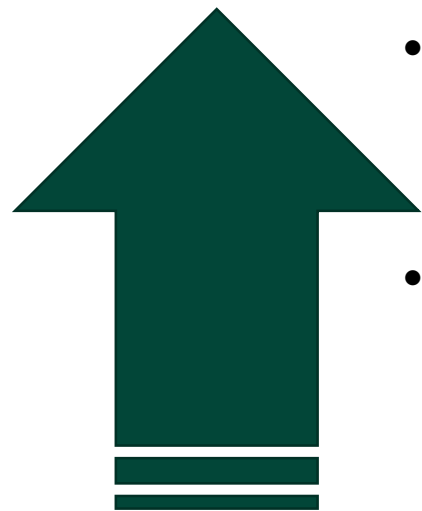
\$3.4 million for Recreation, Health Services, Environmental Services, and Social and Family Services



\$5.6 million for Commercial and Industrial development (cost of goods sold, industrial land)

Statement of Operations - Revenues

- Overall, 2019 revenues **decreased \$1.1** million compared to 2018, a **0.1% decrease** over 2018.



- Increase in tax revenue and user charges \$35.1 million
- \$ 20.1 million increase from other revenues such as industrial land sales, investment income, and municipal accommodation tax



- Decrease in government transfers recognized.
- Development charge revenue lower than 2018 experience.
- Developer contributions of tangible capital assets



Comparing the Budget Surplus to Financial Statement Surplus

| 2019 Operating Budget Surplus per the Year-End Budget Monitoring Report to Corporate Services Committee on May 11, 2020 | \$ millions |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| Property Tax Supported Budget Surplus | 3.2 |
| Water Rate Supported Budget Surplus | 1.7 |
| Wastewater & Treatment Rate Supported Budget Surplus | 3.3 |
| 2019 Operating Budget Surplus | 8.2 |
| 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 | (8.2) |
| Operating Fund Surplus per 2019 Approved Budget (Cash Format) | 0.0 |
| Financial Statement adjustments: | |
| Plus: Transfers to (from) Capital and Reserves and Reserve Funds | 225.1 |
| Plus: Debt Principal Repayments | 39.3 |
| Plus: Capital program funding earned in year | 36.9 |
| Less: Capital expenses not capitalized (Non-TCA) | (44.3) |
| Less: Amortization of Tangible Capital Assets (TCA) | (152.3) |
| Plus: Developer contributions of assumed TCA | 65.0 |
| Less: Loss on disposal of TCA | (4.7) |
| Plus: Reserves and reserve fund net revenues earned in year | 50.8 |
| Plus: Government Business Enterprises adjustments | 4.0 |
| Less: Change in landfill liability, contaminated site liability and employee future benefit liability | (4.0) |
| Plus: Boards' and Commission's Surpluses | 6.4 |
| 2019 Consolidated Surplus per Financial Statements (PSAB Format) | 222.2 |

Public Sector Accounting Board (PSAB) Landscape

- Public Sector Accounting Standards (PSAS) **continue** to develop; improving **transparency, recognition** and **disclosure**.



Where do we go from here?

- Huge **thanks** to the Finance and Accounting teams of the City's Boards and Commission, along with the Financial Services team and KPMG in adapting, and working through these extraordinary times.
- KPMG will present their **Audit Findings Report**

The Corporation of The City of London

Audit Findings Report
for the year ended December 31, 2019

KPMG LLP

Prepared as of August 28, 2020 for
presentation on September 16, 2020

kpmg.ca/audit

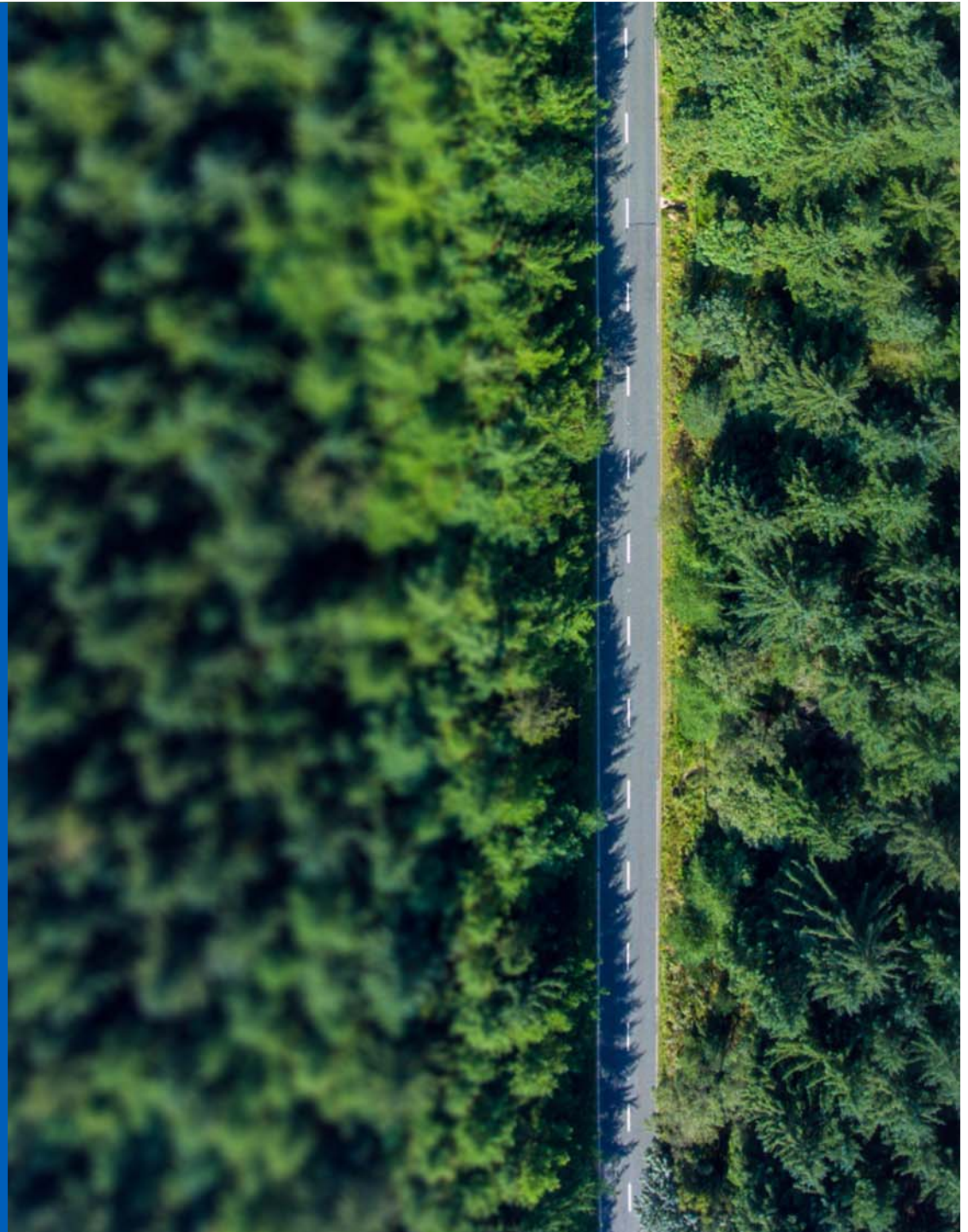


Table of contents

| | |
|----------------------------------------------------------|------------|
| EXECUTIVE SUMMARY | 1 |
| AUDIT RISKS AND RESULTS | 3 |
| TECHNOLOGY IN THE AUDIT | 12 |
| FINANCIAL STATEMENT PRESENTATION AND DISCLOSURE | 13 |
| UNCORRECTED DIFFERENCES AND CORRECTED ADJUSTMENTS | 14 |
| UNCORRECTED DIFFERENCES | 165 |
| CONTROL DEFICIENCIES AND OTHER OBSERVATIONS | 16 |
| CURRENT DEVELOPMENTS AND AUDIT TRENDS | 18 |
| APPENDICES | 19 |



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Executive summary

Purpose of this report¹

The purpose of this Audit Findings Report is to assist you, as a member of the Audit Committee, in your review of the results of our audit of the consolidated financial statements of The Corporation of the City of London (the “Corporation”) as at and for the year ended December 31, 2019. This Audit Findings Report builds on the Audit Plan we presented to the Audit Committee on March 11, 2020.

Changes from the Audit Plan

There have been no significant changes regarding our audit from the Audit Planning Report previously presented to you. There were additional considerations made regarding any potential impact of COVID-19 on the audit of the December 31, 2019 financial statements, as noted on the following page.

See *Appendix 3*.

Finalizing the Audit

As of August 28, 2020, we have completed the audit of the consolidated financial statements, with the exception of certain remaining procedures, which include:

- Completion of our legal testing procedures, including obtaining updates to our internal and external legal letters;
- Tie-out of certain notes to the consolidated financial statements;
- Tie-out of the annual report;
- Completion of manager and partner final review;
- Obtaining the signed management representation letter;
- Completing our discussions with the Audit Committee;
- Obtaining evidence of Council’s approval of the financial statements

We will update the Audit Committee, and not solely the Chair, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures. Our auditors’ report will be dated upon the completion of any remaining procedures.

¹ This Audit Findings Report should not be used for any other purpose or by anyone other than the Audit Committee. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Independence

We have included a copy of our annual independence letter dated as of the date of this report, which notes that we are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada.

See *Appendix 6*.

Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

Adjustments and differences

The impact of uncorrected differences is described in pages 14-15 and Appendix 5 of this report.

Control deficiencies

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting.

We have identified other observations with respect to the following:

- Processing of payroll for casual employees: payment after termination
- Inconsistent accounting policy for WIP transfers

See *pages 16-17*.

Impact of COVID-19

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. 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. These impacts could include a decline in future cash flows and changes to the value of assets and liabilities for both the Corporation and its related Boards and Commissions who may require their support. An estimate of the future financial effect of the pandemic on the Corporation is not practicable at this time.

The impact of COVID-19 has been disclosed in the notes to the financial statements as a subsequent event.

Audit risks and results

We highlight our significant findings in respect of significant financial reporting risks as identified in our discussion with you in the Audit Plan, as well as any additional significant risks identified.

| | |
|---------------------------|--------------------------|
| 1 Significant Risk | Completeness of accruals |
|---------------------------|--------------------------|

| Significant financial reporting risk | Why is it significant? |
|--------------------------------------|------------------------|
|--------------------------------------|------------------------|

| | |
|--------------------------|--|
| Completeness of accruals | |
|--------------------------|--|

| | |
|--|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | The financial statements include certain accruals, such as legal and landfill liabilities and liabilities for contaminated sites, which require a significant amount of management judgement and assumptions to develop. |
|--|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Our response and significant findings

Audit Approach

KPMG performed the procedures as indicated in our audit planning report.

Findings

Two prior year misstatements were identified during our audit testing and corrected in the current year. See pages 5-6 for a further discussion of the significant accounting estimates.

Audit risks and results (continued)

2 Significant Risk

Fraud risk from management override of controls

Significant financial reporting risk

Why is it significant?

Fraud risk from management override of controls

This is a presumed fraud risk. We have not identified any specific additional risks of management override relating to this audit.

Our response and significant findings

Audit Approach

As this risk is non-rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. KPMG performed procedures including testing of journal entries and other adjustments, performed a retrospective review of estimates and evaluated the business rationale of significant unusual transactions.

Findings

No significant issues were noted.

Audit risks and results (continued)

Management is required to disclose information in the consolidated financial statements about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities within the next financial year. Generally, these are considered to be “estimates with significant risk.”

1 Estimate with Significant Risk Landfill closure and post-closure liability

| Liability | Carrying Amount |
|---------------------------------------------|-----------------|
| Landfill closure and post-closure liability | \$41.0 million |

KPMG comment

- The Corporation is required to accrue anticipated closure and post-closure costs for existing and closed landfill sites in accordance with the Ontario Environmental Protections Act and PS 3270.
- The liability is the estimated cost to date, based on a volumetric basis, of the expenditures relating to those activities required when the site stops accepting waste.
- Determination of this liability is dependent upon significant Management estimates including expected and remaining capacity of the landfill, expected closing costs and estimated time needed for post-closure care.
- The estimated liability for the landfill sites is calculated as the present value of anticipated future cash flows associated with closure and post-closure costs.
- At December 31, 2019, the landfill accrual amounted to \$41.0 million (2018 - \$39.2 million), \$31.7 million of which related to the future closure of the active landfill and \$9.3 million relating to monitoring of closed landfills.
- We obtained an understanding of the calculation through discussions with the Corporation’s Solid Waste Management Division Manager. We reviewed the analysis prepared by Management and obtained corroborative evidence to support Management’s assumptions. The assumptions used by Management in the calculation are considered reasonable based on the audit evidence obtained and are consistent with the assumptions and estimates made in other sections of the financial statements.

As at the date of this report, certain responses from Management with respect to assumptions used to calculate the landfill accrual are outstanding. We do not anticipate any changes to the financial statements as a result of obtaining responses to our inquiries. We believe Management’s process for identifying significant accounting estimates is considered adequate.

Audit risks and results (continued)

2 Estimate with Significant Risk Accounts payable and accrued liabilities

| Liability | Carrying Amount |
|------------------------------------------|-----------------|
| Accounts payable and accrued liabilities | \$173.7 million |

KPMG comment

- Management accrues estimates for liabilities that have been incurred at year end, but not yet paid, within accounts payable and accrued liabilities in the financial statements.
- Included within this balance are estimates related to provisions for personnel and legal matters in the amount of \$9.3 million (2018 - \$4.6 million). The accrual for personnel matters amounted to \$1.8 million (2018 - \$1.4 million) and includes amounts for matters which will be taken to arbitration and other internal grievances. The accrual for legal matters amounted to \$7.5 million (2018 - \$3.2 million) and is comprised of lawsuits brought against the Corporation by external parties.
- Management has accrued these amounts based on previous experience with matters that were similar in nature, based on information provided by the HR department and based on assessment included in both internal and external legal letters.
- Also included within this balance are significant estimates related to liabilities for contaminated sites. A liability of \$0.9 million (2018 - \$0.9 million) for remediation of contaminated sites has been recognized, net of any expected recoveries.
- The notes to the consolidated financial statements include disclosures related to contaminated sites for which the Corporation is not expected to bear the cost of remediation.
- We obtained an understanding of the calculation through discussions with Management and obtained corroborative evidence to support assumptions.
- Management has accrued these amounts based on reports prepared by independent consultants to estimate the cost of remediation.
- Management has represented that these balances are fairly presented for financial reporting purposes.
- With respect to accrued liabilities, we have:
 - o Discussed with Management the nature and rationale for the accrual;
 - o Reviewed Management's assessment of the likelihood of incurring the liability for each claim, range of possible outcomes, and the amount in the range that has been accrued in the financial statements;
 - o Compared the current period accruals to the amounts accrued at the prior year end for significant fluctuations;
 - o Reviewed the Corporation's in-house legal letter for any potentially unrecorded accruals at year end;
 - o Reviewed legal letters obtained from external legal counsel to ensure all claims have been accrued at year end and that likelihood of outcome for each claim as reported by external counsel is consistent with Management's assessment;
 - o Reviewed results of the environmental assessment prepared by independent third-party consultants; and
 - o Where possible, reviewed subsequent payments to determine whether the liability at year end is reasonably stated.

We believe Management's process for identifying significant accounting estimates is adequate.

Audit risks and results (continued)

Significant findings from the audit regarding other areas of focus are as follows:

| | | |
|----------|----------------------------|-----------------------------------|
| 1 | Other area of focus | Capital projects and acquisitions |
|----------|----------------------------|-----------------------------------|

| Other area of focus | Why are we focusing here? |
|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Capital projects and acquisitions | The Corporation has a large balance of tangible capital assets and is continually spending on capital projects. There is judgement involved in determining the useful lives of capital assets and when the amortization period should begin. |

Our response and significant findings

Audit Approach

KPMG performed the procedures as indicated in our audit planning report.

Findings

- During our testing of tangible capital assets, it was identified that in a prior year, accumulated surplus had been credited in the amount of \$1.6 million in relation to a SWM pond. However, it was discovered that \$1.5 million should have been credited to Urban Works payable as the monetary transaction associated with the addition of the SWM pond had not taken place in prior years. The residual is an overstatement of tangible capital assets. To correct the prior period misstatement, an out of period correction was made in the current year, resulting in an overstatement of planning and development expenses in 2019 of \$1.5 million. The ending balance for accumulated surplus is correct as at December 31, 2019.
- During our testing over WIP balances in a prior year, a control observation was identified related to the timing of transfers from WIP to assets in productive use. Based on discussion with Management, the control observation continues to apply for F2019. The control observation is summarized on page 17.
- There have been no changes to the amortization rates used in the prior year. This is reasonable given the nature of assets and their useful lives.
- See page 12 for details on the data and analytics routines performed over tangible capital assets.

No additional findings were noted during our testing.

Audit risks and results (continued)

2 Other area of focus Payroll and employee future benefits

Other area of focus

Payroll and employee future benefits

Why are we focusing here?

The Corporation provides defined retirement and other future benefits for some groups of its retirees and employees. As at December 31, 2019, the Corporation had a liability for employee future benefits of \$161.7 million (2018 - \$159.5 million).

Our response and significant findings

The balance of employee future benefits is comprised of the following:

- Post-employment and post-retirement benefits of \$95.0 million (2018 - \$92.6 million) - includes health, dental, life insurance and long-term disability, which are provided to retirees until they reach 65 years;
- WSIB accrual of \$48.3 million (2018 - \$48.8 million) – as a Schedule 2 Employer, the Corporation must finance its own costs related to WSIB;
- Vacation liability of \$16.7 million (2018 - \$16.5 million) – relates to vacation credits earned but not taken by employees as at December 31; and
- Unused sick leave liability of \$1.7 million (2018 - \$1.7 million) – represents the liability for accumulated vested sick days that can be taken in cash by an employee on termination or retirement.

The calculation of employee benefits payable requires Management to make certain estimates, including estimates of discount rate, salary escalation, retirement age, expected health care and dental costs, and estimated claim costs.

The liability for the post-employment and post-retirement benefits is determined through an actuarial valuation which was prepared by Mercer as of December 31, 2019.

The liability for workplace safety and insurance costs is determined by WSIB. The estimated value of future benefit costs for certain presumptive cancer claims was calculated separately by Oliver Wyman Actuarial Consulting Services. Vacation and unused sick leave liabilities are accrued in the financial statements when they are earned by employees.

Audit Approach

KPMG performed the procedures as indicated in our audit planning report.

Audit risks and results (continued)

2 Other area of focus Payroll and employee future benefits (continued)

Findings

- Based on work performed over assumptions used in the actuarial valuation, KPMG has identified a projected uncorrected overstatement of the WSIB accrual as at December 31, 2019. See page 15 and appendix 5.
- During our testing over benefits expense, we noted that there was a prior period misstatement related to amounts owing to Great West Life. In the prior year, accumulated surplus was overstated by \$2.8 million, benefit expenses were understated by \$1.1 million, and payables were understated by \$2.8 million. An out of period correction was made by Management in the current year, resulting in an overstatement of expenses of \$2.8 million in 2019.
- A control observation has been identified as a result of our payroll testing procedures performed in a prior year. Based on discussion with Management, the control observation continues to apply for F2019. The control observation is summarized on page 17.

Audit risks and results (continued)

3 Other area of focus Taxation, user charges and transfer payments revenue

Other area of focus

Taxation, user charges and transfer payments revenue

Why are we focusing here?

For the year ended December 31, 2019, these revenue streams amounted to more than \$1.2 billion for the Corporation (2018 - \$1.2 billion).

Our response and significant findings

Audit Approach

KPMG performed the procedures as indicated in our audit planning report.

Findings

No significant issues were noted.

Audit risks and results (continued)

4 Other area of focus Debt issuances, New Boards & Commissions, CaseWare implementation

| Other area of focus | Why are we focusing here? |
|--------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Debt issuances | Individual debt issuances at the Corporation have historically been for significant amounts |
| New Boards & Commissions | Hamilton Road BIA will require audited financial statements and consolidation into the Corporation's financial statements |
| CaseWare implementation | Management had expected to implement CaseWare for fiscal 2019 year-end reporting and for the preparation of the Corporation's consolidated financial statements. |

Our response and significant findings

Audit Approach

KPMG performed the procedures as indicated in our audit planning report with the exception of the CaseWare implementation which has been deferred by Management to the next fiscal year.

Findings

No significant issues were noted.

Technology in the audit

As previously communicated in our Audit Planning Report, we have utilized technology to enhance the quality and effectiveness of the audit.



Areas of the audit where Technology and D&A routines were used

| Tool | Our results and insights |
|----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| KPMG Clara Client Collaboration | Utilized secure client collaboration site to share documents over the course of the audit. |
| Journal Entry Analysis | Utilized computer-assisted audit techniques (CAATs) to analyze journal entries and apply certain criteria to identify potential high-risk journal entries for further testing as a response to the fraud risk from management override of controls. No issues noted during the test. |
| Data & Analytics Routines – Tangible Capital assets – WIP | Utilized CAATs to compare the WIP detail in fiscal 2019 to the WIP detail in fiscal 2018, testing any projects that did not incur costs in fiscal 2019 and remain in work in progress (WIP) as at December 31, 2019. This routine obtained audit evidence over the completeness of tangible capital assets and amortization expense. No issues noted during the test. |
| Data & Analytics Routines – Tangible Capital assets – Disposals | Utilized CAATs to compare the disposal listing to the asset detail, testing assets that were recorded in both listings. This routine obtained audit evidence over existence of tangible capital assets. No issues noted during the test. |
| Data & Analytics Routines – Holdback accrual | Utilized CAATs to compare the tangible capital asset WIP listing to the holdbacks accrual listing, testing any significant WIP project that did not have a corresponding holdback accrual. This routine obtained audit evidence over the completeness of holdback accruals. No issues noted during the test. |

Financial statement presentation and disclosure

The presentation and disclosure of the financial statements are, in all material respects, in accordance with the Corporation's relevant financial reporting framework. Misstatements, including omissions, if any, related to disclosure or presentation items are in the management representation letter.

We also highlight the following:

| | |
|-----------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Form, arrangement, and content of the financial statements | Adequate. |
| Application of accounting pronouncements issued but not yet effective | <p>The dates reported below differ from implementation dates previously communicated to the Audit Committee. In response to the COVID-19 pandemic, the Public Sector Accounting Board has deferred the effective dates of all upcoming standards by one year.</p> <ul style="list-style-type: none">• PS 1201 Financial Statement Presentation – applicable for the year ending December 31, 2023• PS 3041 Portfolio Investments – applicable for the year ending December 31, 2023• PS 3450 Financial Instruments – applicable for the year ending December 31, 2023• PS 2601 Foreign Currency Translation – applicable for the year ending December 31, 2023• PS 3280 Asset Retirement Obligations – applicable for the year ending December 31, 2023• PS 3400 Revenue – applicable for the year ending December 31, 2024 <p>No concerns at this time regarding future implementation.</p> |

Uncorrected differences and Corrected Adjustments

Differences and adjustments include disclosure differences and adjustments.

Professional standards require that we request of Management and the Audit Committee that all identified differences be corrected. We have already made this request of Management.

Uncorrected differences

The management representation letter includes the Summary of Uncorrected Audit Misstatements, which disclose the impact of all uncorrected differences considered to be other than clearly trivial. See Appendix 5.

We concur with Management's representation that the differences are not material to the financial statements. Accordingly, the differences have no effect on our auditors' report.

Corrected adjustments

We did not identify any adjustments that were communicated to Management and subsequently corrected in the financial statements.

Uncorrected differences

Uncorrected differences

Based on both qualitative and quantitative considerations, Management have decided not to correct certain differences and represented to us that the differences—individually and in the aggregate—are, in their judgment, not material to the financial statements.

| As at and year ended December 31, 2019 | Annual Surplus effect | Financial position | | |
|------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-------------------------------|------------------------------------|--------------------------------------------|
| Description of differences greater than \$860,000 individually | (Decrease) Increase | Assets (Decrease) Increase | Liabilities (Decrease) Increase | Accumulated Surplus (Decrease) Increase |
| Overstatement of planning and development expenses due to an out of period correction to a prior period error related to a SWM pond | 1,547,183 | – | – | – |
| Overstatement of benefit expenses due to an out of period correction to a prior period error related to amounts owing to Great West Life | 2,751,001 | – | – | – |
| Projected uncorrected overstatement of WSIB accrual | 2,157,957 | | (2,157,957) | (2,157,957) |
| Total differences | 6,456,141 | – | (2,157,957) | (2,157,957) |

The impact of uncorrected misstatements on the prior period is documented in Appendix 5. We concur with Management's representation that the differences are not material to the prior period financial statements.

Control deficiencies and Other observations

In accordance with professional standards, we are required to communicate to the Audit Committee significant deficiencies in internal control over financial reporting (ICFR) that we identified during our audit.

The purpose of our audit is to express an opinion on the financial statements. Our audit included consideration of ICFR 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 ICFR. The matters being reported are limited to those deficiencies that we have identified during our audit and that we have concluded are of sufficient importance to merit being reported to the Audit Committee.

Significant deficiencies

| Description | Potential effect |
|---------------------------------------------------------------------------------------------------|------------------|
| No significant control deficiencies were noted. Please see other control observations on page 17. | |

Control deficiencies and Other observations

Other observations

| Item | Observation |
|--------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Payroll – Agency 3 | <p>During our control testing over the payroll process in prior years, we noted instances where there was a significant time lag between when the employee was terminated and when the payroll department received the termination form. These instances related to Agency 3 – Casual workers and as such we do not consider this to be a pervasive deficiency. As a result of this time lag, the employee was paid nominal amounts for statutory holidays that they were not entitled to. KPMG did not identify any instances in current year testing, however, per discussion with Management, this continues to be an issue, albeit to a lesser extent in 2019.</p> <p>While this represents a control deficiency, it should be noted that it has not been identified as a significant control deficiency since the total payroll for Agency 3 is not considered significant to the financial statements.</p> <p>We understand that Management is taking the recommended steps to implement processes to remediate the deficiency.</p> |
| Inconsistent accounting policy for WIP transfers | <p>During our testing over WIP transfers in the prior year, we noted that for road construction projects that do not involve internal City workers, these projects are transferred to WIP after asphalt is placed on the road surface. For road construction projects that do involve internal City workers, these projects are transferred to WIP during the year of substantial completion, even if asphalt has not been placed on the road surface.</p> <p>We note that accounting policies should be consistent amongst road construction projects.</p> |

Current developments and audit trends

Our discussions with you and what KPMG is seeing in the marketplace—both from an audit and industry perspective—indicate the following is specific information that will be of particular interest to you. We would, of course, be happy to further discuss this information with you at your convenience.

| Thought Leadership | Overview | Links |
|---------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Accelerate | Accelerate is a KPMG trends report and video series that includes the perspective of subject matter leaders from across KPMG in Canada on seven key issues impacting organizations today that are disrupting the Audit Committee mandate. | https://home.kpmg/ca/en/home/insights/2019/10/accelerate-introduction.html |
| Bracing for digital disruption | The digital revolution may be well into its prime, but the disruption is far from over. New and emerging technologies continue to shape (and reshape) how organizations operate and adapt to their customers. While these tools have opened the doors to new capabilities and market opportunities, they have also driven the need for stronger and more adaptive risk management strategies. | https://home.kpmg/ca/en/home/insights/2019/10/digital-disruption.html |

Appendices

Content

Appendix 1: Required communications

Appendix 2: Audit Quality and Risk Management

Appendix 3: Audit Response to COVID-19

Appendix 4: Draft Auditors' Report

Appendix 5: Management Representation Letter

Appendix 6: Independence Letter



Appendix 1: Other Required Communications

In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:

Auditor's report

The conclusion of our audit is set out in our draft auditors' report. See Appendix 4.

Management representation letter

We will obtain the signed management representation letter from Management at the completion of the annual audit. In accordance with professional standards, copies of the management representation letter are provided to the Audit Committee. See Appendix 5.

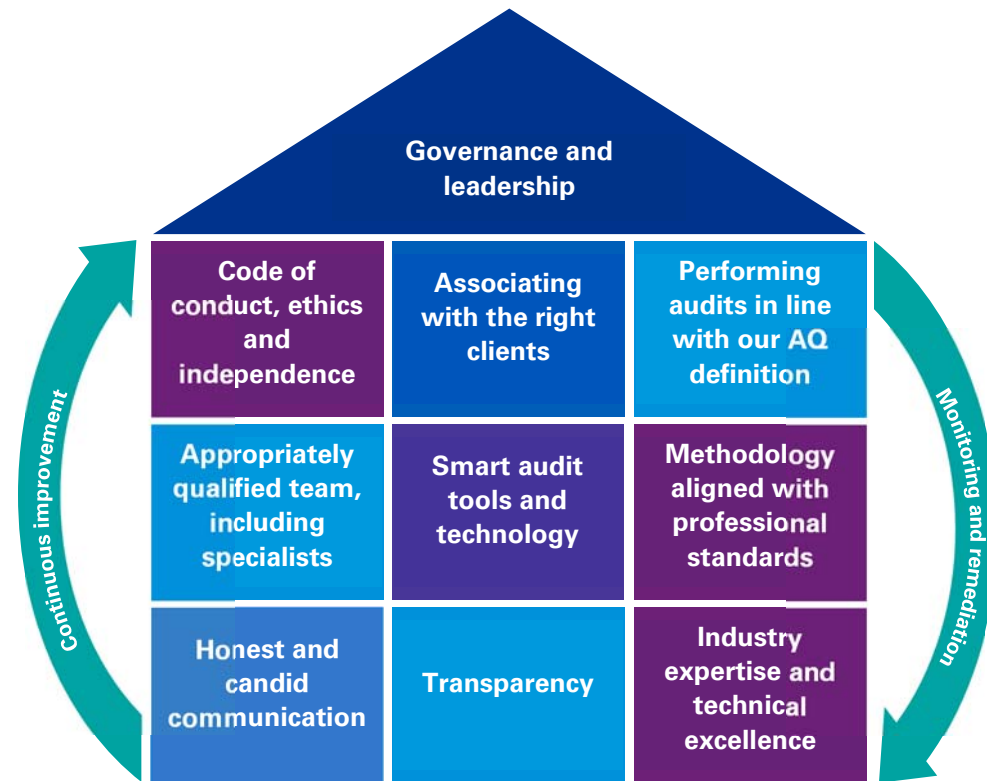
Annual independence letter

We have attached our annual independence letter dated as of the date of this report. See Appendix 6.

Appendix 2: Audit Quality and Risk Management

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarizes the key elements of our quality control system.



Audit Quality Framework

What do we mean by audit quality?

Audit Quality (AQ) is at the core of everything we do at KPMG.

We believe that it is not just about reaching the right opinion, but how we reach that opinion.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls and
- All of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics, and integrity**.

Our AQ Framework summarises how we deliver AQ. Visit our [Audit Quality Resources page](#) for more information including access to our [Audit Quality and Transparency report](#).

Appendix 3: Audit Response to COVID-19 Pandemic Report



The Corporation of the City of London



Audit Response to COVID-19 Pandemic

NOTE: The previously presented Audit Planning Report is based on our normalized audit approach

—
April 2020



Audit Considerations

In light of the unprecedented events related to the COVID-19 pandemic, we have separately identified incremental analysis to be undertaken by management and procedures to be performed by the audit team as part of our audit of the December 31, 2019 financial statements.

Timing regarding the year-end audit

- Our Firm is fully paperless and poised to undertake a remote audit. Our platform, CLARA, provides management and the audit team with an available digital collaboration site. As such, we are ready to undertake the audit when you are.
- The ability for the audit to commence is highly fluid and dependent on management's ability to physically or digitally access underlying documents in a safe and healthy manner, including access to IT systems.

General considerations

- Many organizations have been required, out of necessity, to amend the controls surrounding approval of transactions and as such segregation of duties may also have been impacted.
- Audit teams will need to understand what temporary measures impact financial reporting processes in order to determine if a substantive versus controls approach can be undertaken in the year the impact occurred.
- Your organization has been impacted by the COVID-19 protocols, as have many of your partners, vendors, investment advisors and banking institutions. As such, responses to third party confirmations may be significantly delayed.
- Give ample notification to Committee members and consider available platforms for digital communications (e.g. Go To Meeting, Zoom, Global meet, Skype) if there is not yet a defined end-date for social distancing and you are unable to meet in person.



Investments

- Management to work with their investment advisors to evaluate for any temporary or permanent impairment in investment values observed subsequent to year end. Permanent impairments may meet the criteria for an adjustable item in the financial statements. Additional disclosure in the financial statements may be necessary.
- Disclosure of information in a subsequent event note to the financial statements will require audit evidence.

Accounts Receivable, Taxes Receivable, Loans Receivable

- Management to perform a detailed analysis of significant uncollectable receivable balances due from higher risk individuals, related parties, entities in the current economic circumstances.
- Provisions to be estimated and audited as usual.

Prepays

- Consider whether any prepaid assets which were non-refundable (i.e. lost deposits for events) should be expensed and the year in which they should be written off (F2019 vs F2020).

Going Concern

- The auditing standards do require that management undertake a going concern assessment on an annual basis. Under the current environment, it is unfortunate that some organizations will be financially struggling.
- Management should document their going concern assessment taking into account factors such as:
 - Positive and negative financial indicators
 - Ability to access government stimulus and emergency programs
 - Consideration given if in a negative net asset position
 - Reserve levels to sustain the organization beyond the next financial reporting date
 - Other funding sources accessible to sustain operations

Subsequent Events

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial market and social dislocating impact. As such enhanced subsequent events procedures are warranted.

There are two types of subsequent events, with the accounting treatment dependent on the categorization as follows:

- Type 1 - Events that provide future evidence of conditions that existed at the financial statement date. For these conditions, the financial statements should be adjusted for measurable impact to the assets, liabilities, revenues and expenditures.
- Type 2 - Events that are indicative of conditions that rose subsequent to the financial statement date. For these conditions, disclosures, at a minimum, should include a description of the event and an estimate of the financial impact, when practicable or a statement that an estimate cannot be made.

In the case of the City of London, as the COVID-19 outbreak was declared a pandemic subsequent to year-end, Type 2 events are expected to have a more prominent impact on the year-end financial statements.

Subsequent Events (continued)

Audit response:

- Management should work with the audit team to customize language for a subsequent events note.
- An assessment for any permanent impairment in investment values, unrealized losses, costs associated with wage subsidy programs, revenue impacts for closures estimates, etc. should be undertaken and documented by management.
- A list of any financial implications and actions undertaken by the entity should be disclosed in the notes, examples may include:
 - Experienced temporary declines in the fair value of investments and investment income
 - Closure of facilities from _____ (date) to the date of the auditors' report based on public health recommendations to slow the transmission
 - Temporary and or permanent termination of employees
 - Mandatory working from home requirements for those able to do so
 - Others as appropriate
- A statement as to whether or not these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. Along with measurement of an estimated impact on the financial effect or indication if one is not practicable at this time.



Resources

Resources

[COVID-19 Alerts](#) (Live Link)

Please visit our COVID-19 website for resources regarding the topics below. This site is being updated daily based on information being released by Federal, Provincial and Municipal news releases.

- Business continuity guide
- Immediate actions to take
- Medium to long-term actions
- Tax considerations and a summary of Federal and Provincial programs
- Legal considerations
- Financial reporting and audit considerations
- Global perspectives





kpmg.ca



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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Appendix 4: Draft Auditors' Report

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, 2019
- 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, 2019, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

Other Information

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially

inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

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

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

We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

Date

Appendix 5: Management Representation Letter

(Letterhead of Client)

KPMG LLP
1400-140 Fullarton Street
London, Ontario
N6A 5P2

Date

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as “financial statements”) of The Corporation of the City of London (“the Entity”) as at and for the period ended December 31, 2019.

General:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in [Attachment I](#) to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Responsibilities:

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated September 15, 2016, including for:
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
 - b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements (“relevant information”), such as financial records, documentation and other matters, including:
 - the names of all related parties and information regarding all relationships and transactions with related parties;
 - the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in such summaries.
 - c) providing you with unrestricted access to such relevant information.

- d) providing you with complete responses to all enquiries made by you during the engagement.
- e) providing you with additional information that you may request from us for the purpose of the engagement.
- f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.
- g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.
- i) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that we, and others within the Entity, did not intervene in the work the internal auditors performed for you.

Internal control over financial reporting:

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

Fraud & non-compliance with laws and regulations:

- 3) We have disclosed to you:
 - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - b) all information in relation to fraud or suspected fraud that we are aware of that involves:
 - management;
 - employees who have significant roles in internal control over financial reporting; or
 - otherswhere such fraud or suspected fraud could have a material effect on the financial statements.
 - c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.
 - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.

- e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Subsequent events:

- 4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

Related parties:

- 5) We have disclosed to you the identity of the Entity's related parties.
- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

- 8) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Going concern:

- 9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.
- 10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

Misstatements:

- 11) The effects of the uncorrected misstatements described in [Attachment II](#) are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Non-SEC registrants or non-reporting issuers:

- 12) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002).
- 13) We also confirm that the financial statements of the Entity will not be included in the group financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Commitments & contingencies:

- 14) There are no:
 - i) Other liabilities that are required to be recognized and no other contingent assets or contingent liabilities that are required to be disclosed in the financial statements in accordance with the relevant financial reporting framework, including liabilities or

contingent liabilities arising from illegal acts or possible illegal acts, or possible violations of human rights legislation

- ii) Other environmental matters that may have an impact on the financial statements

Accounting Policies:

- 15) The accounting policies selected and applied are appropriate in the circumstances.
- 16) There have been no changes in, or newly adopted, accounting policies that have not been disclosed to you and appropriately reflected in the financial statements.

Environmental Matters:

- 17) The Entity has appropriately recognized, measured and disclosed environmental matters in the financial statements.

Estimates / Measurement Uncertainty:

- 18) We are responsible for making any fair value measurements and disclosures included in the financial statements.
- 19) For recorded or disclosed amounts that incorporate fair value measurements:
 - a) the measurement methods are appropriate and consistently applied.
 - b) the significant assumptions used in determining fair value measurements represent our best estimates, are reasonable, are adequately supported and have been consistently applied.
 - c) the resulting valuations are reasonable.
 - d) presentation and disclosure is complete and appropriate and in accordance with the relevant financial reporting framework.

Assets & Liabilities – General:

- 20) We have no knowledge of material unrecorded assets or liabilities or contingent assets or liabilities (such as claims related to patent infringements, unfulfilled contracts, etc., whose values depend on fulfillment of conditions regarded as uncertain or receivables sold or discounted, endorsements or guarantees, additional taxes for prior years, repurchase agreements, sales subject to renegotiation or price re-determination, etc.) that have not been disclosed to you.
- 21) We have no knowledge of shortages that have been discovered and not disclosed to you (such as shortages in inventory, cash, negotiable instruments, etc.).
- 22) We have no knowledge of capital stock repurchase options or agreements or capital stock reserved for options, warrants, conversions, or other requirements that have not been disclosed to you.
- 23) We have no knowledge of arrangements with financial institutions involving restrictions on cash balances and lines of credit or similar arrangements and not disclosed to you.

- 24) We have no knowledge of agreements to repurchase assets previously sold, including sales with recourse, that have not been disclosed to you.
- 25) We have no knowledge of side agreements (contractual or otherwise) with any parties that have not been disclosed to you.

Comparative Figures/Financial statements:

- 26) We have no knowledge of any significant matters that may have arisen that would require a restatement of the comparative figures/financial statements.

Receivables:

- 27) Receivables reported in the financial statements represent valid claims against customers and other debtors for sales or other charges arising on or before the balance sheet date, and do not include amounts relating to goods shipped on consignment or approval. Receivables have been appropriately reduced to their net realizable value.

Long-Lived Assets:

- 28) The Entity has appropriately grouped long-lived assets together for purposes of assessing impairment.
- 29) We have reviewed long-lived assets, including amortizable intangible assets, to be held and used, for impairment, whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable.

Provisions:

- 30) Provision, when material, has been made for:
 - a) losses to be sustained in the fulfillment of, or inability to fulfill, any sales commitments.
 - b) losses to be sustained as a result of purchase commitments for inventory or other assets at quantities in excess of normal requirements or at prices in excess of prevailing market prices.
 - c) losses to be sustained as a result of the reduction of excess, damaged, unusable or obsolete inventories to their estimated net realizable value.
 - d) losses to be sustained as a result of other-than-temporary declines in the fair value of investments.
 - e) losses to be sustained from impairment of property, plant and equipment, including amortizable intangible assets.
 - f) losses to be sustained from impairment of goodwill and/or non-amortizable assets.

Asset Retirement Obligations:

- 31) All legal obligations associated with the retirement of tangible long-lived assets have been recognized, including those under the doctrine of promissory estoppel. The obligations were recognized when incurred using management's best estimate of fair value.

Revenues:

- 32) All sales transactions entered into by the Entity are final and there are no side agreements (contractual or otherwise) with customers, or other terms in effect, which allow for the return of merchandise, except for defectiveness or other conditions covered by the usual and customary warranties.

Financial Instruments, Off-Balance-Sheet Activities, Hedging and Guarantees:

- 33) Guarantees, whether written or oral, under which the Entity is contingently liable, including guarantee contracts and indemnification agreements, have been recorded in accordance with the relevant financial reporting framework.
- 34) Off-balance sheet activities, including accounting policies related to non-consolidation of certain entities and revenue recognition, have been recorded and disclosed in the financial statements. Specifically, for those off-balance sheet activities in which the Entity is a transferor of financial assets, the off-balance sheet vehicle is either a qualifying special purpose entity as defined in the relevant financial reporting framework, or the Entity is not the primary beneficiary pursuant to the relevant financial reporting framework. For those off-balance sheet activities in which the Entity is a sponsor, administrator or lessee, the off-balance sheet vehicle is not controlled by the Entity for accounting purposes because the Entity is not the primary beneficiary pursuant to the relevant financial reporting framework.
- 35) The following information about financial instruments has been properly disclosed in the financial statements:
- a) extent, nature, and terms of financial instruments, both recognized and unrecognized;
 - b) the amount of credit risk of financial instruments, both recognized and unrecognized, and information about the collateral supporting such financial instruments; and
 - c) significant concentrations of credit risk arising from all financial instruments, both recognized and unrecognized, and information about the collateral supporting such financial instruments.

Employee Future Benefits:

- 36) The employee future benefits costs, assets and obligation, if any, have been determined, accounted for and disclosed in accordance with the financial reporting framework.
- 37) There are no arrangements (contractual or otherwise) by which programs have been established to provide employee future benefits.
- 38) All arrangements (contractual or otherwise) by which programs have been established to provide employee benefits have been disclosed to you and included in the determination of pension costs and obligations.
- 39) The set of actuarial assumptions for each plan is individually consistent.
- 40) The discount rate used to determine the accrued benefit obligation for each plan was determined by reference to market interest rates at the measurement date on high-quality

debt instruments with cash flows that match the timing and amount of expected benefit payments; or inherent in the amount at which the accrued benefit obligation could be settled.

- 41) The assumptions included in the actuarial valuation are those that management instructed Mercer to use in computing amounts to be used by us in determining pension costs and obligations and in making required disclosures in the above-named financial statements, in accordance with the relevant financial reporting framework.
- 42) In arriving at these assumptions, management has obtained the advice of Mercer, but has retained the final responsibility for them.
- 43) The source data and plan provisions provided to the actuary for preparation of the actuarial valuation are accurate and complete.
- 44) All changes to plan provisions or events occurring subsequent to the date of the actuarial valuation and up to the date of this letter have been considered in the determination of pension costs and obligations and as such have been communicated to you as well as to the actuary.
- 45) The extrapolations are accurate and properly reflect the effects of changes and events that occurred subsequent to the most recent valuation and that had a material effect on the extrapolation.
- 46) All material events and changes to the plan subsequent to the most recent actuarial valuation have been properly reflected in the extrapolation.

Management's Use of Specialists:

- 47) We agree with the findings of Michael Losee Division Manager, Solid Waste Management as management's expert in preparing the estimate for the landfill closure and post-closure liability. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
- 48) We agree with the findings of C.D. Watters Engineering Ltd. as management's expert in preparing the estimate for standard unit rates for assumed assets. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

Yours very truly,

Mr. Ian Collins, Director of Financial Services

Ms. Anna Lisa Barbon, Managing Director, Corporate Services, City Treasurer, Chief Financial Officer

I have recognized authority to take, and assert that I have taken responsibility for the financial statements.

cc: Audit Committee

Attachment I – Definitions

Materiality

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

Fraud & error

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Attachment II – Summary of Audit Misstatements Schedules

Uncorrected misstatements F2019:

| | Annual surplus effect | Financial position | | |
|------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------------------------|----------------------------------------|------------------------------------------------|
| Description | (Decrease) Increase | Assets (Decrease) Increase | Liabilities (Decrease) Increase | Accumulated surplus (Decrease) Increase |
| Overstatement of planning and development expenses due to an out of period correction to a prior period error related to a SWM pond | 1,547,183 | - | - | - |
| Overstatement of benefit expenses due to an out of period correction to a prior period error related to amounts owing to Great West Life | 2,751,001 | - | - | - |
| Projected uncorrected overstatement of WSIB accrual | 2,157,957 | - | (2,157,957) | 2,157,957 |
| Total uncorrected misstatements | 6,456,141 | - | (2,157,957) | 2,157,957 |

Uncorrected misstatements F2018:

| | Annual surplus effect | Financial position | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------------------------|----------------------------------------|------------------------------------------------|
| Description | (Decrease) Increase | Assets (Decrease) Increase | Liabilities (Decrease) Increase | Accumulated surplus (Decrease) Increase |
| Understatement of Urban Works payable, tangible capital assets, and overstatement of accumulated surplus due to a prior period error related to a SWM pond | - | (100,347) | 1,547,183 | (1,647,530) |
| Understatement of benefit expenses, benefits payable, and overstatement of accumulated surplus due to a prior period error related to amounts owing to Great West Life | (1,132,402) | - | 2,751,001 | (2,751,001) |
| Total uncorrected misstatements | (1,132,402) | (100,347) | 4,298,184 | (4,398,531) |

Appendix 6: Independence Letter



KPMG LLP
140 Fullarton Street Suite 1400
London ON N6A 5P2
Canada
Tel 519 672-4800
Fax 519 672-5684

Audit Committee

The Corporation of the City of London
300 Dufferin Avenue
London, Ontario N6A 4L9

September 16, 2020

Ladies and Gentlemen

Professional standards specify that we communicate to you in writing all relationships between the Entity and our firm that, in our professional judgment, may reasonably be thought to bear on our independence.

In determining which relationships to report, we consider relevant rules and related interpretations prescribed by the relevant professional bodies and any applicable legislation or regulation, covering such matters as:

- a) provision of services in addition to the audit engagement
- b) other relationships such as:
 - holding a financial interest, either directly or indirectly, in a client
 - holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client
 - personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client
 - economic dependence on a client

PROVISION OF SERVICES

The following summarizes professional services performed for the Entity (and its related entities) relating to 2019:



| Description of Professional Services |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p data-bbox="418 478 711 510">Audit and audit related</p> <ul data-bbox="467 531 1419 1094" style="list-style-type: none"><li data-bbox="467 531 1419 594">• Audit of the consolidated financial statements of the Entity for the year ended December 31, 2019<li data-bbox="467 615 1419 720">• Audit of all individual Boards and Commissions and Trust Funds financial statements for the year ended December 31, 2019, as outlined in our engagement letter<li data-bbox="467 741 1419 804">• Audit of the Dearness Program Report and Dearness Long-Term Care Report<li data-bbox="467 825 1419 856">• Audit of Joint Water Board (Huron and Elgin) Financial Statements<li data-bbox="467 877 1419 909">• Review of Childcare Program Envelopes<li data-bbox="467 930 1419 961">• Review of Ontario Works<li data-bbox="467 982 1419 1014">• Federal audit of Homelessness Partnering Strategy<li data-bbox="467 1035 1419 1094">• Specified auditing procedures over the City of London Closed Circuit Television System for the year ended December 31, 2019 |
| <p data-bbox="418 1129 472 1161">Tax</p> <ul data-bbox="467 1182 1377 1528" style="list-style-type: none"><li data-bbox="467 1182 1377 1245">• Preparation of corporate tax return for London & Middlesex Community Housing Inc.<li data-bbox="467 1266 1377 1297">• Preparation of corporate tax return for Eldon House<li data-bbox="467 1318 1377 1381">• Preparation of corporate tax return for Housing Development Corporation, London<li data-bbox="467 1402 1377 1465">• Preparation of corporate tax return for Argyle Business Improvement Association Board of Management<li data-bbox="467 1486 1377 1528">• Preparation of corporate tax return for Hyde Park Business Improvement Association Board of Management |
| <p data-bbox="418 1585 537 1617">Advisory</p> <ul data-bbox="467 1638 816 1669" style="list-style-type: none"><li data-bbox="467 1638 816 1669">• Municipal Service Review |

Professional standards require that we communicate the related safeguards that have been applied to eliminate identified threats to independence or to reduce them to an acceptable



level. We have not provided any prohibited services. We have applied the following safeguards regarding threats to independence created by the services listed above:

- We instituted policies and procedures to prohibit us from making management decisions or assuming responsibility for such decisions.
- We obtained pre-approval of non-audit services and during this pre-approval process we discussed the nature of the engagement and other independence issues related to the services.
- We obtained management’s acknowledgement of responsibility for the results of the work performed by us regarding non-audit services and we have not made any management decisions or assumed responsibility for such decisions.

OTHER RELATIONSHIPS

We are not aware of any other relationships between our firm and the Entity that, in our professional judgement, may reasonably be thought to bear on our independence.]

CONFIRMATION OF INDEPENDENCE

We confirm that, as of the date of this letter, we are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada.

OTHER MATTERS

This letter is confidential and intended solely for use by those charged with governance in carrying out and discharging their responsibilities and should not be used for any other purposes.

KPMG shall have no responsibility for loss or damages or claims, if any, to or by any third party as this letter has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Yours very truly,

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and extends to the right, ending under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants



kpmg.ca/audit



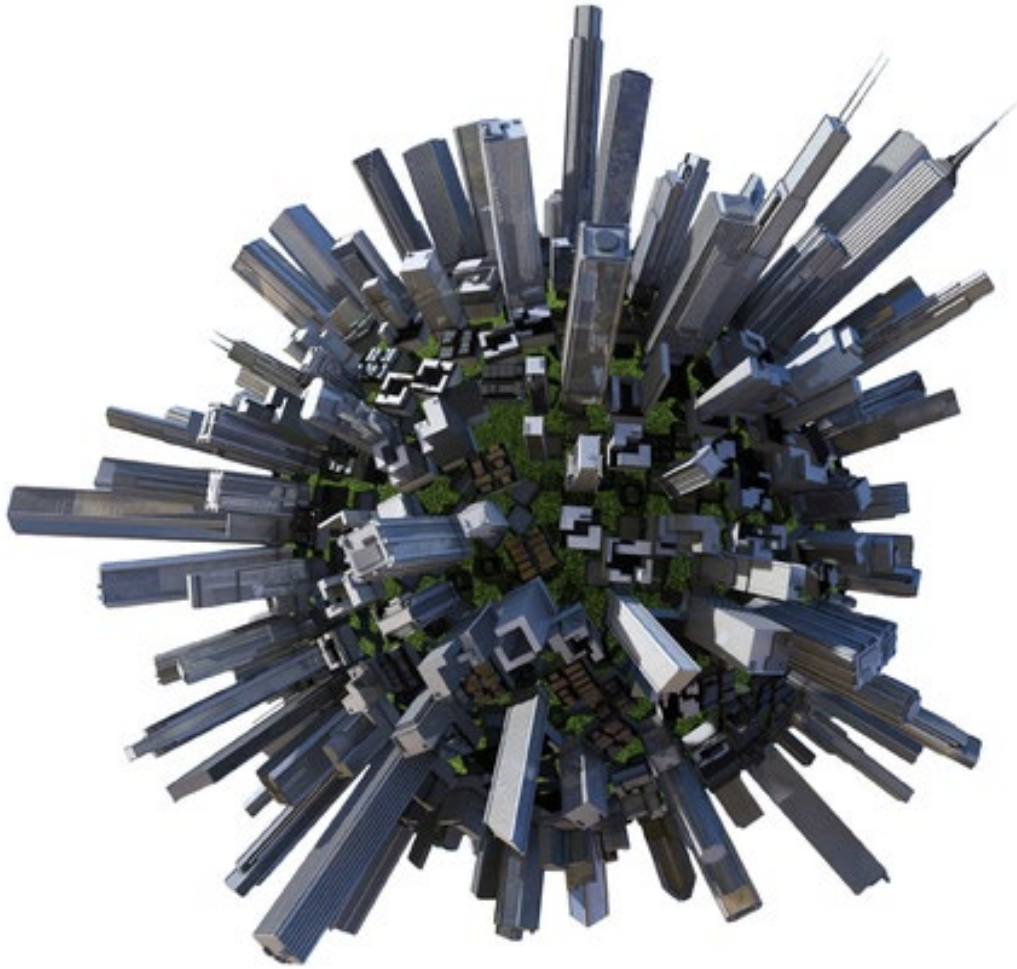
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The Corporation of the City of London Service London Assessment

Audit Performed: January 2020 - March 2020
Report Issued: July 2020

Table of contents

| | |
|---------------------------------------------------------------------------|----|
| Table of contents | i |
| Executive summary | 1 |
| Areas for continued enhancement | 4 |
| Appendix 1 - Internal Audit detailed scope | 7 |
| Appendix 2 - Internal Audit rating scale | 8 |
| Appendix 3 - Stakeholder involvement | 9 |
| Appendix 4 - Audit procedures performed | 10 |
| Appendix 5 - Contact Centre Strategy and Operational Assessment Framework | 11 |

Executive summary

Background

Service London, which leads corporate initiatives focused on improving customer experience, recently assumed a Contact Centre in September 2019. Service London recognizes the opportunity to improve the structure and framework of the Service London Contact Centre and requested that the internal audit focus on leading practices for consideration. Internal Audit has used the opportunity through this review to provide leading practice recommendations for consideration by management as the Contact Centre continues to improve their policies and processes and develop their strategy. The leading practices within this report can be used to standardize processes for other contact centres at the City.

Objectives and scope

As part of the 2020-2021 Internal Audit plan, Internal Audit conducted a review of the Service London Contact Centre. The purpose of this review was to evaluate the control framework and assessment criteria required for this type of service according to Deloitte's Contact Centre Strategy and Operational Assessment Framework (*Appendix 5*), and to identify key requirements for the City to consider when developing how the unit will contribute to Service London.

The detailed Internal Audit scope can be found in *Appendix 1: Internal Audit detailed scope* of this report.

Strengths

In the completion of this assessment, Internal Audit noted the following areas of strength:



Dedicated Manager: Service London's recent hire of a dedicated manager for the Contact Centre has improved the Contact Centre's overall culture and morale in the transition into Service London. In addition, it has assisted in focusing capabilities on knowledge and workforce management, scheduling, training, data analysis and reporting.



Leading Technology: The technology used to process service requests, capture caller data and report performance metrics aligns with leading practices in the industry.



Continuous Improvements: Stakeholders express a positive attitude and ambition towards the continuous enhancement of the Contact Centre and have created the ITS Discovery Project, demonstrating initiative to move the Contact Centre towards becoming a centre of excellence.

Areas for continued enhancement

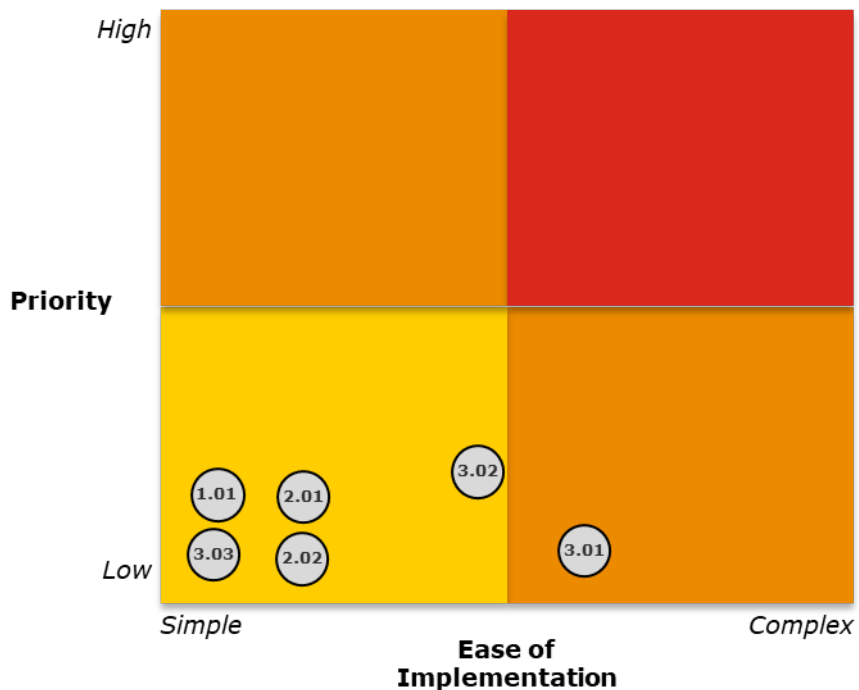
Based on our review of the City’s Service London Contact Centre, we identified three low priority observations, and three leading practice recommendations that Service London should consider going forward. Please refer to *Appendix 2: Internal Audit rating scale* for definitions of the four-point scale.

| | | | | | | | |
|--|----------------------|--|------------------------|--|---------------------|--|-------------------------|
| | High priority | | Medium priority | | Low priority | | Leading practice |
| | 0 | | 0 | | 3 | | 3 |

| Priority | Observation item | |
|------------------|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Low Priority | SL 1.01 | Formalized performance metrics: Performance metrics exist between the managers and Public Service Representatives (“PSRs”); however, performance target expectations are not formally established and shared with the Contact Centre group on a scheduled basis. |
| Low Priority | SL 2.01 | Formalized schedule for review of knowledge based articles: Service London updates the knowledge based articles on an ad-hoc basis and there is no scheduled frequency of review for articles. |
| Low Priority | SL 2.02 | Talent Management Strategy: Service London currently has an onboarding program in place for PSRs but a talent management strategy that focuses on career planning and training requirements does not exist. |
| Leading Practice | SL 3.01 | Online Knowledge Base: Several of the inquiry based calls pertain to commonly asked questions that can be published as content on FAQ pages or be housed in a self-service knowledge base. Customers can then refer to this content, reducing the number of inquiry based calls. |
| Leading Practice | SL 3.02 | End-of-interaction customer satisfaction surveys: Deloitte observed that Service London does not have an end-of-interaction survey. |
| Leading Practice | SL 3.03 | Voice of the customer: In order to provide valuable insights into customer needs, behaviours and satisfaction, the voice of the customer should be captured and analyzed. |

Priority heat map

Based on our assessment of the City’s control framework for Service London Assessment the following image maps areas of continued enhancement based on priority and anticipated ease of implementation of our leading practice recommendations.



Conclusion

Based on our assessment of Service London Contact Centre, we have identified three low priority observations, that should be addressed to improve internal controls and process efficiency. The three leading practice recommendations are for management’s consideration. The identified considerations and observations noted in this report should be addressed in a timely manner to enhance current controls and mitigate relevant risks.

Areas for continued enhancement

In completing the procedures noted in *Appendix 4: Audit procedures performed*, Internal Audit identified the following areas for continued enhancement:

| SL 1.0 – Performance Management | |
|----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Low Priority | SL 1.01– Performance metrics and key performance indicators (KPIs) |
| Observation | With the appointment of a new dedicated manager, there is an increasing focus on daily operational performance monitoring in areas such as volume of calls, speed to answer calls and duration time to handling customer inquiries. The manager generates weekly KPI reports and discusses informally with the PSRs. |
| Implication | A lack of documented and standard KPIs could lead to misalignment between an organization’s expectations and employee performance. |
| Recommendation | Service London Management should formally establish KPIs for PSRs and build the KPIs into performance plans. An established frequency to discuss performance metrics with PSRs should also be established to ensure that performance feedback is being discussed. |
| Management Comments | <p>Management agrees and will undertake the following actions:</p> <ul style="list-style-type: none"> • Formalize reporting mechanisms and standard KPIs (Q3, 2020). • Establish monthly business review meetings with all team members. These meetings will include discussion of standard KPIs as well as performance feedback (Q4, 2020). |

| SL 2.0 – Talent Development | |
|------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Low Priority | SL 2.01– Knowledge based articles review schedule |
| Observation | To provide a standard level of expertise and knowledge for PSRs, Service London has adopted a leading practice in developing a library of knowledge-based articles. Upon adopting the knowledge-based article practice, Service London updates the articles on an ad-hoc basis and there is no scheduled frequency of review for articles that Service London and the business units have formally agreed upon to ensure the content of the articles are accurate and users have current content. |
| Implication | There is risk that without an agreed upon schedule of article review, PSRs may provide customers with outdated information that is non-compliant with updated laws, regulations and/or bylaws. |
| Recommendation | Service London should establish a formalized schedule with business units to update and review knowledge based articles and create new articles as needed. |

| SL 2.0 – Talent Development | |
|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Management Comments | <p>Management agrees and will undertake the following actions:</p> <ul style="list-style-type: none"> • Work collaboratively with each service area to establish schedule for knowledge base article review (September 30, 2020). • Publish knowledge base article review schedule (December 31, 2020). • Review all knowledge base articles (25% each quarter), validating and updating content as required, including the creation of new articles (December 2021). • Implement ongoing annual review schedule (Q1 each year). |
| Low Priority | SL 2.02 – Talent Management strategy |
| Observation | Service London currently has an onboarding program in place for PSRs, but a talent management strategy that focuses on career planning, and training requirements does not exist. |
| Implication | Misalignment between an organization’s values, employee behaviors and/or organizational systems may result in sub-optimal employee performance, employee disengagement, low employee retention, decreased focus on service delivery and difficulty achieving strategic goals. |
| Recommendation | <p>Management should develop a talent management strategy for Service London. Items management should consider including are as follows:</p> <ul style="list-style-type: none"> • Developing departmental goals and a strategic plan • Talent Acquisition and Retention strategies • Performance Management • Learning and Motivating • Career Development, and • Succession Planning. |
| Management Comments | <p>Management agrees and will undertake the following actions:</p> <ul style="list-style-type: none"> • Finalize Service London plan, 2020-2023, including clear linkage to outcomes, expected results and strategies outlined in Council’s 2019-2023 Strategic Plan (December 31, 2020). • Formalize training program which includes both onboarding and ongoing training elements that support positive employee and customer experiences (March 31, 2021). • Leverage existing programs, including annual Performance and Development Program, to support career development, succession planning and business continuity (ongoing). • Develop key performance indicators, as well as quality standards and regularly coach to them (September 30, 2021). |

| SL 3.0 – Customer Centricity | |
|------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Leading Practice | SL 3.01 – Online knowledge base |
| Observation | Several of the inquiry based calls pertain to commonly asked questions that can be published as content on FAQ pages or be housed in a self-service knowledge base. Customers can then refer to this content, reducing the number of inquiry based calls. |

| | |
|-------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Implication | There is risk that the lack of a current portal for customers to receive updates or access common knowledge can lead to an excessive volume of calls for the Contact Centre, leading to longer wait times, reduced customer experience, increased agent effort and lower service levels. |
| Recommendation | Service London should consider refreshing the Service London portal to include municipal standards, frequently asked questions, and linkage to the FAQ pages for ease of access to information by customers. |
| Leading Practice | SL 3.02 – End-of-interaction customer satisfaction surveys |
| Observation | To understand the basics of the customer experience, leading Contact Centres actively ask customers to articulate pain points in the customer service experience to ensure that at the end of the interaction, the customer walks away satisfied and with a positive customer experience. Deloitte observed that Service London does not have an end-of-interaction survey. |
| Implication | There is a risk that without capturing customer satisfaction data, Service London will not have a clear understanding of pain points in their customer service experience, which is required to create plans for addressing areas of improvements. |
| Recommendation | Leading Contact Centres have implemented small questionnaires at the end of their interactions to ensure that the customer’s needs are completely satisfied. Service London should implement an end-of-interaction survey to understand customer satisfaction. Before the end of an interaction, the PSR should measure customer satisfaction. The questions should be segmented by separately asking if the customer is satisfied with the level of service provided by the PSR and the level of service provided by the organization as a whole, and then follow up on explanation if the customer is not satisfied with the service. |
| Leading Practice | SL 3.03 – Voice of the customer |
| Observation | In order to provide valuable insights into customer needs, behaviours and satisfaction, the voice of the customer should be captured and analyzed. |
| Implication | There is the risk that a lack of analysis of the customer voice will result in an inadequate/inaccurate assessment of customer needs, behaviours and satisfaction. |
| Recommendation | Service London should consider implementing a tool to capture the voice of the customer data to allow management to better identify pain points and increase quality of service delivery. If management chooses not to implement a tool an alternative approach is that the manager performs shadowing sessions with the PSRs to conduct an informal review which will result in quality monitoring and coaching such as debriefing call recordings, quality assurance, compliance and efficiency. |

Appendix 1 - Internal Audit detailed scope

Specifically, the Internal Audit addressed the following areas:


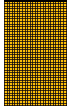


Reviewed the Service London Contact Centre that recently became part of Service London (September, 2019):

- Understood and reviewed a sample of the current processes undertaken by the Service London Contact Centre for responding to service requests (online, phone, in-person, email)
 - Reviewed and analyzed performance metrics, key performance indicators (KPIs), and communication processes and controls that the Contact Centre currently has implemented
 - Reviewed and assessed the contribution of the Contact Centre to the integrated customer service requirements within the City as well as to provide guidelines for Contact Centres within the City
 - Reviewed, assessed, and tested a sample of the current CRM service requests created through the intake process, including service request attributes and provide recommendations on how to enhance and optimize the use of the system
 - Assessed the communication between public service representatives (PSRs) and customers with regards to customer satisfaction and quality of customer service, and
 - Compared results of the unit to leading practices, and worked with the City to determine "fit-for-purpose" (i.e. maturity level and future aspirations) and recommended areas of improvement.
-

Appendix 2 - Internal Audit rating scale

Individual observation prioritization

Internal Audit has prioritized each observation and recommendation within this report using a four point rating scale. The four point rating scale is as follows:

| Description | Definition |
|-------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  High | Observation is high priority and should be given immediate attention due to the existence of either significant internal control risk or a potential significant operational improvement opportunity. |
|  Medium | Observation is a moderate priority risk or operational improvement opportunity and should be addressed in the near term. |
|  Low | Observation does not present a significant or medium control risk but should be addressed to either improve internal controls or process efficiency. |
|  Leading Practice | Consideration should be given to implementing recommendations in order to improve the maturity of the process and align with leading practices. |

Appendix 3 - Stakeholder involvement

In conducting this assessment, the following Service London management and staff were interviewed to gain an understanding of the Service London Contact Centre's processes and practices.

| Stakeholder | Position | Division |
|-------------------|--------------------------------|-------------------------------------|
| Rosanna Wilcox | Director | Service, Innovation and Performance |
| John Nolan | Manager III | Service London |
| David Ennett | Manager | Service London Contact Centre |
| Karen Somers | Public Service Representative | Service London Contact Centre |
| Heather Tomlinson | Public Service Representative | Service London Contact Centre |
| Maryam Khan | Specialist I, Municipal Policy | Service London |

Appendix 4 - Audit procedures performed

As part of the Service London assessment, the following procedures were performed:

-
- Conducted planning meeting with Deputy City Manager, Director of Service, Innovation and Performance, and Manager of Service London
 - Updated and issued finalized Project Charter and request for information
 - Conducted meetings and interviews with City management and staff to obtain an understanding of the control framework and assessment criteria
 - Performed interviews with key personnel on the current performance expectations of the Contact Centre
 - Inspected the City's current Contact Centre processes related to: responding to emails, phone calls and in-person requests, ensuring adequate process documentation (service requests), tracking and monitoring performance, compliance with applicable policy requirements, and training/onboarding of staff
 - Obtained documentation regarding relevant procedures and controls to perform an inspection of:
 - Key Performance Indicators
 - Training and onboarding processes and schedules
 - Standard operating procedures (SOPs) and knowledge base resources used by PSRs
 - Relevant modules and utilization of IT and CRM systems
 - Scheduling and management of PSRs
 - Monitoring and coaching procedures, and
 - Long-term and short-term aspirations.
 - Performed Job Shadowing with PSRs to deepen understanding of business controls, standard operating procedures, and utilization of business systems
 - Analyzed testing on Monthly Performance Metrics to compare pre and post implementation data to assess maturity levels of the Contact Centre's performances
 - Consulted with subject matter expert(s) on Service London's current processes and compared to best practices used by industry leaders
 - Using the reviewed documentation and interview narratives, assessed the effectiveness of Contact Centre activities with regards to efficiency and customer service
 - Drafted preliminary observations and verified observations with management
 - Conducted a closing meeting with key management stakeholders to validate and communicate our findings, and
 - Issued this Internal Audit report with our detailed observations.
-

Appendix 5 - Contact Centre Strategy and Operational Assessment Framework

The approach used for this internal audit will assess and benchmark the Service London Contact Centre using the framework below to assist in developing leading practice recommendations:

Call Centre Strategy Service Organization Operating Model

| | | | |
|--------------------------------------------------------------------------|------------------------------------------------------------------|-----------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Customer CX, service design and business value focus | Offerings Products, services and customer segments | Channels Ease of access to service delivery functions | An operating model is a blueprint and critical link between the organization's strategic vision and business model defining functional capabilities required to achieve optimal service reliability |
| Process Efficient and effective workflows and process | Operations Core support functions for service delivery | Technology Leveraging enabling and emerging technologies | |
| Organization Delivery structures and service models to execute | Partnerships Internal and external support functions | Talent Agent enablement and advisors of the future | |



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September 1, 2020

Members of The Corporation of the City of London Audit Committee

Subject: Internal Audit Summary Update

Internal Audit has included a summary memo with our material to highlight major accomplishments since our last update to the Audit Committee and to draw your attention to the matters of greatest importance. We will cover these documents in more detail at the meeting and respond to all questions you may have.

1. Revised Internal Audit Plan (September to December 2020)

- a. Internal Audit has updated the 2020 Internal Audit Plan as per the request of the Audit Committee. The audit plan will be revisited quarterly due to the changing environment and covid related impacts. Discussions were held with Senior Leadership to determine projects for September to December 2020:
 - Summary of projects to be completed:
 - i. Assumption and Security Assessment
 - ii. Class Replacement Project Post- Implementation PerfectMind Reconciliation Process Review
 - iv. Police Services Time Management and Scheduling Review
- b. Internal Audit has issued one (1) internal audit report since the last Audit Committee update:
 - Service London Assessment: Moderate process control or efficiency weaknesses identified. The report identified three (3) leading practice observations and three (3) low priority observations.

Action plans as needed are in place, including a responsible party and timeline, to address the observations noted in the issued report.

2. Audit Observation Status Summary of High and Medium Priority Observations

- a. Since the last Audit Committee meeting, Internal Audit closed eleven (11) high priority observations and eight (8) medium priority observations as noted in the table below:

| Review conducted | Number of observations and priorities |
|---------------------------------------------------------------------|-------------------------------------------------------------------------|
| IT Portfolio Management and Project Management Assessment | One (1) High Priority Observation |
| Class Replacement Pre-implementation Project Review (Progress Memo) | One (1) High Priority Observation |
| Construction Procurement Process Assessment | Three (3) Medium Priority Observations |
| IT Security Assessment | One (1) Medium Priority Observation |
| Electronic Fund Transfer Assessment | One (1) High Priority Observation |
| Class Replacement Pre-implementation Project Review (Progress Memo) | Two (2) High priority Observations and (2) Medium Priority Observations |
| Computerized Maintenance Management System Review | Six (6) High priority Observations and (2) Medium Priority Observations |

- b. A total of two (2) high priority observations and six (6) medium priority observations are past due as of August 31, 2020 due to COVID-19 related impacts. The current past due items are as follows:
 - Two (2) high priority Parking Revenue Generation Assessment observations, three (3) medium priority Homeless Prevention Assessment observation, two (2) medium priority Construction Procurement Process Assessment observations and one (1) medium priority observation Computerized Maintenance Management System Review observations have become past due.

We are comfortable that management is making progress to remediate open items based on the timelines and work plans in place which they have committed and asserted to completing given the current circumstances.

Revised 2020-2022 Audit Plan by audit universe area

The following table outlines a revised internal audit plan summary for September 2020 to December 31, 2020. A full scoping exercise will be performed and documented at the planning stage for each Internal Audit project that will prioritize risk areas to be audited within the allocated budget. Furthermore; the list of projects identified in FY 2021 and FY 2022 is not final and is meant to be a repository of potential projects that internal audit could undertake in the coming years. This listing will be revisited with the Senior Leadership Team and Audit Committee to select internal audit projects in accordance with risk prioritization and the internal audit budget each quarter.

| Internal Audit Universe Areas | FY 2020 Jan 1 2020 to Dec 31 2020 | FY 2021 Jan 1 2021 to Dec 31 2021 | FY 2022 Jan 1 2022 to Dec 31 2022 |
|-------------------------------|--------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Corporate Services | Solicitor | | <p>(Deferred from FY 20 to FY 22) Clerks Office Assessment: Assess the effectiveness and efficiency, and as required value for money, of selected processes. The review will also look at operational and management oversight controls within the Clerks Office.</p> <p>Rationale: <i>Deferred by management based on prioritization and readiness of the department to undertake the review as a result of COVID.</i></p> |
| | Human Resources | <p>(Move Forward from FY 22) Recruitment Process Assessment: Assess the recruiting and hiring processes for the City with emphasis on controls, adherence to government requirements, the timeliness and effectiveness of the hiring process.</p> | <p>HRIS Project Post-implementation Review: Should the City decide to implement a new HRIS system Internal Audit would evaluate and assess the scope, user requirements and the design of the proposed controls to be established.</p> |
| | Finance and Treasury | | <p>Environment and Asset Retirement Obligations Assessment: Assess the processes and controls in place related to the identification, monitoring and reporting of environmental and financial asset retirement obligations, including compliance with requirements under Section PS 3280.</p> |

| Internal Audit Universe Areas | FY 2020 Jan 1 2020 to Dec 31 2020 | FY 2021 Jan 1 2021 to Dec 31 2021 | FY 2022 Jan 1 2022 to Dec 31 2022 |
|-------------------------------|--------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Information Technology | <p>(New Project Added) SaaS Application Review: Provide guidance and best practices with respect to tools, policy and procedures with the intent of decreasing the potential use of unapproved and unmanaged SaaS applications.</p> | <p>(Deferred From FY 21 to FY 22) IT Risk Identification Process Assessment: Evaluate and assess the IT risk identification and assessment process to understand how risks are mitigated and reported.</p> <p>Rationale: <i>Deferred by management based on prioritization of projects to undertake as a result of COVID and risk to the City.</i></p> |
| | Emergency Planning | | <p>Emergency Planning Process Review: Assess the procedures and controls in place related to the City’s emergency planning process. Elements of business continuity and disaster recovery will be considered including the evaluation of end-user requirements.</p> |
| Administration | Planning | | <p>Industrial Community Improvement Plan Incentives: Review Industrial Community Improvement Plan incentives to review best practices, assess value for money generated by these incentives and reviewing the potential for reducing or eliminating these incentives.</p> <p>(Deferred From FY 20 to FY 22) Ongoing project: Smart City Strategy Implementation:</p> <p>In accordance with the Smart City Strategy, work with Staff and the IBI Group to develop an approach for creating a strong smart city culture within the Corporation. Help develop a governance model for advancing the strategy in the community.</p> <p>Rationale: <i>Deferred by management based on prioritization as; there is no budget approval or direction from Council at this time.</i></p> |
| | Development and Compliance Services | <p>(Move Forward From FY 21) Assumption and Securities Assessment: Assess the control framework and processes currently in place for new development and securities.</p> | <p>Permit of Approved Works Program Review: Assess the permit of approved works process and control framework in place for issuing permits. Including booking grants for eligible development projects in the permit reporting system.</p> |

| Internal Audit Universe Areas | FY 2020 Jan 1 2020 to Dec 31 2020 | FY 2021 Jan 1 2021 to Dec 31 2021 | FY 2022 Jan 1 2022 to Dec 31 2022 |
|----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Engineering (Complete) Ongoing Project: Computerised Maintenance Management System (CMMS) Pre-implementation Review: Evaluate and assess the controls framework proposed and being established. | (Deferred From FY 20 to FY 21) Traffic Management Project Review: Evaluate and assess the proposed scope, user requirements and controls established for the Traffic Management system. <i>Rationale: Deferred by management based on delay in project timing and readiness to be audited.</i> | Public Works Process Assessment: Assess the effectiveness and efficiency of processes and controls in place for operational and financial processes within public works. |
| Services | Housing | | |
| | Environmental | | |
| | Social Services | | Social Services Process Assessment: Assess the effectiveness of processes and controls in place for operational and financial processes within social services. |
| | Dearness Home | | |
| | Neighbourhood and Children services | | |
| | Fire | (Deferred From FY 20 to FY 21) Fire Process Assessment: Assess the processes and controls in place for operational and financial processes within fire services. This audit will evaluate the effectiveness of data reporting and monitoring of key performance indicators. <i>Rationale: Deferred by management based on alignment with Fire Master Plan approval.</i> | |
| Service London | (Complete) Service London Process Assessment: Review the effectiveness of processes and controls in place for operational and financial processes within Service London. | | |

| Internal Audit Universe Areas | FY 2020 Jan 1 2020 to Dec 31 2020 | FY 2021 Jan 1 2021 to Dec 31 2021 | FY 2022 Jan 1 2022 to Dec 31 2022 |
|-------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|--------------------------------------|
| Parks & Recreation | <p>(Complete) Class Replacement Project Pre-implementation Review: Evaluate and assess the controls framework established for the Class system.</p> | | |
| | <p>(New Project Added) Class Replacement Project Post- Implementation Reconciliation Process Review: For a sample of parks and outdoor facilities validate the controls surrounding the booking of revenue to the general ledger for accuracy. <i>Note: A final report will be issued that encompasses outstanding observations from the pre-implementation and post implementation review.</i></p> | | |
| Agencies, Boards, Commissions and Corporations* | Argyle Business Improvement Area Board of Management | | |
| | Covent Garden Market Corporation | | |
| | Eldon House Corporation | | |
| | Hamilton Road Business Improvement Area | | |
| | Housing Development Corporation | | |
| | Hyde Park Business Improvement Area | | |

| Internal Audit Universe Areas | FY 2020 Jan 1 2020 to Dec 31 2020 | FY 2021 Jan 1 2021 to Dec 31 2021 | FY 2022 Jan 1 2022 to Dec 31 2022 |
|--------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|--------------------------------------|
| London Convention Centre Corporation | | | |
| Downtown London Business Improvement Association | | | |
| London Hydro Inc. | | | |
| London & Middlesex Community Housing | | | |
| London Police Services Board | <p>(New Project Added) Time Management and Scheduling: Assess the processes and controls in place for time management and scheduling within the London Police Services . The audit will review the processes for recording and forecasting standard hours, approval of overtime, sick days, vacation, and other time-off. In addition, an emphasis will be placed on how time management forecasting and planning impacts the management of people from a health and wellness perspective.</p> | | |
| London Public Library Board | | | |
| London Transit Commission | | | |
| Middlesex-London Health Unit | | | |

| Internal Audit Universe Areas | FY 2020 Jan 1 2020 to Dec 31 2020 | FY 2021 Jan 1 2021 to Dec 31 2021 | FY 2022 Jan 1 2022 to Dec 31 2022 |
|-------------------------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Museum London | | | |
| Old East Village Business Improvement Area | | | |
| Tourism London | | | |
| Elgin Area Water Primary Water Supply System | | | |
| Lake Huron Primary Water Supply System | | | |

Revised summary September to December 2020

The following table outlines the estimated budget for the potential audit projects for September to December 2020.

| Internal Audit Plan Revised September 2020 to December 2020 | |
|---------------------------------------------------------------------------------------------|--------------------|
| Potential Projects | Budget* |
| 1. Assumption and Securities Assessment | \$30,000 |
| 2. Class Replacement Project Post- Implementation PerfectMind Reconciliation Process Review | \$30,000 |
| 3. Police Services Time Management and Scheduling Review | \$50,000 |
| Project Management, management meetings and Audit Committee reporting and attendance | 10,000 |
| Follow-up of outstanding observations | 5,000 |
| Annual Audit Plan | Nil |
| Total Budget (September to December 2020) | \$125,000 |
| Actual FY 20 Internal Audit Fees as of August 2020 (excludes taxes) | \$58,670.00 |

* Actuals will be billed to the City and will not exceed the above stated budget



**City of London Audit Committee Observation Summary
As at September 1, 2020**

| LEGEND | |
|--------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Observations closed | All observations have been addressed by management |
| Remediation in progress | Observations in progress are being addressed by management including observations where initial timeline was missed but a plan is in place for remediation that appears acceptable |
| Remediation in progress - exceptions noted | Management has missed implementation deadlines for observations and no adequate resource plan has been identified |
| Management accepts the risk | Management has accepted the remaining risk |

| Report Summary | | | | Observation Status for Management Action Plans due September 1, 2020. | | | | | | |
|-------------------------------------------|---------------------------------------------------------------------|-------------------|----------------------------------|-----------------------------------------------------------------------|---------------------------|------------------------------------|-----------------------|---------------------------------------------------|----------|---------------------------------|
| Internal Audit Plan Year | Report | Report Issue Date | Total High & Medium Observations | Observations Closed Per Management | Closed Per Internal Audit | In Progress Observations (Not Due) | Past Due Observations | Observations Closed by IA Since March 2020 update | Timing | Past Due Observation Commentary |
| 2017/2018 | Parking Revenue Generation Assessment | Jun-18 | 6 | 4 | 4 | 0 | 2 | 0 | Feb-21 | |
| 2017/2018 | Homeless Prevention Assessment | Oct-18 | 4 | 1 | 1 | 0 | 3 | 0 | Apr-21 | |
| 2017/2018 | IT Portfolio Management and Project Management Assessment | Mar-19 | 4 | 4 | 4 | 0 | 0 | 1 | Complete | |
| 2017/2018 | Class Replacement Pre-implementation Project Review (Progress Memo) | Jun-19 | 2 | 2 | 2 | 0 | 0 | 1 | Complete | |
| 2017/2018 | Construction Procurement Process Assessment | Aug-19 | 8 | 6 | 6 | 0 | 2 | 3 | Mar-21 | |
| Sub-total 2017/2018 reports | | | 24 | 17 | 17 | 0 | 7 | 5 | | |
| 2019 | IT Security Assessment | Nov-19 | 1 | 1 | 1 | 0 | 0 | 1 | Complete | |
| 2019 | Electronic Fund Transfer Assessment | Feb-20 | 1 | 1 | 1 | 0 | 0 | 1 | Complete | |
| 2019 | Dearness Home Process Assessment | Feb-20 | 8 | 0 | 0 | 4 | 0 | 0 | Mar-21 | |
| 2019 | Class Replacement Pre-implementation Project Review (Progress Memo) | Feb-20 | 4 | 4 | 4 | 0 | 0 | 4 | Complete | |
| 2019 | Computerized Maintenance Management System Review | Jan-20 | 9 | 8 | 8 | 1 | 1 | 8 | Dec-20 | |
| Sub-total 2019 reports | | | 23 | 14 | 14 | 5 | 1 | 14 | | |
| Total High and Medium observations | | | 47 | 31 | 31 | 5 | 8 | 19 | | |

Closed per Management: Management has indicated that action plans due to be acted upon by September 1, 2020 are complete.

Closed per IA: Internal Audit has validated Management's assertions of observation closure through review of evidence.

In Progress Observations: Management action plans due beyond September 1, 2020 are underway or management has asserted observations are closed but Internal Audit has not yet validated.

Past Due Observations: Actions plans due by September 1, 2020 have not been fully acted upon.

Observations Closed by Internal Audit since last update: Management has indicated in the current period that action plans are complete and Internal Audit has validated through review of evidence.