

Audit Committee Report

2nd Meeting of the Audit Committee
June 16, 2021

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

ALSO PRESENT: M. Schulthess and J. Taylor.

Remote Staff Attendance: L. Livingstone, D. Baldwin (KPMG), A. Barbon, B. Card, I. Collins, K. denBok (KPMG), K. Dickens, O. Katolyk, G. Kotsifas, S. Miller, S. Oldham, J. Pryce (Deloitte), C. Saunders, P. Yeoman.

The meeting is called to order at 12:00 PM; it being noted that the following were in remote attendance: Councillors J. Helmer, M. van Holst, and S. Turner; L. Higgs.

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 2020 Financial Audit

That the following actions be taken:

- a) the 2020 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; and,
- b) the Audit Findings Report 2020 as prepared by KPMG for the year ending December 31, 2020, BE RECEIVED, it being noted that the Audit Committee received a presentation from KPMG with respect to this matter.

Motion Passed

- a. 2020 Financial Statements
- b. Audit Findings Report to the Audit Committee for the Year Ending December 31, 2020

4.2 Request for Proposal Internal Audit Services

That, on the recommendation of the Deputy City Manager, Finance Supports the following actions be taken with respect to internal audit services:

- a) the report dated June 16, 2021 titled "Request for Proposal Internal

Audit Services” which outlines the scope of work including timelines and general parameters included in the Request for Proposal (RFP) for internal audit services BE RECEIVED;

b) the striking of an Internal Audit Services Evaluation Committee BE APPROVED consisting of: Audit Committee Chair; Audit Committee Vice Chair; a representative from the City Manager’s office and from the Finance Supports Service Area; Deputy City Manager, Finance Supports; with support by appropriate members of the Civic Administration including Purchasing & Supply; and,

c) the City Clerk BE DIRECTED to establish an additional meeting of the Audit Committee in October 2021 to complete the RFP evaluation process.

Motion Passed

4.3 Internal Audit Summary Update

That the communication dated June 16, 2021, from Deloitte, with respect to the internal audit summary update, BE RECEIVED.

Motion Passed

4.4 Internal Audit Dashboard as at June 4, 2021

That the communication from Deloitte, regarding the internal audit dashboard as of June 4, 2021, BE RECEIVED.

Motion Passed

4.5 Revised Internal Audit Plan - 2021

That the Revised Internal Audit Plan - FY 2021 from Deloitte dated June 16, 2021, BE APPROVED.

Motion Passed

4.6 Audit Committee Observation Summary as at June 4, 2021

That the revised attached Observation Summary from Deloitte, as of June 15, 2021, BE RECEIVED.

Motion Passed

5. Deferred Matters/Additional Business

None.

6. Adjournment

That the meeting be adjourned.

Motion Passed

The meeting adjourned at 12:45 PM.

THE CORPORATION OF THE CITY OF LONDON

Consolidated Report

Year ended December 31, 2020

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, 2020

This Consolidated Report includes the following tabs (continued):

Water Supply System – Lake Huron Area

Consolidated Financial Information Return



Financial Report 2020

THE CORPORATION OF THE CITY OF LONDON

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please contact financialservices@london.ca

london.ca



London
CANADA

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2020

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Consolidated Financial Report

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DRAFT

City of London...



At a Glance

402,659
Population

423.43 km²
Land Area

3,749
Lane KM of Paved Road

61.0%

8.8%

Aaa

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

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

2020 Credit Rating
Provided by Moody's
Investors

Message from the City Treasurer



Photo 1: City Treasurer, Anna Lisa Barbon

His Worship Mayor Ed Holder,
Members of London City Council,
Inhabitants and Ratepayers of the City of London.

I am pleased to present the Annual Financial Report of The Corporation of the City of London (the City) for the year ended December 31, 2020.

The financial statements have been prepared in accordance with Canadian Public Sector accounting standards as defined in the Chartered Professional Accountants (CPA) Public Sector Handbook – Accounting. The provincial financial information return has been calculated using accounting policies and practices prescribed for Ontario Municipalities by the Ministry of Municipal Affairs. The Consolidated Financial Statements and the Financial Statements of Local Boards and Commissions have been audited by the firm of KPMG LLP.

This annual financial report serves as an opportunity to communicate to stakeholders, residents and local businesses regarding the Municipality's 2020 financial performance. This report also highlights the City's significant financial policies, budget process and provides additional details about the City's financial results in the past year through the impacts of an unprecedented global pandemic. The 2020 results continue London's history of strong financial leadership in business planning and long-term financial management positioning the Corporation well to support economic and social recovery in light of continued uncertainty. We are committed to providing high standards of fiscal excellence at the City of London.

My sincere thanks to the Finance staff, all Service Areas, and Boards and Commissions for their assistance and cooperation in the preparation of this report as well as to the partners and staff of KPMG for their advice and professional approach demonstrated during the audit.

Sincerely,

A handwritten signature in black ink that reads "A. Barbon". The signature is fluid and cursive, written over a light grey background.

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

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2020

Financial Reporting

External Audit

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

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

Accounting and Financial Reporting Requirements

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

Consolidated Financial Statements Overview

The Consolidated Financial Statements include the following individual statements:

Name	Purpose
Consolidated Statement of Financial Position	Provides a summary of the City's assets (financial and non-financial), and financial liabilities as at December 31, 2020.
Consolidated Statement of Operations	Outlines revenues, expenses, surplus for the year and accumulated surplus at year end. This statement reflects the combined operations of the operating, capital, reserve and reserve funds for the City and its consolidated entities and provides the calculation of the City's accumulated surplus at year end.
Consolidated Statement of Change in Net Financial Assets	Outlines the changes in net financial assets as a result of annual operations, tangible capital asset transactions, as well as changes in other non-financial assets.
Consolidated Statement of Cash Flows	Summarizes the City's cash position and changes during the year by outlining the City's sources and uses of cash.

Financial Reporting (continued)

Consolidated Financial Statements Overview (continued)

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

Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position is the municipal equivalent of the private sector's balance sheet. This statement includes the net book value of the City's tangible capital assets. This statement focuses on the City's assets (financial and non-financial) and liabilities. The difference between the liabilities and financial assets is the City's net financial assets, which represents the net amount by which financial assets are available to fund future obligations.

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

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

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

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

Consolidated Statement of Operations and Accumulated Surplus

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

The Consolidated Statement of Operations and Accumulated Surplus provides a summary of the revenues, expenses and surplus throughout the reporting period and outlines the change in accumulated surplus. The 2020 budget values presented in this statement have been adjusted to reflect the differences between amounts as budgeted at the City on a modified "cash

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2020

Financial Reporting (continued)

Consolidated Statement of Operations and Accumulated Surplus (continued)

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

Note 20 to the Consolidated Financial Statements outlines the adjustments to the budget, particularly reduction of debt proceeds and payments, reduction of tangible capital asset purchases and inclusion of estimated amortization expense. These adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. The accrual based budget results in a surplus, as the City must fund reinvestment in assets at replacement costs which are much greater than their historical cost.

Consolidated Statement of Net Financial Assets

The Consolidated Statement of Net Financial Assets is unique to governments. Other senior levels of government have been preparing this statement for a number of years. This statement focuses on the financial assets of the City, adjusting the annual surplus for the impact of tangible capital assets: mainly deducting the costs to acquire assets, and adding back amortization charged during the year.

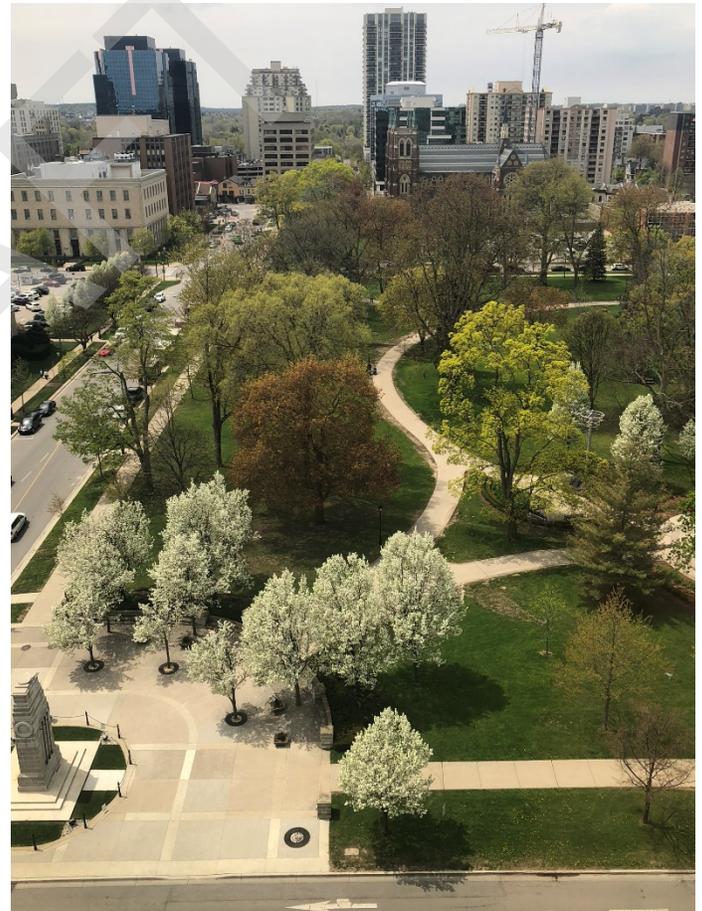


Photo 2: Victoria Park

City of London Budget

Budgetary Process

In March 2020, Municipal Council approved the City of London's second Multi-Year Budget (operating and capital) that covers a four (4) year period (2020-2023) and is linked to Municipal Council's Strategic Plan. Council also approved a ten year capital plan. Linking the strategy to the budget provides accountability between what is achieved and the cost to the tax and rate payer. Rather than approving a budget annually, Municipal Council approves budgets in four (4) year cycles, with the last year being subject to reconfirmation by the new term of Municipal Council.

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

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

Further, the budget is presented as a service based budget which currently categorizes the organization into ten service programs: Culture Services; Economic Prosperity; Environmental Services; Parks, Recreation & Neighbourhood Services; Planning and Development Services; Protective Services; Social and Health Services;

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

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

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



Photo 3: Ivey Park

Financial Management

Capital Financing Policies

The City uses a balanced approach to finance capital projects, consistent with the Council approved Capital Budget and Financing Policy, Reserve and Reserve Fund Policy and Debt Management Policy. Sources of capital financing include; tax and rate supported capital levy (“pay as you go”), reserve funds, debt, non-tax/rate supported development charges and senior government funding. Capital projects are classified as lifecycle, growth, or service improvements. Lifecycle is primarily funded by capital levy and reserve funds. Growth is primarily funded by development charges and debt. Service improvements are funded by all three tax and rate supported sources (capital levy, reserve fund and debt). By 2022, the City will have eliminated the use of debt as a source of financing on lifecycle capital projects, limiting the debt burden on future generations while providing intergenerational equity. Furthermore, consistent with the Debt Management Policy, the capital plan ensures that debt is at a level that will not impair the financial position or the credit rating of the City.

Investment Policy

The City invests public funds in a manner that conforms to the applicable legislation under the *Municipal Act, 2001* and associated regulations. The City’s investment portfolio remains sufficiently liquid to meet daily operating cash flow requirements and limits the requirement for temporary borrowing. The portfolio aims to be structured to maintain a proportionate ratio of short, medium and long-term maturities to meet the funding requirements of the City.

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

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

Financial Management (continued)

Property Taxation Policy

Property tax policy in the City is guided by four (4) principles as follows:

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

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

A major component of property tax policy in Ontario is the annual setting of tax ratios for property classes by Municipal Councils. Tax ratios determine the relative tax level for the various property classes within a municipality. In September 2011 in a report on future tax policy, an objective was identified to lower and equalize the tax ratios for multi-residential and industrial properties to a level equal to the commercial property class. The objective was to lower the ratios over a number of years subject to Council's approval each year.

The first step of this process began in 2013 with a decrease in the multi-residential tax ratio only.

In 2014, both the multi-residential and industrial tax ratios were reduced.

The multi-residential tax ratio was brought down to a level equal to the commercial tax ratio in that year. In 2015 the industrial tax ratio was adjusted to a level equal to the commercial and multi-residential property classes and the objective identified in 2011 therefore has been achieved.

The purpose of these changes has been to promote economic development in the industrial and multi-residential property classes and enhance equity in these property classes relative to the commercial class.

In 2020, the City further adopted a policy of equalizing municipal tax increases in the multi-residential and the residential classes. This was accomplished by adjusting the tax ratio in the multi-residential class resulting in a slightly reduced multi-residential tax ratio. This policy is continued in 2021 when equalization is achieved without adjusting tax ratios due to an assessment freeze. The City also reduced Commercial and Industrial tax ratios in 2020 from 1.92 to 1.91.

Since 1998 the City has adopted all available options to reduce the amount of tax mitigation involving clawing back tax decreases and capping increases in the commercial, industrial and multi-residential property classes. No properties had tax decreases clawed back in any property class in 2020, nor will there be capping adjustments in future years. The ending of the tax mitigation required by the Provincial Government will simplify the calculation of property taxes and will enhance equity and transparency in the property tax system in London.

Future Tax Policy

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

Credit Rating provided by Moody's Investors Service

Moody's Investors Service (Moody's) typically reviews the credit worthiness of the City of London annually and then assigns the City a credit rating. Moody's is a leading provider of credit ratings, research and risk analysis.

The rating process involves a review of the City's annual audited Consolidated Financial Statements, the Financial Information Return (FIR) that is filed annually with the Ministry of Municipal Affairs, the approved Multi-Year Budget, associated Annual Budget Updates and forecasts. Moody's also utilizes independent research from a variety of sources such as Statistics Canada, comparisons with other municipalities and local media. Along with reviewing and analyzing documents, Moody's arranges a meeting with the City and interviews with senior management and the Mayor or Deputy Mayor.

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

The City has proudly held the Aaa rating since 1977, making 2020 the 44th consecutive year of the Aaa rating and reaffirming that the City's debt has the highest rating possible.

The City's achievement of being Aaa rated for 44 consecutive years is a testament to the success of the City's prudent, conservative approach to fiscal planning.



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

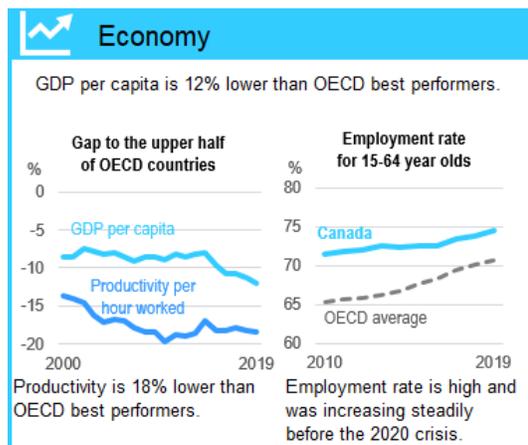


Photo 4: Forks of the Thames

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2020

Economic Overview



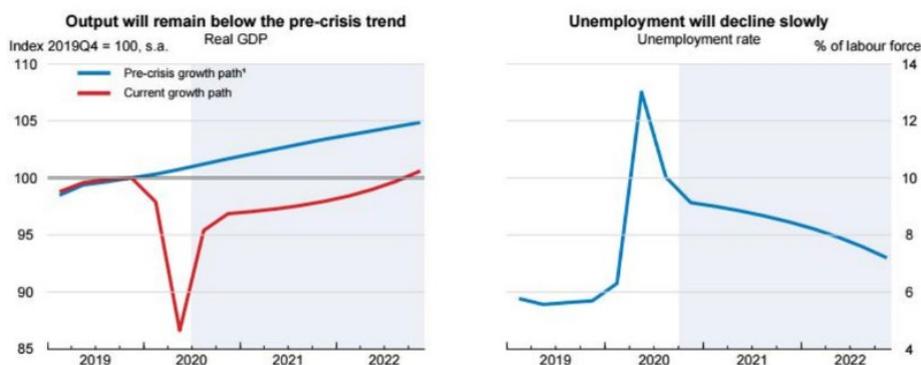
According to the Organisation for Economic Co-operation Development (OECD) Economic Outlook for December 2020, recovery from an output decline of 5.4% in 2020 will be muted by drag from regional restrictions to combat COVID-19 outbreaks and continued disruption to travel, hospitality and related sectors,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

Federal, provincial, and territorial governments, along with the central bank, have been appropriately reactive to the evolving economic conditions. Going forward, governments need greater emphasis on encouraging employment and business recovery, including through green investment and through tackling long-standing structural issues that impede Canada's business sector. (Source: OECD Economic Outlook Economic Forecast Summary December 2020)

Rapid Initial Recovery

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

Canada 2



1. The pre-crisis growth path is based on the November 2019 OECD Economic Outlook projection, with linear extrapolation for 2022 based on trend growth in 2021.
Source: OECD Economic Outlook 106 and 108 databases.

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2020

ECONOMIC OVERVIEW (continued)

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

The Economic Recovery is Expected to Slow Considerably

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

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

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

Canada: Demand, output and prices

	2017	2018	2019	2020	2021	2022
	Current prices CAD billion	Percentage changes, volume (2012 prices)				
Canada						
GDP at market prices	2 141.1	2.0	1.7	-5.4	3.5	2.0
Private consumption	1 240.4	2.1	1.6	-6.1	4.4	2.1
Government consumption	444.1	3.0	2.1	-0.1	2.0	1.3
Gross fixed capital formation	486.8	1.2	-0.4	-6.4	2.1	2.2
Final domestic demand	2 171.3	2.1	1.3	-4.9	3.4	1.9
Stockbuilding ¹	17.2	-0.2	0.1	-2.0	-0.5	0.0
Total domestic demand	2 188.5	1.9	1.4	-6.8	2.9	2.0
Exports of goods and services	672.5	3.1	1.3	-8.5	5.1	2.0
Imports of goods and services	719.9	2.6	0.6	-12.8	3.1	2.0
Net exports ¹	-47.4	0.1	0.2	1.6	0.5	0.0
Memorandum items						
GDP deflator	-	1.8	1.9	-0.1	0.4	1.0
Consumer price index	-	2.2	2.0	0.6	0.7	1.2
Core consumer price index ²	-	1.9	2.1	0.9	0.3	1.2
Unemployment rate (% of labour force)	-	5.8	5.7	9.6	8.7	7.7
Household saving ratio, net (% of disposable income)	-	1.7	2.9	15.0	8.5	5.4
General government financial balance (% of GDP)	-	-0.4	-0.3	-15.6	-11.3	-5.8
General government gross debt (% of GDP)	-	93.8	94.3	121.5	131.2	135.4
Current account balance (% of GDP)	-	-2.5	-2.0	-1.9	-1.7	-1.7

1. Contributions to changes in real GDP, actual amount in the first column.
2. Consumer price index excluding food and energy.
Source: OECD Economic Outlook 108 database.

ECONOMIC OVERVIEW (continued)

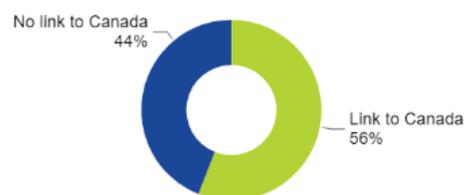
Risks will remain elevated. As elsewhere, there are uncertainties on the scale and economic impact of the future containment measures and the timing of a vaccine rollout. These issues will particularly affect the pace of recovery in the hard-hit sectors, such as travel and hospitality. Another key uncertainty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

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

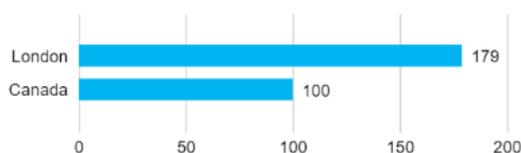
Nurturing recovery in the business sector should be a key priority. Support should focus on the viable segments of those sectors heavily scarred by the crisis, but also on reallocation by encouraging positive shifts in the structure of economic activity, including through employment-intensive green investment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

Employment market variability

Fluctuations



Compared to Canada



Sources: The Conference Board of Canada; Statistics Canada.

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2020

ECONOMIC OVERVIEW (continued)

Canadian Outlook

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

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

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

Ontario Two-Year Outlook

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

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

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

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ECONOMIC OVERVIEW (continued)

Major City Insights – London

Key economic indicators

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

Shaded area represents forecast data.

e = estimate

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

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

Real GDP growth (per cent)



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

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ECONOMIC OVERVIEW (continued)

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

Real GDP ranking

(out of 29 CMAs)

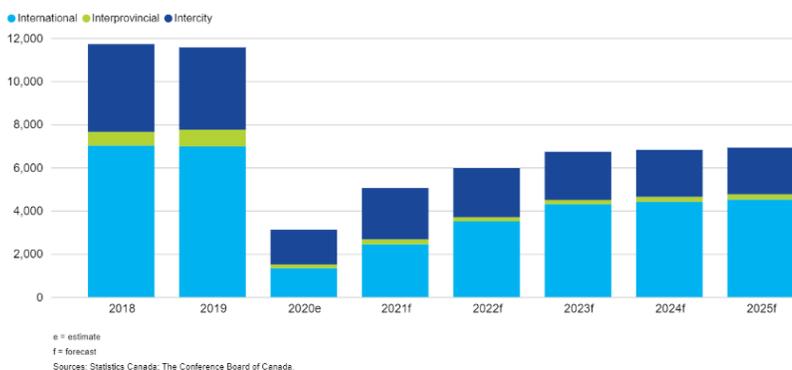
City	2020 ranking	2021 ranking	2022–25 ranking	2016–25 ranking
London	#19	#15	#10	#16

Shaded area represents forecast data.

Population Growth and Educational Economic Drivers

Despite the pandemic holding back international immigration across Canada, London's population grew by a solid 7,500 or 1.4% in 2020. Still, this was a far cry from the 12,500 new residents in 2019. It is expected immigration will get back on target over the new few years, supporting an average forecast increase in population of 6,900 people annual between 2021 and 2025. There is downside risk for London's education industry and the city's overall economy for 2021 and through the medium term. The pandemic has enabled remote studying, which could weigh on international students coming to live in London. Collectively, these students are significant contributors to the economy, and a smaller student presence long term would weigh on the city's economy in the coming years. (Source: Conference Board of Canada Major City Insights: London, March 30, 2021)

Sources of migration



Labour Force Forecast

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

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

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ECONOMIC OVERVIEW (continued)

Although employment recovered through the rest of the year, another decline in December meant employment in that month was still down 37% from pre-pandemic levels. Overall, employment edged up

Sectoral employment

(000s)

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

Shaded area represents forecast data

e = estimate

Sources: The Conference Board of Canada; Statistics Canada.

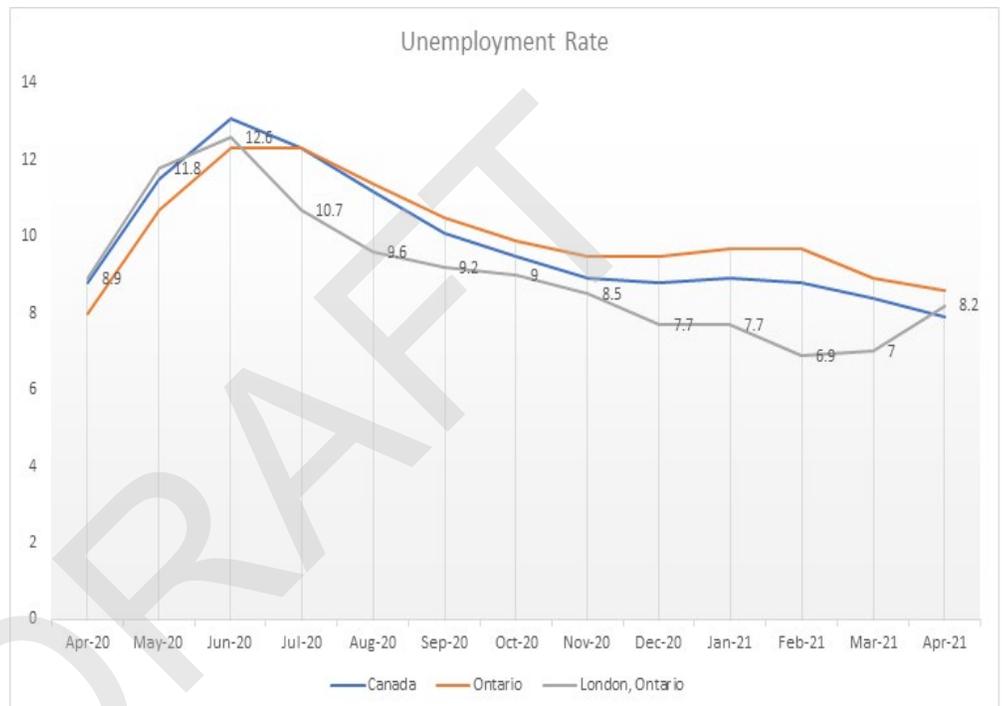
by 0.2% last year, a win considering the pandemic. It is expected that London's employment profile will remain strong over the next few years as it continues to attract immigrants and the information technology and construction sectors continue to perform well. The forecast for employment is a rise by 8,300 jobs (3.3%) in 2021 and 5,600 jobs (2.2%) in 2022. (Source: Conference Board of Canada Major City Insights:

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ECONOMIC OVERVIEW (continued)

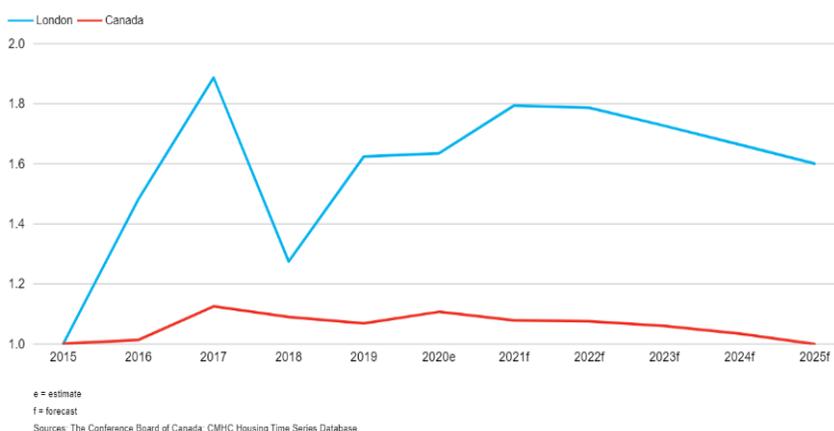
London, Winter March 30, 2021) As the pandemic continues, the unemployment rate has naturally risen, but largely because of an increased labour force. As a result, the unemployment rate averaged 9.8% in 2020, well above the 5.5% in 2019. Last year's flat employment and growing labour force were a positive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



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

Construction and Real Estate

Housing starts (2015 = 1.0)



e = estimate
f = forecast
Sources: The Conference Board of Canada, CMHC Housing Time Series Database.

London continues to have a red-hot housing market, despite the pandemic. In December 2020, the Multiple Listing Service (MLS) resale price index was up by 23% over the last 12 months. Housing starts have also performed well. Although starts slowed during the early spring last year as the pandemic took hold, a recovery was well under way by the third quarter of 2020. In all, housing starts reached 3,440 units in 2020, in part to a strong 2nd half of the year. The forecasted housing starts are:

- 3,770 units in 2021
- 3,760 units in 2022

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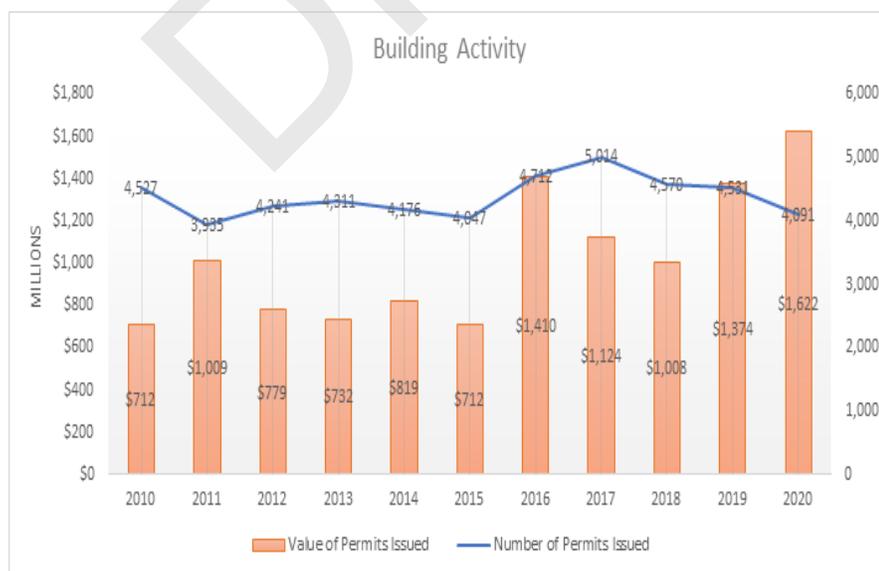
Consolidated Financial Report
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ECONOMIC OVERVIEW (continued)

- 3,500 units in 2023
- 3,500 units in 2024
- 3,500 units in 2025

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

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



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

THE CORPORATION OF THE CITY OF LONDON

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2020 Financial Results

Financial Results Summary

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

Table 1: Financial Results Summary

The City's financial position remained stable during 2020, with the City's cash and investments increasing by \$211 million to a combined total of \$1,444 million, compared to \$1,233 million in 2019. Municipal Council's adherence to the Strategic Financial Plan continues to produce positive results that are reflected in maintaining the financial health of the City.

Net Financial Assets

The City's financial position improved to a net financial asset position of \$674 million in 2020, representing an increase of \$152 million over 2019. The net financial assets are the difference between the financial assets and financial liabilities. This means that the City's financial assets are larger than its financial liabilities and indicates that the City is in a stronger position to provide for future expenses and liability repayments.

Total Revenues

Total revenues are \$1,420 million in 2020, down \$1 million (0.11%) compared to 2019. This is mainly as a result of:

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

2020 REVENUES

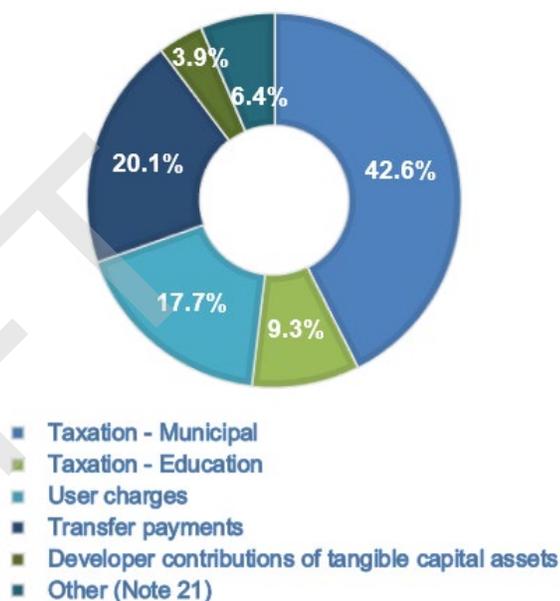


Figure 11: 2020 Revenues

Revenue Budget Variance

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

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

2020 Financial Results (continued)

Total Expenses

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

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

Expenses can also be illustrated by account object, grouping similar accounts together by expense category. The table below provides a view of the expenses from this perspective.

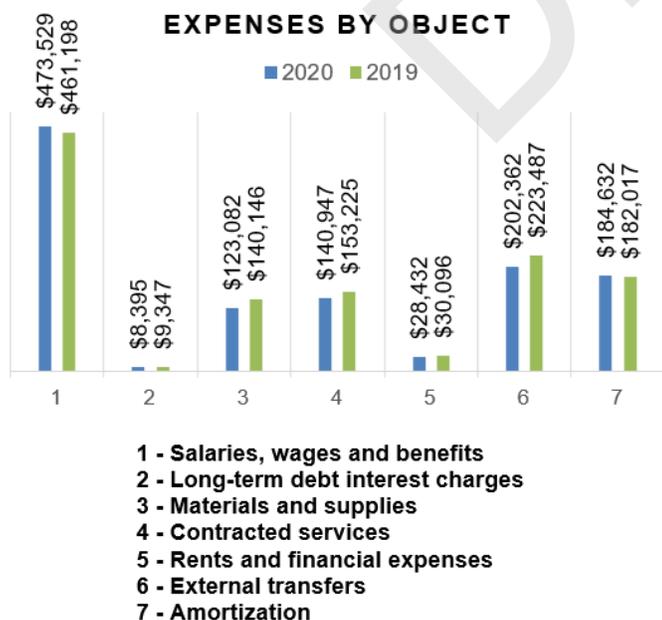


Figure 12: Expenses by Object (\$'000's)

2020 EXPENSES

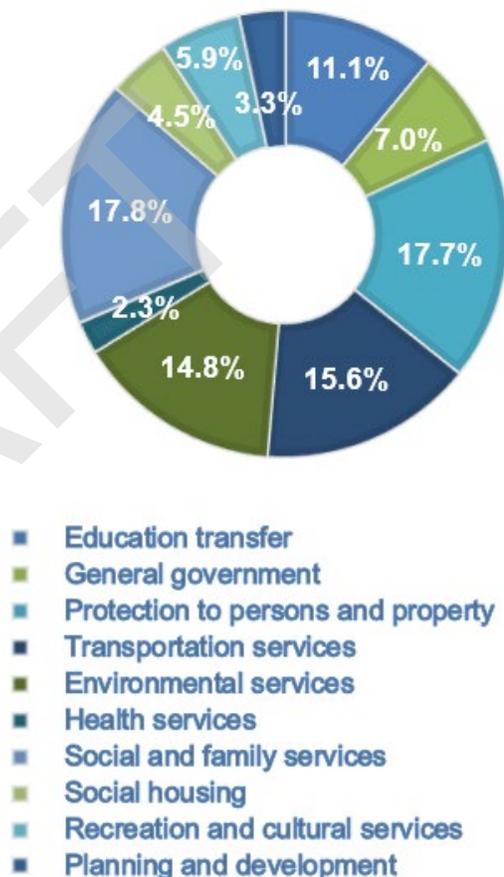


Figure 13: 2020 Expenses

Expense Budget Variance

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

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2020 Financial Results (continued)

Financing Sources for Municipal Operations

This graph illustrates the relative amount of the different sources of financing for all City operations, over the past 5 years.



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

Property Tax Rates and Assessment Growth

City Council approved a tax levy of \$ 642.9 million, representing an increase over 2019 of 6.00%. When assessment growth, tax policy and education taxes are taken into consideration, the property tax increase translated into a 2.5 % increase in the total tax bill for the typical residential property owner. The table below reflects the taxes on a residential property with an assessed value of \$247,000 in 2020 and an average value increase from 2019.

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

COMPARATIVE PROPERTY TAXES

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

Table 2 Municipal & Education Comparative Property Taxes

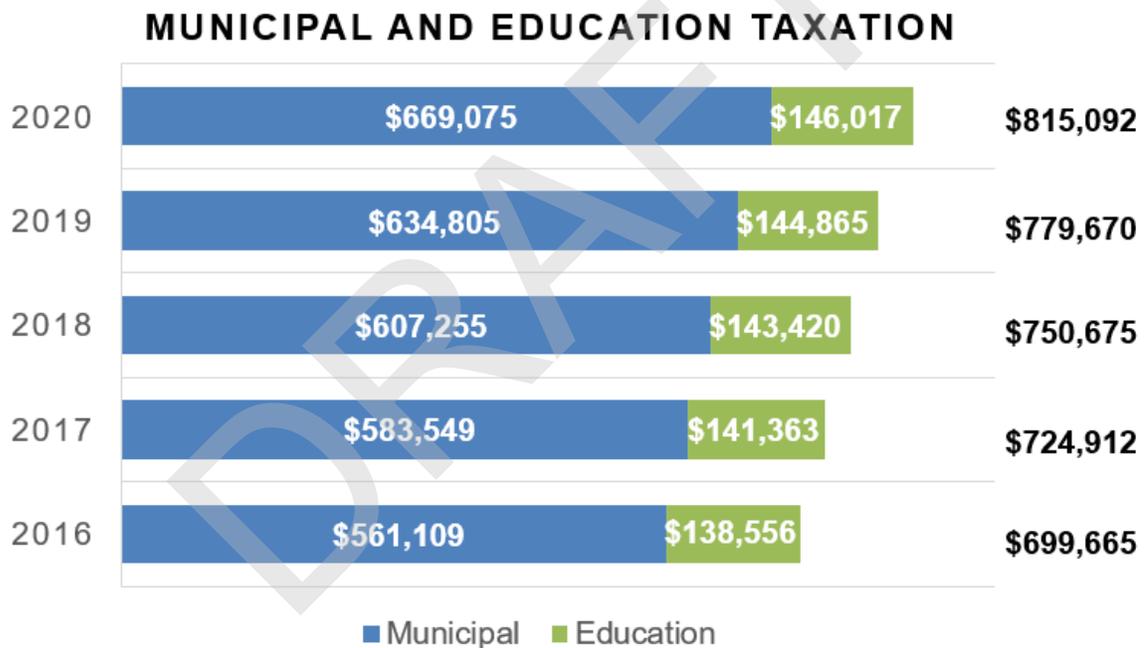
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2020 Financial Results (continued)

Property Tax Rates and Assessment Growth (continued)

This next chart reflects property taxes collected for the past five (5) years showing the distribution between municipal and education. Education taxes are collected by the City and remitted to the various school boards on a quarterly basis.



*Figure 15: Five (5) year Overview of Property Taxes (\$000's)
Source: 2020 Financial Information Return, Schedule 26A*

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2020 Financial Results (continued)

Capital Additions and Disposals

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

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

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

Table 3: Largest Net Additions, 2020 (\$000's)

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

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

Annual Surplus and Accumulated Surplus

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

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2020 Financial Results (continued)

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

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

The amounts issued financed the following major activities:

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

Table 4: Debenture Amounts Issued

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

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

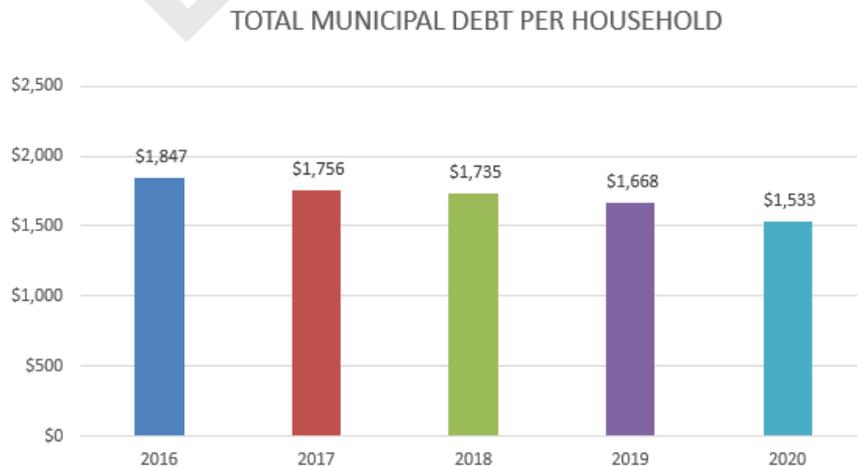


Figure 16: Five (5) Year Overview of Municipal Debt per Household

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

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2020 Financial Results (continued)

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

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

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

Table 5: Discretionary Reserves and Reserve Funds per Household

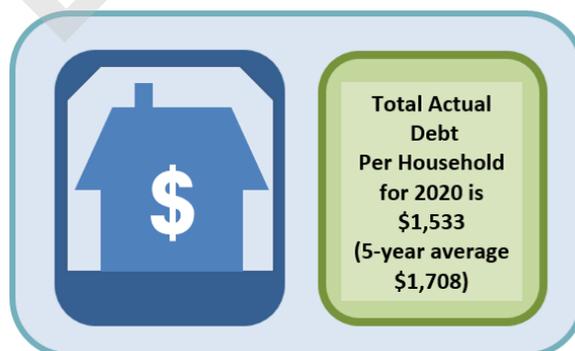


Figure 17: Total Actual Debt per Household, 2020

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2020 Financial Results (continued)

Future Balances on Existing Debt and Long-term Liabilities

The following table outlines principal balances remaining on outstanding debentures for general, water, wastewater and reserve funds as at December 31, 2020. The current obligation will be met by 2032.

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

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

Table 6: Principal Balances Remaining on Outstanding Debentures as at December 31, 2020 (\$000's)

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2020 Financial Results (continued)

Reserves and Reserve Funds

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

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

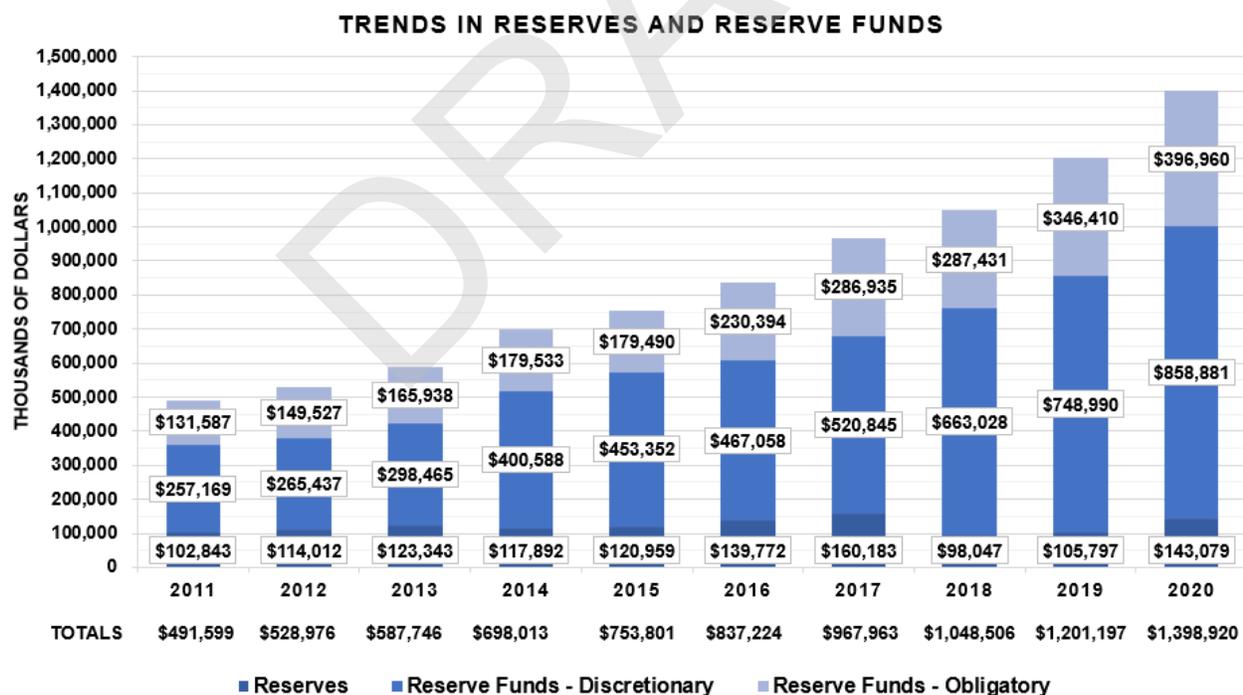


Figure 18: Ten Year Overview of Reserves and Reserve Funds (\$000's)

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

Reserves increased by \$37 million over 2019 balances.

The City has continued its "conservative fiscal practices" (Moody's credit rating opinion) by providing increased contributions to the reserve funds year-over-year, despite significant purchases of tangible capital assets.

THE CORPORATION OF THE CITY OF LONDON

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Five Year Review and General Statistics

Five Year Review (\$000's)

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

THE CORPORATION OF THE CITY OF LONDON

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 Year ended December 31, 2020

Five Year Review and General Statistics (continued)**General Statistics and Indicators**

While the following table provides statistics that are not specifically addressed within the Financial Statements, and are drawn from different sources, they do provide a frame of reference when considering the overall financial and economic environment in the City of London.

	2020	2019
GENERAL STATISTICS:		
Population ⁱ	4,02,659	397,885
Area in Acres	104,632	104,632
Number of Households ⁱⁱ	183,358	181,841
Number of Properties ⁱⁱ	161,687	159,643
Building Permit Values (\$000's) ⁱⁱⁱ	\$1,621,544	\$1,374,352
Average Home Selling Price ^{iv}		
London and St. Thomas	\$487,661	\$408,312
Ontario	\$705,525	\$608,279
Canada	\$568,279	\$502,907
Unemployment Rates (Annual Averages) ^v		
London	8.8%	5.5%
Ontario	9.6%	5.6%
Canada	9.5%	5.7%
CPI Canada (percentage change) ^v	0.7%	1.9%
Real GDP Canada (percentage change) ^v	-4.7%	1.8%

Table 7: General Statistics and Indicators

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report
Year ended December 31, 2020

Definitions

Amortization – the systematic allocation of the historical cost of a tangible capital asset over its useful life.^{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, 2020

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/>, 2020 year end assessment roll, December 2020
- ⁱⁱⁱ Provided by City's Building Division
- ^{iv} London-St. Thomas Real Estate Board and The Canadian Real Estate Association, <https://www.lstar.ca/> and <https://www.crea.ca/>
- ^v Statistics Canada, Labour Force characteristics by census metropolitan area, three-month moving averages, seasonally adjusted and unadjusted, last 5 months, <https://www150.statcan.gc.ca/>
- ^{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, 2020

THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Statements

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

INTRODUCTION

The accompanying Consolidated Financial Statements, and all other financial information included within this financial report, are the responsibility of the management of the City of London. The City's Financial Statements contained in this report have been prepared in accordance with the accounting principles and disclosure requirements of the Chartered Professional Accountants (CPA) of Canada Public Sector Accounting Handbook.

The City Treasurer is responsible for submitting annually, to the Audit Committee and Council, audited financial statements. These financial statements include the consolidated results of the City of London for the fiscal year ending December 31, 2020.

Finance staff are responsible for the coordination and completion of the annual financial statements in a timely, accurate and efficient manner as well as providing support and related financial information to external auditors during the year-end audit.

The Consolidated Financial Statements of the City of London provide important information about the overall financial condition of the City. The purpose of the consolidated financial statements is to present the results of transactions of the City, taking into consideration the accounting for all City Funds and associated city business enterprises.

The audited Consolidated Financial Statements for City operations include:

- Auditors' Report
- Consolidated Statement of Financial Position
- Consolidated Statement of Operations
- Consolidated Statement of Change in Net Financial Assets
- Consolidated Statement of Cash Flows
- Notes to the Consolidated Financial Statements
- Consolidated Schedule of Segment Disclosure – Operating Revenues
- Consolidated Schedule of Segment Disclosure – Operating Expenses

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

- the consolidated statement of financial position as at December 31, 2020
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2020, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

DRAFT

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

(all dollar amounts in thousands of dollars)

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

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

THE CORPORATION OF THE CITY OF LONDON
Consolidated Statement of Operations
For the year ended December 31, 2020, with comparative information for 2019

(all dollar amounts in thousands of dollars)

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

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

THE CORPORATION OF THE CITY OF LONDON
Consolidated Statement of Change in Net Financial Assets
For the year ended December 31, 2020, with comparative information for 2019

(all dollar amounts in thousands of dollars)

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

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

THE CORPORATION OF THE CITY OF LONDON
Consolidated Statement of Cash Flows
For the year ended December 31, 2020, with comparative information for 2019

(all dollar amounts in thousands of dollars)

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

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements

Year ended December 31, 2020

(all dollar amounts in the thousands of dollars)

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

1. Significant Accounting Policies

The consolidated financial statements of the Corporation are prepared by management, in accordance with Canadian public sector accounting standards as defined in the CPA of Canada Public Sector Handbook – Accounting. Significant accounting policies are as follows:

a) Basis of Consolidation

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the Corporation and include all organizations that are accountable to the Corporation for the administration of their financial affairs and resources and are owned or controlled by the Corporation except for the Corporation's government business enterprises or partnerships which are accounted for on the modified equity basis of accounting.

(i) Consolidated Entities

The following local Boards or Commissions are consolidated:

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

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

1. Significant Accounting Policies (continued)

a) Basis of Consolidation (continued)

(ii) Equity Accounting

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

The government business enterprises and partnerships during the year were:

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

(iii) Proportionate Consolidation

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

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

(iv) Accounting for School Board Transactions

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

During the year, **\$146,017** of taxation was collected on behalf of school boards (2019 - \$144,866) and remitted to the school boards during the year.

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

1. Significant Accounting Policies (continued)

a) Basis of Consolidation (continued)

(v) Trust Funds

Trust funds and their related operations administered by the Corporation are not included in these consolidated financial statements, as they are reported on separately in the Trust Fund Statement of Continuity and Balance Sheet.

Total net assets of Trust Funds administered by the Corporation amounted to **\$4,597** (2019 - \$4,363).

b) Basis of Accounting

(i) Accrual Accounting

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

(ii) Deferred Revenue

The Corporation receives contributions pursuant to legislation, regulations or agreements that may only be used for certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

(iii) Land Held for Resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing.

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

1. Significant Accounting Policies (continued)

b) Basis of Accounting (continued)

(iv) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

a) Tangible Capital Assets

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

Table 1: Tangible Capital Asset Useful Life

Asset	Useful Life – Years
Landfill and land improvements	5 - 40
Buildings and building improvements	10 - 40
Leasehold improvements	Lease term
Machinery, equipment and furniture	5 - 20
Vehicles	5 - 7
Water and wastewater infrastructure	10 - 100
Roads infrastructure	10 - 80
Computers	3, 4 & 8
Computers under capital lease	3

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

b) Contributions of Tangible Capital Assets

Tangible capital assets received as contributions related to water, wastewater infrastructure, roads infrastructure and land are recorded at their estimated fair value at the date they are assumed by the Corporation, and are also recorded as revenue.

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

1. Significant Accounting Policies (continued)

b) Basis of Accounting (continued)

(iv) Non-Financial Assets (continued)

c) Works of Art and Cultural and Historic Assets

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

d) Interest Capitalization

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

e) Leased Tangible Capital Assets

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

f) Inventories of Supplies

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

(v) Budget Figures

London City Council completes separate budget reviews for tax supported operating and capital, as well as water and wastewater budgets each year. Budget figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by the Public Sector Accounting Board (PSAB), certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

1. Significant Accounting Policies (continued)

b) Basis of Accounting (continued)

(vi) Use of Estimates

The preparation of these consolidated financial statements, in accordance with Canadian Public Sector Accounting standards, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the year. These estimates and assumptions, including employee benefits payable, taxation assessment appeals, legal claims provisions, landfill closure and post-closure liabilities, the valuation of tangible capital assets and their related useful lives and amortization and liabilities for contaminated sites, are based on management's best information and judgment and may differ significantly from future actual results.

c) Government Transfers

(i) Revenues

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

Government transfers include amounts received for the social assistance program. Funding ratios can vary from 80% to 100% of program costs depending on social service program and on the Provincial Upload Schedule for the Ontario Works program. Social service administration funding covers 50% of certain administration costs. The Social Housing program funding is approximately 20% of costs of the program.

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

1. Significant Accounting Policies (continued)

c) Government Transfers (continued)

(ii) Expenses

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

d) Tax Revenues

In 2020 the Corporation received **\$666,502** (2019 - \$632,169) in property tax revenues for municipal purposes. The authority to levy and collect property taxes is established under the *Municipal Act, 2001*, the *Assessment Act*, the *Education Act*, and other legislation.

The amount of the total annual property tax levy is determined each year through Council's approval of the annual operating budget. Municipal tax rates are set annually by Council for each class or type of property, in accordance with legislation and Council-approved policies, in order to raise the revenues required to meet operating budget requirements. Education tax rates are established by the Province each year in order to fund the costs of education on a Province-wide basis.

Taxation revenues are recorded at the time tax billings are issued. Additional property tax revenue can be added throughout the year, related to new properties that become occupied, or that become subject to property tax, after the return of the annual assessment roll used for billing purposes. The Corporation may receive supplementary assessment rolls over the course of the year from the Municipal Property Assessment Corporation that identify new or omitted assessments. Property taxes for these supplementary/omitted amounts are then billed according to the approved tax rate for the property class.

Taxation revenues in any year may also be reduced as a result of reductions in assessment values arising from assessment and/or tax appeals. Each year, an amount is identified to cover the estimated amount of revenue loss attributable to assessment appeals, tax appeals or other deficiencies in tax revenues (e.g., uncollectible amounts, write-offs, etc.).

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

1. Significant Accounting Policies (continued)

e) User Charges

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

f) Development Charges and Other Revenues

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

g) Financial Instruments

The Corporation's financial instruments consist of cash and cash equivalents, accounts receivables, investments, loans receivable, accounts payable and accrued liabilities, long-term debt, long-term liabilities and city services payable. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency, or credit risks arising from these financial instruments.

h) Investments

Investments are recorded at amortized cost less any amounts written off to reflect a permanent decline in value. Investments consist of authorized investments pursuant to provisions of the *Municipal Act, 2001* and comprise government and corporate bonds, debentures, pooled investment funds and short-term instruments of various financial institutions. Investments with original maturity dates greater than 90 days are classified as investments in the consolidated statement of financial position.

Investment income earned on available current funds, reserves and reserve funds (other than obligatory funds) are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue balances.

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

1. Significant Accounting Policies (continued)

i) Contaminated Sites

Contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard.

A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of the following criteria are met:

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

1. Significant Accounting Policies (continued)

j) Employee Benefits Payable

The Corporation provides employee benefits including sick leave, benefits under the *Workplace Safety and Insurance Board ("WSIB") Act*, life insurance and extended health and dental benefits for early retirees which will require funding in future periods.

There are also contributions to a multi-employer, defined benefit pension plan, OMERS, which are expensed when contributions are made.

The costs of termination benefits and compensated absences are recognized when the event that obligates the Corporation occurs. Costs include projected future income payments, healthcare continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis.

The costs of other employee benefits are actuarially determined using the projected benefits method pro-rated on service and management's best estimate of retirement ages of employees, salary escalation and expected health costs.

Past service costs from plan amendments related to prior period employee services are accounted for in the period of the plan amendment. The effects of a gain or loss from settlements or curtailments are expensed in the period they occur. Net actuarial gains and losses related to the employee benefits are amortized over the average remaining service life of the related employee group. Employee future benefit liabilities are discounted at the Corporation's cost of borrowing using estimated rates for debt with maturities similar to expected benefit payments in the future. The costs of workplace safety and insurance obligations are actuarially determined and are expensed immediately in the period the events occur.

k) Loan Guarantees

Periodically the Corporation provides loan guarantees on specific debt held by related authorities not consolidated in the Corporation's financial statements. Loan guarantees are accounted for as contingent liabilities and no amounts are accrued in the consolidated financial statements of the Corporation until the Corporation considers it likely that the borrower will default on the specified loan obligation. Should a default occur the Corporation's resulting liability would be recorded in the consolidated financial statements.

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

1. Significant Accounting Policies (continued)

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, 2020

(all dollar amounts in thousands of dollars)

1. Significant Accounting Policies (continued)

p) Inter-entity Transactions

Transactions between related parties are recorded at carrying amounts with the exception of the following:

- Transactions in the normal course of business are recorded at exchange amount.
- Transactions with fair value consideration are recorded at exchange amount.
- Transfer of an asset or liability at nominal or no consideration is recorded by the provider at carrying amount and the recipient has the choice of either carrying amount or fair value.
- Cost allocations are reported using the exchange amount and revenues and expenses are reported on a gross basis.
- Unallocated costs for the provision of goods or services may be recorded by the provider at cost, fair value or another amount dictated by policy, accountability structure or budget practice.

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

1. Significant Accounting Policies (continued)

q) Future Accounting Changes

(i) Foreign Currency Translation

PSAB released a revised standard related to *Foreign Currency Translation* (PS 2601). The standard has been deferred and applies to all local governments for fiscal years beginning on or after April 1, 2022. The standard requires exchange rates to be adjusted to the rate in effect at the financial statement date for monetary assets and liabilities denominated in foreign currency and non-monetary items included in the fair value category. Gains and losses yet to be settled are presented in the statement of re-measurement gains and losses. Gains and losses on long-term monetary assets and liabilities are amortized over the remaining term of the item. The Corporation has not yet determined what, if any, financial reporting implications may arise from this standard.

(ii) Financial Instruments

PSAB released a standard related to *Financial Instruments* (PS 3450). The standard has been deferred and applies to all local governments for fiscal years beginning on or after April 1, 2022. The standard applies to all types of financial instruments (primary and derivatives). In the year that the standard is adopted, *Foreign Currency Translation* (PS 2601) must also be adopted. The new standard requires equity and derivative instruments be measured at fair value, with changes in value being recorded in a statement of re-measurement gains/losses. The standard gives the option of cost/amortized cost vs. fair value for remaining instruments, which is elected upon by the government organization. The Corporation has not yet determined what, if any, financial reporting implications may arise from this standard.

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

1. Significant Accounting Policies (continued)

q) Future Accounting Changes (continued)

(iii) Asset Retirement Obligations

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

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

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

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

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

1. Significant Accounting Policies (continued)

q) Future Accounting Changes (continued)

(iii) Asset Retirement Obligations (continued)

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

The new Section is to apply to fiscal years beginning on or after April 1, 2022. Earlier adoption is permitted. This Section may be applied retroactively or prospectively. If retroactive application is selected, a public sector entity may choose to apply certain transitional provisions provided in the Section. The Corporation has not yet determined what, if any, financial reporting implications may arise from this standard.

(iv) Revenue

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

The proposed new section is expected to apply to fiscal years beginning on or after April 1, 2023, and be accounted for as a change in accounting policy applied retroactively with restatement of prior periods. The Corporation has not yet determined what, if any, financial reporting implications may arise from this standard.

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

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

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

Cash equivalents are comprised mainly of term deposits with original maturities of 90 days or less and are recorded at cost.

3. Taxes Receivable

Taxes receivable are reported net of allowance for doubtful accounts. As at December 31, the balances are as follows:

Table 3: Taxes Receivable

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

4. Investments

Investments are comprised of the following:

Table 4: Investments

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

5. Loan Receivable

Table 5: Loan Receivable

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

- a) The Corporation previously transferred a capital asset to the City of London Arena Trust, in return for a subordinate loan. This investment is secured by a mortgage charge and assignment of the borrower's interest in the Ground Lease of the Budweiser Gardens building, an assignment of the borrower's interest in the Participatory Occupancy Lease, a general assignment of all present and future subleases, a security interest in the Capital Repair Fund, and a security interest in the trust fund. Repayments vary and are based on an available cash flow calculation within the 50 year agreement. During the year, **\$68** (2019 - \$339) was received as a payment on the loan.

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

6. Investment in Government Business Enterprises and Partnerships

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

Table 6: Investment in Government Business Enterprises and Partnerships

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

a) Investment in London Hydro Inc.

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

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

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

6. 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*

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

i) Regulated Business Operations and Distribution Rates

London Hydro Inc. (“the Company”) is a wholly-owned subsidiary company of the Corporation and delivers regulated electricity and related energy services to the inhabitants of the City of London.

The Company is regulated by the Ontario Energy Board (“OEB”), under the authority granted by the *Ontario Energy Board Act, 1998*. The OEB has responsibility to set just and reasonable distribution rates and thereby approves all of the Company’s distribution and ancillary rates. The Company’s distribution revenue is determined by applying those regulated rates to customers and their consumption of electricity in the Company’s distribution territory, as established by its distribution license granted by the OEB.

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

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

iii) Commitments

The Company has provided **\$4,300** (2019 - \$6,600) in bank standby letters of credit to the independent Electricity System Operator, as required by regulation.

The Company has vendor commitments in connection with projects of **\$500** (2019 - \$1,600).

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

iv) Credit Facilities

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

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

The Company has an interest rate swap agreement for an unsecured loan in the amount of \$40,000. Interest only payments are due quarterly and commenced March 2018. The principal is due at maturity. The agreement is a fixed rate swap and matures June 2022.

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

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

At December 31, 2020, the Company would be required to pay **\$8,300** (2019 - \$1,600) if it wished to cancel the swap agreements.

v) Related Party Transactions

The Corporation has contracted with London Hydro Inc. to provide billing and collection services for water and wastewater charges on a cost recovery basis. Expenses for the year were **\$5,048** (2019 - \$4,515) and are included on the consolidated statement of operations. At December 31, 2020, the Corporation has a receivable of **\$14,356** (2019 - \$14,071) for water and wastewater charges collected by London Hydro Inc. Miscellaneous receivables of **\$789** (2019 - \$192) are also outstanding at year end.

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

The Corporation accrued **\$5,000** (2019 - \$5,000) in dividend payments, which were recorded as a reduction in the investment in government business enterprises.

vi) International Financial Reporting Standards (“IFRS”)

The Company’s financial statements have been prepared in accordance with IFRS.

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

6. 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

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

6. 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*

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

i) Contributions to Joint Venture

On September 1, 2000, the Corporation entered into a joint venture with the Western Fair Association, to construct and operate a four-pad arena complex.

The joint venture is in the form of a partnership, referred to as the Fair-City Joint Venture and the investment is held in the Civic Investment Reserve Fund.

In return for a contribution of \$5,000 and a twenty-year loan of \$12,000, the Corporation received an initial equity interest of 50% of the partnership. However, once the partnership prepaid \$5,000 of the above-noted loan, and for every \$1,000 repayment thereafter, the Corporation's equity interest will decrease by 2.857% until the loan is completely repaid and the equity interest has decreased to 30%. During the first five years of operation, 100% of profits from the joint venture were paid to the Western Fair Association.

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

6. 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, 2020 was 35.715% (2019 – 38.572%). The Venturers agreed to apply any change in the equity interest, prospectively, to the first day in the year that the threshold is met and to each year thereafter that subsequent repayment thresholds are met. In the current year **nil** (2019 - nil) of profit was available and distributed to the Corporation.

ii) Related Party Transactions

The Corporation has an Ice Rental Agreement with the Fair-City Joint Venture Partnership for 240 hours per year. **\$1,910** was paid for ice rental in 2020 (2019 - \$1,873), which was recorded as an expense in the consolidated statement of operations.

The partnership has a term loan, payable to the Corporation, bearing interest at 6.377%, payable in monthly blended payments of \$88, due October 1, 2021, secured by a general security agreement over all assets. The balance outstanding at December 31, 2020 is **\$855** (2019 - \$1,824). During the year, the partnership paid interest to the Corporation in the amount of **\$87** (2019 - \$146), which was recorded as investment income in the consolidated statement of operations.

c) City-YMCA Joint Venture Partnership

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

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

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

6. 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*

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

The Corporation entered into a joint venture agreement with the YMCA of Western Ontario (YMCA) in April 2009 to construct and operate the Stoney Creek Community Centre.

The Corporation was responsible for contributing the land, contributing costs related to construction of the building and running the construction project. The YMCA was responsible for contributing costs related to construction of the building. The Corporation's contributed share of the project was \$19,929 or 73.432%.

Construction of this facility was completed in October 2010.

The Joint Venture Partnership has entered into a 40 year lease with the YMCA. The basic annual rent to be paid to the Joint Venture Partnership by the YMCA is nominal. The Joint Venture Partnership does not earn any other type of revenue. In accordance with the lease agreement, the Joint Venture Partnership is not responsible for any costs, expenses or outlays relating to the premises. All capital and operating costs are the responsibility of the tenant, the YMCA.

At the end of the 40 year lease term, the Joint Venture Partnership will transfer the land and building representing the facility to the YMCA for consideration of nil. The transfer of the land and building will result in the dissolution of the Joint Venture Partnership in 2049.

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

7. Deferred Revenue

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

Table 13: Deferred Revenue

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

8. Long-term Liabilities

The Corporation has committed to provide capital grants to Fanshawe College. Capital grants are subject to annual budget approval and are generally not liabilities, however, the Corporation has committed to these multi-year grants in advance and therefore these amounts are included in long-term liabilities.

Table 14: Long-term Liabilities

	Last year of obligation	2020	2019
Fanshawe College, with annual principal repayments of \$900, subject to annual budget approval, maturing in 2024	2024	\$3,600	\$4,500
		\$3,600	\$4,500

Anticipated principal repayments are summarized as follows:

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

9. Long-term Debt

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

Long-term debt is as follows:

Table 15: Long-term Debt

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

9. Long-term Debt (continued)

Principal repayments are summarized as follows:

Table 16: Principal Repayment Summary

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

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

Table 17: Principal Repayments - Total Charges

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

10. Capital Lease Obligations

Table 18: Capital Lease Obligations

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

11. City Services Payable

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

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

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

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(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
City Services Payable	Dec 31, 2018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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	Dec 31, 2019	\$3,372	\$1,825	\$8,140	\$1,343	\$335	\$15,015
Expenses:							
Value of construction work completed		321	11	318	30	-	680
Payments:							
From City Services Reserve Funds		(1,205)	(1,773)	(4,663)	(144)	(107)	(7,892)
City Services Payable	Dec 31, 2020	\$2,488	\$63	\$3,795	\$1,229	\$228	\$7,803

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

12. Employee Benefits Payable

Employee future benefits are liabilities of the Corporation to its employees and early retirees for benefits earned but not taken as at December 31. Details are as follows:

Table 20: Employee Benefits Payable

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

Reserve funds and reserves have been established to partially provide for these employee benefit liabilities. The reserve fund balances at the end of the year are **\$143,947** (2019 - \$114,062), to fund these obligations.

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(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

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

The benefit obligation continuity is as follows:

Table 22: Employee Benefits Payable - Benefit Obligation Continuity

Liability for post-employment and post-retirement benefits:	2020	2019
Accrued benefit obligation, January 1	\$84,484	\$81,687
Current period benefit cost	4,450	4,297
Retirement interest expense	2,728	2,642
Benefits paid	(4,443)	(4,142)
Accrued benefit obligation, December 31	87,219	84,484
Unamortized actuarial gain	10,137	10,504
Liability for post-employment and post-retirement benefits	\$ 97,356	\$94,988
Post-employment and post-retirement benefits expense:		
Current period benefit cost	\$ 4,450	\$ 4,297
Retirement interest expense	2,728	2,642
Amortization of actuarial gain	(367)	(367)
Total post-employment and post-retirement benefit expense	\$ 6,811	\$ 6,572

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

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 (2019 – 14 years).

b) Workplace Safety and Insurance Board Obligation

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

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

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

c) Liability for Vacation Credits

Under the provisions of certain employee vacation plans, some vacation credits are earned as at December 31 but are generally unavailable for use until a later date. In addition, the provisions of certain plans allow the accumulation of vacation credits for use in future periods. The approximate value of these credits as at December 31, 2020 is **\$18,234** (2019 - \$16,697).

d) Liability for Vested Sick Leave Benefits

Under the sick leave benefit plan, certain unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Corporation’s employment. The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on termination, amounted to **\$1,256** (2019 - \$1,739) at December 31, 2020. During the year **\$311** (2019 - \$397) was paid to employees who left the Corporation’s employment.

Reserve funds and reserves have been established to provide for this past service liability. The reserve funds balance at December 31, 2020 is **\$1,217** (2019 - \$1,497). An amount of **\$31** (2019 - \$37) has been contributed in the current year.

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

12. Employment Benefits Payable (continued)

d) Liability for Vested Sick Leave Benefits (continued)

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

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

Table 24: Employee Benefits Payable - Anticipated Future Payments

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

e) Pension Agreements

The Corporation makes contributions to the Ontario Municipal Employees' Retirement System Pension Fund (OMERS), which is a multi-employer plan, on behalf of 4,587 (2019 – 4,517) members. The plan is a contributory defined benefit plan which specifies the amount of the retirement benefit to be received by employees based on length of service and rates of pay. Employers and employees contribute jointly to the plan.

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

Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Corporation does not recognize any share of the OMERS pension surplus or deficit in these consolidated financial statements.

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

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, 2020

(all dollar amounts in thousands of dollars)

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

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

Table 25: Landfill Closure Key Assumptions

Active (W12A) landfill is expected to reach capacity in 2024	
Remaining capacity of active (W12A) as at December 31, 2020	0.82 million tonnes
Expected closing cost in 2020 dollars	\$1,890
Inflation rate	1.8%
Discount rate	3.25%
Estimated time required for post-closure care – active landfill	75 years
Estimated remaining time required for post-closure care – closed landfills	30-40 years

The liability as at December 31, 2020 is comprised of:

Table 26: Landfill Closure and Post-Closure Liability

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

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

The Corporation, with Council approval, is in the process of completing an Individual Environmental Assessment (EA) for the expansion of the W12A landfill site. The Minister of the Environment, Conservation and Parks approved the proposed Amended Terms of Reference for the undertaking in July, 2019 and the Draft Environmental Study Report has been prepared for final review by all stakeholders. At this stage in the process the EA is approximately 75% complete. Successful completion of this EA process will result in extension of the anticipated closure date and an increase in the remaining waste disposal capacity currently assumed in the determination of the liability.

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

14. Tangible Capital Assets

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

Accumulated Amortization	Balance at December 31, 2019	Amortization Expense	Amortization Disposal	Balance at December 31, 2020
Land	\$ -	\$ -	\$ -	\$ -
Landfill and Improvements	86,393	8,706	7,119	87,980
Buildings and building improvements	510,317	33,559	4,429	539,447
190Leasehold improvements	2,335	558	152	2,741
Machinery, equipment and furniture	270,941	27,484	140,999	157,426
Vehicles	74,618	11,274	9,925	75,967
Water infrastructure	267,289	16,968	4,264	279,993
Wastewater infrastructure	490,140	27,606	2,689	515,057
Roads infrastructure	523,424	53,462	22,495	554,391
Computers	12,033	4,744	6,072	10,705
Computers under capital lease	1,366	271	1,637	-
Assets under construction	-	-	-	-
Total	\$2,238,856	\$184,632	\$199,781	\$2,223,707

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

14. Tangible Capital Assets (continued)

a) Assets under construction

Assets under construction having a value of **\$161,372** (2019 - \$129,798) have not been amortized. Amortization of these assets will commence when the asset is available for productive use.

In the year that an asset is placed into service, the total cost of the developed asset is transferred to each respective asset category as an addition and removed from assets under construction as a disposal.

b) Contributed Tangible Capital Assets

Contributed capital assets have been recognized at estimated fair value at the date of contribution. The value of contributed assets received during the year is **\$61,134** (2019 - \$64,953) comprised predominantly of roads infrastructure in the amount of **\$21,877** (2019 - \$30,918) and water and wastewater infrastructure in the amount of **\$38,416** (2019 - \$29,722).

c) Tangible Capital Assets Disclosed at Nominal Values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

d) Works of Art and Historical Treasures

The Corporation manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at Corporation sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized in the consolidated financial statements.

e) Write-down of Tangible Capital Assets

There were write-downs of tangible capital assets during the year in the amount of **\$485** (2019 - \$nil).

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

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, 2020

(all dollar amounts in thousands of dollars)

14. Tangible Capital Assets (continued)

f) Assets under Shared Control (continued)

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

Table 27: Tangible Capital Assets under Shared Control

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

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, 2020

(all dollar amounts in thousands of dollars)

15. Accumulated Surplus

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

Table 28: Accumulated Surplus

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

15. Accumulated Surplus (continued)

a) Special Purpose

The Corporation holds \$70 million principal in a reserve fund for a special purpose. The reserve fund is held by the Corporation for the following purposes:

- (i) The investigation, remediation and restoration of the affected lands,
- (ii) Any related legal proceedings, including proceedings before any court or administrative tribunal, and
- (iii) The 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.

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

16. Contingent Liabilities

a) Legal Actions

As at December 31, 2020, certain legal actions and other contingent liabilities are pending against the Corporation. The final outcome of the outstanding claims cannot be determined at this time. However management believes that ultimate disposition of these matters will not materially exceed the amounts recorded in these consolidated financial statements.

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

b) Public Liability and Property Loss Self Insurance

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

16. Contingent Liabilities (continued)

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

Insurance is also purchased for claims in excess of these limits to a maximum of \$50,000 for liability claims. The insured and self-insured Boards and Commissions are: Museum London, London Convention Centre Corporation, Covent Garden Market Corporation, London Police Services Board, London & Middlesex Community Housing Inc. and Housing Development Corporation, London.

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

Claims expensed during the year amounting to **\$2,862** (2019 - \$8,792) have been reported with individual expenses on the consolidated statement of operations. The payment of these expenses was funded through the self-insurance reserve fund.

There were unsettled liability claims against the Corporation as at December 31, 2020 to be paid from the self-insurance reserve fund. The probable outcome of these claims cannot be determined at this time.

c) Environmental Remediation

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

The Corporation is engaged in an ongoing environmental remediation program and related risk management strategy that addresses the presence of historic coal tar in a section of the bed and bank of the south branch of the Thames River and in two adjacent parcels of 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.

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

16. Contingent Liabilities (continued)

c) Environmental Remediation (continued)

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

The Corporation is responsible for the ongoing environmental remediation program and management strategy.

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

17. Loan Guarantees

The Corporation entered into agreements which, under certain conditions, guarantee a \$7,000 loan from the VersaBank, formerly known as the Pacific & Western Bank of Canada, to the trustee of the City of London Arena Trust. The outstanding principal of this loan at December 31, 2020 is **\$1,686** (2019 - \$1,758).

The Corporation has entered into an agreement, which under certain conditions guarantees a \$6,000 leasehold mortgage from the Bank of Montreal to the YMCA of Southwestern Ontario, related to the Stoney Creek Community Centre. The outstanding principal of this loan at December 31, 2020 is **\$1,694** (2019 - \$1,769).

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

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

No amounts have been accrued in the consolidated financial statements of the Corporation with respect to these guarantees, as it is not anticipated at December 31, 2020 that the Corporation will need to make any payments as a result of providing the guarantees.

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

18. Commitments

a) London Middlesex Suburban Roads Commission

Section 474.18 of the *Municipal Act, 2001*, requires that the Corporation make annual payments to the County of Middlesex for an indefinite period as compensation for the reduction of income due to the dissolution of the London-Middlesex Suburban Roads Commission. The amount paid in 2020 was **\$1,152** (2019 - \$1,137). Payments are based on the base year of 1997 at \$1,000 and are calculated contingent on annual assessment and tax rate increases.

b) Rehabilitation, Redevelopment and Community Improvement Grant Programs

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

Table 29: Future Grant Program Commitments

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

c) Fleet, Equipment and Premises Commitments

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

Table 30: Fleet, Equipment and Premises Commitments

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(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, 2020:

Table 31: Facilities and infrastructure Commitments

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

These amounts represent uncompleted portions of contracts, as at December 31, 2020, on major projects. The majority of payments on these outstanding commitments will be made in the next three (3) to five (5) years.

e) Affordable Housing Programs

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

As at December 31, 2020, the Corporation has outstanding commitments remaining on these agreements of **\$10,987** (2019 - \$14,647).

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

18. Commitments (continued)

f) Derivatives

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

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

This derivative contract was purchased to provide price certainty. The value of this contract is not reflected as an asset or liability in these consolidated financial statements.

- Contract with one block, negotiated May 5, 2017, with a daily electricity purchase of 24 megawatt hours, covering the period of November 1, 2018 to August 31, 2021, with a remaining contract cost of **\$173** (2019 - \$432).

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

19. Provincial Offences Court Administration and Prosecution

On March 26, 2001, pursuant to Bill 108, the Corporation assumed responsibility for Provincial Offences Court Administration and Prosecution. The Province of Ontario transferred the responsibility for the administration and prosecution of provincial offences in London-Middlesex to the Corporation. This transfer was part of the Province's strategy to realign provincial and municipal roles in the delivery of public services. As a result, the Corporation was required to establish its own administration, prosecution office and courtrooms to deal with charges laid under the *Provincial Offences Act*.

Table 32: Charges Laid Under the Provincial Offences Act

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

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

20. Budget Data

Budget data presented in these consolidated financial statements is based upon the 2020 operating budget approved by Council. Adjustments were required to convert the budget from a cash basis to a full accrual basis. These adjustments include revenues and expenses which were budgeted in the capital budget, contributed assets recognized as revenues and amortization expense as well as Board and Commissions budget figures. The adjustments have been reduced for capital assets budgeted in operations. Given that certain budget information is not available in full accrual format, the assumption of using budget adjustments that equal the actual full accrual adjustments was used. These full accrual budget estimates are for financial statement presentation only.

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

20. Budget Data (continued)

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

Table 33: Approved Budget per Consolidated Financial Statements

	Total	Tax	Water	Wastewater
Net Budget PSAB Surplus	\$194,729	\$132,861	\$25,940	\$35,928
Public Sector Accounting Board (PSAB) Reporting Requirements:				
Addback (deduct) from Net Budget PSAB Surplus:				
Transfers:				
Transfers to Capital	(92,232)	(49,675)	(20,793)	(21,764)
Transfers from Reserves and Reserve Funds	9,848	9,848	-	-
Transfers to Reserves and Reserve Funds	(109,586)	(66,484)	(13,741)	(29,361)
	(191,970)	(106,311)	(34,534)	(51,125)
Budget Adjustments:				
Government Grants and Subsidies	(1,499)	(1,499)	-	-
Expenses related to Government Grants and Subsidies	5,217	6,470	(1,253)	-
Transfers to Capital	(830)	(1,451)	621	-
Transfers from Reserves and Reserve Funds	(130)	(130)	-	-
Transfers to Reserves and Reserve Funds	(2,768)	(3,390)	622	-
	-	-	-	-

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

20. Budget Data (continued)

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

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

20. Budget Data (continued)

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

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

21. Revenues

In the consolidated statement of operations, revenues are grouped by classification for financial presentation purposes. The following is a more detailed breakdown of some of the Corporation's revenue classifications:

Table 34: Revenue Classifications

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

22. Expenses by Object

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

Table 35: Expenses by Object

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

23. Liability for Contaminated Sites

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

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

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

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

24. Comparative Figures

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

25. Impact of COVID-19 Pandemic

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

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

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

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

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

26. Demand Loan

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

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

27. Segmented Information

The Corporation is a diversified municipal government institution that provides a wide range of services to its citizens, including police, fire, roadways, public transit, water, wastewater, solid waste and recycling, social and community services. For management reporting purposes the Corporation's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. The Operating Fund reports on municipal services that are funded primarily by property taxation. Taxation and payments-in-lieu of taxes are apportioned to General Revenue Fund Services based on the Fund's net surplus. User charges, Government transfers, transfer from other funds and other revenues have been taken from the allocations on schedule 12 of the Financial Information Return.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1. The segmented information reports total revenues and expenses by segment.

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

a) Protection

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

27. Segmented Information (continued)

b) Transportation Services

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

The London Transit Commission serves as an agent for the Corporation responsible for the delivery of public transit services for the residents of the City of London as provided under the City of London Act.

Public transit services include conventional and specialized transit services. Service design, development and delivery for the respective services take their direction from the Corporation's Official Plan, Transportation Plan and London Transit's Long Term Growth Strategy, Ridership Growth Plan, Business Plan and Accessibility Plan.

c) Environmental Services

i) Water and Wastewater Utilities

The Water Utility provides the planning, engineering, operation and maintenance for the Corporation's water infrastructure. Wholesale potable water is purchased from both the Lake Huron and the Elgin Area Primary Water Supply Systems. Services include the planning and engineering to support the delivery of safe, clean, high quality drinking water of sufficient flow and pressure to enhance the quality of life and support economic development for the residents and businesses of London. Operation and maintenance services ensure the reliable delivery of water to all customers and sustainability of a high quality water infrastructure.

The Wastewater Utility provides the planning, engineering, operation and maintenance for the Corporation's wastewater and drainage infrastructure. Services include the operation of pollution control plants and sewage pumping stations for the treatment of sanitary sewage, year-round maintenance of sanitary and storm sewer systems and planning and implementation of capital works to provide new services and improve existing systems. All services are delivered in an environmentally and fiscally responsible manner while maintaining sustainability of the infrastructure.

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

27. Segmented Information (continued)

c) Environmental Services (continued)

ii) Solid Waste and Recycling

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

d) Health Services

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

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

e) Social and Family Services

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

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

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

27. Segmented Information (continued)

f) Social Housing

The Housing Division is responsible for establishing and maintaining a system for administering mortgage and rent subsidies for social housing providers; receiving and evaluating financial reports of housing providers; assessing extraordinary financial requests from housing providers; responding to requests for technical support from housing providers and reviewing housing providers operations to ensure compliance with the Housing Services Act and any rules allocated by the Service Manager. The Division also fulfills the application intake function for social housing providers (the Housing Access Centre) and delivers federal, provincial and municipal affordable housing programs.

g) Parks and Recreation

The Department works collaboratively with their colleagues and partners to improve the quality of life for all Londoners by creating opportunities for individuals to lead healthy, socially-active lives through the direct delivery of recreation programs; strengthening neighbourhoods; leading the integration of community wide initiatives; managing and operating parks and recreation facilities such as Storybook Gardens, municipal golf courses; providing aquatic opportunities; and supporting local sport and special event initiatives.

h) Cultural Services

The Culture Office provides the infrastructure necessary to place a greater focus on culture by acting as the central access point for the cultural functions and responsibilities of the City of London. The Culture Office promotes collaboration, communication and the sharing of knowledge and resources for the purpose of generating economic prosperity through cultural vitality.

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

27. Segmented Information (continued)

i) Planning, Development and Compliance

a) Planning Services

Planning Services provides a wide range of planning and associated services to guide long-term land use and development activity in the City. The Division is organized under four sections – Policy Planning and Programs, Environmental and Parks Planning, Community Planning and Design and Urban Forestry. The Division employs professional resources consisting of Planners, Parks Planning Co-ordinators, Landscape Architects, a Community Projects Co-ordinator, Urban Designers, Ecologists, a Research Analyst and a Heritage Planner as well as support technical and support staff. A wide range of services are provided by the Division including Official Plan and Zoning By-law approvals, policy development, secondary plans, Community Improvement Plans, economic revitalization programs, brownfield revitalization incentives, heritage preservation incentives, urban design, environmental and ecological evaluations, parks planning, urban forestry, commemorative programs and heritage planning.

b) Development Services

Development Services is a multi-disciplinary team providing a single point of administration for development approvals under the Planning Act. The Division includes Planners, Engineers, Landscape Planners, Site Plan Officers, Inspectors, a Subdivision Co-ordinator, Integrated Land Planning Technologists and technical support staff that function as geographic teams (east and west) to provide an integrated processing framework to provide quality development approvals in a timely manner. Planning Act applications processed by Development Services include Plans of subdivision including associated Official Plan and Zoning By-law amendments, site plan approvals, condominium approvals and consents. The Division also administers subdivision and development agreement servicing standards and compliance through inspection, assumption and security management.

c) Building Services

Building Services, by administering the provisions of the Ontario Building Act and the Building Code, ensures high quality building construction in addition to keeping paramount the health and safety of the citizens of London. These directives are established through the enforcement of various municipal By-laws such as the Property Standards By-law, the Sign and Canopy By-law and the Pool Fence By-law to name a few.

THE CORPORATION OF THE CITY OF LONDON

Notes to the Consolidated Financial Statements (continued)

Year ended December 31, 2020

(all dollar amounts in thousands of dollars)

27. Segmented Information (continued)

i) Planning, Development and Compliance (continued)

d) Licensing and Municipal Law Enforcement Services

The Licensing and Municipal Law Enforcement Services area is divided into three interrelated areas. The Community By-laws section is responsible for seeking compliance with community based City by-laws which focus on health and safety, consumer protection, nuisance control and quality of life issues. The Licensing and Parking Enforcement areas are responsible for addressing compliance issues with business licensing by-laws and parking infractions. This section also manages a number of parking lots providing parking services to citizens and visitors alike. The Animal Care and Control service area is responsible for administration, planning, co-ordination and direction of animal care and control in an effort to ensure that policies, practices, directives, by-laws and regulations are in place and adhered to for the protection of the public and the welfare of domestic animals in the community.

THE CORPORATION OF THE CITY OF LONDON
Consolidated Schedule of Segment Disclosure - Operating Revenues
For the year ended December 31, 2020, with comparative information for 2019 (in thousands of dollars)

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

THE CORPORATION OF THE CITY OF LONDON
Consolidated Schedule of Segment Disclosure - Operating Expenses
For the year ended December 31, 2020, with comparative information for 2019 (in thousands of dollars)

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

DRAFT

Consolidated Financial Statements of

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

And Independent Auditors' Report thereon

Year ended December 31, 2020

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, 2020
- 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, 2020, 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, 2020 and December 31, 2019
- capital receipts and fund equity reported in the statement of earnings and fund equity for the years ended December 31, 2020 and December 31, 2019

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.

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.

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.

London, Canada

Date

THE TRUST FUNDS OF THE CITY OF LONDON

Consolidated Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020		2019
	Total		Total
Assets:			
Cash and short-term deposits (Schedule 1)	\$ 2,297,456	\$	1,522,858
Accounts receivable (Schedule 1)	6,177		37,783
Investments (Schedule 1, Note 2)	2,300,000		2,800,000
Prepaid expenses (Schedule 1)	2,082		9,326
	\$ 4,605,715	\$	4,369,967
Liability and Fund Equity:			
Accounts payable (Schedule 1)	\$ 9,154	\$	7,100
Fund equity (Schedule 1)	4,596,561		4,362,867
	\$ 4,605,715	\$	4,369,967

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, 2020, with comparative information for 2019

	2020	2019
Fund equity, beginning of year	\$ 4,362,867	\$ 4,300,854
Revenue:		
Capital receipts (Schedule 2)	454,714	539,075
Interest (Schedule 2)	48,803	93,642
	503,517	632,717
Expenditures:		
Maintenance payments, Dearness Home (Schedule 2)	108,083	91,607
Disbursements (Schedule 2)	161,740	479,097
	269,823	570,704
Fund equity, end of year	\$ 4,596,561	\$ 4,362,867

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

THE TRUST FUNDS OF THE CITY OF LONDON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

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, 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 0.55% to 0.70% (2019 – 1.85% to 2.20%)

THE TRUST FUNDS OF THE CITY OF LONDON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

3. Impact of COVID-19 Pandemic:

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

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the financial position is not known at this time, although to date the impact has not been significant. These impacts could include a decline in future cash flows and changes to the value of assets and liabilities. Though management continues to make best efforts to forecast possible financial scenarios, an estimate of the future financial effect of the pandemic 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, 2020

	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	2020
Assets:										
Cash and short-term deposits	\$ 153,826	\$ 164,848	\$ 13,771	\$ 1,244,703	\$ 145,529	\$ 127,240	\$ 256,065	\$ 22,159	\$ 169,315	\$ 2,297,456
Accounts receivable	1,718	-	-	4,459	-	-	-	-	-	6,177
Investments	-	-	-	2,300,000	-	-	-	-	-	2,300,000
Prepaid expenses	-	-	-	2,082	-	-	-	-	-	2,082
	\$ 155,544	\$ 164,848	\$ 13,771	\$ 3,551,244	\$ 145,529	\$ 127,240	\$ 256,065	\$ 22,159	\$ 169,315	\$ 4,605,715
Liability and Fund Equity:										
Accounts payable	\$ -	\$ -	\$ -	\$ 8,775	\$ -	\$ 379	\$ -	\$ -	\$ -	\$ 9,154
Fund equity	155,544	164,848	13,771	3,542,469	145,529	126,860	256,065	22,160	169,315	4,596,561
	\$ 155,544	\$ 164,848	\$ 13,771	\$ 3,551,244	\$ 145,529	\$ 127,240	\$ 256,065	\$ 22,160	\$ 169,315	\$ 4,605,715

See accompanying notes to consolidated financial statements.

THE TRUST FUNDS OF THE CITY OF LONDON

Schedule 2 - Detailed Consolidated Statement of Earnings and Fund Equity

Year ended December 31, 2020

	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	2020
Fund equity, beginning of year	\$ 153,659	\$ 168,190	\$ 13,604	\$ 3,337,270	\$ 143,766	\$ 107,583	\$ 249,839	\$ 21,693	\$ 167,263	\$ 4,362,867
Receipts:										
Capital receipts	-	-	-	261,998	-	189,366	3,150	200	-	454,714
Interest	1,885	2,051	167	37,542	1,763	-	3,076	267	2,052	48,803
	1,885	2,051	167	299,540	1,763	189,366	6,226	467	2,052	503,517
Expenditures:										
Maintenance payments, Dearness Home	-	-	-	-	-	108,083	-	-	-	108,083
Disbursements	-	5,393	-	94,341	-	62,006	-	-	-	161,740
	-	5,393	-	94,341	-	170,089	-	-	-	269,823
Fund equity, end of year	\$ 155,544	\$ 164,848	\$ 13,771	\$ 3,542,469	\$ 145,529	\$ 126,860	\$ 256,065	\$ 22,160	\$ 169,315	\$ 4,596,561

See accompanying notes to consolidated financial statements.

Financial Statements of

**ARGYLE BUSINESS
IMPROVEMENT ASSOCIATION
BOARD OF MANAGEMENT**

And Independent Auditor's Report thereon.

Year ended December 31, 2020



KPMG LLP
140 Fullarton Street, Suite 1400
London ON N6A 5P2
Canada
Tel 519 672-4880
Fax 519 672-5684

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, 2020,
- the statement of operations for the year then ended,
- the statement of changes 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, 2020, 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 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 17, 2021

ARGYLE BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT

Statement of Financial Position

As at December 31, 2020, with comparative information for 2019

	2020	2019
Financial assets		
Cash and cash equivalents (note 3)	\$ 119,800	\$ 98,500
Prepaid expenses	-	101
Due from Hyde Park Business Improvement Association Board of Management (note 6)	12,901	6,560
Accounts receivable	3,426	-
GST/HST receivable	6,942	6,728
Total financial assets	143,069	111,889
Financial liabilities		
Accounts payable and accrued liabilities	10,264	9,311
Due to related parties (note 6)	3,140	12,622
Deferred revenue	12,901	6,560
Total financial liabilities	26,305	28,493
Net financial assets	116,764	83,396
Non-financial assets		
Tangible capital assets (note 4)	13,982	16,506
Inventory	-	1,440
Total non-financial assets	13,982	17,946
Accumulated surplus (note 5)	\$ 130,746	\$ 101,342

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, 2020, with comparative information for 2019

	Budget			
	2020	2020	2020	2019
Revenues				
Municipal levy - The Corporation of the City of London	\$ 215,000	\$ 215,000	\$ 215,000	
Federal grants	10,000	11,115	12,300	
Santa clause parade sponsorship	-	-	2,800	
Digital Main Street	-	12,453	3,440	
Misc. (Brdrm etc)	4,000	400	940	
Interest and dividends	100	604	407	
Prior year surplus	50,000	-	-	
Other	5,000	-	-	
Total revenues	284,100	239,572	234,887	
Expenses				
Salaries, wages and benefits	96,000	94,845	86,895	
Planters/hanging baskets	24,500	23,390	20,650	
Office rent	22,000	19,505	19,278	
Advertising, marketing and promotion	25,000	18,038	8,964	
Community initiatives	65,000	12,914	22,940	
Digital Main Street	-	12,453	3,440	
Professional fees	9,000	5,568	9,199	
Repairs and maintenance	4,000	3,584	1,466	
Special Events	10,000	3,456	-	
Tax write offs	10,000	3,140	6,152	
Amortization	-	2,954	3,346	
Training, travel and professional development	4,200	2,356	2,701	
Office supplies	4,600	2,151	4,189	
Insurance	2,000	1,589	1,297	
Utilities	2,000	1,574	2,086	
Office administration	3,300	1,213	1,256	
Telephone and internet service	2,000	951	960	
Membership fees and dues	500	487	-	
Total expenses	284,100	210,168	194,819	
Net surplus	-	29,404	40,068	
Accumulated surplus, beginning of year	101,343	101,342	61,274	
Accumulated surplus, end of year (note 5)	\$ 101,343	\$ 130,746	\$ 101,342	

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

ARGYLE BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT

Statement of Net Financial Assets

For the year ended December 31, 2020, with comparative information for 2019

	Budget 2020	2020	2019
Net surplus	\$ -	\$ 29,404	\$ 40,068
Acquisition of tangible capital assets	-	(430)	(770)
Amortization of tangible capital assets	-	2,954	3,346
Decrease in inventory	-	1,440	-
	-	3,964	2,576
Change in net financial assets	-	33,368	42,644
Net financial assets, beginning of year	83,396	83,397	40,752
Net financial assets, end of year	\$ 83,396	\$ 116,765	\$ 83,396

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, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Net surplus	\$ 29,404	\$ 40,068
Item not involving cash:		
Amortization of tangible capital assets	2,954	3,346
Changes in non-cash assets and liabilities:		
GST/HST receivable	(214)	3,022
Due from Hyde Park Business Improvement	(6,341)	(6,560)
Accounts payable and accrued liabilities	954	(9,689)
Deferred revenue	6,341	6,560
Due to related parties	(9,482)	12,622
Accounts receivable	(3,426)	-
Inventory	1,440	-
Prepaid expenses	101	(101)
Net change in cash from operating activities	21,731	49,268
Capital activities:		
Purchase of tangible capital assets	(430)	(770)
Cash used in capital activities	(430)	(770)
Increase in cash and cash equivalents	21,301	48,498
Cash and cash equivalents, beginning of year	98,500	50,002
Cash and cash equivalents, end of year	\$ 119,801	\$ 98,500

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, 2020

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 Accounting Handbook.

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, 2020

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:

	2020	2019
Cash on deposit	\$ 119,314	\$ 97,618
Petty Cash	-	566
Credit union membership shares	486	316
	\$ 119,800	\$ 98,500

ARGYLE BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT

Notes to Financial Statements (continued)

Year ended December 31, 2020

4. Tangible capital assets

Cost	Balance at December 31, 2019	Additions	Disposals	Balance at December 31, 2020
Leasehold improvements	\$ 8,293	\$ -	\$ -	\$ 8,293
Furniture and fixtures	12,494	-	-	12,494
Computer equipment	7,613	430	-	8,043
	<u>\$ 28,400</u>	<u>\$ 430</u>	<u>\$ -</u>	<u>\$ 28,830</u>

Accumulated Amortization	Balance at December 31, 2019	Amortization Expense	Disposals	Balance at December 31, 2020
Leasehold improvements	\$ 1,658	\$ 829	\$ -	\$ 2,487
Furniture and fixtures	4,573	1,584	-	6,157
Computer equipment	5,663	541	-	6,204
	<u>\$ 11,894</u>	<u>\$ 2,954</u>	<u>\$ -</u>	<u>\$ 14,848</u>

Net book value	Balance at December 31, 2019	Balance at December 31, 2020
Leasehold improvements	\$ 6,635	\$ 5,806
Furniture and fixtures	7,921	6,337
Computer equipment	1,950	1,839
	<u>\$ 16,506</u>	<u>\$ 13,982</u>

5. Accumulated surplus

The balance of accumulated surplus is comprised of the following:

	2020	2019
Invested in tangible capital assets	\$ 13,982	\$ 16,506
Operating fund	116,764	84,836
	<u>\$ 130,746</u>	<u>\$ 101,342</u>

6. Related party transactions

At December 31, 2020 the amount due to the Corporation of the City of London is \$3,140 (2019 - \$12,622) and the amount due from Hyde Park Business Improvement Association Board of Management is \$12,901 (2019 - \$6,560).

ARGYLE BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT

Notes to Financial Statements (continued)

Year ended December 31, 2020

7. Impact of COVID-19 Pandemic

Effective March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. At the time of approval of these financial statements, the 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 March 23, 2020 until July 2, 2020, December 23, 2020 until February 17, 2021, and again from April 3, 2021 until the date of the auditors' report based on public health recommendations.
- Mandatory working from home requirement for those able to do so.

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the association'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. Though management continues to make best efforts to forecast possible financial scenarios, an estimate of the financial effect of the pandemic on the Association is not practicable at this time.

Financial Statements of

**COVENT GARDEN MARKET
CORPORATION**

And Independent Auditors' Report thereon

Year ended December 31, 2020



KPMG LLP
1400-140 Fullarton Street
London Ontario N6A 5P2
Canada
Telephone (519) 672-4880
Fax (519) 672-5684

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, 2020;
- 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, 2020, 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 ethical responsibilities in accordance with these requirements.



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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.



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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 30, 2021

COVENT GARDEN MARKET CORPORATION

Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash	\$ -	\$ 198,363
Investments (note 2)	1,903,232	2,333,807
Accounts receivable (note 3)	201,200	228,832
Prepaid expenses	20,478	17,256
	<u>2,124,910</u>	<u>2,778,258</u>
Capital assets (note 4)	3,835,554	4,111,817
	<u>\$ 5,960,464</u>	<u>\$ 6,890,075</u>

Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Bank indebtedness	\$ 80,894	\$ -
Accounts payable and accrued liabilities	279,668	306,621
Current portion of long-term debt (note 6)	120,814	113,390
	<u>481,376</u>	<u>420,011</u>
Deferred capital contributions (note 5)	1,788,291	1,880,402
Long-term debt (note 6)	481,899	602,713
Net assets:		
Invested in capital assets (note 7)	1,444,550	1,515,312
Unrestricted	1,764,348	2,471,637
	<u>3,208,898</u>	<u>3,986,949</u>
Impact of COVID-19 pandemic (note 11)		
	<u>\$ 5,960,464</u>	<u>\$ 6,890,075</u>

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

COVENT GARDEN MARKET CORPORATION

Statement of Operations

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Parking fees	\$ 1,013,074	\$ 1,885,162
Common area maintenance	480,486	680,232
Market rentals	371,643	780,294
Government funding (note10)	124,152	-
Amortization of deferred capital contributions	92,111	93,419
Promotion fund	37,033	49,759
Management fees	17,460	17,460
Central chilling lease	15,488	22,312
Miscellaneous	890	2,466
	<u>2,152,337</u>	<u>3,531,104</u>
Expenses:		
Operating (Schedule)	2,443,820	2,655,916
Management (Schedule)	493,019	621,202
	<u>2,936,839</u>	<u>3,277,118</u>
Earnings (loss) before the undernoted	(784,502)	253,986
Other income (expenses):		
Interest income	40,464	61,948
Tenant leaseholds	(34,013)	(23,647)
	<u>6,451</u>	<u>38,301</u>
Excess (deficit) of revenues over expenses	\$ (778,051)	\$ 292,287

See accompanying notes to financial statements.

COVENT GARDEN MARKET CORPORATION

Statement of Changes in Net Assets

Year ended December 31, 2020, with comparative information for 2019

	Invested in capital assets (note 7)	Unrestricted	2020 Total	2019 Total
Balance, beginning of year	\$ 1,515,312	\$ 2,471,637	\$ 3,986,949	\$ 3,694,662
Excess (deficiency) of revenue over expenses	(220,352)	(557,699)	(778,051)	292,287
Net change in investment in capital assets (note 7)	149,590	(149,590)	-	-
Balance, end of year	\$ 1,444,550	\$ 1,764,348	\$ 3,208,898	\$ 3,986,949

See accompanying notes to financial statements.

COVENT GARDEN MARKET CORPORATION

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	\$ (778,051)	\$ 292,287
Adjustments for:		
Amortization of capital assets	312,463	318,866
Amortization of deferred capital contributions	(92,111)	(93,419)
Net change in non-cash operating working capital (note 8)	(2,543)	87,107
	(560,242)	604,841
Capital activities:		
Purchase of capital assets	(36,200)	(206,427)
Financing activities:		
Repayment of long-term debt	(113,390)	(106,422)
Investing activities:		
Purchase of investments	-	(286,117)
Proceeds on sale of investments	430,575	-
	430,575	(286,117)
Increase in cash	(279,257)	5,875
Cash, (indebteness) beginning of year	198,363	192,488
Cash, (indebteness) end of year	\$ (80,894)	\$ 198,363

See accompanying notes to financial statements.

COVENT GARDEN MARKET CORPORATION

Notes to Financial Statements

Year ended December 31, 2020

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, 2020

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.

(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.

COVENT GARDEN MARKET CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(e) Financial instruments (continued):

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.

(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.

COVENT GARDEN MARKET CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(g) Government funding:

Government funding is recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the funding occur, performance criteria are met, and a reasonable estimate of the amount can be made. Government funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenditures are incurred or services performed.

2. Investments:

Investments are recorded at cost of 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:

	2020	2019
Trade	\$ 469,010	\$ 457,655
Provision for doubtful accounts	267,810	228,823
	\$ 201,200	\$ 228,832

4. Capital assets:

		2020	2019	
	Cost	Accumulated amortization	Net book value	Net book value
Buildings	\$ 7,463,179	\$ 4,302,600	\$ 3,160,579	\$ 3,314,634
Equipment and fixtures	2,279,509	1,680,883	598,626	709,937
Computer equipment	54,065	46,680	7,385	11,077
Renovations, parking upgrade	162,716	105,341	57,375	63,750
Central chilling program	612,077	600,488	11,589	12,419
	\$10,571,546	\$ 6,735,992	\$ 3,835,554	\$ 4,111,817

COVENT GARDEN MARKET CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2020

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.

	2020	2019
Balance, beginning of year	\$ 1,880,402	\$ 1,973,821
Amortization of contributions	(92,111)	(93,419)
Balance, end of year	\$ 1,788,291	\$ 1,880,402

6. Long-term debt:

	2020	2019
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 2025	\$ 308,744	\$ 359,502
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	293,969	356,601
	602,713	716,103
Less current portion	120,814	113,390
	\$ 481,899	\$ 602,713

COVENT GARDEN MARKET CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2020

6. Long-term debt (continued):

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

2021	\$	120,814
2022		128,724
2023		137,152
2024		146,132
2025 and thereafter		69,891
	\$	602,713

Interest paid on the notes payable to the City, a related party, amounted to \$48,951 (2019 - \$55,919).

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.

7. Invested in capital assets:

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

	2020	2019
Capital assets	\$ 3,835,554	\$ 4,111,817
Amounts financed by:		
Deferred capital contributions	1,788,291	1,880,402
Long-term debt	602,713	716,103
	2,391,004	2,596,505
	\$ 1,444,550	\$ 1,515,312

COVENT GARDEN MARKET CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2020

7. Invested in capital assets (continued):

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

	2020	2019
Deficiency of revenues over expenses:		
Amortization of capital assets	\$ (312,463)	\$ (318,866)
Amortization of deferred capital contributions	92,111	93,419
	\$ (220,352)	\$ (225,447)
Net change in investment in capital assets:		
Purchase of capital assets	\$ 36,200	\$ 206,427
Repayment of long-term debt	113,390	106,422
	\$ 149,590	\$ 312,849

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

	2020	2019
Accounts receivable	\$ 27,632	\$ 35,897
Prepaid expenses	(3,222)	11,105
HST receivable	-	65,084
Accounts payable and accrued liabilities	(26,953)	40,105
HST payable	-	(65,084)
	\$ (2,543)	\$ 87,107

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, 2020 is the carrying value of these assets.

COVENT GARDEN MARKET CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2020

9. Financial risks (continued):

(a) Credit risk (continued):

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, 2020 is \$267,810 (2019 - \$228,823).

There have been no significant changes to the credit risk exposure from 2019.

(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 2019.

(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.

(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 2019.

COVENT GARDEN MARKET CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2020

10. Government funding:

During the year, the Corporation applied for and received \$124,152 of Canada Emergency Wage Subsidy ("CEWS") funding, out of which \$4,655 was included as accounts receivable at year-end. Amounts received and receivable were recorded net in the Statement of Operations as government funding.

11. Impact of COVID-19 pandemic:

Effective on March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. At the time of approval of these financial statements, the Corporation has experienced the following indicators of financial implications and undertaken the following activities and responses in relation to the COVID-19 pandemic:

- Numerous events were cancelled through the year, which impacted related revenues and expenditures, including:
 - Festivals and events; and
 - In-person meetings.
- Various measures taken to reduce costs, including:
 - Limited discretionary spending, including postponing non-essential capital projects and expenditures; and
 - Reducing hours of operation.
- Mandatory working from home requirements for those able to do so.
- Applied for and received government wage subsidy.

COVENT GARDEN MARKET CORPORATION

Schedule - Operating and Management Expenses

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Operating expenses:		
Contracted services and professional fees	\$ 695,876	\$ 805,812
Advertising	273,536	379,771
Security	402,161	368,811
Amortization	304,278	313,183
Maintenance, repairs and supplies	266,812	276,123
Light and heat	234,952	257,720
Insurance	102,898	107,812
Interest expense, notes payable	48,951	55,919
Salaries and benefits	37,438	43,613
Miscellaneous	73,169	43,488
Telephone	3,330	3,099
Travel and entertainment	419	565
	\$ 2,443,820	\$ 2,655,916
Management expenses:		
Salaries	\$ 323,179	\$ 319,122
Benefits	68,606	83,877
Professional fees	46,460	34,077
Maintenance repairs and supplies	17,267	21,041
Miscellaneous	11,465	140,224
Telephone	9,849	8,661
Amortization	8,184	5,683
Insurance	7,271	7,593
Travel and entertainment	738	924
	\$ 493,019	\$ 621,202

Financial Statements of

**ELDON HOUSE
CORPORATION**

And Independent Auditors' Report thereon

Year ended December 31, 2020



KPMG LLP
1400-140 Fullarton Street
London Ontario N6A 5P2
Canada
Telephone (519) 672-4880
Fax (519) 672-5684

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, 2020;
- 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, 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, 2020, 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 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, the 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 the Corporation.



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

- the accumulated surplus reported in the statement of financial position as at December 31, 2020 and December 31, 2019;
- the donations revenue and annual surplus (deficit) reported in the statement of operations for the years ended December 31, 2020 and December 31, 2019;
- the annual surplus (deficit) reported in the statement of changes in net assets for the years ended December 31, 2020 and December 31, 2019; and
- the annual surplus (deficit) reported in the statement of cash flows for the years ended December 31, 2020 and December 31, 2019.

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.



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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 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 20, 2021

ELDON HOUSE CORPORATION

Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Financial assets		
Cash and cash equivalents	\$ 165,327	\$ 125,853
Prepaid expenses and deposits	375	375
	<u>165,702</u>	<u>126,228</u>
Financial liabilities		
Accounts payable and accrued liabilities	79,367	80,646
Deferred revenue	41,853	31,093
Deposits payable	781	781
	<u>122,001</u>	<u>112,520</u>
Net financial assets	43,701	13,708
Non-financial assets		
Tangible capital assets (note 2)	14,535	20,557
Impact of COVID-19 pandemic (note 5)		
Accumulated surplus (note 3)	<u>\$ 58,236</u>	<u>\$ 34,265</u>

See accompanying notes to financial statements.

ELDON HOUSE CORPORATION

Statement of Operations

Year ended December 31, 2020, with comparative information for 2019

	Budget 2020	2020	2019
Revenue:			
The Corporation of the City of London	\$ 294,973	\$ 295,223	\$ 290,015
Grants	36,874	25,329	47,131
Donations	14,210	17,026	18,119
Other income	73,367	11,123	68,497
	<u>419,424</u>	<u>348,701</u>	<u>423,762</u>
Expenditures:			
Salaries and benefits	296,813	231,559	296,710
Repairs and maintenance	20,000	27,603	23,451
Utilities	21,000	20,683	19,677
Office and general	22,330	20,458	26,894
Amortization	12,000	9,522	9,228
Programs and exhibitions	26,390	4,922	29,531
Professional fees	7,000	4,800	7,500
Advertising	6,090	2,266	8,278
Insurance	3,045	1,469	3,084
Telephone and internet	2,741	690	7,382
Meals and entertainment	1,015	480	798
Cost of sales	1,000	278	501
	<u>419,424</u>	<u>324,730</u>	<u>433,034</u>
Annual surplus (deficit)	-	23,971	(9,272)
Accumulated surplus, beginning of year	34,265	34,265	43,537
Accumulated surplus, end of year	<u>\$ 34,265</u>	<u>\$ 58,236</u>	<u>\$ 34,265</u>

See accompanying notes to financial statements.

ELDON HOUSE CORPORATION

Statement of Changes in Net Financial Assets

Year ended December 31, 2020, with comparative information for 2019

	Budget			
	2020	2020	2019	
Annual surplus (deficit)	\$ -	\$ 23,971	\$ (9,272)	
Acquisition of tangible capital assets	-	(3,500)	-	
Amortization	-	9,522	9,228	
	-	29,993	(44)	
Net financial assets, beginning of year	13,708	13,708	13,752	
Net financial assets, end of year	\$ 13,708	\$ 43,701	\$ 13,708	

See accompanying notes to financial statements.

ELDON HOUSE CORPORATION

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ 23,971	\$ (9,272)
Item not involving cash:		
Amortization	9,522	9,228
Changes in non-cash operating working capital:		
Accounts receivable	-	3,488
Accounts payable and accrued liabilities	(1,279)	9,677
Deferred revenue	10,760	28,814
	42,974	41,935
Capital activities:		
Acquisition of tangible capital assets	(3,500)	-
Increase in cash and cash equivalents	39,474	41,935
Cash and cash equivalents, beginning of year	125,853	83,918
Cash and cash equivalents, end of year	\$ 165,327	\$ 125,853
Represented by:		
Cash	\$ 114,056	\$ 90,680
Cash equivalents	51,271	35,173
	\$ 165,327	\$ 125,853

See accompanying notes to financial statements.

ELDON HOUSE CORPORATION

Notes to Financial Statements

Year ended December 31, 2020

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 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	5 to 7 years
Computer hardware	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, 2020

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, 2020

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, 2019	Additions	Disposals	Balance at December 31, 2020
Furniture and fixtures	\$ 14,715	\$ 3,500	\$ -	\$ 18,215
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	\$ 3,500	\$ -	\$ 64,642

ELDON HOUSE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2020

2. Tangible capital assets (continued):

Accumulated amortization	Balance at December 31, 2019	Disposals	Amortization expense	Balance at December 31, 2020
Furniture and fixtures	\$ 10,763	\$ -	\$ 2,452	\$ 13,215
Computer hardware	11,399	-	-	11,399
Website	5,558	-	1,588	7,146
Office equipment	2,484	-	1,203	3,687
CCTV security system	9,910	-	3,964	13,874
Audio visual equipment	471	-	315	786
Total	\$ 40,585	\$ -	\$ 9,522	\$ 50,107

	Net book value December 31, 2019	Net book value December 31, 2020
Furniture and fixtures	\$ 3,952	\$ 5,000
Computer hardware	-	-
Website	2,379	791
Office equipment	3,530	2,327
CCTV security system	9,909	5,945
Audio visual equipment	787	472
Total	\$ 20,557	\$ 14,535

ELDON HOUSE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2020

3. Accumulated surplus:

The balance of accumulated surplus is comprised of the following:

	2020	2019
Invested in tangible capital assets	\$ 14,535	\$ 20,557
Operating fund	27,909	13,708
Internally restricted	15,792	-
	<u>\$ 58,236</u>	<u>\$ 34,265</u>

The Board of Directors (the "Board") has internally restricted certain funds received from Bequests for a purpose that will be determined at a later date. Movements out of internally restricted funds will need to be approved by the Board.

4. Trust fund:

The Amelia Lucy Ronalds Little Fund represents restricted funds to be used for the improvement, redecoration, refurbishing, restoration, and enhancement of the Corporation and the artifacts contained therein. The balance in this fund at December 31, 2020 was \$169,315 (2019 - \$167,263). 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.

ELDON HOUSE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2020

5. Impact of COVID-19 pandemic:

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

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

- Numerous events were cancelled through the year, which impacted related revenues and expenditures, including:
 - The summer tea program was cancelled along with many scheduled events throughout the year;
 - The school programs were all cancelled; and
 - The house was closed to the public; when it re-opened, visitors were limited in number and by appointment only.
- Various measures taken to reduce costs, including:
 - Limited discretionary spending, including postponing non-essential capital projects and expenditures; and
 - Reducing hours of operation.
- Mandatory working from home requirements for those able to do so.
- Received the federal government temporary wage subsidy and provincial re-opening subsidy.

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, 2020



KPMG LLP
140 Fullarton Street Suite 1400
London ON N6A 5P2
Canada
Tel 519 672-4800
Fax 519 672-5684

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, 2020
 - 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 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, 2020, and its results of operations and changes in net assets 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.



Page 3

- 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

September 9, 2020

FAIR-CITY JOINT VENTURE

Statement of Financial Position

June 30, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash	\$ 203,373	\$ 72,123
Investment (note 3)	354,627	854,135
Accounts receivable (note 4)	462,753	224,026
Prepaid expenses	72,865	159,010
	<u>1,093,618</u>	<u>1,309,294</u>
Capital assets (note 5)	10,762,756	11,138,033
	<u>\$ 11,856,374</u>	<u>\$ 12,447,327</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 131,798	\$ 288,713
Payable to Western Fair Association (note 15)	508,705	142,090
Deferred revenue	173,078	373,551
Current portion of related party debt, secured (note 7)	999,936	939,095
Current portion of obligations under capital leases (note 8)	96,043	99,052
	<u>1,909,560</u>	<u>1,842,501</u>
Related party debt, secured (note 7)	347,505	1,347,441
Obligations under capital leases (note 8)	1,138,879	1,137,183
Employee future benefits (note 9)	215,831	189,290
Deferred capital contributions (note 10)	2,754,000	2,886,632
Net assets:		
Investment in capital assets (note 11)	5,426,393	4,728,630
Internally restricted (note 13)	64,206	315,650
	<u>5,490,599</u>	<u>5,044,280</u>
Contingencies (note 17)		
Subsequent event (note 18)		
	<u>\$ 11,856,374</u>	<u>\$ 12,447,327</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, 2020, with comparative information for 2019

	2020	2019
Revenues:		
Ice rentals (note 15)	\$ 2,940,303	\$ 3,351,995
Sponsorship and other	455,167	507,628
<u>Amortization of deferred capital contributions</u>	<u>132,632</u>	<u>132,627</u>
	3,528,102	3,992,250
Expenditures:		
Salaries and benefits	1,016,438	1,213,231
Utilities	605,069	637,928
Amortization of capital assets	659,186	590,234
Supplies and services	362,854	445,086
Interest expense (note 15)	213,789	277,004
<u>Management fees (note 15)</u>	<u>211,686</u>	<u>239,535</u>
	3,069,022	3,403,018
<u>Excess of revenues over expenditures (note 14)</u>	<u>\$ 459,080</u>	<u>\$ 589,232</u>

See accompanying notes to financial statements.

FAIR-CITY JOINT VENTURE

Statement of Changes in Net Assets

Year ended June 30, 2020, with comparative information for 2019

	Western Fair Association	The City of London	y restricted (note 13)	Investment in capital assets (note 11)	Total 2020	Total 2019
Balance, beginning of year	\$ -	\$ -	Internall \$ 315,650	\$ 4,728,630	\$ 5,044,280	\$ 4,467,615
Excess of revenues over expenditures	295,120	163,960	-	-	459,080	589,232
Employee future benefit remeasurements	(8,203)	(4,558)	-	-	(12,761)	(12,567)
Transfer from internally restricted net assets	65,347	36,304	(101,651)	-	-	-
Change in investment in capital assets	(352,264)	(195,706)	(149,793)	697,763	-	-
Balance, end of year	\$ -	\$ -	\$ 64,206	\$ 5,426,393	\$ 5,490,599	\$ 5,044,280

See accompanying notes to financial statements.

FAIR-CITY JOINT VENTURE

Statement of Cash Flows

Year ended June 30, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenditures	\$ 459,080	\$ 589,232
Items not involving cash:		
Amortization of capital assets	659,186	590,234
Change in employee future benefits liability	13,780	16,922
Amortization of deferred capital contributions	(132,632)	(132,627)
Gain on disposal of capital asset	(30,000)	-
Changes in non-cash operating working capital:		
Accounts receivable	(238,727)	(54,682)
Prepaid expenses	86,145	(2,793)
Accounts payable and accrued liabilities	(156,915)	114,121
Payable to Western Fair Association	366,615	(38,581)
Deferred revenue	(200,473)	34,031
	826,059	1,115,857
Financing activities:		
Repayments of related party debt	(939,095)	(881,955)
Payment of obligations under capital lease	(105,429)	(114,524)
	(1,044,524)	(996,479)
Investing activities:		
Purchase of capital assets	(149,793)	(465,770)
Net change in investment	499,508	(14,680)
	349,715	(480,450)
Increase (decrease) in cash	131,250	(361,072)
Cash, beginning of year	72,123	433,195
Cash, end of year	\$ 203,373	\$ 72,123

See accompanying notes to financial statements.

FAIR-CITY JOINT VENTURE

Notes to Financial Statements

Year ended June 30, 2020

The Fair-City Joint Venture (the "Joint Venture") is a partnership between the Western Fair Association (the "Association") and The City of London (the "City") entered into on September 1, 2000. The partners jointly control 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. Continuity of operations:

The operations of the Joint Venture are dependent on the continued support of the Association. Included in liabilities is an amount payable to the Association of \$508,705 which is non-interest bearing and has no fixed terms of repayment. The Association has indicated its intention to not call for repayment of this amount before September 1, 2021. If the Joint Venture does not receive continuing financial support from the Association or does not raise additional funds, it may not be able to continue as a going concern and realize its assets and pay its liabilities as they fall due.

2. 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

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2020

2. Significant accounting policies (continued):

(b) Capital assets (continued):

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.

(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 prorated 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, 2020

2. 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, 2020

2. Significant accounting policies (continued):

(f) New accounting pronouncements adopted:

In March 2018, the Accounting Standards Board issued "Basis for Conclusions – Accounting Standards Improvements for Not-for-Profit Organizations " resulting in the introduction of a new handbook section in Part III of the Handbook as follows:

Section 4433, Tangible capital assets held by not-for-profit organizations, which directs organizations to apply the accounting guidance of Section 3061, Property Plant and Equipment in Part II of the Handbook. In doing so, the new section requires that organizations annually assess for partial impairment of tangible capital assets, to be recorded where applicable, as a non-reversible impairment expense. In addition, where practical, to componentize capital assets when estimates can be made of the useful lives of the separate components.

This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairments of tangible assets that existed at April 1, 2019.

The amendment is effective for financial statements for fiscal years beginning on or after January 1, 2019.

The implementation of these changes had no impact on the financial statements.

3. Investment:

The investment is comprised of a term deposit that matures on September 2, 2020 with an effective interest rate of 0.67% (2019 - 1.92%).

4. Accounts receivable:

	2020	2019
Trade	\$ 339,193	\$ 145,106
Miscellaneous	123,560	78,920
	<u>\$ 462,753</u>	<u>\$ 224,026</u>

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2020

5. Capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Building	\$ 15,446,432	\$ 7,106,881	\$ 8,339,551	\$ 8,737,084
Machinery and equipment	417,268	204,329	212,939	197,164
Special alterations	1,624,542	298,744	1,325,798	1,245,611
Solar array under capital lease	1,474,114	589,646	884,468	958,174
	\$ 18,962,356	\$ 8,199,600	\$ 10,762,756	\$ 11,138,033

At June 30, 2020, machinery and equipment includes assets under capital lease with a cost of \$275,008 (2019 - \$287,144) and accumulated amortization of \$126,852 (2019 - \$183,215).

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$1,612 (2019 - \$5,364), which includes amounts payable for payroll related taxes. Included in miscellaneous receivables is HST receivable in the amount of \$7,650 (2019 - \$1,040)

7. Related party debt:

	2020	2019
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	\$ 1,347,441	\$ 2,286,536
Current portion of related party debt	999,936	939,095
	\$ 347,505	\$ 1,347,441

Principal repayments over the remaining term are as follows:

2021	\$ 999,936
2022	347,505
	\$ 1,347,441

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2020

8. Obligations under capital leases:

The Joint Venture has entered into two capital leases for certain ice surfacing equipment which expire April 21, 2024 and January 15, 2021 and one capital lease for a solar array expiring June 28, 2033.

2021	\$	191,637
2022		173,850
2023		173,850
2024		166,897
2025		146,037
Thereafter		1,095,279
Total minimum lease payments		1,947,550
Less amount representing interest at between 3.37% and 8.21%		712,628
Present value of net minimum capital lease payments		1,234,922
Current portion of obligations under capital leases		96,043
		\$ 1,138,879

9. Employee future benefits:

(a) Pension plan:

The Joint Venture contributed and expensed \$29,577 (2019 - \$22,789) 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.

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2020

9. Employee future benefits (continued):

The most recent actuarial valuation was prepared as at June 30, 2018 for the health plan and the results are extrapolated to June 30, 2020. The most recent actuarial valuation of the sick leave plans was performed as of June 30, 2020.

The discount rate used in the actuarial measurement of the employee future benefit liability was 2.88% (2019 - 3.31%). The employee future benefit liability relating to post-employment benefits other than pension is \$215,831 (2019 - \$189,290). This liability has been recorded in the financial statements.

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

	2020	2019
Current service cost	\$ 14,879	\$ 12,822
Interest cost	6,166	6,099
	<u>\$ 21,045</u>	<u>\$ 18,921</u>

Details of annual contributions and benefits paid are as follows:

	2020	2019
Employer contributions	\$ 2,000	\$ 2,000
Benefit payments	(7,264)	(2,000)

10. 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:

	2020	2019
Balance, beginning of year	\$ 2,886,632	\$ 3,019,259
Amortization of deferred capital contributions	(132,632)	(132,627)
Balance, end of year	<u>\$ 2,754,000</u>	<u>\$ 2,886,632</u>

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2020

11. Investments in capital assets:

Investments in capital assets consists of the following:

	2020	2019
Capital assets	\$ 10,762,756	\$ 11,138,033
Less amounts financed by:		
Related party debt	(1,347,441)	(2,286,536)
Obligation under capital leases	(1,234,922)	(1,236,235)
Deferred capital contributions	(2,754,000)	(2,886,632)
	(5,336,363)	(6,409,403)
	\$ 5,426,393	\$ 4,728,630

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

	2020	2019
Amortization of deferred capital contributions	\$ 132,632	\$ 132,627
Amortization of capital assets	(659,186)	(590,234)
Gain on disposal of capital asset	30,000	-
	(496,554)	(457,607)
Purchase of capital assets	149,793	465,770
Repayment of related party debt	939,095	881,955
Repayment of obligations under capital leases	105,429	114,524
	\$ 697,763	\$ 1,004,642

12. 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 partners agree to a contribution to internally restricted net assets for future capital purchases annually. For the year ended June 30, 2020, both partners agreed to a total contribution of \$nil (2019 - \$37,793).

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2020

13. Internally restricted net assets:

	2020	2019
Balance, beginning of year	\$ 315,650	\$ 743,627
Current year allocation from internally restricted net assets	(101,651)	37,793
Capital expenditures	(149,793)	(465,770)
Balance, end of year	\$ 64,206	\$ 315,650

14. Allocation of excess of revenues over expenditures to partners:

The excess of revenues over expenditures of the Joint Venture have been allocated to the partners 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 partners 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, 2020 was 64.29% (2019 - 61.42%) and the City's equity interest was 35.72% (2019 - 38.57%). 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.

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2020

14 . Allocation of excess of revenues over expenditures to partners (continued):

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

	2020	2019
Excess of revenues over expenditures	\$ 459,080	\$ 589,232
Amortization of capital assets	659,186	590,234
Amortization of deferred capital contributions	(132,632)	(132,627)
Gain on disposal of capital asset	(30,000)	-
Repayment of related party debt	(939,095)	(881,955)
Repayment of obligations under capital leases	(105,429)	(114,524)
Excess (deficiency) of revenues over expenditures	(88,890)	50,360
Allocation from (to) internally restricted net assets	101,651	(37,793)
Employee future benefit remeasurements	(12,761)	(12,567)
Amounts available for distribution to the partners	\$ -	\$ -

15. 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 \$1,894,041 (2019 - \$1,856,902). Additionally, included in accounts receivable is \$308,343 due from the City.
- (b) The Joint Venture also paid interest of \$117,129 (2019 - \$174,268) to the City on account of the related party debt (note 7).
- (c) There were no partner distributions declared during the year and paid or payable to the Association and the City (2019 - \$nil and \$nil) respectively.
- (d) During the year, the Joint Venture paid management fees to the Association in the amount of \$211,686 (2019 - \$239,535).
- (e) The amount due to Western Fair Association of \$508,705 (2019 - \$142,090) is unsecured and non-interest bearing with no specific repayment terms.

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2020

16. 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 risk exposures have changed from 2019, as described in note 1.

(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.

17. Contingencies:

From time-to-time the Joint Venture may have litigation pending or in progress. With respect to claims at June 30, 2020, 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.

FAIR-CITY JOINT VENTURE

Notes to Financial Statements (continued)

Year ended June 30, 2020

18. Subsequent event:

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

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

- Closure of the facility from March 16, 2020 – June 11, 2020 based on public health recommendations. The facility reopened for limited use on June 12, 2020 and continues to re-open to the date of the auditors' report.
- Temporary and permanent terminations of employees.
- Collaborating with The City of London and user groups to ensure a safe environment for all employees and patrons.
- Additional cleaning and health & safety protocols are in place.
- Limiting access to the building and areas within.

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

Financial Statements of

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

And Independent Auditors' Report thereon

Year ended December 31, 2020

(STATEMENTS NOT AVAILABLE AT TIME OF PRINTING)

Financial Statements of

**HOUSING DEVELOPMENT CORPORATION,
LONDON**

And Independent Auditors' Report thereon

December 31, 2020



KPMG LLP
140 Fullarton Street, Suite 1400
London ON N6A 5P2
Canada
Tel 519 672-4880
Fax 519 672-5684

INDEPENDENT AUDITORS' REPORT

To the Shareholder 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, 2020
- 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, 2020, 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

May 3, 2021

HOUSING DEVELOPMENT CORPORATION, LONDON
Statement of Financial Position
December 31, 2020, with comparative information for 2019

	2020	2019
Financial assets		
Due from the Corporation of the City of London (note 3)	\$ 6,955,352	\$ 6,773,746
Trade and other receivables	170,290	75,895
Loan receivable	220,558	214,205
Total financial assets	7,346,200	7,063,846
Financial liabilities		
Accounts payable and accrued liabilities	331,199	105,318
Deferred revenue	7,961	10,250
Total financial liabilities	339,160	115,568
Net assets	7,007,040	6,948,278
Non-financial assets		
Tangible capital assets (note 4)	2,735,914	439,368
Prepaid expenses	7,847	7,783
Total non-financial assets	2,743,761	447,151
Accumulated surplus (note 5)	\$ 9,750,801	\$ 7,395,429

Commitments (note 9)
Subsequent event (note 11)

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

HOUSING DEVELOPMENT CORPORATION, LONDON**Statement of Operations****Year ended December 31, 2020, with comparative information for 2019**

	Budget	2020	2019
	(note 8)		
Revenues			
Transfer payments			
Municipal - the Corporation of the City of London (note 3)	\$ 3,289,987	\$ 3,249,118	\$ 2,788,931
Federal	2,000	93,764	31,389
Interest income	166,201	166,201	183,800
Total revenues	3,458,188	3,509,083	3,004,120
Expenses			
Salaries, wages and fringe benefits	681,937	659,559	688,758
Materials and supplies	69,020	55,034	57,905
Contracted services	54,030	84,843	81,087
Office rental expense	30,000	25,824	33,726
External transfers	-	283,660	2,957,092
Amortization of tangible capital assets (note 4)	44,791	44,791	44,791
Total expenses	879,778	1,153,711	3,863,359
Annual surplus (deficit)	2,578,410	2,355,372	(859,239)
Accumulated surplus, beginning of year (note 5)	7,395,429	7,395,429	8,254,668
Accumulated surplus, end of year (note 5)	\$ 9,973,839	\$ 9,750,801	\$ 7,395,429

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

HOUSING DEVELOPMENT CORPORATION, LONDON
Statement of Change in Net Financial Assets
Year ended December 31, 2020, with comparative information for 2019

	Budget	2020	2019
Annual surplus (deficit)	\$ 2,578,410	\$ 2,355,372	\$ (859,239)
Acquisition of tangible capital assets	(2,341,337)	(2,341,337)	(32,615)
Amortization of tangible capital assets	44,791	44,791	44,791
	281,864	58,826	(847,063)
Change in prepaid expenses	-	(64)	(2,117)
Change in net financial assets (debt)	281,864	58,762	(849,180)
Net financial assets, beginning of year	6,948,278	6,948,278	7,797,458
Net financial assets, end of year	\$ 7,230,142	\$ 7,007,040	\$ 6,948,278

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

HOUSING DEVELOPMENT CORPORATION, LONDON
Statement of Cash Flows
Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in)		
Operating activities		
Annual surplus (deficit)	\$ 2,355,372	\$ (859,239)
Items not involving cash		
Amortization of tangible capital assets	44,791	44,791
Change in non-cash assets and liabilities		
Due from the Corporation of the City of London	(181,606)	1,103,958
Prepaid expenses	(64)	(2,117)
Trade and other receivables	(94,395)	(17,291)
Loans receivable	(6,353)	(214,205)
Accounts payable and accrued liabilities	225,881	(30,532)
Deferred revenue	(2,289)	7,250
Net change in cash from operating activities	2,341,337	32,615
Capital activities		
Purchase of tangible capital assets	(2,341,337)	(32,615)
Net change in cash from capital activities	(2,341,337)	(32,615)
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, 2020

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.

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.

2. Significant Accounting Policies (continued)

(g) 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 financial statements.

(h) 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 maybe recorded by the provider at cost, fair value or another amount dictated by policy, accountability structure or budget practice.

HOUSING DEVELOPMENT CORPORATION, LONDON
Notes to Financial Statements (continued)
Year ended December 31, 2020

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 **\$193,017** (2019 - \$240,130) 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 **\$342,987** (2019 - \$292,275)
- Annual contribution to the affordable housing reserve fund of **\$2,500,000** (2019 - \$2,000,000)
- Administrative fee revenue of **\$406,131** (2019 - \$496,656)
- Municipal funding contribution of **\$nil** (2019 - \$nil) 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, 2020

4. Tangible Capital Assets

Cost	Balance at December 31, 2019	Additions	Disposals	Balance at December 31, 2020
Land	\$ 297,930	\$ 2,341,337	\$ -	\$ 2,639,267
Leasehold improvements	218,431	-	-	218,431
Office equipment and furniture	5,525	-	-	5,525
Total	\$ 521,886	\$ 2,341,337	\$ -	\$ 2,863,223

Accumulated Amortization	Balance at December 31, 2019	Amortization Expense	Amortization Disposals	Balance at December 31, 2020
Land	\$ -	\$ -	\$ -	\$ -
Leasehold improvements	80,091	43,686	-	123,777
Office equipment and furniture	2,427	1,105	-	3,532
Total	\$ 82,518	\$ 44,791	\$ -	\$ 127,309

	Net Book Value December 31, 2019	Net Book Value December 31, 2020
Land	\$ 297,930	\$ 2,639,267
Leasehold improvements	138,340	94,654
Office equipment and furniture	3,098	1,993
Total	\$ 439,368	\$ 2,735,914

HOUSING DEVELOPMENT CORPORATION, LONDON
Notes to Financial Statements (continued)
Year ended December 31, 2020

5. Accumulated Surplus

Accumulated surplus consists of the following:

	2020	2019
Surplus		
Invested in tangible capital assets	\$ 2,735,914	\$ 439,368
Capital deficit	(132,358)	-
Total surplus	2,603,556	439,368
Reserve funds set aside for specific purpose by the Board		
Future affordable housing (note 6)	7,147,145	6,955,961
Share capital		
100 Class A common shares (note 7)	100	100
	\$ 9,750,801	\$ 7,395,429

HOUSING DEVELOPMENT CORPORATION, LONDON
Notes to Financial Statements (continued)
Year ended December 31, 2020

6. Analysis of Reserve Fund

	2020	2019
Reserve fund for future affordable housing:		
Balance, beginning of year	\$ 6,955,961	\$ 7,803,024
Interest earned	166,201	183,800
Contributions from current operations:		
Annual	2,500,000	2,000,000
Current year (deficit) surplus	-	(32,578)
Transfers to current operations	(283,660)	(2,957,092)
Transfers to capital operations:		
Development of land for future use	(2,191,357)	(41,193)
Balance, end of year	\$ 7,147,145	\$ 6,955,961

	2020	2019
Comprised of:		
Contributions from the City of London, stipulated for use in future affordable housing projects	\$ 6,846,658	\$ 6,655,474
Accumulated operating surpluses held for future administration expenses	300,487	300,487
Balance, end of year	\$ 7,147,145	\$ 6,955,961

HOUSING DEVELOPMENT CORPORATION, LONDON
Notes to Financial Statements (continued)
Year ended December 31, 2020

7. Share Capital

	2020	2019
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, 2020

8. Budget Data

Budget data presented in these financial statements are based upon the 2020 operating budget approved by the Board. Adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. These adjustments include revenues and expenses which were budgeted in the capital budget and amortization. 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 chart below reconciles the approved budget with the budget figures as presented in these financial statements.

	Budget
Revenues	
Municipal revenue – The Corporation of the City of London	\$ 3,290,272
Municipal revenue – Transfers from reserve fund	43,000
Government grants	2,000
Total Revenues	3,335,272
Expenses	
Personnel costs	475,492
Administrative expenses	46,040
Financial expense - Transfers to reserve fund	2,500,000
Purchased services	103,875
Materials and supplies	11,220
Furniture and equipment	15,000
Recovered expenses	183,645
Total expenses	3,335,272
Net surplus as per approved budget	-
PSAB reporting requirements and Budget adjustments:	
Decrease in transfers to (from) reserve fund	2,457,000
Increase in amortization	(44,791)
Increase in interest income - reserve fund	166,201
Net PSAB budget surplus as per financial statements	\$ 2,578,410

HOUSING DEVELOPMENT CORPORATION, LONDON
Notes to Financial Statements (continued)
Year ended December 31, 2020

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, 2020, the Corporation has outstanding commitments remaining on these agreements of **\$255,531** (2019 - \$221,588).

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

2021	\$	23,250
2022		23,875
2023		4,000
Total	\$	51,125

10. Impact of COVID-19 Pandemic

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

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

- 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

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

11. Subsequent Event

Since year-end, the Corporation of the City of London (City), the sole shareholder of the Corporation, has undertaken resolutions to direct the transition of the affordable housing portfolio of the Housing Development Corporation, London into the City's corporate structure, including the Corporation's staff and business operations. At its Municipal Council meeting on March 23, 2021, the City resolved to have Civic Administration work and report back on the recommendations to winding up the Corporation when it has been confirmed that all commitments and functions of the Corporation have been assumed by the City.

DRAFT Financial Statements of

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

And Independent Auditors' Report thereon

Year ended December 31, 2020

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, 2020;
- 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, 2020, and its results of operations, 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.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

Month DD, YYYY

THE HYDE PARK BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT

Statement of Financial Position

DRAFT

As at December 31, 2020, with comparative information for 2019

	2020	2019
Financial assets		
Cash	\$ 174,084	\$ 81,120
Accounts receivable	65,508	21,174
HST receivable	1,925	15,418
	<u>241,517</u>	<u>117,712</u>
Financial liabilities		
Accounts payable and accrued liabilities (note 5)	66,799	45,305
Deferred revenue	21,671	6,861
	<u>88,470</u>	<u>52,166</u>
Net financial assets	153,047	65,546
Non-financial assets		
Tangible capital assets (note 4)	51,463	53,848
Prepaid expenses	890	2,302
	<u>52,353</u>	<u>56,150</u>
Commitments (note 6)		
Accumulated surplus (note 3)	\$ 205,400	\$ 121,696

See accompanying notes to financial statements.

THE HYDE PARK BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT

Statement of Operations

DRAFT

Year ended December 31, 2020 , with comparative information for 2019

	Budget 2020	2020	2019
Revenue:			
Revenues			
Municipal levy - The City of London	\$ 386,401	\$ 389,779	\$ 342,824
Other:			
Miscellaneous	3,500	22,510	5,725
Program income	7,080	12,453	4,176
	<u>396,981</u>	<u>424,742</u>	<u>352,725</u>
Expenditures			
Administration	150,346	140,170	126,233
Business development	146,639	135,832	117,646
Office	26,799	24,075	22,361
General expenses	10,276	17,477	19,383
Miscellaneous	56,921	13,959	2,258
Amortization of tangible capital assets	-	8,674	5,411
Member services	6,000	851	6,873
	<u>396,981</u>	<u>341,038</u>	<u>300,165</u>
Surplus	-	83,704	52,560
Accumulated surplus, beginning of year	121,696	121,696	69,136
Accumulated surplus, end of period (note 3)	\$ 121,696	\$ 205,400	\$ 121,696

See accompanying notes to financial statements.

THE HYDE PARK BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT

Statement of Changes in Net Financial Assets

DRAFT

Year ended December 31, 2020 , with comparative information for 2019

	Budget 2020	2020	2019
Surplus	\$ -	\$ 83,704	\$ 52,560
Acquisition of tangible capital assets	-	(6,288)	(48,248)
Amortization of tangible capital assets	-	8,674	5,411
	-	86,090	9,723
Use (acquisition) of prepaid expenses	-	1,411	(1,649)
Change in net financial assets	-	87,501	8,074
Net financial assets, beginning of year	65,546	65,546	57,472
Net financial assets, end of year	\$ 65,546	\$ 153,047	\$ 65,546

See accompanying notes to financial statements.

THE HYDE PARK BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT

Statement of Cash Flows

DRAFT

Year ended December 31, 2020 , with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Surplus	\$ 83,704	\$ 52,560
Item not involving cash:		
Amortization of tangible capital assets	8,674	5,411
Changes in non-cash operating working capital:		
Accounts receivable	(44,335)	(2,028)
HST receivable	13,493	41
Accounts payable and accrued liabilities	21,494	15,297
Due to The City of London	-	(16,860)
Deferred revenue	14,810	6,425
Prepaid expenses	1,412	(1,649)
	99,252	59,197
Capital activities:		
Purchase of tangible capital assets	(6,288)	(48,248)
	92,964	10,949
Cash, beginning of year	81,120	70,171
Cash, end of year	\$ 174,084	\$ 81,120

See accompanying notes to financial statements.

THE HYDE PARK BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT

DRAFT Notes to Financial Statements

Year ended December 31, 2020

1. :

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

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2020

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:

	2020	2019
Invested in tangible capital assets	\$ 51,463	\$ 53,848
Operating fund	153,937	67,848
	<u>\$ 205,400</u>	<u>\$ 121,696</u>

THE HYDE PARK BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2020

4. Tangible capital assets:

Cost	2019	Additions	Disposals	2020
Furniture and fixtures	\$ 51,020	\$ 741	\$ -	\$ 51,761
Computer hardware	2,366	5,547	-	7,913
Leasehold Improvements	7,189	-	-	7,189
Total	\$ 60,575	\$ 6,288	\$ -	\$ 66,863

Accumulated amortization	2019	Disposals	Amortization expense	2020
Furniture and fixtures	\$ 3,454	\$ -	\$ 5,178	\$ 8,632
Computer hardware	1,555	-	1,565	3,120
Leasehold Improvements	1,719	-	1,931	3,650
Total	\$ 6,728	\$ -	\$ 8,674	\$ 15,402

	Net book value 2019	Net book value 2020
Furniture and fixtures	\$ 47,567	\$ 43,129
Computer hardware	811	4,794
Leasehold Improvements	5,470	3,540
Total	\$ 53,848	\$ 51,463

THE HYDE PARK BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2020

5. Related party transactions:

At December 31, 2020, The Corporation of the City of London owed Hyde Park Business Improvement Area \$3,378 (2019 - \$324). Included in Accounts payable is \$51,575 (2019 - \$26,210) 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. Future minimum lease payments under the lease as of December 31, 2020 are as follows:

Year ending December 31:

2021	\$	23,550
2022		20,113
	\$	43,663

7. Other risks:

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

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

- Closure of office to the public from the March 11th, 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, 2020



KPMG LLP
1400-140 Fullarton Street
London Ontario N6A 5P2
Canada
Telephone (519) 672-4880
Fax (519) 672-5684

INDEPENDENT AUDITORS' REPORT

To the Board of Directors 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, 2020;
- the statement of operations for the year then ended;
- the statement of change 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, 2020, 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 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.



Page 2

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.



Page 3

- 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 26, 2021

THE LONDON CONVENTION CENTRE CORPORATION

Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Financial Assets		
Cash	\$ 405,313	\$ 701,770
Accounts receivable	55,191	847,708
Other receivables	83,793	3,953
Receivable from The City of London	40,210	-
	<u>584,507</u>	<u>1,553,431</u>
Financial Liabilities		
Accounts payable and accrued liabilities	342,417	1,129,948
Payable to The City of London	-	104,728
Long-term debt (note 6)	1,421,665	1,421,665
Accrued sick and vacation	27,859	61,180
Advance deposits and deferred revenue	874,119	1,145,337
	<u>2,666,060</u>	<u>3,862,858</u>
Net financial debt	(2,081,553)	(2,309,427)
Non-Financial Assets		
Tangible capital assets (note 4)	18,252,620	19,086,323
Prepaid expenses	38,896	38,864
Inventory (note 2)	51,039	63,605
	<u>18,342,555</u>	<u>19,188,792</u>
Impact of COVID-19 pandemic (note 10)		
Accumulated surplus (note 7)	<u>\$ 16,261,002</u>	<u>\$ 16,879,365</u>

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, 2020, with comparative information for 2019

	Budget 2020 (note 9)	2020	2019
Revenue:			
City grant	\$ -	\$ 1,648,000	\$ -
Food and beverage	4,130,000	927,941	3,811,443
Other	1,103,719	908,636	1,000,842
City capital appropriation	650,000	702,904	638,425
Capital reserve drawdown	1,010,682	712,244	2,884,426
Parking	536,200	188,510	554,344
Space rental	645,000	145,556	614,797
Technical	392,910	96,467	344,508
	8,468,511	5,330,258	9,848,785
Cost of goods sold:			
Food and beverage	1,097,155	292,059	1,059,288
Other	82,546	34,231	124,018
Technical	7,833	6,250	6,008
	1,187,534	332,540	1,189,314
	7,280,977	4,997,718	8,659,471
Expenditures:			
Amortization of tangible capital assets	1,430,014	1,428,480	1,301,307
City appropriation	650,000	1,059,272	815,712
Event services and culinary	2,183,146	848,138	2,048,281
Corporate services	1,027,393	831,048	920,810
Sales and catering	941,641	511,052	926,741
Facility services	484,676	381,722	507,404
Energy	545,160	333,999	569,102
Cleaning	132,414	43,149	120,548
Interest and bank charges	32,698	32,643	35,200
Other	53,067	24,348	162,159
Parking	65,340	122,230	58,681
Technical	-	-	1,044
	7,545,549	5,616,081	7,466,989
Annual surplus (deficit) (note 8)	(264,572)	(618,363)	1,192,482
Accumulated surplus, beginning of year	16,879,365	16,879,365	15,686,883
Accumulated surplus, end of year	\$ 16,614,793	\$ 16,261,002	\$ 16,879,365

See accompanying notes to financial statements.

THE LONDON CONVENTION CENTRE CORPORATION

Statement of Change in Net Financial Debt

Year ended December 31, 2020, with comparative information for 2019

	Budget 2020 (note 9)	2020	2019
Annual surplus (deficit)	\$ (264,572)	\$ (618,363)	\$ 1,192,482
Acquisition of tangible capital assets	(1,010,682)	(599,447)	(3,047,108)
Amortization of tangible capital assets	1,430,014	1,428,480	1,301,307
Loss on disposal of tangible capital assets	-	4,670	113,435
	154,760	215,340	(439,884)
Acquisition of inventory	-	(51,039)	(63,605)
Acquisition of prepaid expenses	-	(38,896)	(38,864)
Consumption of inventory	-	63,605	57,104
Use of prepaid expenses	-	38,864	47,826
	-	12,534	2,461
Increase (decrease) in net financial debt	154,760	227,874	(437,423)
Net financial debt, beginning of year	(2,309,427)	(2,309,427)	(1,872,004)
Net financial debt, end of year	\$ (2,154,667)	\$ (2,081,553)	\$ (2,309,427)

See accompanying notes to financial statements.

THE LONDON CONVENTION CENTRE CORPORATION

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ (618,363)	\$ 1,192,482
Item not involving cash:		
Amortization of tangible capital assets	1,428,480	1,301,307
Loss on disposal of tangible capital assets	4,670	113,435
Changes in non-cash operating working capital:		
Accounts receivable	792,517	(373,228)
Other receivables	(79,840)	11,558
Inventory	12,566	(6,501)
Accounts payable and accrued liabilities	(787,531)	442,432
Accrued sick and vacation	(33,321)	6,587
Payable to The City of London	(144,938)	30,124
Advance deposits and deferred revenue	(271,218)	682,100
Prepaid expenses	(32)	8,962
	302,990	3,409,258
Financing activities:		
Repayment of long-term debt	-	(185,245)
Investing activities:		
Acquisition of tangible capital assets	(599,447)	(3,047,108)
Net change in cash	(296,457)	176,905
Cash, beginning of year	701,770	524,865
Cash, end of year	\$ 405,313	\$ 701,770

See accompanying notes to financial statements.

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements

Year ended December 31, 2020

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, 2020

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:

	2020	2019
Food	\$ 25,669	\$ 26,580
Beverages	25,370	37,025
	<u>\$ 51,039</u>	<u>\$ 63,605</u>

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2020

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.

	2020	2019
Opening balance	\$ 391,459	\$ 2,400,613
Contributions during the year	1,059,272	815,712
Interest	22,362	59,560
Capital expenditures	(712,244)	(2,884,426)
Closing balance	\$ 760,849	\$ 391,459

4. Tangible capital assets:

Cost	Balance at December 31, 2019	Additions	Disposals	Balance at December 31, 2020
Building	\$ 27,157,373	\$ -	\$ (13,690)	\$ 27,143,683
Building improvements	12,266,761	527,300	-	12,794,061
Equipment	1,672,741	47,832	-	1,720,573
Furniture	1,099,222	-	-	1,099,222
Infrastructure	757,453	24,315	-	781,768
Vehicles	41,217	-	-	41,217
	\$ 42,994,767	\$ 599,447	\$ (13,690)	\$ 43,580,524

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2020

4. Tangible capital assets (continued):

Accumulated amortization	Balance at December 31, 2019	Disposals	Amortization expense	Balance at December 31, 2020
Building	\$ 17,741,432	\$ (9,020)	\$ 688,077	\$ 18,420,489
Building improvements	3,301,887	-	647,227	3,949,114
Equipment	1,500,107	-	35,019	1,535,126
Furniture	658,862	-	35,980	694,842
Infrastructure	671,939	-	22,177	694,116
Vehicles	34,217	-	-	34,217
	\$ 23,908,444	\$ (9,020)	\$ 1,428,480	\$ 25,327,904

	Net book value December 31, 2019	Net book value December 31, 2020
Building	\$ 9,415,941	\$ 8,723,194
Building improvements	8,964,874	8,844,947
Equipment	172,634	185,447
Furniture	440,360	404,380
Infrastructure	85,514	87,652
Vehicles	7,000	7,000
	\$ 19,086,323	\$ 18,252,620

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, 2020

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 2020 was \$144,134 (2019 - \$227,772) for current service and is expensed in the statement of operations.

The last available report for the OMERS plan was on December 31, 2020. At that time, the plan reported a \$3.2 billion actuarial deficit (2019 - \$3.4 billion), based on actuarial liabilities for \$113.1 billion (2019 - \$107.7 billion) and actuarial assets for \$109.8 billion (2019 - \$104.3 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 \$nil in the current year (2019 - \$36,959).

On June 29, 2021, City of London Council approved deferral of the annual loan repayment.

On January 12, 2021, City of London Council approved the forgiveness of the note payable in its entirety.

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2020

7. Accumulated surplus:

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

	2020	2019
Surplus:		
Invested in tangible capital assets	\$ 18,252,620	\$ 19,086,323
Unfunded:		
Payable to The City of London used to finance tangible capital assets	(1,421,665)	(1,421,665)
Reserves:		
Special projects	-	254,984
Operating	-	500,000
	-	754,984
Other	(569,953)	(1,540,277)
	\$ 16,261,002	\$ 16,879,365

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2020

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:

	2020	2019
Annual surplus (deficit)	\$ (618,363)	\$ 1,192,482
Loss funded through special projects reserve	-	34,678
Add back:		
Amortization	1,428,480	1,301,307
City appropriation	1,059,272	815,712
Interest on long-term debt	30,882	36,959
	2,518,634	2,153,978
Deduct:		
City capital funding	(1,415,148)	(3,522,851)
	\$ 485,123	\$ (141,713)

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2020

9. Budget data:

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.

	Budget amount
Revenues:	
Operating budget	\$ 6,807,829
Cost of goods sold:	
Operating budget	1,187,534
Expenses:	
Operating budget	5,465,535
Annual surplus, as budgeted	154,760
City capital appropriation	650,000
Capital reserve drawdown	1,010,682
Amortization of tangible capital assets	(1,430,014)
City appropriation	(650,000)
Annual deficit, revised	\$ (264,572)

THE LONDON CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2020

10. Impact of COVID-19 pandemic:

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

At the time of approval of these financial statements, The London Convention Centre Corporation 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, with the exception of three events that were able to be held in accordance with public health guidelines;
- temporary staff layoffs;
- mandatory working from home requirements during lockdown periods for those able to do so, and flexible working arrangements during remaining portion of the year;
- supported the community from May to December, providing approximately 22,000 lunches at cost paid for by the Food Bank to support London's homeless population. The majority of this work was completed by two salaried chefs;
- received special funding from the City of London of \$1,648,000; and
- utilized existing special reserve and operating reserve to fund deficit.

The ultimate duration and magnitude of the COVID-19 pandemic's impact on The London Convention Centre 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. Further, external funding may be required to support continuing 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, 2020



KPMG LLP
140 Fullarton Street Suite 1400
London ON N6A 5P2
Canada
Telephone 519 672-4880
Fax 519 672-5684

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, 2020
- 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 combined financial position of the Entity as at December 31, 2020, and its combined results of operations, its combined change in net financial assets and its combined 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 22, 2021

LONDON DOWNTOWN BUSINESS ASSOCIATION

Combined Statement of Financial Position

December 31, 2020, with comparative information for 2019

	LDBA 2020	Main Street 2020	Total 2020	Total 2019
Financial assets				
Cash and cash equivalents	\$ 936,008	\$ 406,241	\$ 1,342,249	\$ 1,232,430
Accounts receivable	78,005	32,275	110,280	88,438
Tenant improvement loans (note 3)	-	-	-	7,298
Due from the Hyde Park Business Improvement Association Board of Management	306	-	306	6,560
	<u>1,014,319</u>	<u>438,516</u>	<u>1,452,835</u>	<u>1,334,726</u>
Financial liabilities				
Accounts payable and accrued liabilities	164,972	56,596	221,568	268,037
Deferred revenue	306	-	306	6,560
Funds on deposit	-	218,782	218,782	134,896
	<u>165,278</u>	<u>275,378</u>	<u>440,656</u>	<u>409,493</u>
Net financial assets	849,041	163,138	1,012,179	925,233
Non-financial assets				
Tangible capital assets (note 2)	35,714	-	35,714	52,077
Commitments (note 5) Impact of COVID-19 pandemic (note 6)				
Accumulated surplus (note 4)	<u>\$ 884,755</u>	<u>\$ 163,138</u>	<u>\$ 1,047,893</u>	<u>\$ 977,310</u>

See accompanying notes to combined financial statements.

On behalf of the Board:

_____ Director _____ Director

LONDON DOWNTOWN BUSINESS ASSOCIATION

Combined Statement of Operations

Year ended December 31, 2020, with comparative information for 2019

	Budget	LDBA 2020	Main Street 2020	Total 2020	Total 2019
Revenue:					
Municipal levy from the City of London	\$ 1,772,081	\$ 2,015,297	\$ -	\$ 2,015,297	\$ 2,212,387
Purchased services revenue from the City of London		-	89,922	89,922	-
Main Street London funding	-	(168,114)	168,114	-	-
Interest income	2,100	2,745	1,326	4,071	5,510
Miscellaneous income	456,000	6,255	7,840	14,095	15,200
Total revenue	2,230,181	1,856,183	267,202	2,123,385	2,233,097
Expenses:					
Business development	428,241	564,146	89,920	654,066	645,255
Salaries and wages	581,000	490,548	94,867	585,415	704,214
Programs	758,000	-	316,594	316,594	192,829
Member services	278,000	306,027	-	306,027	283,915
Administration	102,940	84,297	839	85,136	137,146
Rent	79,000	79,538	-	79,538	78,541
Amortization	-	16,363	-	16,363	16,161
Bad debts	-	-	7,298	7,298	27,222
Business retention	3,000	-	2,365	2,365	3,042
Total expenses	2,230,181	1,540,919	511,883	2,052,802	2,088,325
Annual surplus (deficit)	-	315,264	(244,681)	70,583	144,772
Accumulated surplus, beginning of year	977,310	569,491	407,819	977,310	832,538
Accumulated surplus, end of year	\$ 977,310	\$ 884,755	\$ 163,138	\$ 1,047,893	\$ 977,310

See accompanying notes to combined financial statements.

LONDON DOWNTOWN BUSINESS ASSOCIATION

Combined Statement of Change in Net Financial Assets

Year ended December 31, 2020, with comparative information for 2019

	Budget	LDBA 2020	Main Street 2020	Total 2020	Total 2019
Annual surplus (deficit) \$	-	\$ 315,264	\$ (244,681)	\$ 70,583	\$ 144,772
Amortization of tangible capital assets	-	16,363	-	16,363	16,161
Change in net financial assets	-	331,627	(244,681)	86,946	160,933
Net financial assets, beginning of year	925,233	517,414	407,819	925,233	764,300
Net financial assets, end of year	\$ 925,233	\$ 849,041	\$ 163,138	\$ 1,012,179	\$ 925,233

See accompanying notes to combined financial statements.

LONDON DOWNTOWN BUSINESS ASSOCIATION

Combined Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash and cash equivalents provided by (used in):		
Operating activities:		
Annual surplus	\$ 70,583	\$ 144,772
Item not involving cash:		
Amortization	16,363	16,161
Changes in non-cash operating working capital:		
Accounts receivable	(21,842)	17,210
Tenant improvement loans	7,298	31,527
Due from related party	6,254	(6,560)
Accounts payable and accrued liabilities	(46,469)	207,337
Deferred revenue	(6,254)	6,560
	<u>25,933</u>	<u>417,007</u>
Financing activities:		
Funds on deposit	83,886	517
	<u>83,886</u>	<u>517</u>
Increase in cash and cash equivalents	109,819	417,524
Cash and cash equivalents, beginning of year	1,232,430	814,906
Cash and cash equivalents, end of year	<u>\$ 1,342,249</u>	<u>\$ 1,232,430</u>
Supplemental cash flow information:		
Cash	\$ 1,281,451	\$ 1,171,633
Cash equivalents	60,798	60,797
	<u>\$ 1,342,249</u>	<u>\$ 1,232,430</u>

See accompanying notes to combined financial statements.

LONDON DOWNTOWN BUSINESS ASSOCIATION

Notes to Combined Financial Statements

Year ended December 31, 2020

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, 2020

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
Computer equipment	4 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, 2020

2. Tangible capital assets:

Cost	Balance at December 31, 2019	Additions	Disposals	Balance at December 31, 2020
Furniture	\$ 43,050	\$ -	\$ -	\$ 43,050
Computer equipment	13,433	-	-	13,433
Leasehold improvements	124,272	-	-	124,272
Total	\$ 180,755	\$ -	\$ -	\$ 180,755

Accumulated amortization	Balance at December 31, 2019	Disposals	Amortization expense	Balance at December 31, 2020
Furniture	\$ 42,473	\$ -	\$ 577	\$ 43,050
Computer equipment	3,359	-	3,359	6,718
Leasehold improvements	82,846	-	12,427	95,273
Total	\$ 128,678	\$ -	\$ 16,363	\$ 145,041

	Net book value December 31, 2019	Net book value December 31, 2020
Furniture	\$ 577	\$ -
Computer equipment	10,074	6,715
Leasehold improvements	41,426	28,999
	\$ 52,077	\$ 35,714

LONDON DOWNTOWN BUSINESS ASSOCIATION

Notes to Combined Financial Statements (continued)

Year ended December 31, 2020

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 wrote off loans in the amount of \$7,298 (2019 - \$27,222) and discontinued the program.

4. Accumulated surplus:

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

	2020	2019
Surplus:		
Invested in tangible capital assets	\$ 35,714	\$ 52,077
Operating surplus	793,397	790,337
	829,111	842,414
Restricted cash for Downtown Dollars	218,782	134,896
	\$ 1,047,893	\$ 977,310

5. Commitments:

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

2021	\$ 78,480
2022	77,955
2023	76,380
2024	31,825
	\$ 264,640

LONDON DOWNTOWN BUSINESS ASSOCIATION

Notes to Combined Financial Statements (continued)

Year ended December 31, 2020

6. Impact of COVID-19 pandemic:

Effective March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. At the time of approval of these financial statements, the Association has experienced the following indicators of financial implications and undertaken the following activities and responses in relation to the COVID-19 pandemic:

- Temporary closure of office premises from March 16, 2020 until July 2, 2020 and from December 23, 2020 until February 17, 2021 based on public health recommendations.
- Transitioned to providing remote support and virtual training to members.
- Mandatory working from home requirements for all Association employees based on the public health recommendations and until further notice.
- Provided new grants to its eligible members including the Restart grant, Marketing grant, Resiliency grant, and Mural grant.

The ultimate duration and magnitude of COVID-19 pandemic's impact on the Association'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. Though management continues to make best efforts to forecast possible financial scenarios, an estimate of the financial effect of the pandemic on the Association is not practicable at this time.



London Hydro Inc.

Financial Statements

For the year ended December 31, 2020
with comparative amounts for 2019



KPMG LLP
140 Fullarton Street, Suite 1400
London ON N6A 5P2
Canada
Tel 519 672-4880
Fax 519 672-5684

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, 2020
- 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, 2020, 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.



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.



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- 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

London, Canada

March 30, 2021

London Hydro Inc.
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For the year ended December 31, 2020

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London Hydro Inc.**Statement of Financial Position**

December 31, 2020, with comparative amounts at December 31, 2019

(in thousands of dollars)

	Note	2020	2019
ASSETS			
Current assets			
Cash	5	\$ 28,298	\$ 3,428
Accounts receivable	6	84,709	71,369
Income tax receivable		-	1,171
Materials and supplies	7	458	418
Prepaid expenses		1,752	2,338
Total current assets		115,217	78,724
Non-current assets			
Property, plant and equipment	8,16	352,992	330,641
Intangible assets	9	23,443	23,514
Total non-current assets		376,435	354,155
Total assets		491,652	432,879
Regulatory balances	11	22,993	21,019
Total assets and regulatory balances		\$ 514,645	\$ 453,898
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	12	\$ 46,004	\$ 48,440
Due to shareholder	22	5,749	6,952
Income tax payable		100	-
Dividends payable	17	5,000	-
Current portion of lease liability	16	34	33
Current portion of customer and other deposits		2,923	1,082
Current portion of deferred revenue	13	3,092	2,771
Total current liabilities		62,902	59,278
Non-current liabilities			
Long-term debt	14,25	200,000	155,000
Post-employment benefits	15	16,100	15,535
Customer and other deposits		2,025	3,324
Deferred revenue	13	34,327	30,880
Deferred tax liability	10	9,506	8,982
Lease liability	16	2,190	2,223
Unrealized loss on interest rate swap	14,25	8,277	1,647
Total non-current liabilities		272,425	217,591
Total liabilities		335,327	276,869
Equity			
Share capital	17	96,116	96,116
Retained earnings		80,466	79,776
Accumulated other comprehensive loss		(1,446)	(1,202)
Total equity		175,136	174,690
Total liabilities and equity		510,463	451,559
Regulatory balances	11	4,182	2,339
<i>Commitments and contingencies (Note 23), Impact of COVID-19 (Note 26), Subsequent events (Note 27)</i>			
Total liabilities, equity and regulatory balances		\$ 514,645	\$ 453,898

On behalf of the Board:



Director



Director

London Hydro Inc.**Statement of Comprehensive Income**

For the year ended December 31, 2020, with comparative amounts for 2019

(in thousands of dollars)

	Note	2020	2019
Revenues			
Electricity sales	18	\$ 436,237	\$ 366,746
Distribution revenue	18	70,239	69,726
Other	19	11,228	11,778
		517,704	448,250
Operating expenses			
Electricity purchased		433,635	368,249
Operating expenses	20	44,910	44,229
Depreciation and amortization	8,9	21,432	20,180
		499,977	432,658
Income from operating activities		17,727	15,592
Net finance expense	14,21	11,027	4,905
Income before income taxes		6,700	10,687
Income tax expense	10	1,206	2,781
Income for the year		5,494	7,906
Movement of regulatory balances			
Net movement of regulatory balances		(2,150)	142
Income taxes	10	2,346	3,922
	11	196	4,064
Net income for year and net movement in regulatory balances		5,690	11,970
Other comprehensive loss			
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefits	15	(244)	(1,582)
Tax on remeasurements	10	65	419
Net movement in regulatory balances, net of tax	11	(65)	(419)
Other comprehensive loss		(244)	(1,582)
Total comprehensive income for the year		\$ 5,446	\$ 10,388

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, 2020, with comparative amounts for 2019

(in thousands of dollars)

	Note	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
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
Balance at January 1, 2020		\$ 96,116	\$ 79,776	\$ (1,202)	\$ 174,690
Net income and net movement in regulatory balances		-	5,690	-	5,690
Other comprehensive loss		-	-	(244)	(244)
Dividends	17	-	(5,000)	-	(5,000)
Balance at December 31, 2020		\$ 96,116	\$ 80,466	\$ (1,446)	\$ 175,136

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

London Hydro Inc.**Statement of Cash Flows****For the year ended December 31, 2020, with comparative amounts for 2019**

(in thousands of dollars)

	Note	2020	2019
Operating activities			
Net income and net movement in regulatory balances		\$ 5,690	\$ 11,970
Adjustments for:			
Depreciation and amortization	8,9	21,432	20,180
Amortization of deferred revenue	19	(678)	(525)
Post-employment benefits	15	321	58
Gain on disposal of property, plant and equipment	19	(28)	(31)
Net finance expense	21	11,027	4,905
Income tax expense	10	1,206	2,781
		38,970	39,338
Change in non-cash working capital:			
Accounts receivable		(13,340)	3,616
Materials and supplies		(40)	199
Prepaid expenses		586	329
Accounts payable and accrued liabilities		(2,436)	231
Due to shareholder		(1,203)	501
Customer and other deposits		542	(1,518)
		(15,891)	3,358
Other:			
Regulatory balances	11	(196)	(4,064)
Income tax paid		(210)	(2,972)
Income tax received		864	634
Interest paid	21	(4,502)	(4,626)
Interest received	21	105	140
		(3,939)	(10,888)
Net cash from operating activities		19,140	31,808
Investing activities			
Purchase of property, plant and equipment	8	(38,061)	(37,000)
Purchase of intangible assets	9	(5,708)	(6,018)
Proceeds on disposal of property, plant and equipment		85	250
Contributions received from customers		4,446	4,648
Net cash used in investing activities		(39,238)	(38,120)
Financing activities			
Dividends paid	17	-	(5,000)
Proceeds from long-term debt	14	75,000	15,000
Lease liability	16	(32)	(32)
Repayment of long-term debt	14	(30,000)	(1,522)
Net cash from financing activities		44,968	8,446
Change in cash		24,870	2,134
Cash, beginning of year		3,428	1,294
Cash, end of year		\$ 28,298	\$ 3,428

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, 2020

(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 30, 2021.

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.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2020

(in thousands of dollars)

2. Basis of presentation (continued)

e) Use of estimates and judgments (continued)

Information about judgements and estimation uncertainties 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

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.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2020

(in thousands of dollars)

2. Basis of presentation (continued)

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.

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.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2020

(in thousands of dollars)

2. Basis of presentation (continued)

f) Rate regulation (continued)

Rate setting – Distribution revenue (continued)

In August 2016, the Company filed a COS application which has been approved by the OEB for 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.

The net adjustment for the 2020 rates was approved by the OEB at 1.7% to be effective as of May 1, 2020 although due to COVID-19, the company has elected to defer the implementation of the new rate until November 1, 2020. The OEB has approved a deferral account for the Company to record the lost revenue associated with this deferred implementation date.

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, 2020

(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, 2020

(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 to 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.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2020

(in thousands of dollars)

3. Significant accounting policies (continued)

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.

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.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2020

(in thousands of dollars)

3. Significant accounting policies (continued)

d) Property, plant and equipment (continued)

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 - 5

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2020

(in thousands of dollars)

3. Significant accounting policies (continued)

e) Intangible assets

Intangible assets are measured at cost, less accumulated amortization. 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, 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, 2020.

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, 2020

(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, 2020

(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, 2020

(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.

k) Leases

The Company’s accounting policy for leases 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.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2020

(in thousands of dollars)

3. Significant accounting policies (continued)

k) Leases (continued)

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.

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.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2020

(in thousands of dollars)

3. Significant accounting policies (continued)

l) 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.

m) 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, 2020

(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. Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- ii. Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)
- iii. Annual Improvements to IFRS Standards 2018–2020

i. Classification of Liabilities as Current or Non-current (Amendments to IAS 1):

On January 23, 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements, to clarify the classification of liabilities as current or non-current. On July 15, 2020 the IASB issued an amendment to defer the effective date by one year. The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted.

For the purposes of non-current classification, the amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must have substance and exist at the end of the reporting period. The amendments also clarify how a company classifies a liability that includes a counterparty conversion option.

The amendments state that settlement of a liability includes transferring a company's own equity instruments to the counterparty, and when classifying liabilities as current or non-current, a company can ignore only those conversion options that are recognised as equity.

The Company intends to adopt this standard in its financial statements for the annual period beginning January 1, 2023. The extent of the impact of adoption of the standard has not yet been determined.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2020

(in thousands of dollars)

4. Standards issued not yet adopted (continued)

ii. Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16):

On May 14, 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16). The amendments are effective for annual periods beginning on or after January 1, 2022. Early adoption is permitted.

The amendments provide guidance on the accounting for sale proceeds and the related production costs for items a company produces and sells in the process of making an item of property, plant and equipment available for its intended use. Specifically, proceeds from selling items before the related item of property, plant and equipment is available for use should be recognized in profit or loss, together with the costs of producing those items.

The Company intends to adopt this standard in its financial statements for the annual period beginning January 1, 2022. The extent of the impact of adoption of the standard has not yet been determined.

iii. Annual Improvements to IFRS Standards 2018–2020:

On May 14, 2020, the IASB issued Annual Improvements to IFRS Standards 2018–2020.

The amendments are effective for annual periods beginning on or after January 1, 2022. Early adoption is permitted. The amendments relate to the following:

- *IFRS 9 Financial Instruments*: Clarifies which fees are included for the purpose of performing the ‘10 per cent test’ for derecognition of financial liabilities.
- *IFRS 16 Leases*: Removes the illustration of payments from the lessor relating to leasehold improvements in the Illustrative Example 13.
- *IAS 41 Agriculture*: Removes the requirement to exclude cash flows for taxation when measuring fair value.

The Company intends to adopt these standards in its financial statements for the annual period beginning January 1, 2022. The Company does not expect these standards to have a material impact on the financial statements.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2020

(in thousands of dollars)

5. Cash

	2020	2019
Bank balances	\$ 28,298	\$ 3,428

6. Accounts receivable

	2020	2019
Trade receivables	\$ 41,125	\$ 32,083
Unbilled revenue	38,018	36,468
Other	9,296	5,451
Allowance for doubtful accounts	(3,730)	(2,633)
	\$ 84,709	\$ 71,369

Included in accounts receivable is approximately \$12.4 million (2019 - \$9.4 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 \$1.4 million (2019 - \$0.4 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, 2020 was \$0.1 million (2019 - \$0.1 million).

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2020

(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, 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
Balance at January 1, 2020	\$ 21,375	\$ 10,211	\$ 328,329	\$ 27,267	\$ 14,334	\$ 401,516
Additions	1,056	225	34,399	4,179	(1,798)	38,061
Disposals / retirements	(1,145)	-	(883)	(639)	-	(2,667)
Balance at December 31, 2020	\$ 21,286	\$ 10,436	\$ 361,845	\$ 30,807	\$ 12,536	\$ 436,910

b) Accumulated depreciation:

	Land and buildings	Distribution substation equipment	Other distribution equipment	Other fixed assets	Construction in progress	Total
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
Balance at January 1, 2020	\$ 4,388	\$ 1,672	\$ 53,894	\$ 10,921	\$ -	\$ 70,875
Depreciation	908	378	11,525	2,842	-	15,653
Disposals / retirements	(1,139)	-	(865)	(606)	-	(2,610)
Balance at December 31, 2020	\$ 4,157	\$ 2,050	\$ 64,554	\$ 13,157	\$ -	\$ 83,918

c) Carrying amounts:

Balance at	Land and buildings	Distribution substation equipment	Other distribution equipment	Other fixed assets	Construction in progress	Total
December 31, 2019	\$ 16,987	\$ 8,539	\$ 274,435	\$ 16,346	\$ 14,334	\$ 330,641
December 31, 2020	\$ 17,129	\$ 8,386	\$ 297,291	\$ 17,650	\$ 12,536	\$ 352,992

Property, plant and equipment includes a right-of-use asset with a carrying value of \$2.1 million (2019 - \$2.2 million) 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, 2020

(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, 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
Balance at January 1, 2020	\$ 390	\$ 8,343	\$ 25,833	\$ 749	\$ 35,315
Additions	116	-	5,410	182	5,708
Disposals / retirements	-	-	(5,216)	-	(5,216)
Balance at December 31, 2020	\$ 506	\$ 8,343	\$ 26,027	\$ 931	\$ 35,807

b) Accumulated amortization:

	Land rights	Capital contributions	Computer software	Intangible work in progress	Total
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
Balance at January 1, 2020	\$ 120	\$ 425	\$ 11,256	\$ -	\$ 11,801
Amortization	26	204	5,549	-	5,779
Disposals / retirements	-	-	(5,216)	-	(5,216)
Balance at December 31, 2020	\$ 146	\$ 629	\$ 11,589	\$ -	\$ 12,364

c) Carrying amounts:

Balance at	Land rights	Capital contributions	Computer software	Intangible work in progress	Total
December 31, 2019	\$ 270	\$ 7,918	\$ 14,577	\$ 749	\$ 23,514
December 31, 2020	\$ 360	\$ 7,714	\$ 14,438	\$ 931	\$ 23,443

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2020

(in thousands of dollars)

10. Income tax recovery

Income tax recovery is comprised of:

	2020	2019
Current income tax		
Current year income tax expense (recovery)	\$ 574	\$ (384)
Amendment for prior period income tax credits	(10)	(311)
Adjustment for prior period income tax expense (recovery)	53	(335)
	617	(1,030)
Deferred tax		
Change in recognized deductible temporary differences:		
Loss on interest rate swap	(1,757)	(111)
Property, plant, equipment and intangible assets	3,085	4,760
Post-employment benefits	(85)	(16)
Deferred revenue	(654)	(822)
	589	3,811
Total current and deferred income tax in profit and loss, before movement of regulatory balance	1,206	2,781
Other comprehensive loss		
Post-employment benefits	(65)	(419)
Total current and deferred income tax, before movement of regulatory balances	1,141	2,362
Net movement in regulatory balances	(2,281)	(3,503)
Income tax recovery recognized in Statement of Comprehensive Income	\$ (1,140)	\$ (1,141)

Reconciliation of effective tax rate:

	2020	2019
Income before taxes	\$ 4,306	\$ 9,247
Canada and Ontario statutory income tax rates	26.5%	26.5%
Expected tax provision on income at statutory rates	1,141	2,450
Increase (decrease) in income taxes resulting from:		
Adjustment for prior years	43	-
Net movement in regulatory balances	(2,281)	(3,503)
Other items	(43)	(88)
	\$ (1,140)	\$ (1,141)

Significant components of the Company's deferred tax balances:

	2020	2019
Property, plant, equipment and intangible assets	\$ (17,873)	\$ (14,788)
Post-employment benefits	4,266	4,116
Deferred revenue	1,908	1,254
Future income taxes to be realized by customers	(11,699)	(9,418)
Loss on interest rate swap	2,193	436
	\$ (9,506)	\$ (8,982)

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2020

(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, 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	-
Income tax	5,915	3,503	-	9,418	-
	\$ 17,166	\$ 7,296	\$ (3,443)	\$ 21,019	

Regulatory deferral account debit balances	January 1, 2020	Changes	(Recovery)/ reversal	December 31, 2020	Remaining years
Group 1 deferred accounts	\$ 3,476	\$ 1,924	\$ -	\$ 5,400	-
Regulatory settlement account	4,997	(60)	(4,937)	-	-
Other regulatory accounts	3,128	2,858	(92)	5,894	0.7
Income tax	9,418	2,281	-	11,699	-
	\$ 21,019	\$ 7,003	\$ (5,029)	\$ 22,993	

Regulatory liabilities:

Regulatory deferral account credit balances	January 1, 2019	Changes	Recovery/ (reversal)	December 31, 2019	Remaining years
Regulatory settlement account	\$ 1,719	\$ (121)	\$ (1,598)	\$ -	-
Other regulatory accounts	412	1,080	847	2,339	2.3
	\$ 2,131	\$ 959	\$ (751)	\$ 2,339	

Regulatory deferral account credit balances	January 1, 2020	Changes	Recovery/ (reversal)	December 31, 2020	Remaining years
Other regulatory accounts	\$ 2,339	\$ 998	\$ 845	\$ 4,182	1.3
	\$ 2,339	\$ 998	\$ 845	\$ 4,182	

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2020

(in thousands of dollars)

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 2.18% in the first and second quarters of 2020 (March 31, 2019 – 2.45%, June 30, 2019 – 2.18%), and 0.57% in the third and fourth quarters of 2020 (September 30, 2019 and December 31, 2019 – 2.18%).

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.

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.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2020

(in thousands of dollars)

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 and the recovery of the 2018 Retail Transmission Service Rates Revenue Shortfall balance over an 18-month 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, Impacts Arising from the COVID-19 Emergency and Retail Cost Variances. During 2020, the Company deferred the implementation of its approved rates effective May 1, 2020 until November 1, 2020 due to the COVID-19 emergency. The Company has been approved to recover the forgone revenues via rate riders during a six-month period commencing on November 1, 2020.

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, 2020
(in thousands of dollars)

12. Accounts payable and accrued liabilities

	2020	2019
Due to Independent Electricity System Operator	\$ 29,319	\$ 31,973
Harmonized sales tax	-	167
Payroll and benefits payable	4,016	3,382
Other	12,669	12,918
	\$ 46,004	\$ 48,440

13. Deferred revenue

	2020	2019
Capital contributions for completed projects	\$ 28,005	\$ 21,845
Deposits held	9,414	11,806
	37,419	33,651
Less: Current portion	3,092	2,771
	\$ 34,327	\$ 30,880

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 \$1.8 million (2019 - \$3.6 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
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(in thousands of dollars)

14. Long-term debt

	2020	2019
Unsecured, committed extendible revolving loan bearing interest at prime, minus 0.5%, interest only payments	\$ -	\$ 30,000
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 11.6 year Bankers' Acceptance rate of 1.53% plus a stamping fee of 0.44%, interest only payments due June 2032	75,000	-
	\$ 200,000	\$ 155,000

The unsecured, committed extendible revolving loan in the amount of \$30 million outstanding at December 31, 2019 was subsequently repaid with additional borrowing in the amount of \$75 million obtained December 4, 2020. The additional borrowing is with the Toronto Dominion Bank and is under an interest rate swap agreement for an unsecured loan. Interest only payments are due monthly and commenced December 2020. The principal is due at maturity. The agreement is a fixed rate swap and matures June 2032, which effectively converts variable interest rates on unsecured Bankers' Acceptances to an effective interest rate of 1.53%, plus a stamping fee of 0.44%, for an all-in rate of 1.97%.

The company entered into a futures contract with Toronto Dominion Bank on December 4, 2020 for \$125 million. The future contract will be converted into a swap agreement on June 30, 2022 to repay the \$40 million and \$85 million Royal Bank of Canada fixed rate swaps maturing June 2022. The swap agreement is a fixed rate swap and matures June 2032, which effectively converts variable interest rates on unsecured Bankers' Acceptances to an effective interest rate of 1.69%, plus a stamping fee of 0.44%, for an all-in rate of 2.13%.

London Hydro Inc.
Notes to the Financial Statements
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14. Long-term debt (continued)

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 swap agreements entered into with Royal Bank of Canada and Toronto Dominion Bank 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, 2020 was \$6.6 million (2019 - \$0.4 million).

At December 31, 2020, the Company would be required to pay \$8.3 million (2019 - \$1.6 million) if it wished to cancel the swap agreements.

During the year ended December 31, 2020, interest on long-term debt was incurred in the amount of \$4.3 million (2019 - \$4.2 million).

Reconciliation of opening and closing balances for liabilities from financing activities:

	2020		2019	
Balance, beginning of year	\$	155,000	\$	141,522
Add: Advances		75,000		15,000
Less: Repayments		30,000		1,522
	\$	200,000	\$	155,000

London Hydro Inc.
Notes to the Financial Statements
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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, 2020, the Company made employer contributions of \$3.2 million to OMERS (2019 - \$3.1 million), of which \$0.8 million (2019 - \$0.8 million) has been capitalized as part of PP&E and the remaining amount of \$2.4 million (2019 - \$2.3 million) has been recognized in the Statement of Comprehensive Income. The Company estimates that a contribution of \$3.3 million to OMERS will be made during the next fiscal year.

As at December 31, 2020, OMERS had approximately 525,981 members, of whom 324 are employees of the Company. The most recently available OMERS annual report is for the year ended December 31, 2020, which reported that the plan was 97% funded, with an unfunded liability of \$3.2 billion. This unfunded liability is likely to result in future payments by participating employers and members.

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. The information that follows was obtained from the most recent actuarial valuation as at December 31, 2020.

London Hydro Inc.
Notes to the Financial Statements
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15. Post-employment benefits (continued)

b) Post-employment benefits other than pension (continued)

Reconciliation of the obligation:

		2020		2019
Defined benefit obligation, beginning of year	\$	15,535	\$	13,895
Included in profit or loss:				
Current service costs		493		393
Past service costs		90		-
Interest cost		462		518
Other benefits		52		11
		1,097		922
Benefits paid		(776)		(864)
		321		58
Actuarial (gains) / losses included in OCI:				
Changes in demographic assumptions		(1,257)		-
Changes in financial assumptions		1,465		1,540
Effect of experience adjustments		36		42
		244		1,582
Defined benefit obligation, end of year	\$	16,100	\$	15,535

Actuarial assumptions:

	2020	2019
Discount (interest) rate	2.5%	3.1%
Salary levels	4.0%	4.0%
Immediate medical costs	5.0%	5.3%
Ultimate medical costs	4.0%	4.0%
Dental cost rate	4.0%	4.0%
Year ultimate rate reached	2040	2040

A 1% increase in the assumed discount rate would result in the defined benefit obligation decreasing by \$2.4 million. A 1% decrease in the assumed discount rate would result in the defined benefits obligation increasing by \$2.6 million.

London Hydro Inc.
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(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:

	2020		2019	
Cost:				
Balance, beginning of year	\$	2,319	\$	2,319
Balance, end of year	\$	2,319	\$	2,319
Accumulated depreciation:				
Balance, beginning of year	\$	116	\$	58
Depreciation		58		58
Balance, end of year	\$	174	\$	116
Carrying amount	\$	2,145	\$	2,203

Lease liability:

	Future minimum lease payments		Interest	Present value of minimum lease payments		
Less than one year	\$	100	\$	66	\$	34
Between one and five years		400		255		145
More than five years		3,200		1,155		2,045
	\$	3,700	\$	1,476	\$	2,224

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2020

(in thousands of dollars)

17. Share capital

	2020	2019
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 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. 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.

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:

	2020	2019
Residential	\$ 173,899	\$ 122,925
Commercial	245,290	230,628
Large users	13,817	10,301
Other	3,231	2,892
	\$ 436,237	\$ 366,746

Distribution revenue:

	2020	2019
Residential	\$ 45,535	\$ 44,312
Commercial	22,608	23,279
Large users	697	749
Other	1,399	1,386
	\$ 70,239	\$ 69,726

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2020

(in thousands of dollars)

19. Other revenue

	2020	2019
City of London services	\$ 4,027	\$ 4,009
Late payment charges	1,471	1,699
Customer billing service fees	937	864
Pole and other rental income	928	885
Other services, recoveries and sundry revenues	893	1,401
Sale of scrap	803	834
Amortization of deferred revenue	678	525
Occupancy charges	578	596
Income tax incentive credits	495	480
Renewable generation revenue	348	322
Collection charges	42	132
Gain on disposal of property, plant and equipment	28	31
	\$ 11,228	\$ 11,778

20. Operating expenses

	2020	2019
Labour and benefits	\$ 27,695	\$ 27,133
Professional services	5,811	5,998
Computer hardware and software	3,217	2,815
Rental, regulatory and other expenses	2,274	1,943
Facilities maintenance and repair	1,528	1,668
Property tax and insurance	1,263	1,208
Postage	1,090	1,258
Corporate training and employee expenses	994	1,233
Materials and supplies	973	995
Fleet operations and maintenance	943	897
Bad debts	800	737
Office equipment services and maintenance	418	417
Allocations to capital and billable activities	(2,096)	(2,073)
	\$ 44,910	\$ 44,229

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2020

(in thousands of dollars)

21. Finance (income) and expenses

	2020	2019
Finance income		
Interest income on bank deposits	\$ (105)	\$ (140)
Finance expenses		
Interest on long-term debt	4,332	4,216
Interest on short-term debt	29	118
Lease liability interest	67	68
Other	74	224
	<u>4,502</u>	<u>4,626</u>
Change in interest rate swap		
Unrealized loss on interest rate swap	6,630	419
Net finance expense	\$ 11,027	\$ 4,905

22. Due to shareholder

Trade balances due to shareholder:

	2020	2019
Water consumption	\$ 5,349	\$ 6,550
Non-interest bearing trade balance due to shareholder, without stated repayment terms	400	402
	<u>\$ 5,749</u>	<u>\$ 6,952</u>

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, 2020, the Company billed customers for water related service on behalf of the shareholder and remitted funds to the shareholder in the amount of \$187.6 million (2019 – \$174.4 million). The shareholder paid \$3.9 million (2019 - \$3.9 million) for this service.

During the year ended December 31, 2020, the Company performed water meter replacement administrative services on behalf of the shareholder. The shareholder paid \$0.1 million (2019 – \$0.1 million) for this service.

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2020

(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, 2020, no assessments have been made.

Letters of credit

At December 31, 2020, the Company had provided \$4.3 million (2019 – \$6.6 million) in bank standby letters of credit to the IESO.

Vendor commitments

The Company has commitments in connection with Infrastructure projects of nil (2019 – \$0.2 million), new vehicle acquisitions of \$0.5 million (2019 - \$1.1 million) and Information Systems projects of nil (2019 - \$0.3 million).

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:

	2020	2019
Less than one year	\$ 309	\$ 319
Between one and five years	587	868
More than five years	20	61
	\$ 916	\$ 1,248

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, 2020 was of \$0.3 million (2019 - \$0.4 million).

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2020

(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, 2020 is \$205 million (2019 - \$156 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, 2020 was 1.15% (2019 - 2.58%).

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, 2020

(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, 2020 is \$3.7 million (2019 - \$2.6 million). During the year ended December 31, 2020, bad debt expense was \$0.8 million (2019 - \$0.7 million).

At December 31, 2020, approximately \$1.4 million (2019 - \$1.0 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 carrying amount of Regulatory asset balances is reduced by use of an allowance of impairment and the amount of the related impairment is recognized in the Statement of Comprehensive Income. The balance of the impairment as at December 31, 2020 is \$0.8 million (2019 – nil). The impairment is associated with the potential of unrecoverable amounts within the COVID deferral account.

The Company's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2020, approximately \$3.2 million (2019 - \$2.2 million) is considered 60 days past due. The Company has approximately 162 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, 2020, the Company held deposits in the amount of \$4.9 million (2019 - \$4.4 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, 2020

(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 or decrease in the interest rate at December 31, 2020 would have no impact on interest expense on the long-term debt as all debt instruments are fixed. 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, assuming all other variables remained constant. A 1% decrease in the interest rate at December 31, 2019 would have had 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 \$20.0 million with the Toronto Dominion Bank. At December 31, 2020 the amount drawn by the Company under this line of credit was nil (2019 - 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, 2020 the Company had repaid a committed 364 day extendable operating revolving loan facility with the Toronto Dominion Bank (2019 - \$30.0 million).

The Company also has a bilateral facility for \$4.3 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 (2019 - nil).

London Hydro Inc.
Notes to the Financial Statements
For the year ended December 31, 2020

(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 Company's definition of capital includes shareholder's equity and long-term debt.

	2020	2019
Long-term debt	\$ 200,000	\$ 155,000
Shareholder's equity	175,136	174,690
	\$ 375,136	\$ 329,690

26. Impact of COVID-19

The COVID-19 outbreak was declared a pandemic by the World Health Organization on March 11, 2020. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. The Government of Ontario originally announced a state of emergency on March 17, 2020 which remained in effect until July 24, 2020 when the Reopening Ontario Act, 2020 was introduced providing for restrictive orders. A secondary state of emergency was declared effective January 14, 2021 until February 16, 2021. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical 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 OEB has informed the Company that it is to track any COVID-19 related expenses including bad debt expenses through a deferral account for potential future recovery. 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.

27. Subsequent event

On March 30, 2021, the Board of Directors declared a \$5.0 million dividend payable to the sole shareholder, the Corporation of the City of London, to be paid by the end of 2021.

Financial Statements of

**LONDON & MIDDLESEX
COMMUNITY HOUSING
Inc.**

And Independent Auditors' Report thereon

Year ended December 31, 2020



KPMG LLP
140 Fullarton Street, Suite 1400
London ON N6A 5P2
Canada
Tel 519 672-4880
Fax 519 672-5684

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, 2020
- 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, 2020, 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.



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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.



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- 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 20, 2021

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Statement of Financial Position

As at December 31, 2020 with comparative information for 2019

	2020	2019
Financial Assets:		
Cash	\$ 1,755,302	\$ -
Accounts receivable (note 3)	1,286,192	1,532,963
Due from The Corporation of the City of London	693,761	2,906,199
	<u>3,735,255</u>	<u>4,439,162</u>
Financial Liabilities:		
Cheques issued in excess of funds on deposit	-	99,637
Accounts payable and accrued liabilities	3,551,271	4,059,641
Tenant advances	809,468	741,071
Unearned miscellaneous revenue	70,382	48,397
	<u>4,431,121</u>	<u>4,948,746</u>
Net debt	(695,866)	(509,584)
Non-Financial Assets:		
Tangible capital assets (note 7)	61,962,783	58,878,638
Prepaid expenses	695,866	509,584
	<u>62,658,649</u>	<u>59,388,222</u>
Commitments (note 5)		
Impact of COVID-19 pandemic (note 10)		
Contingencies (note 11)		
Accumulated surplus (note 9)	\$ 61,962,783	\$ 58,878,638

See accompanying notes to financial statements

On behalf of the Board:

Director

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Statement of Operations

Year ended December 31, 2020, with comparative information for 2019

	Budget	2020	2019
Revenue:			
Rental revenue	\$ 11,870,303	\$ 12,364,052	\$ 11,870,011
The Corporation of the City of London:			
Rental subsidy	11,195,047	\$ 11,195,047	10,698,018
Funding adjustment	-	(629,910)	363,231
Business Case 19	1,194,000	1,194,000	-
Capital funding	-	5,514,382	6,664,904
Other	277,044	325,127	340,231
	<u>24,536,394</u>	<u>29,962,698</u>	<u>29,936,395</u>
Expenses:			
Salaries, wages and employee benefits	6,737,397	5,974,889	5,576,501
Maintenance, materials and services:			
Building, general	3,833,051	5,123,475	4,590,332
Grounds	1,087,445	1,070,619	978,474
Painting	225,040	335,828	280,483
Other	167,957	96,666	164,541
	<u>5,313,493</u>	<u>6,626,588</u>	<u>6,013,830</u>
Utilities:			
Electricity	1,987,311	1,696,433	1,951,090
Water	1,274,563	1,378,339	1,237,439
Natural gas	851,156	945,950	837,752
	<u>4,113,030</u>	<u>4,020,722</u>	<u>4,026,281</u>
Amortization	-	2,243,494	1,930,562
Property :			
Municipal taxes	5,016,000	5,022,251	5,023,084
Insurance	803,160	702,332	647,776
Mortgage payments	46,872	35,907	46,475
	<u>5,866,032</u>	<u>5,760,490</u>	<u>5,717,335</u>
Administration	2,506,442	2,252,370	2,075,120
Total expenses	<u>24,536,394</u>	<u>26,878,553</u>	<u>25,339,629</u>
Annual surplus	-	3,084,145	4,596,766
Accumulated surplus, beginning of year	58,878,638	58,878,638	54,281,872
Accumulated surplus, end of year	<u>\$ 58,878,638</u>	<u>\$ 61,962,783</u>	<u>\$ 58,878,638</u>

See accompanying notes to financial statements

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Statement of Changes in Net Debt

Year ended December 31, 2020, with comparative information for 2019

	Budget	2020	2019
Annual surplus	\$ -	\$ 3,084,145	\$ 4,596,766
Acquisition of tangible capital assets	-	(5,327,640)	(6,527,328)
Amortization of tangible capital assets	-	2,243,494	1,930,562
	-	(3,084,146)	(4,596,766)
Acquisition of prepaid expenses	-	(6,700,076)	(6,606,627)
Use of prepaid expenses	-	6,513,795	6,600,844
Change in net debt	-	(186,282)	(5,783)
Net debt, beginning of year	(509,584)	(509,584)	(503,801)
Net debt, end of year	\$ (509,584)	\$ (695,866)	\$ (509,584)

See accompanying notes to financial statements

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating Activities:		
Annual surplus	\$ 3,084,145	\$ 4,596,766
Items not involving cash:		
Amortization	2,243,494	1,930,562
Changes in non-cash items:		
Accounts receivable	246,771	(618,224)
Prepaid expenses	(186,282)	(5,783)
Due from The Corporation of the City of London	2,212,438	(2,166,137)
Accounts payable and accrued liabilities	(508,369)	1,097,036
Tenant advances	68,397	91,825
Unearned miscellaneous revenue	21,985	(19,275)
	7,182,579	4,906,770
Capital Activities		
Acquisition of tangible capital assets	(5,327,640)	(6,527,328)
Net increase (decrease) in cash	1,854,939	(1,620,558)
Cash (bank indebtedness), beginning of year	(99,637)	1,520,921
Cash (bank indebtedness), end of year	\$ 1,755,302	\$ (99,637)

See accompanying notes to financial statements

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to the Financial Statements (continued)

Year ended December 31, 2020

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.

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to the Financial Statements (continued)

Year ended December 31, 2020

2. Significant accounting policies (continued):

(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.

(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:

	2020	2019
Rent	\$ 902,424	\$ 823,537
Allowance for doubtful accounts	(411,283)	(464,295)
Harmonized Sales Tax	429,554	566,076
Sundry	365,497	607,645
	\$ 1,286,192	\$ 1,532,963

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to the Financial Statements (continued)

Year ended December 31, 2020

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 \$35,907 was expensed and paid in 2020 (2019 - \$46,475). 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:

2021	\$	587,387
2022	\$	596,259
2023	\$	596,259
2024	\$	596,259
2025	\$	586,108

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 2020 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 \$385,370 was incurred as pension expense in 2020 (2019 - \$370,803).

The last available report for the OMERS plan was on December 31, 2020. At that time, the plan reported a \$3.2 billion actuarial deficit (2019 - \$3.4 billion), based on actuarial liabilities for \$113.1 billion (2019 - \$107.7 billion) and actuarial assets for \$109.8 billion (2019 - \$104.3 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.

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to the Financial Statements (continued)

Year ended December 31, 2020

7. Tangible capital assets:

Cost	Balance at December 31, 2019	2020 Additions	2020 Disposals	Balance at December 31, 2020
Land	\$ 24,605,751	\$ -	\$ -	\$ 24,605,751
Site improvements	3,433,364	144,063	-	3,577,427
Buildings and improvements	93,962,582	4,541,386	10,987	98,492,981
Technology and communications	1,184,341	447,372	44,800	1,586,913
Vehicles	48,297	-	-	48,297
Furniture and fixtures	230,017	39,649	-	269,666
Machinery and equipment	3,506,546	15,849	-	3,522,396
Appliances	2,130,567	139,321	-	2,269,889
TOTAL	\$ 129,101,466	\$ 5,327,640	\$ 55,787	\$ 134,373,318

Accumulated Amortization	Balance at December 31, 2019	2020 Disposals	2020 Amortization	Balance at December 31, 2020
Land	\$ -	\$ -	\$ -	\$ -
Site improvements	1,821,479	-	78,021	1,899,500
Buildings and improvements	64,155,125	10,987	1,659,500	65,803,638
Technology and communications	728,665	44,800	291,208	975,073
Vehicles	36,223	-	4,830	41,053
Furniture and fixtures	121,514	-	24,620	146,134
Machinery and equipment	1,680,062	-	109,548	1,789,610
Appliances	1,679,759	-	75,767	1,755,526
TOTAL	\$ 70,222,827	\$ 55,787	\$ 2,243,494	\$ 72,410,534

	Net Book Value At December 31, 2019	Net Book Value At December 31, 2020
Land	\$ 24,605,751	\$ 24,605,751
Site improvements	1,611,884	1,677,926
Buildings and improvements	29,807,457	32,689,343
Technology and communications	455,676	611,840
Vehicles	12,074	7,244
Furniture and fixtures	108,503	123,531
Machinery and equipment	1,826,484	1,732,785
Appliances	450,809	514,363
TOTAL	\$ 58,878,638	\$ 61,962,783

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to the Financial Statements (continued)

Year ended December 31, 2020

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 the financial statements.

	2020	2019
Opening balance	\$ 2,110,656	\$ 2,979,582
Contributions during the year	8,919,500	2,708,000
Capital expenditures	(2,614,700)	(3,576,926)
	\$ 8,415,456	\$ 2,110,656

9. Accumulated Surplus:

Accumulated surplus consists of surplus funds as follows:

	2020	2019
Surplus:		
Invested in tangible capital assets	\$ 61,962,783	\$ 58,878,638

10. Impact of COVID-19 Pandemic:

During the year, 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.

- Administration building and community facilities remained closed from March 17, 2020 to the date of the auditors' report based on provincial public health recommendations
- On-site programs have been shut down
- Reduced rotational staff schedule put in place

Management has assessed the financial impacts and has concluded that no further adjustments to the consolidated financial statements are required as a result. The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Entity's operations and financial position is not known at this time. Though management continues to make best efforts to forecast possible financial scenarios, an estimate of the financial effect of the pandemic on the Entity is not practicable at this time.

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Notes to the Financial Statements (continued)

Year ended December 31, 2020

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 the outcome of these claims could not be appraised at this point 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, 2020



KPMG LLP
140 Fullarton Street Suite 1400
London ON N6A 5P2
Canada
Tel 519 672-4800
Fax 519 672-5684

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of 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, 2020
- the statement of operations for the year then ended
- the statement of changes in net financial assets (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 Board as at December 31, 2020, 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 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 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

April 22, 2021

THE LONDON PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Financial assets:		
Cash	\$ 2,963,710	\$ 1,162,439
Accounts receivable		
The Corporation of the City of London	157,235	175,575
London Public Library Board Trust Funds	4,354	5,561
Other	112,839	138,214
	<u>3,238,138</u>	<u>1,481,789</u>
Financial liabilities:		
Accounts payable and accrued liabilities	830,246	1,014,774
Deferred revenue	32,026	85,609
Payable to The Corporation of the City of London	20,794	24,096
Accrued interest on long-term debt	-	47,703
Long-term debt (note 2)	-	1,752,219
Employee future benefits and other liabilities (note 3)	2,346,198	2,286,673
	<u>3,229,264</u>	<u>5,211,074</u>
Net financial assets (debt)	8,874	(3,729,285)
Non-financial assets:		
Tangible capital assets (note 7)	24,291,917	26,432,969
Prepaid expenses	165,184	313,518
	<u>24,457,101</u>	<u>26,746,487</u>
Commitments (note 5)		
Contingent liabilities (note 10)		
Impact of COVID-19 pandemic (note 11)		
Accumulated surplus (note 8)	<u>\$ 24,465,975</u>	<u>\$ 23,017,202</u>

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

THE LONDON PUBLIC LIBRARY BOARD

Statement of Operations

Year ended December 31, 2020, with comparative information for 2019

	Budget 2020	2020	2019
	(note 9)		
Revenue:			
User charges			
Fines	\$ 187,907	\$ 56,794	\$ 208,417
Fee, rental, sundry	603,623	273,644	630,942
Grants			
Federal	-	-	29,400
Ontario	598,829	598,829	598,829
Other	-	-	19,037
The Corporation of the City of London			
Current	21,513,332	23,313,254	20,550,672
Capital	248,538	248,538	679,146
Investment income	18,546	17,393	35,403
Contribution from Trust Funds (note 4)	-	94,341	376,963
Total revenues	23,170,775	24,602,793	23,128,809
Expenses:			
Personnel	15,289,664	14,202,588	14,614,892
Amortization of tangible capital assets	-	3,657,469	3,628,698
Facility services	2,010,516	1,907,626	1,830,793
Collections and lending services	2,445,554	1,285,793	1,021,821
Utilities	943,924	781,049	921,032
Technology	682,873	536,688	502,791
Purchased services	694,339	489,695	729,261
Contribution to self-insurance reserve	91,600	91,600	90,923
Trust fund expenditures (note 4)	-	84,262	243,491
Administrative	154,710	84,227	166,639
Program services	59,000	28,005	73,120
Equipment	65,650	2,672	8,382
General	6,000	1,598	4,453
Major repairs and maintenance (capital)	248,538	748	28,958
Total expenses	22,692,368	23,154,020	23,865,254
Annual surplus (deficit)	478,407	1,448,773	(736,445)
Accumulated surplus, beginning of year	23,017,202	23,017,202	23,753,647
Accumulated surplus, end of year	\$ 23,495,609	\$ 24,465,975	\$ 23,017,202

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

THE LONDON PUBLIC LIBRARY BOARD

Statement of Change in Net Financial Assets (Debt)

Year ended December 31, 2020, with comparative information for 2019

	Budget 2020	2020	2019
	(note 9)		
Annual surplus (deficit)	478,407	\$ 1,448,773	\$ (736,445)
Acquisition of tangible capital assets	(248,538)	(1,516,417)	(2,524,483)
Amortization of tangible capital assets	-	3,657,469	3,628,698
	229,869	3,589,825	367,770
Change in prepaid expenses	-	148,334	(12,734)
Change in net financial assets (debt)	229,869	3,738,159	355,036
Net financial debt, beginning of year	(3,729,285)	(3,729,285)	(4,084,321)
Net financial assets (debt), end of year	\$ (3,499,416)	\$ 8,874	\$ (3,729,285)

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

THE LONDON PUBLIC LIBRARY BOARD

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ 1,448,773	\$ (736,445)
Items not involving cash:		
Amortization of tangible capital assets	3,657,469	3,628,698
Change in employee future benefits and other liabilities	59,525	(244,345)
Forgiveness of long-term debt	(1,752,219)	-
Changes in non-cash assets and liabilities:		
Receivable from The Corporation of the City of London	18,340	312,802
Receivable from London Public Library Board Trust Funds	1,208	551,742
Other accounts receivable	25,374	35,763
Accounts payable and accrued liabilities	(184,529)	(678,340)
Payable to The Corporation of the City of London	(3,301)	4,762
Deferred revenue	(53,583)	12,433
Accrued interest on long-term debt	(47,703)	(4,500)
Prepaid expenses	148,334	(12,734)
	<u>3,317,688</u>	<u>2,869,836</u>
Capital activities:		
Cash used to acquire tangible capital assets	(1,516,417)	(2,524,483)
	<u>(1,516,417)</u>	<u>(2,524,483)</u>
Financing Activities:		
Long-term debt repayments	-	(165,288)
	<u>-</u>	<u>(165,288)</u>
Increase in cash	1,801,271	180,065
Cash, beginning of year	1,162,439	982,374
Cash, end of year	<u>\$ 2,963,710</u>	<u>\$ 1,162,439</u>

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

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2020

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, 2020

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, 2020

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:

	2020	2019
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
	\$ -	\$ 1,752,219

(b) Total charges which are included in the statement of operations as follows:

	2020	2019
Interest on long-term debt	\$ -	\$ 47,703
	\$ -	\$ 47,703

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2020

2. Long-term debt (continued):

- (c) 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, which has been recorded to current revenue from the Corporation of the City of London in the statement of operations.

3. Employee future benefits and other liabilities:

Employee future benefits and other liabilities are comprised of the following:

	2020	2019
Liability for vested sick leave benefits	\$ 62,431	\$ 62,431
Vacation pay liability	279,767	197,242
Employee future benefits obligation	2,004,000	2,027,000
	<u>\$ 2,346,198</u>	<u>\$ 2,286,673</u>

- (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, 2020, amounts to \$62,431 (2019 - \$62,431). This amount is fully funded by a reserve held by The City of London in the amount of \$75,581 (2019 - \$73,815).

- (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, 2018.

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2020

3. Employee future benefits and other liabilities (continued):

(b) Retiree benefits (continued):

Detailed information about retiree benefits is as follows:

	2020	2019
Accrued employee future benefit obligation:		
Balance, beginning of year	\$ 1,446,000	\$ 1,434,000
Current period benefit cost	67,000	65,000
Interest	47,000	46,000
Benefits paid	(93,000)	(99,000)
Actuarial gain	-	-
Balance, end of year	1,467,000	1,446,000
Unamortized actuarial gain	537,000	581,000
Employee future benefits obligation	\$ 2,004,000	\$ 2,027,000

Post-employment and post-retirement benefit expenses included in total expenditures consist of the following:

	2020	2019
Current year benefit cost	\$ 67,000	\$ 65,000
Interest on accrued benefit obligation	47,000	46,000
Amortization of net actuarial gain	44,000	44,000
Total payments made during the year	\$ 158,000	\$ 155,000

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 fourteen years.

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2020

4. Trust funds:

Trust funds administered by the Board amounting to \$3,551,244 (2019 - \$3,342,831) 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 \$94,341 (2019 - \$376,963) 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:

2021	\$	775,931
2022		541,717
2023		546,064
2024		533,582
2025 and beyond		1,038,607
	\$	3,435,901

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 2020 is \$1,017,408 (2019 - \$1,021,014) 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, 2020. At that time, the plan reported a \$3.21 billion actuarial deficit (2019 - \$3.40 billion), based on actuarial liabilities for \$113.06 billion (2019 - \$107.69 billion) and actuarial assets for \$109.84 billion (2019 - \$104.29 billion). If actuarial surpluses are not available to offset the existing deficit and subsidize future contributions, increases in contributions will be required in the future.

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2020

7. Tangible capital assets:

Cost	Balance at December 31, 2019	Additions	Disposals	Balance at December 31, 2020
Land	\$ 3,904,165	\$ -	\$ -	\$ 3,904,165
Buildings	39,054,660	178,326	-	39,232,986
Leasehold improvements	4,961,563	-	-	4,961,563
Collections	9,471,099	1,141,292	1,394,100	9,218,291
Shelving	1,347,913	-	19,473	1,328,440
Computers	1,716,057	170,102	436,072	1,450,087
Furniture and equipment	1,242,574	26,697	19,445	1,249,826
Total	\$ 61,698,031	\$ 1,516,417	\$ 1,869,090	\$ 61,345,358

Accumulated amortization	Balance at December 31, 2019	Additions	Disposals	Balance at December 31, 2020
Buildings	\$ 27,921,668	\$ 1,498,340	\$ -	\$ 29,420,008
Leasehold improvements	523,792	120,577	-	644,369
Collections	4,803,977	1,334,957	1,394,100	4,744,834
Shelving	783,974	33,454	19,473	797,955
Computers	772,732	527,502	436,072	864,162
Furniture and equipment	458,919	142,639	19,445	582,113
Total	\$ 35,265,062	\$ 3,657,469	\$ 1,869,090	\$ 37,053,441

	Net book value December 31, 2019	Net book value December 31, 2020
Land	\$ 3,904,165	\$ 3,904,165
Buildings	11,132,992	9,812,978
Leasehold improvements	4,437,771	4,317,194
Collections	4,667,122	4,473,457
Shelving	563,939	530,485
Computers	943,325	585,925
Furniture and equipment	783,655	667,713
Total	\$ 26,432,969	\$ 24,291,917

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2020

8. Accumulated surplus:

Accumulated surplus consists of surplus and reserve funds as follows:

	2020	2019
Surplus:		
Invested in tangible capital assets	\$ 24,291,917	\$ 26,432,969
Unfunded:		
Employee benefits, accrued sick and vacation	(342,198)	(259,673)
Employee benefits, future benefit liability	(2,004,000)	(2,027,000)
Net long-term debt	-	(1,752,219)
Total surplus	21,945,719	22,394,077
Reserves set aside by the Board:		
Stabilization fund	1,964,675	547,719
Collections encumbrance fund	480,000	1,591
Total reserves	2,444,675	549,310
Reserve held by the City on behalf of the Board:		
Sick leave reserve	75,581	73,815
	\$ 24,465,975	\$ 23,017,202

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	\$ 22,923,830
Expenses:	
Operating budget	22,923,830
Annual surplus, as per approved budget	\$ -
Capital funding from The City of London	\$ 248,538
Major repairs and maintenance	(248,538)
Net contribution to Collections encumbrance fund	478,407
Annual surplus, revised	\$ 478,407

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2020

10. Contingent liabilities:

As at December 31, 2020, the Board was negotiating the CUPE 217 Collective Agreement which had expired on December 31, 2019. The final outcome, and any related financial implications, of these negotiations is not known at this time. Management believes that ultimate disposition of these matters will not materially exceed the amounts recorded in these financial statements.

Estimated costs associated with union negotiations are based on available information and projections of estimated future expenses developed based on the Board's historical experience. Any such costs are reported as a liability in the statement of financial position and an operating expense in the year of the loss, which is when the costs are deemed to be likely and can be reasonably estimated.

11. Impact of COVID-19 pandemic:

Effective March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. At the time of approval of these financial statements, the Board has experienced the following indicators of financial implications and undertaken the following activities and responses in relation to the COVID-19 pandemic:

- Closure of all library branches from March 16, 2020 to May 19, 2020 based on public health recommendations
- Mandatory working from home requirements for those able to do so
- Temporary staff layoffs

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Board'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. Though management continues to make best efforts to forecast possible financial scenarios, an estimate of the financial effect of the pandemic on the Board is not practicable at this time.

Financial Statements of

LONDON TRANSIT COMMISSION

And Independent Auditors' Report thereon

Year ended December 31, 2020



KPMG LLP
140 Fullarton Street Suite 1400
London ON N6A 5P2
Canada
Tel 519 672-4800
Fax 519 672-5684

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, 2020
- 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, 2020, 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 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 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, 2021

LONDON TRANSIT COMMISSION

Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Financial Assets		
Cash and cash equivalents	\$ 43,034,445	\$ 32,489,209
Accounts receivable	2,093,705	4,553,692
Due from The City of London	534,296	607,580
	<u>45,662,446</u>	<u>37,650,481</u>
Financial Liabilities		
Accounts payable and accrued liabilities	8,509,760	9,748,606
Due to The City of London	97,522	50,662
Accrued public liability insurance claims (note 7)	1,186,003	1,674,284
Employee future benefits (note 6)	4,297,000	4,354,000
Deferred fare media	3,006,077	4,355,715
Deferred revenue (note 10)	19,013,262	11,393,505
	<u>36,109,624</u>	<u>31,576,772</u>
Net financial assets	9,552,822	6,073,709
Non - Financial Assets		
Inventories (note 2)	2,314,946	2,313,168
Tangible capital assets (note 9)	93,207,988	93,886,751
Prepaid expenses	1,495,389	1,042,339
	<u>97,018,323</u>	<u>97,242,258</u>
Commitments (note 8)		
Impact of COVID-19 pandemic (note 12)		
Accumulated surplus (note 3)	<u>\$ 106,571,145</u>	<u>\$ 103,315,967</u>

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Statement of Operations

Year ended December 31, 2020, with comparative information for 2019

	Budget (note 11)	2020	2019
Revenue:			
Grants:			
The City of London (note 4)	\$ 46,494,800	\$ 46,401,300	\$ 36,771,416
Province of Ontario (note 4)	16,803,100	21,560,750	15,895,194
Government of Canada (note 4)	183,300	167,658	84,266
	<u>63,481,200</u>	<u>68,129,708</u>	<u>52,750,876</u>
User charges, conventional transit:			
Cash fares	3,503,400	1,661,097	3,446,028
Ticket fares	11,815,100	4,728,307	9,538,896
Pass fares	22,016,000	15,157,538	20,925,266
Contract service	-	232	2,538
Other transportation revenue	(300)	449,945	58,182
	<u>37,334,200</u>	<u>21,997,119</u>	<u>33,970,910</u>
Other revenue, conventional transit:			
Advertising	682,300	677,817	672,432
Interest and discounts	573,400	448,723	821,923
Rent	2,500	2,676	2,676
Gain on disposal of capital assets	48,000	74,710	65,283
Miscellaneous	31,000	155,017	18,185
	<u>1,337,200</u>	<u>1,358,943</u>	<u>1,580,499</u>
User charges, specialized transit:			
Cash fares	19,200	15,315	16,504
Ticket fares	434,500	159,351	346,141
Pass fares	167,400	90,929	208,007
	<u>621,100</u>	<u>265,595</u>	<u>570,652</u>
Total revenue	\$ 102,773,700	\$ 91,751,365	\$ 88,872,937

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Statement of Operations

Year ended December 31, 2020, with comparative information for 2019

	Budget (note 11)	2020	2019
Expenses:			
Salaries, wages and benefits:			
Transportation	\$ 39,110,849	\$ 35,055,261	\$ 36,698,989
Vehicle maintenance	9,855,286	9,731,316	9,001,025
Facility	503,305	526,617	483,992
Planning, marketing and general administration	3,753,660	3,580,993	3,495,841
	<u>53,223,100</u>	<u>48,894,187</u>	<u>49,679,847</u>
Materials, supplies, utilities and services:			
Transportation	3,034,700	2,722,336	2,131,472
Vehicle maintenance	6,578,400	6,041,624	6,670,410
Facility	3,464,100	2,790,340	3,002,316
Planning, marketing and general administration	2,115,500	1,633,287	1,891,485
Fuel	7,296,400	4,882,243	6,907,440
Amortization	-	12,826,719	13,154,922
	<u>22,489,100</u>	<u>30,896,549</u>	<u>33,758,045</u>
Current operations, specialized transit:			
Administration:			
Salaries and benefits	1,180,400	1,019,495	1,052,646
Materials and supplies	254,700	267,876	274,148
	<u>1,435,100</u>	<u>1,287,371</u>	<u>1,326,794</u>
Contracted service delivery	8,820,000	7,418,080	7,870,212
	<u>10,255,100</u>	<u>8,705,451</u>	<u>9,197,006</u>
Total expenses	85,967,300	88,496,187	92,634,898
Annual surplus (deficit) (note 11)	16,806,400	3,255,178	(3,761,961)
Accumulated surplus, beginning of year	103,315,967	103,315,967	107,077,928
Accumulated surplus, end of year	\$ 120,122,367	\$ 106,571,145	\$ 103,315,967

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Statement of Change in Net Financial Assets

Year ended December 31, 2020, with comparative information for 2019

	Budget	2020	2019
Annual surplus (deficit)	\$ 16,806,400	\$ 3,255,178	\$ (3,761,961)
Acquisition of tangible capital assets	(17,686,500)	(12,147,956)	(6,711,303)
Amortization of tangible capital assets	-	12,826,719	13,154,922
Gain on disposal of tangible capital assets	(48,000)	(74,710)	(65,283)
Proceeds on sale of tangible capital assets	48,000	74,710	65,283
	(880,100)	3,933,941	2,681,658
Inventories	-	(1,778)	(36,213)
Prepaid expenses	-	(453,050)	(139,718)
	-	(454,828)	(175,931)
Change in net financial assets	(880,100)	3,479,113	2,505,727
Net financial assets, beginning of year	6,073,709	6,073,709	3,567,982
Net financial assets, end of year	\$ 5,193,609	\$ 9,552,822	\$ 6,073,709

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ 3,255,178	\$ (3,761,961)
Items not involving cash:		
Amortization	12,826,719	13,154,922
Gain on disposal of tangible capital assets	(74,710)	(65,283)
Change in employee future benefit liability	(57,000)	(58,000)
Changes in non-cash assets and liabilities:		
Accounts receivable	2,459,987	285,094
Due from The City of London	73,284	(81,451)
Inventories	(1,778)	(36,213)
Prepaid expenses	(453,050)	(139,718)
Investments	-	12,806,655
Accounts payable and accrued liabilities	(1,238,846)	(406,237)
Due to The City of London	46,860	25,878
Accrued liability insurance claims	(488,281)	(642,021)
Deferred fare media	(1,349,638)	(193,962)
Deferred revenue	7,619,757	(5,553,652)
Net change in cash from operating activities	22,618,482	15,334,051
Capital activities:		
Proceeds on sale of tangible capital assets	74,710	65,283
Cash used to acquire tangible capital assets	(12,147,956)	(6,711,303)
Net change in cash from capital activities	(12,073,246)	(6,646,020)
Net change in cash and cash equivalents	10,545,236	8,688,031
Cash and cash equivalents, beginning of year	32,489,209	23,801,178
Cash and cash equivalents, end of year	\$ 43,034,445	\$ 32,489,209
Cash	\$ 13,638,197	\$ 8,856,210
Cash equivalents	29,396,248	23,632,999
Cash and cash equivalents, end of year	\$ 43,034,445	\$ 32,489,209

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Notes to Financial Statements

Year ended December 31, 2020

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 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, 2020

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	5 - 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, 2020

2. Inventories:

	2020	2019
Spare parts	\$ 2,314,946	\$ 2,313,168

3. Accumulated surplus:

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

	2020	2019
Surplus:		
Invested in tangible capital assets	\$ 93,207,988	\$ 93,886,751
To be recovered from public liability insurance reserve fund	(1,186,003)	(1,674,284)
Unfunded:		
Employee future benefits liability	(4,297,000)	(4,354,000)
Vacation pay earned and accrued payroll	(2,840,400)	(2,785,300)
Total surplus	84,884,585	85,073,167
Reserves set aside for specific purposes of the Commission (note 10):		
Energy management reserve	3,203,250	2,403,250
General operating reserve	3,324,963	3,407,362
Health care management reserve	4,283,391	3,403,063
Total reserves	10,811,604	9,213,675
Reserve funds set aside for specific purposes by the Commission (note 10):		
Capital program reserve fund	6,205,525	5,228,416
Public liability insurance reserve fund	4,669,431	3,800,709
Total reserve funds	10,874,956	9,029,125
	\$ 106,571,145	\$ 103,315,967

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2020

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:

	2020	2019
Operating grants:		
Specialized transit	\$ 7,902,900	\$ 5,518,200
Conventional transit	30,185,700	26,788,985
	<u>38,088,600</u>	<u>32,307,185</u>
Capital grants:		
Capital levy and debentures	8,312,700	4,464,231
	<u>\$ 46,401,300</u>	<u>\$ 36,771,416</u>

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:

	2020	2019
Equalization grant, seniors (reduced fares)	\$ 125,328	\$ 163,533
Equalization grant, income related (reduced fares)	173,706	367,140
Equalization grant, youth (reduced fares)	94,089	194,469
Free transportation, blind	96,715	156,395
Free transportation, children	114,687	359,748
	<u>\$ 604,525</u>	<u>\$ 1,241,285</u>

(b) Province of Ontario:

Provincial grants recognized as revenue during the year ended December 31, for capital and operating programs are as follows:

	2020	2019
Capital grants:		
Gas tax program	\$ 1,661,510	\$ 1,244,718
Safe restart program	1,399,364	-
	<u>3,060,874</u>	<u>1,244,718</u>
Operating grants:		
Gas tax program	7,128,154	14,650,476
Safe restart program	11,371,722	-
	<u>18,499,876</u>	<u>14,650,476</u>
Total Province of Ontario grants	<u>\$ 21,560,750</u>	<u>\$ 15,895,194</u>

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2020

4. Grants (continued):

(c) Government of Canada:

	2020	2019
Capital grants:		
Public Transit Infrastructure Funding	\$ 167,658	\$ 84,266
Total Government of Canada grants	\$ 167,658	\$ 84,266

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, 2020 there were 609 (2019 - 574) 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, 2020, 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, 2020 contribution rates were 9.0% and 14.6% (2019 - 9.0% and 14.6%). Total employer contributions to OMERS for 2020 were \$3,148,472 (2019 - \$3,235,574), and are recorded in the statement of operations.

The last available report for the OMERS plan was on December 31, 2020. At that time, the plan reported a \$3.2 billion actuarial deficit (2019 - \$3.4 billion), based on actuarial liabilities for \$122 billion (2019 - \$107.7 billion) and actuarial assets for \$111 billion (2019 - \$104.3 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, 2020

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.

	2020	2019
Employee future benefits liability as of December 31	\$ 4,297,000	\$ 4,354,000

Retirement and other future benefit expenses included in total expenditures consist of the following:

	2020	2019
Current year benefit cost	\$ 258,000	\$ 248,000
Interest on accrued benefit obligation	104,000	104,000
Amortized loss (gain)	(108,000)	(108,000)
Benefits paid	(311,000)	(302,000)
	\$ (57,000)	\$ (58,000)

Significant assumptions are as follows:

	2020	2019
Discount rate	3.25%	3.25%
Rate of compensation increase	2.00%	2.00%
Healthcare cost current	5.70%	5.77%
Healthcare cost ultimate	4.00%	4.00%

7. Public liability insurance:

At December 31, 2020, there were 67 liability claims (2019- 95) and 3 accident benefits claims (2019- 8) outstanding that may result in payment under the insurance deductible provisions. The estimated cost to the Commission is \$1,139,227 and \$46,776 (2019 - \$1,570,967 and \$103,318) respectively for a total of \$1,186,003 (2019 - \$1,674,284) 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, 2021. 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 seventeen buses (\$9.8 million). It is anticipated that these buses will arrive from June to August 2021.

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2020

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 December 31, 2019	Additions	Disposals	Balance December 31, 2020
Land	\$ 2,804,632	\$ -	\$ -	\$ 2,804,632
Site work	3,079,573	-	-	3,079,573
Buildings	46,235,367	(155,922)	-	46,079,445
Shelters, pads, and terminals	3,665,041	335,316	-	4,000,357
Rolling stock	119,057,890	10,703,882	(9,086,636)	120,675,136
Fare and data collection equipment	6,676,521	98,267	-	6,774,788
Radio/communication equipment	9,380,039	24,027	-	9,404,066
Bike racks on buses	158,878	-	-	158,878
Service fleet	358,953	124,278	(113,194)	370,037
Shop equipment	3,669,196	878,022	(179,440)	4,367,778
Small tools	311,944	74,768	(114,309)	272,403
Computer hardware	1,057,356	65,318	-	1,122,674
Computer software	1,927,271	-	-	1,927,271
	\$ 198,382,661	\$ 12,147,956	\$ (9,493,579)	\$ 201,037,038

Accumulated amortization	Balance December 31, 2019	Disposals	Amortization	Balance December 31, 2020
Land	\$ -	\$ -	\$ -	\$ -
Site work	1,467,611	-	123,183	1,590,794
Buildings	18,238,830	-	1,181,401	19,420,231
Shelters, pads, and terminals	1,404,945	-	355,181	1,760,126
Rolling stock	66,832,680	(9,086,636)	9,090,012	66,836,056
Fare and data collection equipment	3,453,619	-	323,121	3,776,740
Radio/communication equipment	6,366,132	-	615,206	6,981,338
Bike racks on buses	158,878	-	-	158,878
Service fleet	322,432	(113,194)	65,348	274,586
Shop equipment	3,227,069	(179,440)	816,171	3,863,800
Small tools	214,833	(114,309)	90,801	191,325
Computer hardware	896,849	-	151,056	1,047,905
Computer software	1,912,032	-	15,239	1,927,271
	\$ 104,495,910	\$ (9,493,579)	\$ 12,826,719	\$ 107,829,050

Net book value	Balance December 31, 2019	Balance December 31, 2020
Land	\$ 2,804,632	\$ 2,804,632
Site work	1,611,962	1,488,779
Buildings	27,996,537	26,659,214
Shelters, pads, and terminals	2,260,096	2,240,231
Rolling stock	52,225,210	53,839,080
Fare and data collection equipment	3,222,902	2,998,048
Radio/communication equipment	3,013,907	2,422,728
Bike racks on buses	-	-
Service fleet	36,521	95,451
Shop equipment	442,127	503,978
Small tools	97,111	81,078
Computer hardware	160,507	74,769
Computer software	15,239	-
	\$ 93,886,751	\$ 93,207,988

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2020

10. Analysis of reserves, reserve funds, and deferred revenues:

	Energy management reserve	General operating reserve	Health care management reserve	2020 Total	2019 Total
Reserves:					
Balance, beginning of year	\$ 2,403,250	\$ 3,407,362	\$ 3,403,063	\$ 9,213,675	\$ 8,966,295
Contributions from current operations	800,000	-	880,328	1,680,328	1,047,380
Appropriations to current operations	-	(82,399)	-	(82,399)	(800,000)
	\$ 3,203,250	\$ 3,324,963	\$ 4,283,391	\$ 10,811,604	\$ 9,213,675

	Capital program	Public liability insurance	2020 Total	2019 Total
Reserve funds:				
Balance, beginning of year	\$ 5,228,416	\$ 3,800,709	\$ 9,029,125	\$ 7,319,367
Interest earned	57,027	41,204	98,231	172,126
Contributions from current operations	1,327,546	1,400,000	2,727,546	2,715,283
	6,612,989	5,241,913	11,854,902	10,206,776
Expenditures:				
Appropriations to current operations	-	(572,482)	(572,482)	(683,371)
Appropriations to capital	(407,464)	-	(407,464)	(494,280)
	(407,464)	(572,482)	(979,946)	(1,177,651)
Balance, end of year	\$ 6,205,525	\$ 4,669,431	\$ 10,874,956	\$ 9,029,125

Deferred revenues	Provincial gas tax program	Safe restart program	2020 Total	2019 Total
Deferred revenues:				
Balance, beginning of year	\$ 11,393,505	\$ -	\$ 11,393,505	\$ 16,947,157
Interest earned	171,495	27,764	199,259	423,807
Contributions	10,656,850	18,523,658	29,180,508	10,341,542
	22,221,850	18,551,422	40,773,272	27,712,506
Expenditures:				
Appropriations to current operations	(7,128,154)	(11,371,722)	(18,499,876)	(14,650,476)
Appropriations to capital LTC	(1,833,006)	(1,427,128)	(3,260,134)	(1,668,525)
	(8,961,160)	(12,798,850)	(21,760,010)	(16,319,001)
Balance, end of year	\$ 13,260,690	\$ 5,752,572	\$ 19,013,262	\$ 11,393,505

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2020

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 2020 budget surplus, a 2020 actual surplus and a 2019 actual deficit.

These reported surplus and deficits, budgeted and actual, are reconciled to the balanced position in the following table:

	Budget (note 11)	2020	2019
Annual surplus (deficit)	\$ 16,806,400	\$ 3,255,178	\$ (3,761,961)
Capital expenditures	(17,686,500)	(12,147,956)	(6,711,303)
Transfers from reserves and reserve funds	1,918,500	1,062,345	1,970,151
Contributions to reserves and reserve funds	(1,038,400)	(4,506,105)	(3,927,291)
Amortization of tangible capital assets	-	12,826,719	13,154,922
Increase (decrease) in employee future benefits	-	(57,000)	(58,000)
Decrease in liability for insurance claims	-	(488,281)	(642,021)
Other	-	55,100	(24,497)
Commission approved surplus	\$ -	\$ -	\$ -

12. Impact of COVID-19 pandemic:

Effective March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. At the time of approval of these financial statements, the commission has experienced the following indicators of financial implications and undertaken the following activities and responses in relation to the COVID-19 pandemic:

- Declines in ridership and corresponding transportation revenue
- Implemented service reductions that balance reduced ridership demand and available labour resources
- Enhanced cleaning on buses and at LTC facilities, as well as enhancements to health and safety protocols
- Worked with all three levels of government who have continued to prioritize the delivery of public transit, including the advancement of additional funding to support shortfall

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the commission's operations and financial position is not known at this time although to date the impact has significantly impacted ridership and thus transportation revenues. The pandemic will most likely continue to affect ridership levels, thus could include a decline in future cash flows and changes to the value of assets and liabilities. Though management continues to make best efforts to forecast possible financial scenarios, an estimate of the future financial effect of the pandemic on the commission is not practicable at this time.

Financial Statements of

MIDDLESEX-LONDON HEALTH UNIT

Year ended December 31, 2020



MIDDLESEX-LONDON HEALTH UNIT

Financial Statements

Year ended December 31, 2020

Financial Statements

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MIDDLESEX-LONDON HEALTH UNIT

Financial Statements

Year ended December 31, 2020

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

Mirek Pawelec, CPA, CGA
Manager, Finance

Maureen Cassidy, Chair
Board of Health

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, 2020
- the statement of operations and accumulated surplus 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 Health Unit as at December 31, 2020, 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's 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

London, Canada

Date

MIDDLESEX-LONDON HEALTH UNIT

Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Financial Assets		
Cash	\$ 32,081	\$ 1,414,530
Accounts receivable	452,326	1,182,010
Grants receivable	5,484,210	404,088
	<u>5,968,617</u>	<u>3,000,628</u>
Financial Liabilities		
Accounts payable and accrued liabilities	1,154,443	2,222,451
Deferred revenue	2,009,192	72,567
Bank indebtedness (note 4)	-	1,500,000
Demand loan (note 5)	4,200,000	-
Due to Province of Ontario	1,364,996	513,307
Due to Government of Canada	53	62,636
Due to The Corporation of the City of London	-	7,767
Due to The Corporation of the County of Middlesex	-	1,477
Accrued wages and benefits	1,827,538	541,447
Post-employment benefits liability (note 2)	2,882,300	2,725,700
	<u>13,438,522</u>	<u>7,647,352</u>
Net debt	(7,469,905)	(4,646,724)
Non-Financial Assets		
Tangible capital assets (note 6)	8,053,507	5,281,985
Prepaid expenses	222,809	212,983
	<u>8,276,316</u>	<u>5,494,968</u>
Commitments (note 7)		
Contingencies (note 8)		
Accumulated surplus (note 9)	\$ 806,411	\$ 848,244

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, 2020, with comparative information for 2019

	2020 Budget	2020	2019
Revenue:			
Grants:			
Ministry of Health	\$ 23,110,124	\$ 28,080,246	\$ 21,788,069
The Corporation of the City of London	6,704,565	6,095,059	6,087,292
Ministry of Children and Youth Services	2,483,313	2,537,762	4,646,438
The Corporation of the County of Middlesex	1,277,057	1,160,961	1,159,484
Government of Canada	443,714	277,028	396,413
	34,018,773	38,151,056	34,077,696
Other:			
Property search fees	3,750	1,300	3,600
Family planning	285,000	108,627	131,093
Investment income	20,000	4,833	50,250
Prenatal class income	-	-	2,438
Other income (note 10)	981,492	506,925	1,173,315
	1,290,242	621,685	1,360,696
Total Revenue	35,309,015	38,772,741	35,438,392
Expenditures:			
Salaries:			
Public Health Nurses	9,997,034	10,040,858	9,759,278
Other salaries	3,419,586	9,042,536	4,188,321
Administrative staff	3,287,442	3,219,411	3,261,572
Public Health Inspectors	2,586,781	2,478,582	2,337,292
Dental staff	1,569,534	850,790	690,998
Medical Officers of Health	533,643	572,114	529,373
	21,394,020	26,204,291	20,766,834
Other Operating:			
Benefits	5,482,060	5,342,696	5,805,038
Professional services	2,662,840	2,358,160	3,797,114
Rent and maintenance	2,081,487	2,143,256	1,665,468
Other expenses (note 11)	1,861,814	935,654	1,173,690
Materials and supplies	999,364	1,199,134	1,453,667
Amortization expense	520,424	522,263	495,965
Travel	307,006	109,120	261,461
	13,914,995	12,610,283	14,652,403
Total Expenditures	35,309,015	38,814,574	35,419,237
Annual surplus (deficit)	-	(41,833)	19,155
Accumulated surplus, beginning of year	848,244	848,244	829,089
Accumulated surplus, end of year	\$ 848,244	\$ 806,411	\$ 848,244

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, 2020, with comparative information for 2019

	2020 Budget	2020	2019
Annual surplus (deficit)	\$ -	\$ (41,833)	\$ 19,155
Acquisition of tangible capital assets, net	-	(3,293,785)	(4,797,776)
Amortization of tangible capital assets	-	522,263	495,965
	-	(2,813,355)	(4,282,656)
Acquisition of prepaid expenses	-	(222,809)	(212,983)
Use of prepaid expenses	-	212,983	277,535
	-	(9,826)	64,552
Change in net debt	-	(2,823,181)	(4,218,101)
Net debt, beginning of year	(4,646,724)	(4,646,724)	(428,623)
Net debt, end of year	\$(4,626,724)	\$(7,469,905)	\$(4,646,724)

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

MIDDLESEX-LONDON HEALTH UNIT

Statement of Cash Flows

December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ (41,833)	\$ 19,155
Items not involving cash:		
Amortization expense	522,263	495,965
Change in post-employment benefits liability	156,600	171,000
Changes in non-cash assets and liabilities:		
Accounts receivable	729,684	(615,899)
Grants receivable	(5,080,122)	(62,636)
Prepaid expenses	(9,826)	64,552
Due to Province of Ontario	851,689	128,440
Due to Government of Canada	(62,583)	44,787
Due to The Corporation of the City of London	(7,767)	(276,210)
Due to The Corporation of the County of Middlesex	(1,477)	(52,611)
Accounts payable and accrued liabilities	(1,068,008)	673,589
Deferred revenue	1,936,625	(558)
Accrued wages and benefits	1,286,091	(358,397)
Net change in cash from operating activities	(788,664)	231,177
Financing Activities:		
Proceeds from (repayment of) bank indebtedness	(1,500,000)	1,500,000
Proceeds from demand loan	4,200,000	-
Net change in cash from financing activities	2,700,000	1,500,000
Capital activities:		
Cash used to acquire tangible capital assets	(3,293,785)	(4,797,776)
Net change in cash from capital activities	(3,293,785)	(4,797,776)
Net change in cash	(1,382,449)	(3,066,599)
Cash and cash equivalents, beginning of year	1,414,530	4,481,129
Cash and cash equivalents, end of year	\$ 32,081	\$ 1,414,530

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

MIDDLESEX-LONDON HEALTH UNIT

Notes to Financial Statements
Year ended December 31, 2020

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, 2020

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, 2020

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, 2020

2. Employee future benefits:

The Middlesex-London Health Unit provides certain employee benefits which will require funding in future periods, as follows:

(a) 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, 2020.

	2020	2019
Accrued employee future benefit obligations	\$ 3,055,100	\$ 3,219,400
Unamortized net actuarial loss	(172,800)	(493,700)
Employee future benefits liability as of December 31	\$ 2,882,300	\$ 2,725,700

Retirement and other employee future benefit expenses included in the benefits in the statement of operations consist of the following:

	2020	2019
Current year benefit cost	\$ 200,000	\$ 190,300
Interest on accrued benefit obligation	107,700	102,200
Amortization of net actuarial loss	57,700	53,300
Total benefit cost	\$ 365,400	\$ 345,800

Benefits paid during the year were \$208,800 (2019 - \$174,800).

MIDDLESEX-LONDON HEALTH UNIT

Financial Statements (continued)

Year ended December 31, 2020

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, 2020, of the present value of future liabilities and the expense for the year ended December 31, 2020, are determined using a discount rate of 3.25% (2019 – 3.25%).

(ii) Medical costs:

Prescription drug costs are assumed to increase at a rate of 4.3% per year (2019 – 7.0%), varying over 20 years, to an ultimate rate of 4.0%. Other Medical costs are assumed to increase at a rate of 4.3% per year (2019 – 4.0%), varying over 20 years to an ultimate rate of 4.0%. Vision costs are assumed to increase at a rate of 0% per year.

(iii) Dental costs:

Dental costs are assumed to increase at the rate of 4.7% per year (2019 – 4.0%), varying over 20 years, to an ultimate rate of 4.0%.

3. Pension agreement:

The Middlesex-London Health Unit contributes to the OMERS which is a multi-employer plan, on behalf of 300 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 2020, 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 \$2,032,276 (2019 - \$2,026,821) to the OMERS pension plan on behalf of its employees during the year ended December 31, 2020.

The last available report for the OMERS plan was on December 31, 2020. At that time, the plan reported a \$3.2 billion actuarial deficit (2019 - \$3.4 billion), based on actuarial liabilities for \$113.1 billion (2019 - \$107.7 billion) and actuarial assets for \$109.8 billion (2019 - \$104.3 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. Bank indebtedness:

To better manage daily cash flows, the Health Unit entered into a \$1.5 million demand revolving line of credit, available by way of overdraft. Interest on amounts drawn is calculated at prime rate less 0.75% per annum. No amount was outstanding under the line of credit as at year end (2019 - \$1,500,000).

MIDDLESEX-LONDON HEALTH UNIT

Financial Statements (continued)

Year ended December 31, 2020

5. Demand loan:

During the year, the Middlesex-London Health Unit entered a loan agreement for a \$4.2 million demand instalment loan with an amortization period of 20 years to finance the fit-up and relocation costs related to the move to Citi Plaza. The loan was converted into two non-revolving amortizing instalment loans, with \$3,050,000 established as a fixed rate instalment loan, and the remaining \$1,150,000 established as a floating rate instalment loan. The fixed rate of interest on the first loan is 1.915% per annum over a term of 5 years and shall be repaid by monthly blended payments of principal and interest of \$15,307. The interest rate on the second loan is calculated at prime rate less 0.75% per annum and shall be repaid by monthly principal payments of \$4,792. All amounts under the demand loans are repayable immediately on demand by the bank. The first monthly payment is due on January 30, 2021.

Principal repayments are due as follows:

2021	\$ -
2022	210,000
2023	210,000
2024	210,000
2025	210,000
Thereafter	3,360,000
	<hr/>
	\$ 4,200,000

MIDDLESEX-LONDON HEALTH UNIT

Financial Statements (continued)

Year ended December 31, 2020

6. Tangible Capital Assets:

Cost	Balance at December 31, 2019	Additions	Disposals / Transfers	Balance at December 31, 2020
Leasehold Improvements – 20 years	\$ 4,403,906	\$ 2,206,663	\$ -	\$ 6,610,569
Leasehold Improvements – 15 years	2,700,140	-	(2,700,140)	-
Leasehold Improvements – 5 years	21,780	-	(21,780)	-
Computer Systems	1,257,713	587,988	(384,427)	1,461,274
Motor Vehicle	5,385	-	(5,385)	-
Furniture & Equipment	1,040,297	499,134	(354,970)	1,184,461
Total	\$ 9,429,221	\$ 3,293,785	\$ (3,466,702)	\$ 9,256,304

Accumulated amortization	Balance at December 31, 2019	Amortization expense	Disposals / Transfers	Balance at December 31, 2020
Leasehold Improvements – 20 years	\$ -	\$ 137,740	\$ -	\$ 137,740
Leasehold Improvements – 15 years	2,700,140	-	(2,700,140)	-
Leasehold Improvements – 5 years	21,780	-	(21,780)	-
Computer Systems	737,707	261,248	(384,427)	614,528
Motor Vehicle	5,385	-	(5,385)	-
Furniture & Equipment	682,224	123,275	(354,970)	450,529
Total	\$ 4,147,236	\$ 522,263	\$ (3,466,702)	\$ 1,202,797

	Net book value December 31, 2019	Net book value December 31, 2020
Leasehold Improvements – 20 years	\$ 4,403,906	\$ 6,472,829
Computer Systems	520,006	846,746
Motor Vehicle	-	-
Furniture & Equipment	358,073	733,932
Total	\$ 5,281,985	\$ 8,053,507

During the year, the Middlesex-London Health Unit deemed to have disposed of or transferred fully amortized assets with a cost basis of \$3,466,702 (2019 - \$723,653). This includes fully amortized leasehold improvements for premises vacated during the year.

MIDDLESEX-LONDON HEALTH UNIT

Financial Statements (continued)

Year ended December 31, 2020

6. Tangible Capital Assets (continued):

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	\$ -	\$ 4,403,906
Computer Systems	330,169	520,006
Motor Vehicle	674	-
Furniture & Equipment	649,334	358,073
Total	\$ 980,177	\$ 5,281,985

MIDDLESEX-LONDON HEALTH UNIT

Financial Statements (continued)

Year ended December 31, 2020

7. 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:

2021	\$ 739,227
2022	708,924
2023	677,178
2024	672,092
2025	713,536
Thereafter	11,600,919

8. 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.

9. Accumulated Surplus:

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

	2020	2019
Surpluses:		
Invested in tangible capital assets	\$ 8,053,507	\$ 5,281,985
Net transfer to surplus	(340,873)	(384,118)
Unfunded:		
Bank indebtedness	-	(1,500,000)
Demand loan	(4,200,000)	-
Post-employment benefits	(2,882,300)	(2,725,700)
Total surplus	630,334	672,167
Reserves set aside by the Board:		
Employment costs	176,077	176,077
Total reserves	176,077	176,077
Accumulated surplus	\$ 806,411	\$ 848,244

MIDDLESEX-LONDON HEALTH UNIT

Financial Statements (continued)

Year ended December 31, 2020

10. Other income:

The following revenues are presented as other income in the statement of operations:

	2020 Budget	2020	2019
Collaborative project	\$ 176,846	\$ 131,891	\$ 481,764
Food handler training	20,000	7,376	26,322
Miscellaneous	423,446	190,953	314,672
OHIP	244,000	145,725	237,269
Vaccines	117,200	30,980	113,288
	\$ 981,492	\$ 506,925	\$ 1,173,315

11. Other expenses:

The following expenditures are presented as other expenses in the statement of operations:

	2020 Budget	2020	2019
Communications	\$ 138,476	\$ 244,371	\$ 156,379
Health promotion/advertising	322,110	227,702	341,949
Miscellaneous	333,966	261,408	310,700
Postage and courier	69,742	39,138	68,157
Printing	137,511	52,230	138,443
Staff development	160,009	110,805	158,062
Senior dental bus	700,000	-	-
	\$ 1,861,814	\$ 935,654	\$ 1,173,690

MIDDLESEX-LONDON HEALTH UNIT

Financial Statements (continued)

Year ended December 31, 2020

12. Financial risks:

a) Interest rate risk

The Health Unit has debt with variable interest rates based on prime plus a margin. As a result, the Health Unit is exposed to interest rate risk due to fluctuations in the prime rate.

b) Other risks

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. During the year, the Middlesex-London Health Unit has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Continued to support a comprehensive incident management (IMS) response and redeployment of a majority of staff to support COVID-19 related assignments;
- Maintained a 7 day a week call centre, case management, and contact tracing throughout the London and Middlesex community, and provided ongoing support to the COVID-19 Assessment Centres;
- Continued to provide prioritized essential public health services to the community;
- Maintained mandatory working from home requirement for those staff able to do so;
- Initiated the COVID-19 vaccine program including implementation of mass vaccination clinics and mobile team deployment;
- Claimed one-time funding from the Ministry of Health to cover incremental COVID-19 expenditures of approximately \$5.6 million.

These factors continue to present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. Management is actively monitoring the effect of the pandemic on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of the pandemic and the global responses to curb its spread, the Health Unit is not able to fully estimate the effects of the pandemic on its results of operations, financial condition, or liquidity at this time.

13. Comparative information:

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2020 financial statements.

Financial Statements of

MUSEUM LONDON

And Independent Auditors' Report thereon

Year ended December 31, 2020



KPMG LLP
1400-140 Fullarton Street
London Ontario N6A 5P2
Canada
Tel (519) 672-4880
Fax (519) 672-5684

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Museum London

Opinion

We have audited the financial statements of Museum London (the Entity), which comprise:

- the statement of financial position as at December 31, 2020
- the statement of operations and accumulated surplus 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 Entity as at December 31, 2020 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.



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- 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, 2021

MUSEUM LONDON

Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 646,413	\$ 429,900
Due from the Corporation of the City of London (note 8)	34,765	287,845
Due from Museum London Foundation (note 8)	7,287	6,968
Other receivables	293,765	89,521
Investments (note 2)	6,220,065	6,098,050
	<u>7,202,295</u>	<u>6,912,284</u>
Financial liabilities:		
Accounts payable and accrued liabilities	241,830	505,743
Payable to the Corporation of the City of London (note 8)	38,422	45,731
Deferred revenue	225,736	194,768
Employee future benefits (note 3)	55,589	63,711
	<u>561,577</u>	<u>809,953</u>
Net financial assets	6,640,718	6,102,331
Non-financial assets:		
Tangible capital assets (note 4)	9,463,022	10,304,263
Prepaid expenses	101,224	104,015
	<u>9,564,246</u>	<u>10,408,278</u>
Impact of COVID-19 pandemic (note 13)		
Accumulated surplus (note 5)	<u>\$ 16,204,964</u>	<u>\$ 16,510,609</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Chair

_____ Chair

MUSEUM LONDON

Statement of Operations and Accumulated Surplus

Year ended December 31, 2020, with comparative information for 2019

	2020 Budget	2020 Actual	2019 Actual
Revenue:			
Federal (note 11)	\$ 327,500	\$ 968,895	\$ 484,096
Provincial	210,834	233,229	226,392
Municipal:			
Operating	1,827,740	1,826,882	1,746,971
Capital	400,000	212,928	436,549
Community:			
Donations (note 8)	85,000	126,075	608,165
Public programs	106,900	25,466	124,204
Ancillary services:			
Catering and rentals	163,500	30,142	136,429
Fundraising events	65,000	300	33,200
Public program and exhibitions sponsorship	2,500	1,888	13,099
Donations of art and artifacts	1,100,000	344,608	1,126,300
Investment income	255,000	159,987	264,804
Other	656,759	266,261	405,424
	5,200,733	4,196,661	5,605,633
Expenses:			
Operating:			
Operations	1,088,636	895,920	1,047,373
General and administration	979,415	888,124	882,998
Public programs	162,058	180,789	217,490
Publicity	180,119	171,359	176,514
Curatorial and collections management	608,486	630,401	650,962
Amortization of tangible capital assets	1,000,000	1,054,169	1,077,448
Ancillary services:			
Catering and rentals	100,819	64,029	91,139
Public programs and exhibitions	264,200	186,330	449,340
Donation of art and artifacts	1,100,000	344,608	1,126,300
Purchase of art and artifacts	50,000	46,801	89,165
Collection expense	15,000	16,931	19,035
Investment expense	35,000	22,845	38,473
	5,583,733	4,502,306	5,866,237
Deficit	(383,000)	(305,645)	(260,604)
Accumulated surplus, beginning of year	16,510,609	16,510,609	16,771,213
Accumulated surplus, end of year	\$ 16,127,609	\$ 16,204,964	\$ 16,510,609

See accompanying notes to financial statements.

MUSEUM LONDON

Statement of Change In Net Financial Assets

Year ended December 31, 2020, with comparative information for 2019

	2020 Budget	2020 Actual	2019 Actual
Deficit	\$ (383,000)	\$ (305,645)	\$ (260,604)
Acquisition of tangible capital assets	(120,000)	(212,928)	(449,940)
Amortization of tangible capital assets	1,000,000	1,054,169	1,077,448
	497,000	535,596	366,904
Change in prepaid expenses	-	2,791	18,350
Change in net financial assets	497,000	538,387	385,254
Net financial assets, beginning of year	6,102,331	6,102,331	5,717,077
Net financial assets, end of year	\$ 6,599,331	\$ 6,640,718	\$ 6,102,331

See accompanying notes to financial statements.

MUSEUM LONDON

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operations:		
Deficit	\$ (305,645)	\$ (260,604)
Items not involving cash:		
Amortization of tangible capital assets	1,054,169	1,077,448
Change in employee future benefits	(8,122)	1,162
Changes in non-cash operating working capital:		
Due from the Corporation of the City of London	253,080	(259,505)
Due from Museum London Foundation	(319)	11,551
Other receivables	(204,244)	87,400
Prepaid expenses	2,791	18,350
Accounts payable and accrued liabilities	(263,913)	(19,466)
Payable to the Corporation of the City of London	(7,309)	35,066
Deferred revenue	30,968	(243,735)
	551,456	447,667
Capital activities:		
Acquisition of tangible capital assets	(212,928)	(449,940)
Investing activities:		
Change in investments, net	(122,015)	118,883
Increase in cash and cash equivalents	216,513	116,610
Cash and cash equivalents, beginning of year	429,900	313,290
Cash and cash equivalents, end of year	\$ 646,413	\$ 429,900

See accompanying notes to financial statements.

MUSEUM LONDON

Notes to Financial Statements

Year ended December 31, 2020

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 ("PSAB").

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.

- (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.

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(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, 2020

1. Significant accounting policies (continued):

(h) Capital 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, 2020

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:

	2020	2019
Canadian bond	\$ 3,031,745	\$ 3,294,397
Canadian equity	1,646,623	1,306,158
US equity	674,448	629,323
International equity	867,249	868,172
	<hr/>	<hr/>
	\$ 6,220,065	\$ 6,098,050

At December 31, 2020 the approximate market value of the investments amounted to \$7,343,205 (2019 - \$6,622,922).

3. Employee future benefits:

Employee future benefits, reported on the statement of financial position, are comprised of the following:

	2020	2019
Vacation pay earned but not taken	\$ 55,589	\$ 63,711

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, 2020

4. Tangible capital assets:

	Balance December 31, 2019	Additions	Disposal	Write offs	Balance December 31, 2020
Cost:					
Land	\$ 1,175,120	\$ -	\$ -	\$ -	\$ 1,175,120
Building and building improvements	15,577,087	212,928	-	209,964	15,580,051
Furniture and equipment	306,082	-	-	8,292	297,790
	<u>\$ 17,058,289</u>	<u>\$ 212,928</u>	<u>\$ -</u>	<u>\$ 218,256</u>	<u>\$ 17,052,961</u>
Accumulated amortization:					
Building and building improvements	\$ 6,679,328	\$ 1,038,012	\$ -	\$ 209,964	\$ 7,507,376
Furniture and equipment	74,698	16,157	-	8,292	82,563
	<u>\$ 6,754,026</u>	<u>\$ 1,054,169</u>	<u>\$ -</u>	<u>\$ 218,256</u>	<u>\$ 7,589,939</u>
Net book value:					
Land	\$ 1,175,120				\$ 1,175,120
Building and building improvements	8,897,759				8,072,675
Furniture and equipment	231,384				215,227
	<u>\$ 10,304,263</u>				<u>\$ 9,463,022</u>

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2020

5. Accumulated surplus:

The accumulated surplus consists of the following:

	2020	2019
Surplus:		
Investment in tangible capital assets	\$ 9,463,022	\$ 10,304,263
Unfunded employee benefits	(55,589)	(63,711)
Total surplus	9,407,433	10,240,552
Reserve funds set aside for specific purposes by Museum London:		
Operating endowment	3,129,527	2,634,631
Restricted funds held by Museum London include the following:		
Moore acquisitions fund	2,992,321	2,974,002
Moore collection management fund	330,541	323,549
Nancy Geddes Poole fund	120,474	117,923
Volunteer committee acquisitions fund	223,956	219,240
Satellite Gallery	712	712
	\$ 16,204,964	\$ 16,510,609

6. Insurance:

Museum London has accumulated works of art with an insured value of \$67,101,670 (2019 \$70,131,670). These works of art are not recorded as tangible capital assets in the financial statements.

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 \$58,700 and at a rate of 14.60% for earnings greater than the yearly maximum pensionable earnings.

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2020

7. Pension plan (continued):

The amount contributed to OMERS for 2020 was \$108,283 (2019 - \$102,378) and is included as an expense in the statement of operations. Employees' contributions to OMERS in 2020 were \$108,283 (2019 - \$102,378).

The last available report for the OMERS plan was on December 31, 2020. At that time, the plan reported a \$3.2 billion actuarial deficit (2019 - \$3.4 billion), based on actuarial liabilities for \$113.1 billion (2019 - \$107.7 billion) and actuarial assets for \$109.8 billion (2019 - \$104.3 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 \$nil (2019 - \$184,875).

9. Annual surplus (deficit):

The annual surplus (deficit) 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:

	2020	2019
Operating fund	\$ -	\$ (99,926)
Investment in tangible capital assets	(841,241)	(627,508)
Reserves and restricted funds	527,474	467,992
Change in unfunded employee benefits	8,122	(1,162)
Deficit	\$ (305,645)	\$ (260,604)

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2020

9. Annual surplus (deficit) (continued):

Statements of financial activities for the three funds follow:

(i) Operating Fund:

	2020 Budget	2020 Total	2019 Total
Revenue:			
Federal:			
Canada Arts Council:			
Operating	\$ 315,172	\$ 320,000	\$ 300,000
Programs	4,828	-	-
Other	7,500	648,895	184,096
Provincial:			
Ontario Arts Council:			
Operating grant	158,880	165,236	169,438
Ministry of Tourism and Culture	51,954	51,954	51,954
Other	-	16,039	5,000
Municipal	1,827,740	1,826,882	1,740,471
Community:			
Donations	85,000	92,347	159,263
Public programs	106,900	25,466	124,204
Ancillary services:			
Catering and rentals	163,500	30,142	136,429
Fundraising events	65,000	300	33,200
Public program and exhibition sponsorship	2,500	1,888	13,099
Investment income	3,000	4,169	6,040
Other	656,759	250,469	370,424
	\$ 3,448,733	\$ 3,433,787	\$ 3,293,618

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2020

9. Annual surplus (deficit) (continued):

(i) Operating Fund (continued):

	2020 Budget	2020 Total	2019 Total
Expenses:			
Operating:			
Operations	\$ 1,060,336	\$ 895,920	\$ 1,047,372
General and administration	968,415	887,765	880,373
Public programs	203,558	180,912	174,597
Publicity	180,119	171,359	176,514
Curatorial and collections management	604,785	630,761	650,962
Catering and rentals	100,820	64,029	91,139
Exhibitions	251,000	186,206	449,340
Purchase of art and artifacts	50,000	46,801	89,165
Collection expense	29,700	16,931	19,035
	<u>3,448,733</u>	<u>3,080,684</u>	<u>3,578,497</u>
Net expenditures	-	353,103	(284,879)
Financing and transfers:			
Transfer to reserves	-	(391,500)	(180,351)
Transfer from reserves and restricted funds	-	46,519	366,466
Employee benefits	-	(8,122)	(1,162)
Net financing and transfers	-	(353,103)	184,953
Change in fund balance	-	-	(99,926)
Surplus, beginning of year	-	-	99,926
Surplus, end of year	\$ -	\$ -	\$ -

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2020

9. Annual surplus (deficit) (continued):

(ii) Investment in tangible capital assets:

	2020	2019
Revenue:		
Municipal	\$ 212,928	\$ 436,549
Expenditures:		
Amortization of tangible capital assets	(1,054,169)	(1,077,448)
Net expenditures	(841,241)	(640,899)
Financing and transfers:		
Transfer from restricted funds	-	13,391
Change in fund balance	(841,241)	(627,508)
Surplus, beginning of year	10,304,263	10,931,771
Surplus, end of year	\$ 9,463,022	\$ 10,304,263

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2020

9. Annual surplus (deficit) (continued):

(iii) Reserve and Restricted Funds:

(a) Reserves:

	2020	2019
Revenue:		
Net investment revenue	\$ 53,877	\$ 95,242
Museum London Foundation contribution	-	60,575
Donations	49,519	-
Net revenue	103,396	155,817
Financing and transfers:		
Transfer from restricted funds	-	14,675
Transfer from operating fund	391,500	180,351
Transfer to operating fund	-	(277,301)
Net financing and transfers	391,500	(82,275)
Change in fund balance	494,896	73,542
Surplus, beginning of year	2,634,631	2,561,089
Surplus, end of year	\$ 3,129,527	\$ 2,634,631

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2020

9. Annual surplus (deficit) (continued):

(iii) Reserves and Restricted Funds (continued):

(b) Restricted Funds:

	2020	2019
Revenue:		
Net investment revenue	\$ 79,097	\$ 124,748
Donations:		
Learning centre	-	388,327
Municipal	-	6,500
Partnership contributions	-	35,000
	79,097	554,575
Expenditures:		
Satellite Centre expenditures	-	42,895
Net revenue	79,097	511,680
Financing and transfers:		
Transfer to operating fund	(46,519)	(89,164)
Transfer to reserves	-	(14,675)
Learning Centre tangible capital assets	-	(13,391)
	(46,519)	(117,230)
Change in fund balance	32,578	394,450
Surplus, beginning of year	3,635,426	3,240,976
Surplus, end of year	\$ 3,668,004	\$ 3,635,426

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2020

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	\$ 3,448,733
Expense:	
Operating budget	3,448,733
Annual operating surplus, as budgeted	-
Capital funding	400,000
Donation of art and artifacts	1,100,000
Investment income	252,000
Investment expense	(35,000)
Donation of art and artifacts	(1,100,000)
Amortization of tangible capital assets	(1,000,000)
Annual deficit, revised	\$ (383,000)

11. Government funding:

During the year, the Museum applied for \$25,000 of Temporary Wage Subsidy ("TWS") funding and \$605,035 of Canada Emergency Wage Subsidy ("CEWS") funding. Amounts claimed in accordance with both TWS and CEWS were recorded in the Statement of Operations as part of federal revenue.

As at December 31, 2020, \$200,928 was owing to the Museum for funding applied for and not received. This amount has been recorded in other receivables.

During the year, the Museum applied for and received \$40,000 for the Canada Emergency Business Account ("CEBA") loan. The terms of the loan state that if the loan is repaid prior to December 31, 2022, then \$10,000 is eligible to be forgiven. If the loan is not repaid by the due date, then it will be converted into a 3 year term loan bearing an interest rate of 5% per annum.

The \$10,000 forgivable portion of the loan has been recognized as federal revenue upon receipt. The remaining \$30,000 loan was repaid during the year.

MUSEUM LONDON

Notes to Financial Statements (continued)

Year ended December 31, 2020

12. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year's earnings.

13. Impact of COVID-19 pandemic:

Effective March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. At the time of approval of these financial statements, Museum London has experienced the following indicators of financial implications and undertaken the following activities and responses 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
- Temporary working from home requirements for those able to do so

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Museum'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. Though management continues to make best efforts to forecast possible financial scenarios, an estimate of the financial effect of the pandemic on the Museum is not practicable at this time.

DRAFT Financial Statements of

**OLD EAST VILLAGE BUSINESS
IMPROVEMENT AREA BOARD
OF MANAGEMENT**

And Independent Auditors' Report thereon

Year ended December 31, 2020

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, 2020;
- 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 financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2020, 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.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

Month DD, YYYY

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Financial Position

DRAFT

December 31, 2020, with comparative information for 2019

	2020	2019
Financial assets		
Cash and short-term investments (note 3)	\$ 111,412	\$ 99,918
Accounts receivable (note 6)	43,175	37,767
Due from Hyde Park Business Improvement Association Board of Management (note 6)	12,901	6,560
	<u>167,488</u>	<u>144,245</u>
Financial liabilities		
Accounts payable and accrued liabilities	13,829	6,470
Deferred revenue	17,109	10,768
	<u>30,938</u>	<u>17,238</u>
Net financial assets	136,550	127,007
Non-financial assets		
Tangible capital assets (note 5)	2,663	3,557
Prepaid expenses and deposits	1,739	1,413
	<u>4,402</u>	<u>4,970</u>
Accumulated surplus (note 4)	\$ 140,952	\$ 131,977

See accompanying notes to financial statements.

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Operations

DRAFT

Year ended December 31, 2020, with comparative information for 2019

	Budget		
	2020	2020	2019
Revenue:			
Requisition:			
Municipal levy - The Corporation of the City of London	\$ 40,000	\$ 45,190	\$ 40,000
Other:			
The Corporation of the City of London	141,102	141,102	141,102
Digital Main Street grant	-	12,453	3,440
Miscellaneous	32,598	191	169
	213,700	198,936	184,711
Expenditures:			
Wages and salaries	140,000	133,874	98,321
Special projects	6,500	12,723	6,023
Office rental	14,400	12,661	12,661
Purchased services	19,000	7,200	7,938
Advertising, marketing and promotion	6,500	6,313	6,828
COVID assistance	-	3,998	-
Administration	5,500	3,900	4,876
Community initiatives and appreciation	5,500	2,683	4,933
Financial audit	1,600	1,450	1,400
Telephone and internet service	1,500	1,240	1,199
Operating supplies	1,000	1,176	180
Amortization of tangible capital assets	-	894	1,124
Equipment and building maintenance	4,500	755	2,048
HST	-	608	714
Beautification	5,000	200	1,832
Printing and communications	1,500	150	283
Travel and transportation	700	136	750
Training, education and development	500	-	302
	213,700	189,961	151,412
Annual surplus	-	8,975	33,299
Accumulated surplus, beginning of year	131,977	131,977	98,678
Accumulated surplus, end of year	\$ 131,977	\$ 140,952	\$ 131,977

See accompanying notes to financial statements.

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Changes in Net Financial Assets

DRAFT

Year ended December 31, 2020, with comparative information for 2019

	Budget 2020	2020	2019
Annual surplus	\$ -	\$ 8,975	\$ 33,299
Amortization of tangible capital assets	-	894	1,124
	-	9,869	34,423
Acquisition of prepaid expenses	-	(3,115)	(2,582)
Use of prepaid expenses	-	2,789	2,522
	-	(326)	(60)
Change in net financial assets	-	9,543	34,363
Net financial assets, beginning of year	127,007	127,007	92,644
Net financial assets, end of year	\$ 127,007	\$ 136,550	\$ 127,007

See accompanying notes to financial statements.

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

Statement of Cash Flows

DRAFT

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 8,975	\$ 33,299
Item not involving cash:		
Amortization of tangible capital assets	894	1,124
Changes in non-cash operating working capital:		
Accounts receivable	(5,408)	(35,886)
Due from Hyde Park Business Improvement Association Board of Management	(6,341)	(6,560)
Accounts payable and accrued liabilities	7,359	4,481
Deferred revenue	6,341	6,560
Prepaid expenses and deposits	(326)	(60)
	11,494	2,958
Increase in cash and short-term investments	11,494	2,958
Cash and short-term investments, beginning of year	99,918	96,960
Cash and short-term investments, end of year (note 3)	\$ 111,412	\$ 99,918

See accompanying notes to financial statements.

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

DRAFT Notes to Financial Statements

Year ended December 31, 2020

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

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2020

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 Board 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

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2020

3. Cash and short-term investments:

	2020	2019
Cash and short-term investments consist of:		
Cash	\$ 105,277	\$ 93,830
Guaranteed investment certificates	6,135	6,088
	\$ 111,412	\$ 99,918

4. Accumulated surplus:

The balance of accumulated surplus is comprised of the following:

	2020	2019
Invested in tangible capital assets	\$ 2,663	\$ 3,557
Reserves:		
Contingencies	3,733	3,733
Pole decorations	2,333	2,333
Mural maintenance	1,936	1,936
	8,002	8,002
Operating fund	130,287	120,418
	\$ 140,952	\$ 131,977

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2020

5. Tangible capital assets:

Cost	December 31, 2019	Additions	Disposals	December 31, 2020
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, 2019	Disposals	Amortization expense	December 31, 2020
Furniture and fixtures	\$ 18,940	\$ -	\$ 884	\$ 19,824
Computer hardware	10,997	-	10	11,007
Computer software	3,609	-	-	3,609
Total	\$ 33,546	\$ -	\$ 894	\$ 34,440

	Net book value December 31, 2019	Net book value December 31, 2020
Furniture and fixtures	\$ 3,536	\$ 2,652
Computer hardware	21	11
Computer software	-	-
Total	\$ 3,557	\$ 2,663

6. Related parties:

At December 31, 2020, the amount due from the City of London was \$39,249 (2019 - \$35,276) and the amount due from Hyde Park BIA was \$12,901 (2019 - \$6,560).

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA BOARD OF MANAGEMENT

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2020

7. Other Risk:

On March 15, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

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

- closures of office to the public at different times during the year 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

December 31, 2020

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, 2020
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial assets (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, 2020, and its results of operations, its changes in net financial assets (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.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

Date

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM
Statement of Financial Position
December 31, 2020, with comparative information for 2019

	2020	2019
Financial assets		
Due from the Corporation of the City of London (note 3)	\$ 10,030,838	\$ 10,613,374
Trade and other receivables	1,117,550	1,089,187
Loan receivable (note 4)	181,013	206,543
Total financial assets	11,329,401	11,909,104
Financial liabilities		
Accounts payable and accrued liabilities	835,863	1,045,990
Accrued interest on long-term debt	75,672	89,283
Long-term debt (note 5)	9,898,522	12,107,323
Total financial liabilities	10,810,057	13,242,596
Net financial assets (debt)	519,344	(1,333,492)
Non-financial assets		
Tangible capital assets (note 6)	66,840,118	66,699,790
Prepaid expenses	124,347	116,086
Total non-financial assets	66,964,465	66,815,876
Accumulated surplus (note 7)	\$ 67,483,809	\$ 65,482,384

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

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM**Statement of Operations**

Year ended December 31, 2020, with comparative information for 2019

	Budget	2020	2019
	(note 9)		
Revenues			
User charges	\$ 13,447,309	\$ 13,807,636	\$ 12,974,247
Investment income	112,000	245,059	256,607
Other	4,000	22,834	24,868
Total revenues	13,563,309	14,075,529	13,255,722
Expenses			
Salaries, wages and fringe benefits	721,145	707,885	765,473
Materials and supplies	5,919,216	6,758,652	5,898,379
Contracted services	640,820	589,890	797,667
Rents and financial expenses	60,000	68,687	66,618
Interest on long-term debt (note 5)	291,196	291,196	336,853
Amortization of tangible capital assets (note 6)	3,487,572	3,487,572	3,444,594
Administrative charges to the Corporation of the City of London	177,432	170,222	213,459
Total expenses	11,297,381	12,074,104	11,523,043
Annual surplus	2,265,928	2,001,425	1,732,679
Accumulated surplus, beginning of year (note 7)	65,482,384	65,482,384	63,749,705
Accumulated surplus, end of year (note 7)	\$ 67,748,312	\$ 67,483,809	\$ 65,482,384

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

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM
Statement of Change in Net Financial Assets (Debt)
Year ended December 31, 2020, with comparative information for 2019

	Budget	2020	2019
Annual surplus	\$ 2,265,928	\$ 2,001,425	\$ 1,732,679
Acquisition of tangible capital assets	(3,121,380)	(3,627,900)	(1,996,385)
Amortization of tangible capital assets	3,487,572	3,487,572	3,444,594
	2,632,120	1,861,097	3,180,888
Change in prepaid expenses	-	(8,261)	(29,906)
Change in net financial assets (debt)	2,632,120	1,852,836	3,150,982
Net financial debt, beginning of year	(1,333,492)	(1,333,492)	(4,484,474)
Net financial assets (debt), end of year	\$ 1,298,628	\$ 519,344	\$ (1,333,492)

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

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM**Statement of Cash Flows**

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in)		
Operating activities		
Annual surplus	\$ 2,001,425	\$ 1,732,679
Items not involving cash		
Amortization of tangible capital assets	3,487,572	3,444,594
Amortization of debenture discount	15,178	15,178
Change in non-cash assets and liabilities		
Due from the Corporation of the City of London	582,536	(913,296)
Prepaid expenses	(8,261)	(29,906)
Trade and other receivables	(28,363)	1,032,923
Accounts payable and accrued liabilities	(210,127)	(1,117,749)
Accrued interest on long-term debt	(13,611)	(13,153)
Net change in cash from operating activities	5,826,349	4,151,270
Capital activities		
Purchase of tangible capital assets	(3,627,900)	(1,996,385)
Net change in cash from capital activities	(3,627,900)	(1,996,385)
Financing activities		
Long-term debt repayments	(2,223,979)	(2,177,530)
Loan receivable	25,530	22,645
Net change in cash from financing activities	(2,198,449)	(2,154,885)
Net change in cash flows and cash, end of year	\$ -	\$ -

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

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM
Notes to Financial Statements
Year ended December 31, 2020

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 and the Municipality of Central Elgin and the Municipality of Dutton Dunwich (acting jointly)	1	1
The Corporations of the Municipality of Bayham, Township of Malahide and Town of Aylmer (acting jointly)	1	1

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM
Notes to Financial Statements (continued)
Year ended December 31, 2020

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.

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM
Notes to Financial Statements (continued)
Year ended December 31, 2020

2. Significant Accounting Policies (continued)

(d) Government Transfers

Government transfer payments to the Entity 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, 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.

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM
Notes to Financial Statements (continued)
Year ended December 31, 2020

2. Significant Accounting Policies (continued)

(h) 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.

(i) 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 maybe recorded by the provider at cost, fair value or another amount dictated by policy, accountability structure or budget practice.

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.

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM
Notes to Financial Statements (continued)
Year ended December 31, 2020

4. Loan Receivable

	2020	2019
Buy-in Charge Loan - Municipality of Dutton Dunwich	\$ 181,013	\$ 206,543
Interest Earned on Loan at prime rate less 1.53%	\$ 2,470	\$ 5,353

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 Primary Supply System resulting in a buy-in charge of \$252,000. Dutton Dunwich has requested and the Entity has consented to payment of this buy-in charge over a 10 year term bearing interest on the outstanding amount. During the year, \$25,530 was received as payment on the loan. This loan is paid quarterly and will mature in December 2027.

5. Long-term Debt

Long-term debt is stated as follows:

	2020	2019
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:		
at rates ranging from 2.90% to 3.20% (2019 - 2.70% to 3.20%), maturing September 2022.	\$ 2,312,400	\$ 3,426,450
at rates ranging from 1.50% to 2.70% (2019 - 1.40% to 2.70%), maturing March 2026.	4,369,296	5,047,259
at rates ranging from 1.55% to 2.85% (2019 - 1.30% to 2.85%), maturing March 2027.	3,277,540	3,709,506
Total long-term debt	9,959,236	12,183,215
Less: Unamortized debenture discount	(60,714)	(75,892)
Net long-term debt	\$ 9,898,522	\$ 12,107,323

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM
Notes to Financial Statements (continued)
Year ended December 31, 2020

5. Long-term Debt (continued)

The long-term debt repayment schedule is as follows:

2021	\$ 2,272,512
2022	2,323,163
2023	1,176,125
2024	1,201,240
2025	1,227,615
2026 and beyond	1,758,581
Total	\$ 9,959,236

Total interest charges for the year for long-term debt, which are included in the statement of operations, are as follows:

	2020	2019
Interest on long-term debt	\$ 276,018	\$ 321,675
Amortization of debenture discount	15,178	15,178
	\$ 291,196	\$ 336,853

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM
Notes to Financial Statements (continued)
Year ended December 31, 2020

6. Tangible Capital Assets

Cost	Balance at December 31, 2019	Additions	Disposals	Balance at December 31, 2020
Land	\$ 1,251,559	\$ -	\$ -	\$ 1,251,559
Buildings and building improvements	29,952,345	1,137,506	127,755	30,962,096
Machinery and equipment	34,974,385	2,676,103	5,520,351	32,130,137
Vehicles	11,527	-	-	11,527
Water infrastructure	25,699,667	-	-	25,699,667
Computers	89,732	237,870	-	327,602
Assets under construction	969,418	451,772	875,351	545,839
Total	\$ 92,948,633	\$ 4,503,251	\$ 6,523,457	\$ 90,928,427

Accumulated Amortization	Balance at December 31, 2019	Amortization Expense	Amortization Disposals	Balance at December 31, 2020
Land	\$ -	\$ -	\$ -	\$ -
Buildings and building improvements	7,680,963	941,736	127,755	8,494,944
Machinery and equipment	13,995,785	1,945,713	5,520,351	10,421,147
Vehicles	4,117	1,651	-	5,768
Water infrastructure	4,523,072	528,690	-	5,051,762
Computers	44,906	69,782	-	114,688
Assets under construction	-	-	-	-
Total	\$ 26,248,843	\$ 3,487,572	\$ 5,648,106	\$ 24,088,309

	Net Book Value December 31, 2019	Net Book Value December 31, 2020
Land	\$ 1,251,559	\$ 1,251,559
Buildings and building improvements	22,271,382	22,467,152
Machinery and equipment	20,978,600	21,708,990
Vehicles	7,410	5,759
Water infrastructure	21,176,595	20,647,905
Computers	44,826	212,914
Assets under construction	969,418	545,839
Total	\$ 66,699,790	\$ 66,840,118

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM
Notes to Financial Statements (continued)
Year ended December 31, 2020

6. Tangible Capital Assets (continued)

(a) Assets Under Construction

Assets under construction with cost of **\$545,839** (2019 - \$969,418) 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 **\$nil** write-downs in tangible capital assets during the year (2019 - \$nil).

7. Accumulated Surplus

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

	2020	2019
Surplus		
Invested in tangible capital assets	\$ 56,975,226	\$ 53,675,606
Reserve funds set aside for specific purpose by the Entity		
Infrastructure renewal - water operations	10,508,583	11,806,778
	\$ 67,483,809	\$ 65,482,384

8. 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 (continued)
Year ended December 31, 2020

9. Budget Data

Budget data presented in these financial statements are based upon the 2020 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	\$ 13,447,309
Municipal revenue - other	10,000
Total revenues	13,457,309
Expenses	
Personnel costs	707,895
Administrative expenses	35,850
Financial expenses - other	210,000
Financial expenses - interest and discount on long-term debt	291,196
Financial expenses - debt principal repayments	2,223,979
Financial expenses - transfers to reserves and reserve funds	3,903,141
Purchased services	403,200
Material and supplies	5,462,400
Furniture and equipment	42,216
Other expenses	177,432
Total expenses	13,457,309
Net surplus as per budget	-
PSAB reporting requirements	
Transfers to reserves and reserve funds	3,903,141
Debt principal repayments	2,223,979
Capital expenses not resulting in capital assets	(479,620)
Amortization	(3,487,572)
Reserve fund interest earned	106,000
Net PSAB budget surplus as per financial statements	\$ 2,265,928

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM
Notes to Financial Statements (continued)
Year ended December 31, 2020

10. Impact of COVID-19 Pandemic

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

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

- Due to 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

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

Financial Statements of

**LAKE HURON AREA PRIMARY WATER
SUPPLY SYSTEM**

And Independent Auditors' Report thereon

December 31, 2020

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, 2020
- 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, 2020, 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.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

Date

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM
Statement of Financial Position
December 31, 2020, with comparative information for 2019

	2020	2019
Financial assets		
Due from the Corporation of the City of London (note 3)	\$ 44,588,744	\$ 37,632,030
Trade and other receivables	745,428	673,067
Total financial assets	45,334,172	38,305,097
Financial liabilities		
Accounts payable and accrued liabilities	977,399	1,511,085
Accrued interest on long-term debt	36,640	43,209
Long-term debt (note 4)	5,624,219	6,855,465
Total financial liabilities	6,638,258	8,409,759
Net financial assets	38,695,914	29,895,338
Non-financial assets		
Tangible capital assets (note 5)	144,293,049	148,540,345
Prepaid expenses	283,448	243,388
Total non-financial assets	144,576,497	148,783,733
Accumulated surplus (note 6)	\$ 183,272,411	\$ 178,679,071

Commitments (note 8)

Contingent liabilities (note 9)

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

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM
Statement of Operations
Year ended December 31, 2020, with comparative information for 2019

	Budget (note 10)	2020	2019
Revenues			
User charges	\$ 22,772,970	\$ 23,698,905	\$ 22,838,742
Investment income	558,000	927,618	832,509
Other	5,000	7,426	1,536
Total revenues	23,335,970	24,633,949	23,672,787
Expenses			
Salaries, wages and fringe benefits	746,145	726,734	784,142
Materials and supplies	11,423,541	10,679,193	10,645,143
Contracted services	629,663	625,370	517,263
Rents and financial expenses	85,000	65,613	77,098
Interest on long-term debt (note 4)	141,565	141,565	162,889
Amortization of tangible capital assets (note 5)	7,496,404	7,496,404	7,543,440
Administrative charges to the Corporation of the City of London	312,938	305,730	213,459
Total expenses	20,835,256	20,040,609	19,943,434
Annual surplus	2,500,714	4,593,340	3,729,353
Accumulated surplus, beginning of year (note 6)	178,679,071	178,679,071	174,949,718
Accumulated surplus, end of year (note 6)	\$ 181,179,785	\$ 183,272,411	\$ 178,679,071

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

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM
Statement of Changes in Net Financial Assets
Year ended December 31, 2020, with comparative information for 2019

	Budget	2020	2019
Annual surplus	\$ 2,500,714	\$ 4,593,340	\$ 3,729,353
Acquisition of tangible capital assets	(5,346,537)	(3,249,108)	(3,051,085)
Amortization of tangible capital assets	7,496,404	7,496,404	7,543,440
	4,650,581	8,840,636	8,221,708
Change in prepaid expenses	-	(40,060)	(40,878)
Change in net financial assets	4,650,581	8,800,576	8,180,830
Net financial assets, beginning of year	29,895,338	29,895,338	21,714,508
Net financial assets, end of year	\$ 34,545,919	\$ 38,695,914	\$ 29,895,338

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

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM
Statement of Cash Flows
Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in)		
Operating activities		
Annual surplus	\$ 4,593,340	\$ 3,729,353
Items not involving cash		
Amortization of tangible capital assets	7,496,404	7,543,440
Amortization of debenture discount	8,201	8,200
Change in non-cash assets and liabilities		
Due from the Corporation of the City of London	(6,956,714)	(7,798,649)
Prepaid expenses	(40,060)	(40,878)
Trade and other receivables	(72,361)	1,235,562
Accounts payable and accrued liabilities	(533,686)	(401,659)
Accrued interest on long-term debt	(6,569)	(6,044)
Net change in cash from operating activities	4,488,555	4,269,325
Capital activities		
Purchase of tangible capital assets	(3,249,108)	(3,051,085)
Net change in cash from capital activities	(3,249,108)	(3,051,085)
Financing activities		
Long-term debt repayments	(1,239,447)	(1,218,240)
Net change in cash flows and cash, end of year	\$ -	\$ -

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

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM
Notes to Financial Statements
Year ended December 31, 2020

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 Corporation of 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 Corporation of the City of London	4	17
The Corporation of the Municipality of Bluewater	1	1
The Corporation of the Municipality of South Huron	1	1
The Township of Lucan-Biddulph	1	1
The Corporation of the Municipality of Lambton Shores	1	1
The Municipality of North Middlesex	1	3
The Municipality of Middlesex Centre	1	1
The Corporation of the Municipality of Strathroy-Caradoc	1	3

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM
Notes to Financial Statements (continued)
Year ended December 31, 2020

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, 2020

2. Significant Accounting Policies (continued)

(d) Government Transfers

Government transfer payments to the Entity 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.

2. Significant Accounting Policies (continued)

(h) 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.

(i) 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 maybe recorded by the provider at cost, fair value or another amount dictated by policy, accountability structure or budget practice.

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.

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM
Notes to Financial Statements (continued)
Year ended December 31, 2020

4. Long-term Debt

Long-term debt is stated as follows:

	2020	2019
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:		
at rates ranging from 2.90% to 3.20% (2019 - 2.70% to 3.20%), maturing September 2022.	\$ 385,400	\$ 571,075
at rates ranging from 3.20% to 3.80% (2019 - 2.95% to 3.80%), maturing September 2023.	491,820	647,370
at rates ranging from 1.40% to 2.25% (2019 - 1.15% to 2.25%), maturing March 2025.	4,487,187	5,346,840
at rates ranging from 1.55% to 2.85% (2019 - 1.30% to 2.85%), maturing March 2027.	292,643	331,212
Total long-term debt	5,657,050	6,896,497
Less: Unamortized debenture discount	(32,831)	(41,032)
Net long-term debt	\$ 5,624,219	\$ 6,855,465

The long-term debt repayment schedule is as follows:

2021	\$ 1,261,262
2022	1,283,326
2023	1,106,232
2024	951,752
2025	965,815
2026 and beyond	88,663
Total	\$ 5,657,050

Total interest charges for the year for long-term debt, which are included in the statement of operations, are as follows:

	2020	2019
Interest on long-term debt	\$ 133,364	\$ 154,688
Amortization of debenture discount	8,201	8,201
	\$ 141,565	\$ 162,889

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM
Notes to Financial Statements (continued)
Year ended December 31, 2020

5. Tangible Capital Assets

Cost	Balance at December 31, 2019	Additions	Disposals	Balance at December 31, 2020
Land	\$ 2,389,062	\$ 23,327	\$ -	\$ 2,412,389
Buildings and building improvements	55,801,279	242,294	68,354	55,975,219
Machinery and equipment	44,025,778	546,365	8,304,475	36,267,668
Vehicles	11,527	-	-	11,527
Water infrastructure	118,660,278	372,302	-	119,032,580
Computers	86,837	242,102	-	328,939
Assets under construction	725,286	1,822,718	-	2,548,004
Total	\$ 221,700,047	\$ 3,249,108	\$ 8,372,829	\$ 216,576,326

Accumulated Amortization	Balance at December 31, 2019	Amortization Expense	Amortization Disposals	Balance at December 31, 2020
Land	\$ -	\$ -	\$ -	\$ -
Buildings and building improvements	18,058,841	2,222,842	68,354	20,213,329
Machinery and equipment	23,531,515	2,927,085	8,304,475	18,154,125
Vehicles	4,117	1,651	-	5,768
Water infrastructure	31,522,176	2,252,297	-	33,774,473
Computers	43,053	92,529	-	135,582
Assets under construction	-	-	-	-
Total	\$ 73,159,702	\$ 7,496,404	\$ 8,372,829	\$ 72,283,277

	Net Book Value December 31, 2019	Net Book Value December 31, 2020
Land	\$ 2,389,062	\$ 2,412,389
Buildings and building improvements	37,742,438	35,761,890
Machinery and equipment	20,494,263	18,113,543
Vehicles	7,410	5,759
Water infrastructure	87,138,102	85,258,107
Computers	43,784	193,357
Assets under construction	725,286	2,548,004
Total	\$ 148,540,345	\$ 144,293,049

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM
Notes to Financial Statements (continued)
Year ended December 31, 2020

5. Tangible Capital Assets (continued)

(a) Assets Under Construction

Assets under construction with cost of **\$2,548,004** (2019 - \$725,286) 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 **\$nil** write-downs in tangible capital assets during the year (2019 - \$nil).

6. Accumulated Surplus

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

	2020	2019
Surplus		
Invested in tangible capital assets	\$ 136,172,679	\$ 139,069,937
Reserve funds set aside for specific purpose by the Entity:		
Infrastructure renewal - water operations	47,099,732	39,609,134
	\$ 183,272,411	\$ 178,679,071

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.

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM
Notes to Financial Statements (continued)
Year ended December 31, 2020

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, 2020 is **\$172,635** (2019 - \$431,587).

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, 2020. 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.

Draft

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM
Notes to Financial Statements (continued)
Year ended December 31, 2020

10. Budget Data

Budget data presented in these financial statements are based upon the 2020 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	\$ 22,772,970
Municipal revenues - other	25,000
Total revenues	22,797,970
Expenses	
Personnel costs	707,895
Administrative expenses	61,850
Financial expenses - other	335,000
Financial expenses - interest and discount on long-term debt	141,565
Financial expenses - debt principal repayments	1,239,448
Financial expenses - transfers to reserves and reserve funds	8,663,133
Purchased services	697,700
Materials and supplies	10,596,225
Furniture and equipment	42,216
Other expenses	312,938
Total expenses	22,797,970
Net surplus as per budget	-
PSAB reporting requirements	
Transfers to reserves and reserve funds	8,663,133
Debt principal repayments	1,239,448
Capital expenses not resulting in capital assets	(443,463)
Amortization	(7,496,404)
Reserve fund interest earned	538,000
Net PSAB budget surplus as per financial statements	\$ 2,500,714

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM
Notes to Financial Statements (continued)
Year ended December 31, 2020

11. Impact of COVID-19 Pandemic

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

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

- Due to 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

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

2020 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: **2020.01001**

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	6/4/2021

Signature of Municipal Treasurer

0070	Outstanding In-Year Critical Errors	0
0075	Schedule 54: Cashflow - Direct or Indirect Method Chosen	INDIRECT
0077	Method used to allocate Program Support to other functions in Schedule 40	OMBI Method
0078	If "Other Method" is selected in line 0077, please describe method of allocating Program Support	

Municipal Data	Data Source 1 (#)	Data Source 2 (List)
0040	Households	181,841 MPAC
0041	Population	402,659 Municipal
0042	Youth Population	27,064 Municipal

2020.01001

FIR2020: London C

Schedule 10

Asmt Code: 3936

CONSOLIDATED STATEMENT OF OPERATIONS: REVENUE

MAH Code: 59101

for the year ended December 31, 2020

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)	656,530,011
0499	Payments-In-Lieu of Taxation (SLC 26 9599 08) For UT (SLC 28 0299 08)	9,972,454
9940	Subtotal	666,502,465
0510	Estimated tax revenue	
	Government Transfers	
0620	Ontario Municipal Partnership Fund (OMPF)	0
0625	Ontario Cannabis Legalization Implementation Fund (OCLIF)	302,788
0626	Safe Restart Agreement: Municipal Operating Funding	21,959,300
0627	Safe Restart Agreement: Public Transit Funding	12,798,850
0628	Social Services Relief Fund (SSRF)	3,835,373
0695	Other	
0696	Other	
0697	Other	
0698	Other	
0699	Subtotal	38,896,311
	Conditional Grants	
0810	Ontario conditional grants (SLC 12 9910 01)	218,317,713
0815	Ontario Grants for Tangible Capital Assets (SLC 12 9910 05)	4,671,504
0820	Canada conditional grants (SLC 12 9910 02)	6,189,656
0825	Canada Grants for Tangible Capital Assets (SLC 12 9910 06)	13,194,525
0830	Deferred revenue earned (Provincial Gas Tax) (SLC 60 1042 01 + SLC 60 1045 01)	8,961,160
0831	Deferred revenue earned (Canada Gas Tax) (SLC 60 1047 01 + SLC 60 1048 01)	18,186,838
0899	Subtotal	269,521,396
1098	Revenue from other municipalities for Tangible Capital Assets (SLC 12 9910 07)	0
1099	Revenue from other municipalities (SLC 12 9910 03)	6,822,691
1299	Total User Fees and Service Charges (SLC 12 9910 04)	246,015,042
	Licences, permits, rents, etc.	
1410	Trailer revenue and permits	0
1420	Licences and permits	11,984,280
1430	Rents, concessions and franchises	19,377,705
1431	Royalties	
1432	Green Energy	
1498	Other Other	188,308
1499	Subtotal	31,550,293
	Fines and penalties	
1605	Provincial Offences Act (POA) <i>Municipality which administers POA only</i>	3,359,630
1610	Other fines	2,210,267
1620	Penalties and interest on taxes	4,503,273
1698	Other	
1699	Subtotal	10,073,170
	Other revenue	
1805	Investment income	4,264,541
1806	Interest earned on reserves and reserve funds	17,759,359
1811	Gain/Loss on sale of land & capital assets	74,710
1812	Deferred revenue earned (Development Charges) (SLC 60 1025 01 + SLC 60 1026 01)	37,407,118
1813	Deferred revenue earned (Recreational land (The Planning Act)) (SLC 60 1032 01 + SLC 60 1035 01)	677,201
1814	Other Deferred revenue earned	
1830	Donations	571,627
1831	Donated Tangible Capital Assets (SLC 53 0610 01)	61,133,703
1840	Sale of publications, equipment, etc.	6,322,179
1850	Contributions from non-consolidated entities	
1865	Other Revenues from Government Business Enterprise (ie. Dividends, etc.)	
1870	Gaming and Casino Revenues	1,050,005
1890	Other	
1891	Other	
1892	Other	
1893	Other	
1894	Other	
1895	Other	
1896	Other Other	2,161,345
1897	Other Other	14,066,459
1898	Other	
1899	Subtotal	145,488,247
1880	Municipal Land Transfer Tax (City of Toronto Act, 2006)	
1886	Transient Accommodation Tax	1,330,828
1905	Increase/Decrease in Government Business Enterprise equity	4,038,171
9910	TOTAL Revenues	1,420,238,614

2020.01001

FIR2020: London C

Schedule 10

Asmt Code: 3936

CONSOLIDATED STATEMENT OF OPERATIONS: REVENUE

MAH Code: 59101

for the year ended December 31, 2020

Continuity of Accumulated Surplus/(Deficit)		1
		\$
2010	PLUS: Total Revenues (SLC 10 9910 01)	1,420,238,614
2020	LESS: Total Expenses (SLC 40 9910 11)	1,161,378,586
2030	PLUS:	
2040	PLUS:	
2045	PLUS: PSAB Adjustments	
2099	Annual Surplus/(Deficit)	258,860,028
2060	Accumulated surplus/(deficit) at the beginning of year	4,538,912,126
2061	Prior period adjustments	
2062	Restated accumulated surplus/(deficit) at the beginning of year	4,538,912,126
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)	4,797,772,154

Continuity of Government Business Enterprise Equity		1
		\$
6010	Government Business Enterprise Equity, beginning of year	193,410,006
6020	PLUS: Net Income for Government Business Enterprise for year	4,038,171
6060	PLUS: Other	-5,000,000
6090	Government Business Enterprise Equity, end of year	192,448,177

Total of line 0899 includes:		1
Provincial Gas Tax Funding		\$
4018	Provincial Gas Tax for Transit operating expenses	7,100,390
4019	Provincial Gas Tax for Transit capital expenses	1,860,769
4020	Provincial Gas Tax	8,961,159

Total of line 0899 includes:		1
Canada Gas Tax Funding		\$
4025	General Government	190,955
Transportation Services:		
4030	Roads - Paved	6,189,610
4031	Roads - Unpaved	
4032	Roads - Bridges and Culverts	2,126,337
4033	Roadways - Traffic Operations & Roadside	
4040	Transit - Conventional	3,866,000
4041	Transit - Disabled & special needs	
4045	Air transportation	
4046	Other Other	99,705
4047	Short-Line Rail	
4048	Short-Sea Shipping	
Environmental Services:		
4060	Wastewater collection/conveyance	3,981,788
4061	Wastewater treatment & disposal	29,044
4062	Urban storm sewer system	227,808
4063	Rural storm sewer system	
4064	Water treatment	
4065	Water distribution/transmission	647,954
4066	Solid waste collection	
4067	Solid waste disposal	5,394,270
4068	Waste diversion	
4069	Other	1,505,076
4075	Recreation Facilities - All Other	715,075
4076	Cultural services	
4080	Commercial and industrial	
4081	Broadband Connectivity	
4082	Tourism Infrastructure	
4083	Brownfield Redevelopment	
4084	Other	
4099	Canada Gas Tax used for Capital Investments	24,973,622
4205	Federal Gas Tax for Operating expenses: Capacity Building	
4299	Canada Gas Tax Recognized in the year	24,973,622

FIR2020: London C

Asmt Code: 3936
MAH Code: 59101

Schedule 12
GRANTS, USER FEES AND SERVICE CHARGES
for the year ended December 31, 2020

	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	1,628,091			1,906,430		693,729	
Protection services							
0410 Fire				285,237			
0420 Police	5,492,385	4,452	437,945	1,197,597			
0421 Court Security							
0422 Prisoner Transportation							
0430 Conservation authority							
0440 Protective inspection and control				787,016			
0445 Building permit and inspection services				74,920			
0450 Emergency measures							
0460 Provincial Offences Act (POA)							
0498 Other							
0499 Subtotal	5,492,385	4,452	437,945	2,344,770	0	0	0
Transportation services							
0611 Roads - Paved				244,967	1,732,080	8,601,528	
0612 Roads - Unpaved				12,366			
0613 Roads - Bridges and Culverts				25,383		-6	
0614 Roads - Traffic Operations & Roadside				33,223		212,894	
0621 Winter Control - Except sidewalks, Parking Lots				331,856			
0622 Winter Control - Sidewalks, Parking Lots Only				53,902			
0631 Transit - Conventional		167,658		21,395,270		1,545,804	
0632 Transit - Disabled & special needs				265,595			
0640 Parking				1,554,716		18,843	
0650 Street lighting							
0660 Air transportation							
0698 Other							
0699 Subtotal	0	167,658	0	23,917,278	1,732,080	10,379,063	0
Environmental services							
0811 Wastewater collection/conveyance	10,816		27,972	30,564,382	26,183	280,173	
0812 Wastewater treatment & disposal	16,224		41,958	45,846,574	687,134	1,374,269	
0821 Urban storm sewer system	9,013		23,310	25,470,319	-26,082	172,537	
0822 Rural storm sewer system			0	0			
0831 Water treatment			93,310	30,951,257			
0832 Water distribution/transmission			485,447	57,480,906	36,559	160,072	
0840 Solid waste collection			0	717,471			
0850 Solid waste disposal			39,375	7,338,609		1,323	
0860 Waste diversion			932,707	4,255,882			
0898 Other			4,690	0			
0899 Subtotal	36,053	0	1,648,769	202,625,400	723,794	1,988,374	0
Health services							
1010 Public health services	4,891,570	44,258	185,477				
1020 Hospitals							
1030 Ambulance services							
1035 Ambulance dispatch							
1040 Cemeteries							
1098 Other							
1099 Subtotal	4,891,570	44,258	185,477	0	0	0	0
Social and family services							
1210 General assistance	130,752,231	4,564,349		3,100			
1220 Assistance to aged persons	14,640,968			6,099,606			
1230 Child care	40,830,916	251,000					
1298 Other				21,785			
1299 Subtotal	186,224,115	4,815,349	0	6,124,491	0	0	0
Social Housing							
1410 Public Housing	2,810,004			325,127			
1420 Non - Profit/Cooperative Housing	7,092,533		4,550,500	12,535			
1430 Rent Supplement Programs	7,694,442			0			
1497 Other				4,620			
1498 Other	1,419,122					93,764	
1499 Subtotal	19,016,101	0	4,550,500	342,282	0	93,764	0
Recreation and cultural services							
1610 Parks	0				2,215,630	39,595	
1620 Recreation programs	53,586			1,958,896			
1631 Recreation facilities - Golf Course, Marina, Ski Hill	0			2,505,907			
1634 Recreation facilities - All Other	142,754			121,663			
1640 Libraries	598,829						
1645 Museums	1,000	46,839					
1650 Cultural services	233,229	968,895		134,921			
1698 Other							
1699 Subtotal	1,029,398	1,015,734	0	4,721,387	2,215,630	39,595	0
Planning and development							
1810 Planning and zoning				1,606,963			
1820 Commercial and industrial		142,205		2,426,041			
1830 Residential development							
1840 Agriculture and reforestation							
1850 Tile drainage/shoreline assistance							
1898 Other							
1899 Subtotal	0	142,205	0	4,033,004	0	0	0
1910 Other							
9910 TOTAL	218,317,713	6,189,656	6,822,691	246,015,042	4,671,504	13,194,525	0

FIR2020: London C

Asmt Code: 3936
MAH Code: 59101

Schedule 20 TAXATION INFORMATION for the year ended December 31, 2020

General Information

1. Optional Property Classes in Effect

		2 Y or N
0202	N New Multi-Residential	Y
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 1 Y or N	Decrease - Percentage Retained 2 %	Tax Adjustment - Increases 3 \$	Net Class Impact 4 \$	Annualized Tax Limit 5 %	CVA Tax Limit 6 %	CVA Threshold Value for Protected Properties 7 \$	CVA Threshold Value for Clawed Back Properties 8 \$	Exclude Properties Previously at CVA Tax 9 Y or N	Exclude Properties that go from Capped to Clawed Back 10 Y or N	Exclude Properties that go from Clawed Back to Capped 11 Y or N
0320	M Multi-Residential	Y										
0330	C Commercial	Y										
0340	I Industrial	Y										

3. Graduated Taxation (Tax Bands)

Grad. Tax Rates in Effect? 2 Y or N	Number of Tax Bands 3 #	Low Band		Middle Band		
		CVA Boundary 4 \$	% of Highest Band Rate 5 %	CVA Boundary 6 \$	% of Highest Band Rate 7 %	
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? 2 Y or N	Year Current Phase-In Initiated 3 Year	Term of Current Phase-In 4 # 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 Installments			FINAL Billing Installments			
	Installments 2 #	First Due Date 3 YYYYMMDD	Last Due Date 4 YYYYMMDD	Installments 5 #	First Due Date 6 YYYYMMDD	Last Due Date 7 YYYYMMDD	
1210	R Residential	2	20200228	20200331	3	20200831	20201215
1220	M Multi-Residential	2	20200228	20200331	3	20200831	20201215
1230	F Farmland	2	20200228	20200331	3	20200831	20201215
1240	T Managed Forest	2	20200228	20200331	3	20200831	20201215
1250	C Commercial	2	20200228	20200331	3	20200831	20201215
1260	I Industrial	2	20200228	20200331	3	20200831	20201215
1270	P Pipeline	2	20200228	20200331	3	20200831	20201215
1298	Other <input type="text"/>						

FIR2020: London C

Asmt Code: 3936

MAH Code: 59101

**Schedule 22
MUNICIPAL and SCHOOL BOARD TAXATION**

for the year ended December 31, 2020

1. GENERAL PURPOSE LEVY INFORMATION

9299	TOTAL	Phase-In Taxable Assessment 46,867,470.465	LT/ST Taxes 642,901.237	UT Taxes 0	Education Taxes 142,600.637	TOTAL 785,501.874
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RTC RTQ LIST	Tax Band LIST	Property Class	Tax Rate Description	Tax Ratio	Percent of Full Rate	CVA Assessment	Phase-In Taxable Assessment	Tax Rates				Municipal Taxes		Education Taxes	TOTAL
								LT / ST	UT	EDUC	TOTAL	LT / ST	UT	Taxes	
1	2	3	4	5	6	7	16	8	9	10	11	12	13	14	15
					%	\$	\$	0.000000%	0.000000%	0.000000%	0.000000%	\$	\$	\$	\$
0001	0	London C													
0010	RT	0	Residential	Full Occupied	1.000000	100%	37,859,272.377	37,859,272.377	1.195259%		1.348259%	452,516,380	0	57,924,687	510,441,047
0031	R1	0	Residential	Farm. Awaiting Devel. - Ph I	1.000000	75%	7,126,400	7,126,400	0.896444%	0.114750%	1.011194%	63,884	0	8,178	72,062
0050	MT	0	Multi-Residential	Full Occupied	1.712100	100%	1,743,845,165	1,743,845,165	2.046140%	0.153000%	2.199140%	35,681,513	0	2,668,083	38,349,596
0061	M1	0	Multi-Residential	Farm. Awaiting Devel. - Ph I	1.000000	75%	4,751,000	4,751,000	0.896444%	0.114750%	1.011194%	42,590	0	5,452	48,042
0080	NT	0	New Multi-Residential	Full Occupied	1.000000	100%	12,981,100	12,981,100	1.195259%	0.153000%	1.348259%	155,158	0	19,861	175,019
0110	FT	0	Farmland	Full Occupied	0.102820	100%	486,941,500	486,941,500	0.122897%	0.038250%	0.161147%	598,436	0	186,255	784,691
0140	TT	0	Managed Forest	Full Occupied	0.250000	100%	1,059,000	1,059,000	0.239815%	0.038250%	0.337065%	3,164	0	405	3,569
0210	CT	0	Commercial	Full Occupied	1.910000	100%	3,100,434,897	3,100,434,897	2.282945%	1.250000%	3.532945%	70,781,223	0	38,755,436	109,536,659
0215	CH	0	Commercial	Full Occupied, Shared PIL	1.910000	100%	17,258,464	17,258,464	2.282945%	1.250000%	3.532945%	394,001	0	215,731	609,732
0231	C1	0	Commercial	Farm. Awaiting Devel. - Ph I	1.000000	75%	1,193,000	1,193,000	0.896444%	0.114750%	1.011194%	10,695	0	1,369	12,064
0240	CU	0	Commercial	Excess Land	1.910000	100%	40,149,280	40,149,280	2.282945%	1.250000%	3.532945%	916,586	0	501,866	1,418,452
0245	CK	0	Commercial	Excess Land, Shared PIL	1.910000	100%	630,300	630,300	2.282945%	1.250000%	3.532945%	14,389	0	7,879	22,268
0270	CX	0	Commercial	Vacant Land	1.910000	100%	106,549,300	106,549,300	2.282945%	1.250000%	3.532945%	2,432,462	0	1,331,886	3,764,328
0310	GT	0	Parking Lot	Full Occupied	1.910000	100%	117,846,397	117,846,397	2.282945%	1.250000%	3.532945%	2,690,368	0	1,478,000	4,168,348
0320	DT	0	Office Building	Full Occupied	1.910000	100%	364,335,037	364,335,037	2.282945%	1.250000%	3.532945%	8,317,569	0	4,554,188	12,871,757
0330	DU	0	Office Building	Excess Land	1.910000	100%	2,159,380	2,159,380	2.282945%	1.250000%	3.532945%	49,297	0	26,929	76,299
0340	ST	0	Shopping Centre	Full Occupied	1.910000	100%	1,479,878,553	1,479,878,553	2.282945%	1.250000%	3.532945%	33,784,813	0	18,498,482	52,283,295
0350	SU	0	Shopping Centre	Excess Land	1.910000	100%	1,513,800	1,513,800	2.282945%	1.250000%	3.532945%	34,559	0	18,923	53,482
0510	IT	0	Industrial	Full Occupied	1.910000	100%	245,699,988	245,699,988	2.282945%	1.250000%	3.532945%	5,609,196	0	3,071,250	8,680,446
0515	IH	0	Industrial	Full Occupied, Shared PIL	1.910000	100%	5,464,500	5,464,500	2.282945%	1.250000%	3.532945%	124,752	0	68,306	193,058
0531	II	0	Industrial	Farm. Awaiting Devel. - Ph I	1.000000	75%	1,407,000	1,407,000	0.896444%	0.114750%	1.011194%	12,613	0	1,615	14,228
0534	I4	0	Industrial	Farm. Awaiting Devel. - Ph II	1.910000	100%	112,200	112,200	2.282945%	1.250000%	3.532945%	2,561	0	1,403	3,964
0540	IU	0	Industrial	Excess Land	1.910000	100%	8,038,800	8,038,800	2.282945%	1.250000%	3.532945%	183,521	0	100,485	284,006
0570	IX	0	Industrial	Vacant Land	1.910000	100%	52,048,900	52,048,900	2.282945%	1.250000%	3.532945%	1,188,248	0	650,611	1,838,859
0500	IS	0	Industrial	Generating Station, Shared PIL	1.910000	100%	72,500	72,500	2.282945%	1.250000%	3.532945%	1,655	0	906	2,561
0610	LT	0	Large Industrial	Full Occupied	1.910000	100%	136,861,309	136,861,309	2.282945%	1.250000%	3.532945%	3,124,468	0	1,710,766	4,835,234
0620	LU	0	Large Industrial	Excess Land	1.910000	100%	6,716,923	6,716,923	2.282945%	1.250000%	3.532945%	153,344	0	83,962	237,306
0710	PT	0	Pipeline	Full Occupied	1.713000	100%	109,021,500	109,021,500	2.047479%	1.250000%	3.297479%	2,232,192	0	1,362,769	3,594,961
2140	JT	0	Industrial, NConstr.	Full Occupied	1.910000	100%	68,389,600	68,389,600	2.282945%	0.980000%	3.262945%	1,561,297	0	670,218	2,231,515
2145	JU	0	Industrial, NConstr.	Excess Land	1.910000	100%	2,172,800	2,172,800	2.282945%	0.980000%	3.262945%	49,604	0	21,293	70,897
2235	KT	0	Large Ind., NConstr.	Full Occupied	1.910000	100%	61,424,800	61,424,800	2.282945%	0.980000%	3.262945%	1,402,294	0	601,963	2,004,257
2240	KU	0	Large Ind., NConstr.	Excess Land	1.910000	100%	1,978,600	1,978,600	2.282945%	0.980000%	3.262945%	45,170	0	19,390	64,560
2440	XT	0	Commercial, NConstr.	Full Occupied	1.910000	100%	570,939,480	570,939,480	2.282945%	0.980000%	3.262945%	13,034,234	0	5,595,207	18,629,441
2445	XU	0	Commercial, NConstr.	Excess Land	1.910000	100%	12,686,000	12,686,000	2.282945%	0.980000%	3.262945%	289,614	0	124,323	413,937
2635	YU	0	Office Buid., NConstr.	Full Occupied	1.910000	100%	17,836,860	17,836,860	2.282945%	0.980000%	3.262945%	407,206	0	174,801	582,007
2640	YT	0	Office Buid., NConstr.	Excess Land	1.910000	100%	1,403,200	1,403,200	2.282945%	0.980000%	3.262945%	32,034	0	13,751	45,785
2835	ZT	0	Shopp. Centre, NConstr.	Full Occupied	1.910000	100%	216,929,355	216,929,355	2.282945%	0.980000%	3.262945%	4,952,378	0	2,125,908	7,078,286
2840	ZU	0	Shopp. Centre, NConstr.	Excess Land	1.910000	100%	291,200	291,200	2.282945%	0.980000%	3.262945%	6,648	0	2,854	9,502
0920	C7	0	Commercial	Small Scale On Farm Business	1.910000	100%	50,000	50,000	2.282945%	0.245000%	2.527945%	1,141	0	123	1,264
												0	0	0	0
9201				Subtotal			46,867,470.465	46,867,470.465				642,901.237	0	142,600.637	785,501.874

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FIR2020: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 22

MUNICIPAL and SCHOOL BOARD TAXATION

for the year ended December 31, 2020

3. UPPER-TIER SPECIAL AREA LEVY INFORMATION

9699

TOTAL

LT/ST Taxes	UT Taxes	Education Taxes	TOTAL
	0		0

RTC RTQ 1 LIST	Tax Band 2 LIST	Property Class 3	Tax Rate Description 4	Tax Ratio 5	Percent of Full Rate 6 %	Phase-In Taxable Assessment 16 \$	Tax Rates				Municipal Taxes		Education	TOTAL
							LT / ST 8 0.000000%	UT 9 0.000000%	EDUC 10 0.000000%	TOTAL 11 0.000000%	LT / ST 12 \$	UT 13 \$	Taxes 14 \$	TOTAL 15 \$
6001												0	0	0
												0	0	0
												0	0	0
												0	0	0
												0	0	0
												0	0	0
												0	0	0
												0	0	0
												0	0	0
												0	0	0
												0	0	0
												0	0	0
												0	0	0
												0	0	0
												0	0	0
												0	0	0
												0	0	0
												0	0	0
												0	0	0
9601						0						0	0	0

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FIR2020: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 22 MUNICIPAL and SCHOOL BOARD TAXATION for the year ended December 31, 2020

		Municipal Taxes		Education Taxes	TOTAL
		LT / ST	UT	14	15
		\$	\$	\$	\$
4. ADJUSTMENTS TO TAXATION					
7010	Adjustments for properties, shared as if Payment-In-Lieu (Hydro properties RTQ = H, J, K)	292,822		-292,822	0
5. SUPPLEMENTARY TAXES					
9799	Total of all supplementary taxes (Supps, Omits, Section 359)	10,199,385		1,917,951	12,117,336
6. AMOUNT LEVIED BY TAX RATE					
9910	TOTAL Levied by Tax Rate	653,393,444	0	144,225,766	797,619,210
7. AMOUNTS ADDED TO TAX BILL					
8005	Local improvements	582,442			582,442
8010	Sewer and water service charges	2,402,838			2,402,838
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	2,636,204			2,636,204
8097	Other <input type="text"/>				0
9890	Subtotal	5,621,484	0	0	5,621,484
8. OTHER TAXATION AMOUNTS					
8045	Railway rights-of-way (RTC = W)	55,973		58,508	114,481
8050	Utility transmission and utility corridors (RTC = U)				0
8098	Other <input type="text"/>				0
9892	Subtotal	55,973	0	58,508	114,481
9. TOTAL AMOUNT LEVIED					
9990	TOTAL Levies	659,070,901	0	144,284,274	803,355,175

FIR2020: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 24 PAYMENTS-IN-LIEU of TAXATION for the year ended December 31, 2020

1. GENERAL PURPOSE PAYMENTS-IN-LIEU

9299	TOTAL	PIL Phased-In Assessment	LT/ST PILS	UT PILS	Education PILS	TOTAL
		204,289,300	4,738,293	0	1,675,960	6,414,253

KIC DTN 1	Tax Rate 2	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	UT 9	EDUC 10	TOTAL 11	LT / ST 12	UT 13	PILS 14		
LIST	LIST				%	\$	\$	0.xxxxxx%	0.xxxxxx%	0.xxxxxx%	0.xxxxxx%	\$	\$	\$	\$	
2001	0	London C														
1010	RF	0	Residential	PIL: Full Occupied	1.000000	100%	1,609,200	1,609,200	1.195259%		0.153000%	1.348259%	19,234	0	2,462	21,696
1028	RG	0	Residential	PIL: 'General' Only (No Educ.)	1.000000	100%	612,400	612,400	1.195259%			1.195259%	7,320	0	0	7,320
1210	CF	0	Commercial	PIL: Full Occupied	1.910000	100%	76,704,000	76,704,000	2.282945%		1.250000%	3.532945%	1,751,110	0	958,800	2,709,910
1220	CG	0	Commercial	PIL: 'General' Only (No Educ.)	1.910000	100%	41,489,100	41,489,100	2.282945%			2.282945%	947,173	0	0	947,173
1260	CW	0	Commercial	PIL: Excess Land, 'General' Only	1.910000	100%	481,300	481,300	2.282945%			2.282945%	10,988	0	0	10,988
1280	CY	0	Commercial	PIL: Vacant Land	1.910000	100%	1,292,700	1,292,700	2.282945%		1.250000%	3.532945%	29,512	0	16,159	45,671
1290	CZ	0	Commercial	PIL: Vacant Land, 'General' Only	1.910000	100%	2,233,000	2,233,000	2.282945%			2.282945%	50,978	0	0	50,978
1310	GF	0	Parking Lot	PIL: Full Occupied	1.910000	100%	11,784,000	11,784,000	2.282945%		1.250000%	3.532945%	269,022	0	147,300	416,322
1320	DF	0	Office Building	PIL: Full Occupied	1.910000	100%	25,310,000	25,310,000	2.282945%		1.250000%	3.532945%	577,813	0	316,375	894,188
1328	DG	0	Office Building	PIL: 'General' Only (No Educ.)	1.910000	100%	21,203,000	21,203,000	2.282945%			2.282945%	484,053	0	0	484,053
1590	IZ	0	Industrial	PIL: Vacant Land, 'General' Only	1.910000	100%	107,600	107,600	2.282945%			2.282945%	2,456	0	0	2,456
4410	XF	0	Commercial, NConstr.	PIL: Full Occupied	1.910000	100%	12,379,000	12,379,000	2.282945%		0.980000%	3.262945%	282,606	0	121,314	403,920
5010	HF	0	Landfill	PIL: Full Occupied	2.818527	100%	9,084,000	9,084,000	3.368870%		1.250000%	4.618870%	306,028	0	113,550	419,578
												0	0	0	0	
												0	0	0	0	
												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	204,289,300	204,289,300				4,738,293	0	1,675,960	6,414,253

2020.01

FIR2020: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 24 PAYMENTS-IN-LIEU of TAXATION for the year ended December 31, 2020

		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			
		4,738,293	0	1,675,960	6,414,253
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"/>	891,512			891,512
9890		Subtotal			
		891,512	0	0	891,512
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	40,130		56,804	96,934
8051	Utility transmission and utility corridors (RTC = U) - from Province				0
8055	Institutional Payments - Heads and Beds (Mun. Act 323, 324)	4,333,875			4,333,875
8060	Hydro-electric Power Dams - from Province				0
8098	Other <input type="text"/>				0
9892		Subtotal			
		4,374,005	0	56,804	4,430,809
8. TOTAL PAYMENTS-IN-LIEU LEVIED					
9990		TOTAL PILS Levied			
		10,003,810	0	1,732,764	11,736,574

FIR2020: London C

Asmt Code: 3936
MAH Code: 59101

Schedule 26 TAXATION and PAYMENTS-IN-LIEU SUMMARY for the year ended December 31, 2020

1. Municipal and School Board Taxation

					TOTAL	ENG - Public	FRE - Public	ENG - Separate	FRE - Separate	Other			
9010 Legislated Percentage of Education Taxes distributed to each School Board (Applic. to Com, Ind, Pipelines)					100.00%	77.384%	0.887%	20.100%	1.629%	0.000%			
Property Class Group	Taxable Asmt. (CVA) 16 \$	Taxable Asmt. (Wtd & Disc CVA) 2 \$	Phase-In Taxable Asmt. (CVA) 18 \$	Phase-In Taxable Asmt. (Wtd & Disc CVA) 17 \$	TOTAL Taxes 3 \$	Municipal Taxes LT / ST 4 \$	UT 5 \$	Education Taxes 6 \$	Distribution of Education Taxes in column 6 by School Board				
									ENG - Public 7 \$	FRE - Public 8 \$	ENG - Separate 9 \$	FRE - Separate 10 \$	Other 11 \$
0010 Residential	37,866,398,777	37,864,617,177	37,866,398,777	37,864,617,177	510,513,109	452,580,244	0	57,932,865	48,620,348	183,897	8,882,931	245,689	
0050 Multi-residential	1,761,577,265	3,002,181,657	1,761,577,265	3,002,181,657	38,572,657	35,879,261	0	2,693,396	2,490,730	3,260	195,551	3,855	
0110 Farmland	486,941,500	50,067,325	486,941,500	50,067,325	784,691	598,436	0	186,255	175,128	4	11,115	8	
0140 Managed Forests	1,059,000	264,750	1,059,000	264,750	3,569	3,164	0	405	396	0	8	1	
9110 Subtotal	40,115,976,542	40,917,130,909	40,115,976,542	40,917,130,909	549,874,026	489,061,105	0	60,812,921	51,286,602	187,161	9,089,605	249,553	0
0210 Commercial	3,266,265,241	6,237,182,730	3,266,265,241	6,237,182,730	115,364,767	74,550,497	0	40,814,270	31,583,715	362,023	8,203,668	664,864	0
0215 Commercial New Construction	583,625,480	1,114,724,667	583,625,480	1,114,724,667	19,043,378	13,323,848	0	5,719,530	4,426,001	50,732	1,149,626	93,171	0
0310 Parking Lot	117,846,397	225,086,618	117,846,397	225,086,618	4,163,448	2,690,368	0	1,473,080	1,139,928	13,066	296,089	23,996	0
0320 Office Building	366,494,417	700,004,336	366,494,417	700,004,336	12,948,046	8,366,866	0	4,581,180	3,545,100	40,635	920,817	74,627	0
0325 Office Building New Construct	19,240,060	36,748,515	19,240,060	36,748,515	627,792	439,240	0	188,552	145,909	1,672	37,899	3,072	0
0340 Shopping Centre	1,481,392,353	2,829,459,394	1,481,392,353	2,829,459,394	52,336,777	33,819,372	0	18,517,405	14,329,509	164,249	3,721,998	301,649	0
0345 Shopping Centre New Constru	217,220,555	414,891,260	217,220,555	414,891,260	7,087,788	4,959,026	0	2,128,762	1,647,321	18,882	427,881	34,678	0
9120 Subtotal	6,052,084,503	11,558,097,521	6,052,084,503	11,558,097,521	211,571,996	138,149,217	0	73,422,779	56,817,483	651,260	14,757,979	1,196,057	0
0510 Industrial	312,843,888	595,899,706	312,843,888	595,899,706	11,017,122	7,122,546	0	3,894,576	3,013,779	34,545	782,810	63,443	0
0515 Industrial New Construction	70,562,400	134,774,184	70,562,400	134,774,184	2,302,412	1,610,901	0	691,511	535,119	6,134	138,994	11,265	0
0610 Large Industrial	143,578,232	274,234,423	143,578,232	274,234,423	5,072,540	3,277,812	0	1,794,728	1,388,832	15,919	360,740	29,236	0
0615 Large Industrial New Construct	63,403,400	121,100,494	63,403,400	121,100,494	2,068,817	1,447,464	0	621,353	480,828	5,511	124,892	10,122	0
9130 Subtotal	590,387,920	1,126,008,807	590,387,920	1,126,008,807	20,460,891	13,458,723	0	7,002,168	5,418,558	62,109	1,407,436	114,065	0
0705 Landfill	0	0	0	0	0	0	0	0	0	0	0	0	0
0710 Pipelines	109,021,500	186,753,830	109,021,500	186,753,830	3,594,961	2,232,192	0	1,362,769	1,054,565	12,088	273,917	22,200	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	292,822	0	-292,822	-226,598	-2,597	-58,857	-4,770	0
9170 Supplementary Taxes	0	0	0	0	12,117,336	10,199,385	0	1,917,951	1,684,306	7,783	211,222	14,640	0
9180 Total Levied by Rate					797,619,210	653,393,444	0	144,225,766	116,034,916	917,804	25,681,301	1,591,745	0
9190 Amts Added to Tax Bill					5,621,484	5,621,484	0	0					
9192 Other Taxation Amounts					114,481	55,973	0	58,508	45,276	519	11,760	953	
9199 TOTAL before Adj.	46,867,470,465	53,787,991,066	46,867,470,465	53,787,991,066	803,355,175	659,070,901	0	144,284,274	116,080,192	918,323	25,693,061	1,592,698	0

2. Payments-in-Lieu of Taxation

Property Class Group	PIL Asmt. (CVA) 16 \$	PIL Asmt. (Wtd & Disc CVA) 2 \$	Phase-In PIL Asmt. (CVA) 18 \$	Phase-In PIL Asmt. (Wtd & Disc CVA) 17 \$	Total PILS Levied 3 \$	Municipal PILS LT / ST 4 \$	UT 5 \$	Education PILS 6 \$
1010 Residential	2,221,600	2,221,600	2,221,600	2,221,600	29,016	26,554	0	2,462
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	2,221,600	2,221,600	2,221,600	2,221,600	29,016	26,554	0	2,462
1210 Commercial	122,200,100	233,402,191	122,200,100	233,402,191	3,764,720	2,789,761	0	974,959
1215 Commercial New Construction	12,379,000	23,643,890	12,379,000	23,643,890	403,920	282,606	0	121,314
1310 Parking Lot	11,784,000	22,507,440	11,784,000	22,507,440	416,322	269,022	0	147,300
1320 Office Building	46,513,000	88,839,830	46,513,000	88,839,830	1,378,241	1,061,866	0	316,375
1325 Office Building New Construct	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	192,876,100	368,393,351	192,876,100	368,393,351	5,963,203	4,403,255	0	1,559,948
1510 Industrial	107,600	205,516	107,600	205,516	2,456	2,456	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	107,600	205,516	107,600	205,516	2,456	2,456	0	0
1705 Landfill	9,084,000	25,603,499	9,084,000	25,603,499	419,578	306,028	0	113,550
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					6,414,253	4,738,293	0	1,675,960
9290 Amts Added to PILs					891,512	891,512	0	0
9292 Other PIL Amounts					4,430,809	4,374,005	0	56,804
9299 TOTAL before Adj.	204,289,300	396,423,966	204,289,300	396,423,966	11,736,574	10,003,810	0	1,732,764

Part 3 contains Distribution of PILS by School Boards

FIR2020: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 40
CONSOLIDATED STATEMENT OF OPERATIONS: EXPENSES

for the year ended December 31, 2020

	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	3,001,535		135,622	33,812	0	4,000	24,631	3,199,600		826,090	4,025,690
0250 Corporate Management	15,962,857	328,550	7,197,973	6,680,215	6,243,153	230,148	125,386	36,368,282	-252,000	1,987,781	38,104,063
0260 Program Support	35,361,459		285,374	5,284,972	582,311	75,000	10,626,774	52,215,890	-390,686	-41,123,430	10,701,774
0299 Subtotal	53,925,851	328,550	7,618,969	11,998,999	6,825,464	309,148	10,776,791	91,783,772	-642,686	-38,309,559	52,831,527
Protection services											
0410 Fire	76,651,585	57,235	2,318,887	280,655	-32,842		2,932,453	82,207,973		3,200,568	85,408,541
0420 Police	111,938,422	217,596	5,832,405	2,578,849	137,529		5,153,214	125,958,015		4,624,418	130,582,433
0421 Court Security	3,355,157		40,086	2,516				3,397,759			3,397,759
0422 Prisoner Transportation	166,427		31,941	209			31,514	230,091			230,091
0430 Conservation authority	0		0			1,859,650		1,859,650		3,107	1,862,757
0440 Protective inspection and control	4,703,294		2,652,682	352,204	136,031		61,376	7,905,587		800,835	8,706,422
0445 Building permit and inspection services	5,010,670		180,861	93,439	84,086		9,013	5,378,069		614,989	5,993,058
0450 Emergency measures	365,462		302,807	149,035	0		82,518	899,822		361,541	1,261,363
0460 Provincial Offences Act (POA)	1,591,691		302,864	637,881	67,968	5,442	110,848	2,716,714	635,586	297,662	3,649,962
0498 Other					0			0			0
0499 Subtotal	203,782,708	274,831	11,762,553	4,094,788	392,772	1,865,092	8,380,936	230,553,680	635,586	9,903,120	241,092,386
Transportation services											
0611 Roads - Paved	7,890,590	1,752,397	5,414,270	3,452,882	3,465,837		40,192,837	62,168,813		1,308,440	63,477,253
0612 Roads - Unpaved	158,260		133,953	7,495	52,925			352,633		118,578	471,211
0613 Roads - Bridges and Culverts	1,244,097		255,388	116,914	14,900		3,438,627	5,069,926		137,501	5,207,427
0614 Roads - Traffic Operations & Roadside	6,680,168		2,317,808	3,356,140	165,839		4,503,050	17,023,005		631,788	17,654,793
0621 Winter Control - Except sidewalks, Parking Lots	4,285,487		5,317,534	171,266	2,929,599		253	12,704,139		407,933	13,112,072
0622 Winter Control - Sidewalks, Parking Lots Only	619,517		639,944	25,419	475,253			1,960,133		65,618	2,025,751
0631 Transit - Conventional	48,878,716	579,135	17,120,909		-57,752		12,827,885	79,498,999		150,106	79,498,999
0632 Transit - Disabled & special needs	1,019,495		269,954	7,418,080		30,001		8,737,530		6,694	8,744,224
0640 Parking	913,847		448,240	1,949,294	41,789	1,645	215,601	3,570,416		252,147	3,822,563
0650 Street lighting	150,566	11,882	6,213,905	290,228			5,926,060	12,592,641		110,881	12,703,522
0660 Air transportation								0			0
0698 Other Environmental Programs								0		1,213	1,213
0699 Subtotal	71,840,743	2,343,414	38,331,905	16,787,718	7,088,390	31,646	67,104,313	203,528,129	0	3,190,699	206,719,028
Environmental services											
0811 Wastewater collection/conveyance	4,160,308	1,152,159	1,640,515	1,719,000	1,969,073		13,800,445	24,441,500		719,584	25,161,084
0812 Wastewater treatment & disposal	9,387,934	492,359	9,646,287	1,157,351	330,408	2,788,001	15,775,106	39,577,446		1,532,850	41,110,296
0821 Urban storm sewer system	1,674,507	918,894	1,118,610	4,962,103	912,325		16,288,435	25,874,874		433,923	26,308,797
0822 Rural storm sewer system	101,307		2,183	387				103,877		18,280	122,157
0831 Water treatment	1,300,373	144,025	6,998,244	1,303,885	48,063	5,127	4,655,428	14,455,145		345,492	14,800,637
0832 Water distribution/transmission	8,853,163	151,127	11,315,336	4,844,247	1,709,196	5,127	20,657,985	47,536,183		1,157,623	48,693,806
0840 Solid waste collection	5,999,920		3,187,253	853,257	1,922		57,340	10,099,692		288,418	10,388,110
0850 Solid waste disposal	1,980,289		6,404,790	1,154,285	1,908,627		2,063,661	13,511,652		265,205	13,776,857
0860 Waste diversion	1,561,106		366,866	13,998,152		620,699	850,858	17,397,681		213,109	17,610,790
0898 Other	706,633		98,746	118,169	351			923,899		70,535	994,434
0899 Subtotal	35,725,540	2,858,564	40,778,832	30,110,836	6,879,965	3,418,954	74,149,258	193,921,949	0	5,045,019	198,966,968
Health services											
1010 Public health services	5,057,418		357,061	376,743	342,409	5,341,325	83,438	11,558,394		9,350	11,567,744
1020 Hospitals								0			0
1030 Ambulance services				18,943,358				18,943,358		3,989	18,947,347
1035 Ambulance dispatch								0			0
1040 Cemeteries								0			0
1098 Other								0			0
1099 Subtotal	5,057,418	0	357,061	19,320,101	342,409	5,341,325	83,438	30,501,752	0	13,339	30,515,091
Social and family services											
1210 General assistance	20,514,702		803,134	9,359,367	2,929,738	124,897,621	456,650	158,961,212	-242,304	4,073,267	162,792,175
1220 Assistance to aged persons	21,681,863	547,455	2,804,289	542,379		159,473	1,257,000	26,992,459	5,420	1,478,285	28,476,164
1230 Child care	1,930,260		668,525	12,459,493	157,221	31,267,548	3,082	46,486,129		351,545	47,312,894
1298 Other	301,205		49,373	5,014	852		594	357,038		71,912	428,950
1299 Subtotal	44,428,030	547,455	4,325,321	22,366,253	3,087,811	156,324,642	1,717,326	232,796,838	114,661	6,098,684	239,010,183

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Asmt Code: 3936

MAH Code: 59101

Schedule 40
CONSOLIDATED STATEMENT OF OPERATIONS: EXPENSES
 for the year ended December 31, 2020

		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	5,974,889		1,442,212	16,451,709	676,571		2,257,825	26,803,206		69,223	26,872,429
1420	Non-Profit/Cooperative Housing				782,569		17,913,555		18,696,124		25,033	18,721,157
1430	Rent Supplement Programs						2,643,971		2,643,971		25,382	2,669,353
1497	Other	1,810,665		35,606	90,737	95,407	39,033	9,050	2,080,498		186,882	2,267,380
1498	Other	535,369		55,035	138,609	25,823	7,475,846	44,791	8,275,473		72,056	8,347,529
1499	Subtotal	8,320,923	0	1,532,853	17,463,624	797,801	28,072,405	2,311,666	58,499,272	0	378,576	58,877,848
Recreation and cultural services												
1610	Parks	5,401,177	348,247	2,324,097	1,390,040	292,457		5,140,720	14,896,738		1,828,486	16,725,224
1620	Recreation programs	8,988,341		1,086,021	339,312	233,276	41,100	38,215	10,726,265	-107,561	1,980,132	12,598,836
1631	Rec. Fac. - Golf Crs, Marina, Ski Hill	1,589,859		1,091,695	228,849	23,597		224,464	3,158,464		450,284	3,608,748
1634	Rec. Fac. - All Other	4,535,905	1,143,977	674,503	2,739,277	440,882		7,021,015	16,555,559		7,332,484	23,888,043
1640	Libraries	14,202,588	210,283	3,452,508	1,123,346	626,509		3,657,469	23,272,703		24,570	23,297,273
1645	Museums	231,559		68,376		-900		9,522	308,557		20,384	328,941
1650	Cultural services	2,210,344		1,797,243	648,996	69,418	1,542,492	1,717,995	7,986,488		296,821	8,283,309
1698	Other	68,108			68,108			1,020	69,128		7,627	76,755
1699	Subtotal	37,159,773	1,702,507	10,494,443	6,537,928	1,685,239	1,583,592	17,810,420	76,973,902	-107,561	11,940,788	88,807,129
Planning and development												
1810	Planning and zoning	8,766,615		100,165	815,525	284,576		111,781	10,078,662		1,034,362	11,113,024
1820	Commercial and Industrial	3,987,916	332,412	7,760,554	11,106,648	1,047,967	5,415,563	2,086,776	31,737,836		589,839	32,327,675
1830	Residential development	2,652	6,776		7,661				17,089		49,395	66,484
1840	Agriculture and reforestation	530,252		19,763	220,327			99,007	869,349		64,757	934,106
1850	Tile drainage/shoreline assistance								0			0
1898	Other	116,356			116,356				116,356		781	117,137
1899	Subtotal	13,287,435	339,188	7,880,482	12,266,517	1,332,543	5,415,563	2,297,564	42,819,292	0	1,739,134	44,558,426
1910	Other								0			0
9910	TOTAL	473,528,421	8,394,509	123,082,419	140,946,764	28,432,394	202,362,367	184,631,712	1,161,378,586	0	0	1,161,378,586

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FIR2020: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 42

ADDITIONAL INFORMATION

for the year ended December 31, 2020

Additional information contained in Schedule 40

		1
		\$
Total of column 1 includes:		
5010	Salaries and wages	346,305,221
5020	Employee benefits	127,223,200
5099	Total Salaries, Wages and Employee benefits (Not including line 5050)	473,528,421
5050	Salaries, Wages and Employee benefits capitalized on Schedule 51	
5098	Total Salaries, Wages and Employee benefits (including capitalized wages)	473,528,421
Total of column 3 includes:		
5110	Amounts for tax write-offs reported in SLC 40 0250 03	2,478,074
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 Other	1,703,649
5992	Specify	
5993	Specify	
Total of column 11 includes:		
6009	Total COVID-19 Expenses as reported on SLC 40 0450 11	21,189,058
6010	Payments for long term commitments and liabilities financed from the consolidated statement of operations	

2020.01

FIR2020: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 51 SCHEDULE OF TANGIBLE CAPITAL ASSETS for the year ended December 31, 2020

ANALYSIS BY FUNCTIONAL CLASSIFICATION

	COST					AMORTIZATION				2020 Closing Net Book Value	
	2020 Opening Net Book Value	2020 Opening Cost Balance	Additions and Betterments	Disposals	Write Downs	2020 Closing Cost Balance	2020 Opening Amortization Balance	Annual Amortization	Amortization Disposal		2020 Closing Amortization Balance
	1 \$	2 \$	3 \$	4 \$	5 \$	6 \$	7 \$	8 \$	9 \$		10 \$
0299 General government	91,565,787	160,748,913	11,549,434	9,093,618		163,204,729	69,183,126	10,776,791	9,001,570	70,958,347	92,246,382
Protection services											
0410 Fire	30,966,590	59,164,695	1,618,887	1,917,625		58,865,957	28,198,105	2,932,453	1,912,156	29,218,402	29,647,555
0420 Police	37,724,381	71,433,364	6,267,242	4,985,611		72,714,995	33,708,983	5,184,728	4,882,448	34,011,263	38,703,732
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	753,713	980,432		18,106		962,326	226,719	61,377	18,106	269,990	692,336
0445 Building permit and inspection services	41,584	63,238	34,814	8,950		89,102	21,854	9,013	8,950	21,717	67,385
0450 Emergency measures	263,002	784,986	397,815	917		1,181,884	521,984	82,518	917	603,585	578,299
0460 Provincial Offences Act (POA)	2,234,234	3,747,038	1,303	7,203		3,741,138	1,512,804	110,848	7,203	1,616,449	2,124,689
0498 Other	0	0				0	0			0	0
0499 Subtotal	71,983,504	136,173,753	8,320,061	6,938,412	0	137,555,402	64,190,249	8,380,937	6,829,780	65,741,406	71,813,996
Transportation services											
0611 Roads - Paved	820,860,278	1,169,598,990	64,287,232	19,118,961		1,214,767,261	348,738,712	40,192,837	16,122,464	372,809,085	841,958,176
0612 Roads - Unpaved	0	0				0	0			0	0
0613 Roads - Bridges and Culverts	89,037,811	132,683,016	7,187,817	934,349		138,936,484	43,645,205	3,438,627	934,349	46,149,483	92,787,001
0614 Roads - Traffic Operations & Roadside	81,146,860	125,163,091	6,222,758	1,857,665		129,528,184	44,016,231	4,503,050	1,857,665	46,661,616	82,866,568
0621 Winter Control - Except sidewalks, Parking Lots	378	2,525				2,525	2,147	253		2,400	125
0622 Winter Control - Sidewalks, Parking Lots Only	0	0				0	0			0	0
0631 Transit - Conventional	95,997,884	200,513,567	12,547,494	9,493,579		203,567,482	104,515,683	12,827,885	9,493,579	107,849,989	95,717,493
0632 Transit - Disabled & special needs	0	0				0	0			0	0
0640 Parking	2,251,090	3,083,592	339,859	14,332		3,409,119	832,502	215,601	14,332	1,033,771	2,375,348
0650 Street lighting	79,095,882	169,893,405	4,212,802	3,618,694		170,487,513	90,797,523	5,926,060	3,618,694	93,104,889	77,382,624
0660 Air transportation	0	0				0	0			0	0
0698 Other	0	0				0	0			0	0
0699 Subtotal	1,168,390,183	1,800,938,186	94,797,962	35,037,580	0	1,860,698,568	632,548,003	67,104,313	32,041,083	667,611,233	1,193,087,335
Environmental services											
0811 Wastewater collection/conveyance	403,915,230	622,587,338	48,093,757	7,167,114		663,513,981	218,672,112	13,800,445	6,207,015	226,265,542	437,248,439
0812 Wastewater treatment & disposal	214,288,310	491,855,729	3,706,549	117,158,904		378,403,374	277,567,419	15,775,106	117,158,904	176,183,621	202,219,753
0821 Urban storm sewer system	693,275,603	995,749,230	46,612,843	1,489,272		1,040,872,801	302,473,627	16,288,435	828,626	317,933,436	722,939,365
0822 Rural storm sewer system	0	0				0	0			0	0
0831 Water treatment	63,762,527	100,504,142	2,900,632	9,734,500		93,670,274	36,741,614	4,655,428	9,229,809	32,167,233	61,503,041
0832 Water distribution/transmission	600,833,164	907,293,046	23,656,937	7,523,084		923,426,899	306,459,882	20,657,985	5,731,380	321,386,487	602,040,412
0840 Solid waste collection	278,924	511,640	192,172	71,075		632,737	232,718	57,340	71,075	218,983	413,754
0850 Solid waste disposal	44,824,910	62,598,707	5,154,602	343,451		67,409,858	17,773,798	2,063,661	343,138	19,494,321	47,915,537
0860 Waste diversion	16,120,469	22,945,846		13,568		22,932,278	6,825,377	850,858	13,568	7,662,667	15,269,611
0898 Other	0	0				0	0			0	0
0899 Subtotal	2,037,299,137	3,204,045,678	130,317,492	143,500,968	0	3,190,862,202	1,166,746,547	74,149,258	139,583,515	1,101,312,290	2,089,549,912
Health services											
1010 Public health services	943,520	1,819,401	426,554	118,985		2,126,970	875,881	83,438	118,987	840,332	1,286,638
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	943,520	1,819,401	426,554	118,985	0	2,126,970	875,881	83,438	118,987	840,332	1,286,638
Social and family services											
1210 General assistance	7,296,539	9,238,733	32,431	50,836		9,220,328	1,942,192	456,650	50,836	2,348,066	6,872,322
1220 Assistance to aged persons	22,907,408	38,522,959	95,265	908,254		37,709,970	15,615,553	1,257,000	908,254	15,964,299	21,745,671
1230 Child care	16,365	30,681	11,981			42,662	14,317	3,676		17,993	24,669
1298 Other	0	0				0	0			0	0
1299 Subtotal	30,220,312	47,792,373	139,677	959,090	0	46,972,960	17,572,062	1,717,326	959,090	18,330,298	28,642,662

FIR2020: London C

Asmt Code: 3936
MAH Code: 59101

Schedule 51 SCHEDULE OF TANGIBLE CAPITAL ASSETS for the year ended December 31, 2020

ANALYSIS BY FUNCTIONAL CLASSIFICATION

		COST					AMORTIZATION				2020 Closing Net Book Value	
		2020 Opening Net Book Value	2020 Opening Cost Balance	Additions and Betterments	Disposals	Write Downs	2020 Closing Cost Balance	2020 Opening Amortization Balance	Annual Amortization	Amortization Disposal		2020 Closing Amortization Balance
		1	2	3	4	5	6	7	8	9		10
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Social Housing												
1410	Public Housing	58,878,638	129,101,462	6,000,257	55,787		135,045,932	70,222,824	2,257,825	55,787	72,424,862	62,621,070
1420	Non-Profit/Cooperative Housing	0	0	0	0	0	0	0	0	0	0	0
1430	Rent Supplement Programs	0	0	0	0	0	0	0	0	0	0	0
1497	Other	496,635	615,034	2,341,336	5,708		2,950,662	118,400	53,841	5,708	166,533	2,784,129
1498	Other	0	0	0	0	0	0	0	0	0	0	0
1499	Subtotal	59,375,273	129,716,496	8,341,593	61,495	0	137,996,594	70,341,224	2,311,666	61,495	72,591,395	65,405,199
Recreation and cultural services												
1610	Parks	216,413,314	264,415,220	7,600,759	3,287,617		268,728,362	48,001,905	5,140,720	3,280,539	49,862,086	218,866,276
1620	Recreation programs	185,832	331,477	27,435	8,633		350,279	145,643	38,215	8,633	175,225	175,054
1631	Rec. Fac. - Golf Crs, Marina, Ski Hill	1,695,107	5,582,533	3,541	211,053		5,375,021	3,887,429	224,464	211,053	3,900,840	1,474,181
1634	Rec. Fac. - All Other	101,874,075	182,136,479	1,427,344	5,918,148		177,645,675	80,262,408	7,021,015	5,481,593	81,801,830	95,843,845
1640	Libraries	26,432,970	61,698,032	1,516,417	1,869,090		61,345,359	35,265,062	3,657,469	1,869,090	37,053,441	24,291,918
1645	Museums	788,671	1,028,387	249,638			1,278,025	239,716	87,001		326,717	951,308
1650	Cultural services	14,338,575	28,205,177	672,849	812,704		28,065,322	13,866,599	1,640,516	812,703	14,694,412	13,370,910
1698	Other	2,542	10,176	0			10,176	7,633	1,020		8,653	1,523
1699	Subtotal	361,731,086	543,407,481	11,497,983	12,107,245	0	542,798,219	181,676,395	17,810,420	11,663,611	187,823,204	354,975,015
Planning and development												
1810	Planning and zoning	850,367	999,778	81,714	24,845		1,056,647	149,411	111,781	24,844	236,348	820,299
1820	Commercial and Industrial	41,404,384	73,680,725	650,074	13,690		74,317,109	32,276,337	2,086,775	9,020	34,354,092	39,963,017
1830	Residential development	1,091,865	2,155,101				2,155,101	1,063,235			1,063,235	1,091,866
1840	Agriculture and reforestation	1,024,767	1,923,343		1,455		1,921,888	898,576	99,007	1,455	996,128	925,760
1850	Tile drainage/shoreline assistance	0	0				0	0			0	0
1898	Other	0	0				0	0			0	0
1899	Subtotal	44,371,383	78,758,947	731,788	39,990	0	79,450,745	34,387,559	2,297,563	35,319	36,649,803	42,800,942
1910	Other	0	0				0	0			0	0
9910	Total Tangible Capital Assets	3,865,880,185	6,103,401,228	266,122,544	207,857,383	0	6,161,666,389	2,237,521,046	184,631,712	200,294,450	2,221,858,308	3,939,808,081

2020.01

FIR2020: London C

Asmt Code: 3936

MAH Code: 59101

SCHEDULE OF TANGIBLE CAPITAL ASSETS

for the year ended December 31, 2020

SEGMENTED BY ASSET CLASS

		2020 Opening Net Book Value (NBV) 1 \$	2020 Closing Net Book Value (NBV) 11 \$
General Capital Assets			
2005	Land	452,847,939	471,918,897
2010	Land Improvements	76,089,670	79,099,352
2020	Buildings	360,570,144	349,614,510
2030	Machinery & Equipment	93,903,316	95,405,841
2040	Vehicles	7,879,338	7,729,016
2097	Other <input type="text"/>	0	0
2098	Other <input type="text"/>	14,257,848	11,913,415
2099	Total General Capital Assets	1,005,548,255	1,015,681,031
Infrastructure Assets			
2205	Land	0	0
2210	Land Improvements	0	0
2220	Buildings	228,994,632	224,398,260
2230	Machinery & Equipment	70,301,748	66,352,894
2240	Vehicles	52,225,210	53,839,080
2250	Linear Assets	2,508,810,340	2,579,536,816
2297	Other <input type="text"/>	0	0
2298	Other <input type="text"/>	0	0
2299	Total Infrastructure Assets	2,860,331,930	2,924,127,050
9920	Total Tangible Capital Assets	3,865,880,185	3,939,808,081
2405	Construction-in-progress	129,799,676	161,372,329
9921	Total Tangible Capital Assets and Construction-in-progress	3,995,679,861	4,101,180,410

2020.01

FIR2020: London C

Schedule 51

Asmt Code: 3936

SCHEDULE OF TANGIBLE CAPITAL ASSET: CONSTRUCTION-IN-PROGRESS

MAH Code: 59101

for the year ended December 31, 2020

ANALYSIS BY FUNCTIONAL CLASSIFICATION

		COST			
		2020 Opening Balance	Expenditures in 2020	Less Assets Capitalized	2020 Closing Balance
		1	2	3	4
		\$	\$	\$	\$
0299	General government	2,358,556	9,685,080	1,109,266	10,934,370
	Protection services				
0410	Fire	466,268	240,284	463,007	243,545
0420	Police	1,060,415	1,245,570	656,943	1,649,042
0421	Court Security	0			0
0422	Prisoner Transportation	0			0
0430	Conservation authority	0			0
0440	Protective inspection and control	0			0
0445	Building permit and inspection services	0			0
0450	Emergency measures	0			0
0460	Provincial Offences Act (POA)	0			0
0498	Other	20,358	102,584		122,942
0499	Subtotal	1,547,041	1,588,438	1,119,950	2,015,529
	Transportation services				
0611	Roads - Paved	14,794,783	29,093,289	9,373,486	34,514,586
0612	Roads - Unpaved	0			0
0613	Roads - Bridges and Culverts	1,096,192	3,066,431	8,132	4,154,491
0614	Roadways - Traffic Operations & Roadside	2,515,727	2,959,086	1,080,211	4,394,602
0621	Winter Control - Except sidewalks, Parking Lots	0			0
0622	Winter Control - Sidewalks, Parking Lots Only	0			0
0631	Transit - Conventional	0			0
0632	Transit - Disabled & special needs	0			0
0640	Parking	0	18,330		18,330
0650	Street lighting	732,389	939,176	598,982	1,072,583
0660	Air transportation	0			0
0698	Other	0			0
0699	Subtotal	19,139,091	36,076,312	11,060,811	44,154,592
	Environmental services				
0811	Wastewater collection/conveyance	12,904,445	17,514,179	10,978,170	19,440,454
0812	Wastewater treatment & disposal	12,565,777	699,937	6,678,358	6,587,356
0821	Urban storm sewer system	40,102,158	22,848,205	33,345,550	29,604,813
0822	Rural storm sewer system	0			0
0831	Water treatment	480,272	1,279,669	461,871	1,298,070
0832	Water distribution/transmission	12,772,516	13,754,213	10,101,733	16,424,996
0840	Solid waste collection	0			0
0850	Solid waste disposal	137,041	39,877	22,976	153,942
0860	Waste diversion	0	313,336		313,336
0898	Other	0			0
0899	Subtotal	78,962,209	56,449,416	61,588,658	73,822,967
	Health services				
1010	Public health services	0			0
1020	Hospitals	0			0
1030	Ambulance services	0			0
1035	Ambulance dispatch	0			0
1040	Cemeteries	0			0
1098	Other	0			0
1099	Subtotal	0	0	0	0
	Social and family services				
1210	General assistance	0			0
1220	Assistance to aged persons	29,632	145,877		175,509
1230	Child care	0			0
1298	Other	0			0
1299	Subtotal	29,632	145,877	0	175,509
	Social Housing				
1410	Public Housing	0			0
1420	Non-Profit/Cooperative Housing	0			0
1430	Rent Supplement Programs	0			0
1497	Other	0			0
1498	Other	0			0
1499	Subtotal	0	0	0	0
	Recreation and cultural services				
1610	Parks	7,453,344	5,190,231	3,715,258	8,928,317
1620	Recreation programs	0			0
1631	Rec. Fac. - Golf Crs, Marina, Ski Hill	7,293		7,293	0
1634	Rec. Fac. - All Other	19,234,654	1,651,083	34,593	20,851,144
1640	Libraries	0			0
1645	Museums	91,855		91,855	0
1650	Cultural services	56,712	144,148	31,800	169,060
1698	Other	0			0
1699	Subtotal	26,843,858	6,985,462	3,880,799	29,948,521
	Planning and development				
1810	Planning and zoning	0			0
1820	Commercial and Industrial	694,289	86,758	692,254	88,793
1830	Residential development	0	7,048		7,048
1840	Agriculture and reforestation	225,000	225,000	225,000	225,000
1850	Tile drainage/shoreline assistance	0			0
1898	Other	0			0
1899	Subtotal	919,289	318,806	917,254	320,841
1910	Other	0			0
9910	Total Construction-In-Progress	129,799,676	111,249,391	79,676,738	161,372,329

FIR2020: 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, 2020

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (NET DEBT)

		1
		\$
1010	Annual Surplus/(Deficit) (SLC 10 2099 01)	258,860,028
1020	Acquisition of tangible capital assets	-235,444,259
1030	Amortization of tangible capital assets (SLC 51 9910 08)	184,631,712
1031	Contributed (Donated) tangible capital assets	-61,133,703
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	6,510,980
1060	Write-downs of tangible capital assets	
1070	Other <input type="text"/>	
1071	Other <input type="text"/>	
1099	Subtotal	-105,500,553
1210	Change in supplies inventories	-408,909
1220	Change in prepaid expenses	-247,691
1230	Other <input type="text"/>	
1299	Subtotal	-656,600
1410	(Increase)/decrease in net financial assets/net debt	152,702,875
1420	Net financial assets (net debt), beginning of year	522,156,869
1421	Other comprehensive income (loss)	
9910	Net financial assets (net debt), end of year	674,859,744

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	3,756,380
0406	Reserves and Reserve funds (SLC 60 1012 01 + SLC 60 1012 02 + SLC 60 1012 03)	74,717,703
0410	Municipal User Fees & Service Charges	
0415	Development Charges (SLC 61 0299 08)	37,407,118
0416	Recreation land (The Planning Act) (SLC 60 1032 01)	677,201
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	116,558,402
Government Transfers		
0425	Capital Grants: Federal (SLC 12 9910 06 - (SLC 10 4099 01 - SLC 60 1047 01)	6,407,741
0430	Capital Grants: Provincial (SLC 12 9910 05 - (SLC 10 4019 01 - SLC 60 1045 01)	4,643,741
0435	Capital Grants: Other Municipalities (SLC 12 9910 07)	0
0440	Canada Gas Tax (SLC 10 4099 01)	24,973,622
0445	Provincial Gas Tax (SLC 10 4019 01)	1,860,769
0502	Subtotal	37,885,873
0499	Subtotal	154,444,275
0610	Contributed (Donated) tangible capital assets	61,133,703
9920	Total Capital Financing	215,577,978
0810	Unexpended Capital Financing or (Unfinanced Capital Outlay)	-80,999,984

2020.01

FIR2020: London C

Schedule 54

Asmt Code: 3936

CONSOLIDATED STATEMENT OF CASH FLOW - DIRECT METHOD

MAH Code: 59101

for the year ended December 31, 2020

* Municipalities must choose either the direct or indirect method. If indirect method is chosen, please use Schedule 54B.

CONSOLIDATED STATEMENT OF CASH FLOW - DIRECT METHOD

		2020 Actual 1 \$
Operating Transactions		
Cash received from		
0210	Taxes	
0220	Transfers	
0230	User Fees	
0240	Fees, Permits, Licenses and Fines	
0250	Enterprises	
0260	Investments	
0298	Other <input type="text"/>	
0299	Subtotal	0
Cash paid for		
0410	Salaries, Wages and Employment Contracts and Benefits	
0420	Material and Supplies	
0430	Contracted Services	
0440	Financing Charges	
0450	External Transfers	
0498	Other <input type="text"/>	
0499	Subtotal	0
2099	Cash provided by operating transactions	0
Capital Transactions		
0610	Proceeds on sale of tangible capital assets	
0620	Cash used to acquire tangible capital assets	
0630	Change in construction-in-progress	
0698	Other <input type="text"/>	
0699	Cash applied to capital transactions	0
Investing Transactions		
0810	Proceeds from portfolio investments	
0820	Portfolio investments	
0898	Other <input type="text"/>	
0899	Cash provided by / (applied to) investing transactions	0
Financing Transactions		
1010	Proceeds from long term debt issues	
1020	Principal long term debt repayment	
1030	Temporary loans	
1031	Repayment of temporary loans	
1096	Other <input type="text"/>	
1097	Other <input type="text"/>	
1098	Other <input type="text"/>	
1099	Cash applied to financing transactions	0
1210	Increase in cash and cash equivalents	0
1220	Cash and cash equivalents, beginning of year	0
9920	Cash and cash equivalents, end of year	0

		2020 Actual 1 \$
Cash and cash equivalents represented by:		
1401	Cash	
1402	Temporary borrowings	
1403	Short term investments	
1404	Other <input type="text"/>	
9940	Cash and cash equivalents, end of year	0
Cash:		
1501	Unrestricted	1
1502	Restricted	\$
1503	Unallocated	
9950	Cash and cash equivalents, end of year	0

2020.01

FIR2020: London C

Asmt Code: 3936

MAH Code: 59101

CONSOLIDATED STATEMENT OF CASH FLOW - INDIRECT METHOD

for the year ended December 31, 2020

Schedule 54

* 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

		2020 Actual 1 \$
Operating Transactions		
2010	Annual Surplus/(Deficit) (SLC 10 2099 01)	258,860,028
2020	Non-cash items including amortization	204,800,088
2021	Contributed (Donated) tangible capital assets	-61,133,703
2022	Change in non-cash assets and liabilities	-14,455,784
2030	Prepaid expenses	-1,065,423
2040	Change in deferred revenue	79,831,297
2096	Other <input type="text"/>	
2097	Other <input type="text"/>	
2098	Other <input type="text"/>	
2099	Cash provided by operating transactions	466,836,503
Capital Transactions		
0610	Proceeds on sale of tangible capital assets	6,510,980
0620	Cash used to acquire tangible capital assets	-124,194,864
0630	Change in construction-in-progress	-111,249,395
0698	Other <input type="text"/>	
0699	Cash applied to capital transactions	-228,933,279
Investing Transactions		
0810	Proceeds from portfolio investments	
0820	Portfolio investments	-138,171,232
0898	Other <input type="text" value="Loan Receivable and GBE"/>	-4,679,441
0899	Cash provided by / (applied to) investing transactions	-142,850,673
Financing Transactions		
1010	Proceeds from long term debt issues	36,000,000
1020	Principal long term debt repayment	-58,601,261
1030	Temporary loans	670,997
1031	Repayment of temporary loans	
1096	Other <input type="text"/>	
1097	Other <input type="text"/>	
1098	Other <input type="text"/>	
1099	Cash applied to financing transactions	-21,930,264
1210	Increase in cash and cash equivalents	73,122,287
1220	Cash and cash equivalents, beginning of year	491,411,214
9920	Cash and cash equivalents, end of year	564,533,501

		2020 Actual 1 \$
Cash and cash equivalents represented by:		
1401	Cash	564,533,501
1402	Temporary borrowings	
1403	Short term investments	
1404	Other <input type="text"/>	
9940	Cash and cash equivalents, end of year	564,533,501

		1 \$
Cash:		
1501	Unrestricted	564,533,501
1502	Restricted	
1503	Unallocated	
9950	Cash and cash equivalents, end of year	564,533,501

2020.01

FIR2020: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 60

CONTINUITY OF RESERVES AND RESERVE FUNDS

for the year ended December 31, 2020

	Obligatory Res. Funds, Deferred Rev.	Discretionary Res. Funds	Reserves
	1 \$	2 \$	3 \$
0299 Balance, beginning of year	346,409,719	748,990,544	105,796,845
0310 Allocation of Surplus		181,300,413	42,109,805
0315 Allocation of Surplus : for operating		159,489,211	40,485,334
0320 Allocation of Surplus : for capital		21,811,202	1,624,471
Development Charges Act			
0610 Non-discounted services	68,178,408		
0620 Discounted services	8,191,818		
0630 Credits utilized (Development Charges Act) (SLC 61 0299 05)	0		
0699 Subtotal Development Charges Act	76,370,226		
0810 Lot levies			
0820 Subdivider contributions			
0830 Recreational land (the Planning Act)	1,629,251		
0841 Investment Income	7,062,424	17,691,389	
0860 Gasoline Tax - Province	10,656,850		
0861 Building Code Act, 1992 (Section 1.9.1.1 (d))			
0862 Gasoline Tax - Federal	16,500,644		
0864 Building Canada Fund (BCF)			
0870 Inter - Reserve Fund / Reserves Transfer			
0895 Other	18,523,658		
0896 Other			
0897 Other			
0898 Other			
9940 TOTAL Revenues & Surplus	130,743,053	198,991,802	42,109,805
Less: Utilization of reserve funds and reserves (transfers)			
1012 For acquisition of tangible capital asset	1,427,128	72,443,970	846,605
1015 For current operations	13,533,067	16,657,096	3,981,124
1025 Development Charges earned to tangible capital asset acquisition (SLC 61 0299 08)	37,407,118		
1026 Development Charges earned to operations (SLC 61 0299 07)	0		
1032 Recreational land (the Planning Act) earned to tangible capital asset acquisition	677,201		
1035 Recreational land (the Planning Act) earned to operations			
1042 Deferred revenue earned (Provincial Gas Tax) for Transit (Operations)	7,128,154		
1045 Deferred revenue earned (Provincial Gas Tax) for Transit (Capital)	1,833,006		
1047 Deferred revenue earned (Canada Gas Tax)	18,186,838		
1048 Deferred revenue earned (Canada Gas Tax for Operating - Capacity Building)			
1055 Development Charges Act - Credits Provided (SLC 61 0299 10)	0		
1070 Inter - Reserve Fund / Reserves Transfer			
0910 Less: Utilization (deferred revenue recognized)	80,192,512	89,101,066	4,827,729
2099 Balance, end of year	396,960,260	858,881,280	143,078,921

2020.01

FIR2020: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 60

CONTINUITY OF RESERVES AND RESERVE FUNDS

for the year ended December 31, 2020

Totals in line 2099 are analysed as follows:

5010	Working funds
5020	Contingencies
	Asset Replacement funds for: Sewer & Water
5030	Sewer
5040	Water
5050	Replacement of equipment
5060	Sick leave
5070	Insurance
5080	Workplace Safety and Insurance Board (WSIB)
5090	Post-employment benefits
5091	Tax rate stabilization
5630	Lot levies
5660	Parking revenues
5670	Debenture repayment
5680	Exchange rate stabilization

Obligatory Res. Funds, Deferred Rev.	Discretionary Res. Funds	Reserves
1	2	3
\$	\$	\$
	120,889,213	129,822,642
	26,759,920	
	1,216,511	
	15,221,133	
	16,165,548	
	3,668,004	
	0	
	0	
	3,872,414	
	0	
	0	

Per Service Purpose:

5205	General government
5210	Protection services
	Transportation services:
5215	Roadways
5216	Winter Control
5220	Transit
5221	Parking
5222	Street lighting
5223	Air transportation
	Environmental services:
5225	Wastewater system
5230	Storm water system
5235	Waterworks system
5240	Solid waste collection
5245	Solid waste disposal
5246	Waste diversion
5250	Health services
5255	Social and family services
5260	Social housing
	Recreation and cultural services:
5265	Parks
5266	Recreation programs
5271	Recreation facilities - Golf Course, Marina, Ski Hill
5274	Recreation facilities - All Other
5275	Libraries
5276	Museums
5277	Cultural services
5280	Planning and development
5290	Other <input type="text"/> Other

	79,066,877	
	12,730,200	
	1,987,947	
	0	
	6,205,525	10,811,604
	0	
	0	
	0	
	133,225,325	
	5,113,114	
	120,079,134	
	0	
	26,034,427	
	1,842,594	
	0	
	13,498,395	
	35,384,763	
	3,243,805	
	0	
	380,285	
	0	
	2,313,514	2,444,675
	0	
	5,329,154	
	187,563,307	
	37,090,171	

Obligatory Deferred Revenue:

5610	Development Charges Act - Non-discounted services
5620	Development Charges Act - Discounted services
5640	Subdivider contributions
5650	Recreational land (the Planning Act)
5661	Building Code Act, 1992 (Section 1.9.1.1 (d))
5690	Gasoline Tax - Province
5691	Gasoline Tax - Federal
5692	Canada Transit Funding (Bill C-48)
5693	Building Canada Fund (BCF)
5695	Other <input type="text"/>
5696	Other <input type="text"/>
5697	Other Safe Restart
5698	Other <input type="text"/>
5699	Other <input type="text"/>
9930	TOTAL

267,186,447		
38,853,618		
0		
4,751,723		
0		
13,260,690		
67,155,210		
5,752,572		
396,960,260	858,881,280	143,078,921

2020.01

FIR2020: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 61

DEVELOPMENT CHARGES RESERVE FUNDS

for the year ended December 31, 2020

		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	3,534,125	1,828,025	104,866		1,932,891		-69,255			-69,255	5,536,271
0210	Fire Protection	1,369,176	179,521	34,902		214,423		-28,998			-28,998	1,612,597
0215	Police Protection	4,275,776	1,164,047	17,747		1,181,794		-73,330	132,880		59,550	5,398,020
0220	Roads and Structures	107,325,974	35,825,561	2,592,811		38,418,372		25,312,069	324,059		25,636,128	120,108,218
0225	Transit	6,763,722	566,106	168,925		735,031		-136,769			-136,769	7,635,522
0230	Wastewater	31,783,865	9,252,911	133,316		9,386,227		2,179,137	823,920		3,003,057	38,167,035
0235	Stormwater	57,903,820	16,116,126	1,154,617		17,270,743		6,440,622	600,976		7,041,598	68,132,965
0240	Water	24,602,997	3,812,217	621,431		4,433,648		805,309			805,309	28,231,336
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	4,076,360	257,293	99,910		357,203					0	4,433,563
0280	Recreation	22,206,397	7,368,419	467,562		7,835,981		2,978,333	279,510		3,257,843	26,784,535
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											
	Other	3				0					0	3
0295	Other	0				0					0	0
0296	Other	0				0					0	0
0297	Other	0				0					0	0
0299	TOTAL	263,842,215	76,370,226	5,396,087	0	81,766,313	0	37,407,118	2,161,345	0	39,568,463	306,040,065

2020.01

FIR2020: London C

Schedule 70

Asmt Code: 3936

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MAH Code: 59101

for the year ended December 31, 2020

Financial Assets		1
		\$
0299	Cash and cash equivalents	564,533,501
Accounts receivable		
0410	Canada	22,832,031
0420	Ontario	5,273,448
0430	Upper-tier	0
0440	Other municipalities	2,302,611
0450	School boards	3,547,775
0490	Other receivables	43,974,915
0499	Subtotal	77,930,780
Taxes receivable		
0610	Current year's levies	21,513,419
0620	Previous year's levies	5,174,196
0630	Prior year's levies	-1,454,423
0640	Penalties and interest	1,779,322
0690	LESS: Allowance for uncollectables	7,875,661
0699	Subtotal	19,136,853
Investments *		
0805	Canada	103,157,514
0810	Ontario	84,710,713
0815	Municipal	95,510
0820	Government business enterprises	192,448,177
0828	Other <input type="text"/>	715,043,861
0829	Subtotal	1,095,455,775
Debt Recoverable from Others		
0861	Municipalities (SLC 74 0630 01)	5,614,770
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"/>	
0845	Subtotal	5,614,770
Other financial assets		
0830	Inventories held for resale	192,371
0831	Land held for resale	36,846,549
0835	Notes receivable	220,558
0840	Mortgages receivable	14,949,821
0850	Deferred taxes receivable	8,831
0890	Other <input type="text"/>	10,836,139
0898	Subtotal	63,054,269
9930	TOTAL Financial Assets	1,825,725,948
8010	* Market value of Investments included in Line 0829	1,095,455,775

2020.01

FIR2020: London C

Schedule 70

Asmt Code: 3936
MAH Code: 59101

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
for the year ended December 31, 2020

Liabilities		1
		\$
Temporary loans		
2010	Operating purposes	
Tangible Capital Assets:		
2020	Canada	
2030	Ontario	
2040	Other	670,997
2099	Subtotal	670,997
Accounts Payable		
2210	Canada	2,649,096
2220	Ontario	5,774,385
2230	Upper-tier	0
2240	Other municipalities	1,928,675
2250	School boards	22,630
2260	Interest on debt	1,715,182
2270	Trade accounts payable	108,196,137
2290	Other	53,540,701
2299	Subtotal	173,826,806
2301	Estimated Tax Liabilities (PS3510)	
Deferred revenue		
2410	Obligatory reserve funds (SLC 60 2099 01)	396,960,260
2490	Other	55,117,127
2499	Subtotal	452,077,387
Long term liabilities		
2610	Debt issued	283,192,434
2620	Debt payable to others	3,600,000
2630	Lease purchase agreements (Tangible capital leases)	356,117
2640	Other	
2650	Other	
2660	LESS: Debt issued on behalf of Government Business Enterprise	0
2699	Subtotal	287,148,551
2799	Solid Waste Management Facility Liabilities	46,320,000
Post employment benefits		
2810	Accumulated sick leave	1,255,877
2820	Accrued vacation pay	18,233,531
2830	Accrued pensions payable	0
2840	Accrued Workplace Safety and Insurance Board claims (WSIB)	64,880,000
2898	Other	97,356,480
2899	Subtotal post employment benefits	181,725,888
2910	Liability for contaminated sites	9,096,575
9940	TOTAL Liabilities	1,150,866,204
9945	Net Financial Assets / Net Debt (Total Financial Assets LESS Total Liabilities)	674,859,744
Non-Financial Assets		
		1
		\$
6210	Tangible Capital Assets (SLC 51 9921 11)	4,101,180,410
6250	Inventories of Supplies	5,464,616
6260	Prepaid Expenses	16,267,384
6299	Total Non-Financial Assets	4,122,912,410
9970	Total Accumulated Surplus/(Deficit)	4,797,772,154
Analysis of the Accumulated Surplus/(Deficit)		
		1
		\$
6410	Equity in Tangible Capital Assets	4,137,670,838
6420	Reserves and Reserve Funds (SLC 60 2099 02 + SLC 60 2099 03)	1,001,960,201
6430	General Surplus/ (Deficit)	0
6431	Unexpended capital financing	53,015,459
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	283,360
5076	Other	18,280
5077	Other	1,764,348
5078	Other	
5079	Other	43,701
5098	Total Local Boards	2,109,689
5080	Equity in Government Business Enterprises (SLC 10 6090 01)	192,448,177
6601	Unfunded Employee Benefits	-182,873,192
6602	Unfunded Landfill closure costs	-46,320,000
6603	Unfunded Remediation costs of contaminated sites	-9,096,575
6610	Other	-273,028,363
6620	Other	
6630	Other	-78,114,080
6640	Other	
6699	Total Other	-589,432,210
9971	Total Accumulated Surplus/(Deficit)	4,797,772,154

2020.01

FIR2020: London C

Asmt Code: 3936

MAH Code: 59101

Single/Lower-Tier ONLY Schedule 72 CONTINUITY OF TAXES RECEIVABLE

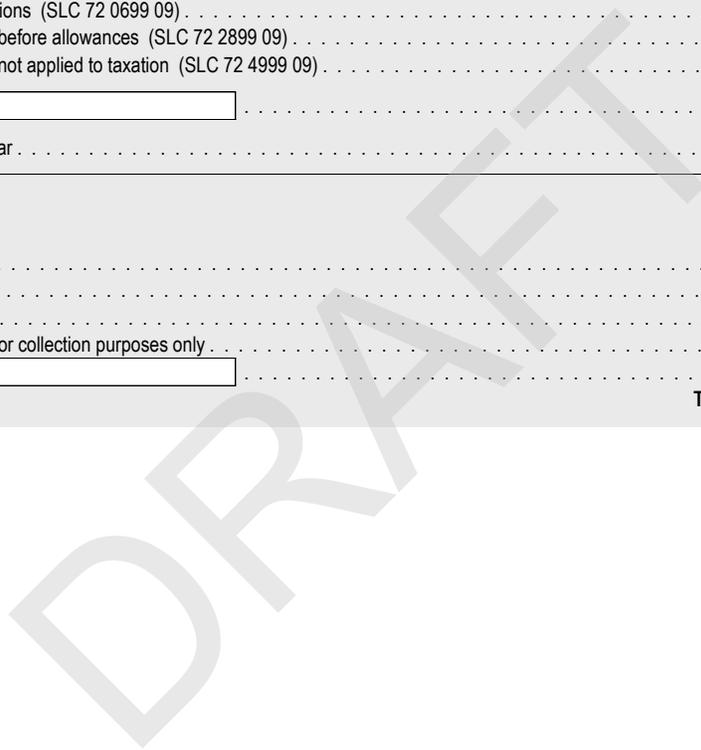
for the year ended December 31, 2020

Continuity of Taxes Receivable

		9
		\$
0210	Taxes receivable, beginning of year	13,285,025
0215	PLUS: Amounts added to tax bills for collection purposes only	1,559,973
0220	PLUS: Tax amounts levied in the year (SLC 26 9199 03)	803,355,175
0225	PLUS: Current Year Penalties and Interest	4,849,613
0240	LESS: Total cash collections (SLC 72 0699 09)	794,655,558
0250	LESS: Tax adjustments before allowances (SLC 72 2899 09)	8,012,565
0260	LESS: Tax adjustments not applied to taxation (SLC 72 4999 09)	1,244,810
0280	PLUS: <input type="text"/>	
0290	Taxes receivable, end of year	19,136,853

Cash Collections

		9
		\$
0610	Current year's tax	772,802,903
0620	Previous year's tax	16,360,658
0630	Penalties and interest	3,856,365
0640	Amounts added to tax bills for collection purposes only	1,635,632
0690	Other <input type="text"/>	
0699	TOTAL Cash Collections	794,655,558



FIR2020: London C

Asmt Code: 3936
MAH Code: 59101

Single/Lower-Tier ONLY Schedule 72
CONTINUITY OF TAXES RECEIVABLE
for the year ended December 31, 2020

Tax Adjustments Applied to Taxation	SCHOOL BOARDS					TOTAL Education 6 \$	Lower-Tier (Single-Tier) 7 \$	Upper-Tier 8 \$	TOTAL Tax Adjustment 9 \$
	English - Public 1	French - Public 2	English - Separate 3	French - Separate 4	Other 5				
	\$	\$	\$	\$	\$				
1000 Taxes collected on behalf of "other" bodies (Mun. Act 353)	4,091,494	33,447	1,061,575	77,080	0	5,263,596	-5,455,898	0	-192,302
1010 Write-off of taxes (Mun. Act 354)						0			0
1020 Cancellation, reduction, refund of taxes, overcharges (Mun. Act 365)						0			0
1030 Cancellation, reduction or refund of taxes (Mun. Act 365)						0			0
1040 ARB decisions, Advisory Notice of Adjustment due to an ARI						0			0
1050 RfR (Assessment Act 39.1)						0			0
1060 Increase of taxes, error in calculating taxes (Mun. Act 359/35)						0			0
1070 Post Roll Amended Notice (PRAN) (Assessment Act Section 35)						0			0
1080 Special Amended Notice (SAN) (Assessment Act)						0			0
1090 Tax Incentive Adjustment (TIA) (Assessment Act)						0			0
1099 Subtotal	4,091,494	33,447	1,061,575	77,080	0	5,263,596	-5,455,898	0	-192,302
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 365)						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)	190,154	2,141	48,830	4,042		245,167	432,845		678,012
2299 Vacant Unit Rebates (Mun. Act 364)	-28,619	-222	-7,686	-561		-37,088	-5,809		-42,897
2301 Contaminated Property (Mun. Act 365.1)						0			0
2399 Reduction for Heritage Property (Mun. Act 365.2)						0			0
2400 Change in Assessment (Mun. Act 365.3)						0			0
2890 Other LEGIONS						0	19,212		19,212
2891 Other MUNICIPAL HOUSING						0	326,017		326,017
2892 Other Less: Prior Yr. Tax Adj Allowance						0	7,224,523		7,224,523
2893 Other						0			0
2899 Tax adjustments before allowances	4,253,029	35,366	1,102,719	80,561	0	5,471,675	2,540,890	0	8,012,565

Tax Adjustments Not Applied to Taxation	SCHOOL BOARDS					TOTAL Education 6 \$	Lower-Tier (Single-Tier) 7 \$	Upper-Tier 8 \$	TOTAL Tax Adjustment 9 \$
	English - Public 1	French - Public 2	English - Separate 3	French - Separate 4	Other 5				
	\$	\$	\$	\$	\$				
4010 Tax sale, Tax registration accounts							1,244,499		1,244,499
4210 Tax Deferral - Low income seniors and Disabled persons (Mun. Act 365)	24					24	287		311
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	24	0	0	0	0	24	1,244,786	0	1,244,810

Additional Information									
6010 Recovery of Tax Deferrals						0			0
7010 Entitlement of School Boards	111,827,139	882,957	24,590,342	1,512,137	0	138,812,575			

2020.01

FIR2020: London C

Schedule 74

Asmt Code: 3936

LONG TERM LIABILITIES AND COMMITMENTS

MAH Code: 59101

for the year ended December 31, 2020

1. Debt burden of the municipality

All outstanding debt issued by the municipality, predecessor municipalities and consolidated entities		1
		\$
0210	To Ontario and agencies	26,384,556
0220	To Canada and agencies	4,829,631
0230	To Others	255,934,364
0297	Other <input type="text"/>	
0298	Other <input type="text"/>	
0299	Subtotal	287,148,551
0499	PLUS: All debt assumed by the municipality from others	
LESS: All debt assumed by others		
0610	Ontario	
0620	School boards	
0630	Other Municipalities	5,614,770
0640	Government Business Enterprises	
0697	Other <input type="text"/>	
0698	Other <input type="text"/>	
0699	Subtotal	5,614,770
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	281,533,781

2. Debt burden of the municipality: Analysed by debt instrument

1210	Sinking fund debentures	
1220	Installment (serial) debentures	277,577,662
1230	Long term bank loans	
1240	Lease purchase agreements (Tangible capital leases)	356,119
1250	Mortgages	
1280	Construction Financing Debentures	
1297	Other <input type="text" value="Capital Grants"/>	3,600,000
1298	Other <input type="text"/>	
9920	TOTAL Net Long Term Liabilities of the Municipality	281,533,781

3. Debt burden of the municipality: Analysed by function

1405	General government	1,748,099
1410	Protection services	6,286,580
Transportation services:		
1415	Roadways	62,728,781
1416	Winter Control	
1420	Transit	18,624,643
1421	Parking	
1422	Street Lighting	260,459
1423	Air Transportation	
Environmental services:		
1425	Wastewater system	61,559,637
1430	Storm water system	32,594,858
1435	Waterworks system	10,455,349
1440	Solid Waste collection	
1445	Solid Waste disposal	
1446	Waste diversion	
1450	Health services	
1455	Social and family services	7,873,783
1460	Social housing	
Recreation and cultural services:		
1465	Parks	1,575,706
1466	Recreation programs	
1471	Recreation facilities - Golf Course, Marina, Ski Hill	
1474	Recreation facilities - All Other	57,419,910
1475	Libraries	3,372,858
1476	Museums	
1477	Cultural services	
1480	Planning and development	13,433,118
1490	Other long term liabilities	3,600,000
9930	TOTAL Net Long Term Liabilities of the Municipality	281,533,781

2020.01

FIR2020: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 74

LONG TERM LIABILITIES AND COMMITMENTS

for the year ended December 31, 2020

4. Debt payable in foreign currencies (net of sinking fund holdings)

		1
		\$
1610	US Dollars:	
	Canadian dollar equivalent included in SLC 74 9910 01	
1620	Par value in 'U.S. Dollars'	
	Other currency:	
1630	Canadian dollar equivalent included in SLC 74 9910 01	
1640	Par value in <input type="text"/>	
1650	Canadian dollar equivalent included in SLC 74 9910 01	
1660	Par value in <input type="text"/>	

5. Interest earned on sinking funds and on debt retirement funds during the year

1810	Own funds	<input type="text"/>
------	---------------------	----------------------

6. Details of sinking fund balance

2010	Value of own sinking fund debentures issued and outstanding at year end	<input type="text"/>
	Balance of own sinking funds at year end	
2110	Total contributions to own sinking funds	<input type="text"/>
2120	Total income earned from investments of sinking funds' monies	<input type="text"/>
2199	Subtotal	0
2210	Estimated total future contributions from this municipality required to meet obligations in line 2010 above	<input type="text"/>
2220	Estimated total future income earned from investments in lines 2199 and 2210 above	<input type="text"/>

7. Long term commitments at year end

2410	Hospital support	<input type="text"/>
2420	University support	<input type="text"/>
2430	Leases and other agreements	<input type="text"/>
2440	Capital equipment, land acquisition	<input type="text"/>
2496	Other <input type="text"/>	<input type="text"/>
2497	Other <input type="text"/>	<input type="text"/>
2498	Other <input type="text"/>	<input type="text"/>
2499	TOTAL	0

2020.01

FIR2020: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 74 LONG TERM LIABILITIES AND COMMITMENTS

for the year ended December 31, 2020

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 2021	41,784,215	4,823,616	2,020,748	198,564			12,624,418	2,013,180
3220	Year 2022	33,374,812	3,669,415	2,082,454	127,960			11,584,782	1,736,563
3230	Year 2023	28,376,774	2,697,975	1,158,855	51,923			11,131,845	1,471,650
3240	Year 2024	22,036,504	1,867,056	487,139	8,456			10,518,074	1,205,784
3250	Year 2025	17,825,428	1,361,527					10,076,310	962,823
3260	Years 2026 to 2030	42,618,725	1,906,874					33,653,550	1,627,000
3270	Years 2031 onwards	179,148	3,587						
3280	Int. to be earned on sink. funds .								
3299	TOTAL	186,195,606	16,330,050	5,749,196	386,903	0	0	89,588,979	9,017,000

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.

2020.01

FIR2020: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 76 GOVERNMENT BUSINESS ENTERPRISES for the year ended December 31, 2020

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	115,217,000	1,214,636				116,431,636
0220	Capital	376,435,000	10,762,756	19,681,716			406,879,472
0297	Other						0
0298	Other <input type="text" value="other"/>	22,993,000					22,993,000
0299	Total Assets	514,645,000	11,977,392	19,681,716	0	0	546,304,108
Liabilities							
0410	Current	76,860,000	2,125,391				78,985,391
0420	Long-term	200,000,000	1,486,384				201,486,384
0497	Other	58,467,000	2,754,000				61,221,000
0498	Other <input type="text" value="Other"/>	4,182,000					4,182,000
0499	Total Liabilities	339,509,000	6,365,775	0	0	0	345,874,775
9910	Net Equity	175,136,000	5,611,617	19,681,716	0	0	200,429,333
0610	Municipality's Share	100	36	73			209
STATEMENT OF OPERATIONS							
0810	Revenues	517,704,000	3,158,306				520,862,306
0820	Expenses	512,258,000	2,575,439	-678,680			514,154,759
9920	Net Income (Loss)	5,446,000	582,867	678,680	0	0	6,707,547
1010	Municipality's Share	100	36	73			209
1020	Dividends paid	5,000,000					5,000,000

2020.01

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Schedule 79

COMMUNITY IMPROVEMENT PLANS

for the year ended December 31, 2020

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	0	0
2020	Development/Redevelopment of Land/Buildings	24,410	5
Loans			
2210	Loans issued in current year (2020)	440,681	11
2220	Outstanding Loans as of 2020	2,081,416	16
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 2020			
2610	Year: 2021	4,082,762	
2620	Year: 2022	1,535,666	
2630	Year: 2023	1,444,279	
2640	Year: 2024	2,940,892	
2650	Year: 2025	2,602,509	
2660	Years beyond 2025	7,849,769	

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Schedule 80
STATISTICAL INFORMATION
for the year ended December 31, 2020

1. Municipal workforce profile
Employees of the Municipality

	Full-Time Funded Positions 1 #	Part-Time Funded Positions 2 #	Seasonal Employees 3 #
0205 Administration	232.00	1.00	2.00
0210 Fire	408.00	0.00	0.00
0211 Uniform	339.00		
0212 Civilian	69.00		
0215 Police	860.00	9.00	18.00
0216 Uniform	642.00		
0217 Civilian	218.00	9.00	18.00
0260 Court Security	0.00	0.00	0.00
0261 Uniform			
0262 Civilian			
0263 Prisoner Transportation	0.00	0.00	0.00
0264 Uniform			
0265 Civilian			
0220 Transit			
0225 Public Works	863.00	2.00	53.00
0227 Ambulance	0.00	0.00	0.00
0228 Uniform			
0229 Civilian			
0230 Health Services			
0235 Homes for the Aged	152.00	212.00	
0240 Other Social Services	339.00	3.00	8.00
0245 Parks and Recreation	112.00		1,093.00
0250 Libraries			
0255 Planning	53.00		2.00
0290 Other	230.00	1.00	11.00
0298 Subtotal	3,249.00	228.00	1,187.00
0300 Proportion of Munic. Empl. covered by 'Collective Agreements' (%)			
Employees of Joint Local Boards			
0305 Administration			
0310 Fire	0.00	0.00	0.00
0311 Uniform			
0312 Civilian			
0315 Police	0.00	0.00	0.00
0316 Uniform			
0317 Civilian			
0360 Court Security	0.00	0.00	0.00
0361 Uniform			
0362 Civilian			
0363 Prisoner Transportation	0.00	0.00	0.00
0364 Uniform			
0365 Civilian			
0320 Transit	595.00		
0325 Public Works			
0327 Ambulance	0.00	0.00	0.00
0328 Uniform			
0329 Civilian			
0330 Health Services	300.00		
0335 Homes for the Aged			
0340 Other Social Services			
0345 Parks and Recreation			
0350 Libraries	181.00		
0355 Planning			
0390 Other	994.00		
0398 Subtotal	2,070.00	0.00	0.00
0399 TOTAL	5,319.00	228.00	1,187.00

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MAH Code: 59101

Schedule 80
STATISTICAL INFORMATION
for the year ended December 31, 2020

2. Selected investments of own sinking funds as at Dec. 31

0610 Own sinking funds

Own Municipality 1 \$	Other Munic., School Boards 2 \$	Provincial 3 \$	Federal 4 \$

3. Municipal procurement this year

1010 Total construction contracts awarded

1020 Construction contracts awarded at \$100,000 or greater

Number of Contracts 1 #	Value of Contracts 2 \$
78	154,759,197
63	154,262,677

4. Building permit information

1210 Residential properties

1220 Multi-Residential properties

1230 All other property classes

1299 **Subtotal**

Number of Building Permits 1 #	Total Value of Building Permits 2 \$
1,110	552,045,856
1,529	626,102,400
775	372,813,777
3,414	1,550,962,033

5. Insured value of physical assets

1410 Buildings

1420 Machinery and equipment

1430 Vehicles

1497 Other

1498 Other

1499 **Subtotal**

1 \$
2,074,077,892
100,000,000
61,568,096
2,235,645,988

6. Total Dollar Losses due to Structural Fires

1510 Losses due to structural fires, averaged over 3 yrs (2018 - 2020)

1 \$
15,608,391



2020.01

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MAH Code: 59101

Schedule 80 STATISTICAL INFORMATION

for the year ended December 31, 2020

7. Alternate service delivery arrangements

Municipal services which the municipality currently provides through some form of alternate service delivery: (Top 10 by Operating Expenses)

	Municipal service 1	S40 Functional Heading 3 LIST	S40 Line Number 2	Statement of Operations: Expenses 4 \$	Comments 5
1601	Animal Control Services	Protective inspection and control	0440	352,204	
1602	Recycling	Waste diversion	0860	13,998,152	
1603	OW Employee Security	General assistance	1210	9,359,367	
1604					
1605					
1606					
1607					
1608					
1609					
1610					

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Asmt Code: 3936

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Schedule 80 STATISTICAL INFORMATION

for the year ended December 31, 2020

8. Consolidated Local boards including Joint local boards and all local entities set up by the municipality

(I) PROPORTIONALLY CONSOLIDATED joint local boards

Name of Board or Entity 1	Board Description 3 LIST	Board Code 2	Proportion of Total Munic. Contributions Consolidated 4 %	Municipality's Share of Total Contributions 5 \$	Municipality's Share of Total Fee Revenues 6 \$	
0801	Lake Huron Area Primary Water Supply System	Water Board	0802	83%	0	0
0802	Elgin Area Primary Water Supply System	Water Board	0802	53%	0	0
0803	Middlesex-London Health Unit	Health Board (Unit), Medical Centre	1001	16%	0	0
0804						
0805						
0806						
0807						
0808						
0809						
0810						
0811						
0812						
0813						
0814						
0815						
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Asmt Code: 3936

MAH Code: 59101

Schedule 80 STATISTICAL INFORMATION

for the year ended December 31, 2020

(II) FULLY CONSOLIDATED local boards and any local entities set up by the municipality

Name of Board or Entity 1	Board Description 3 LIST	Board Code 2	Proportion of Total Munic. Contributions Consolidated 4 %	Municipality's Share of Total Contributions 5 \$	Municipality's Share of Total Fee Revenues 6 \$
0851	London Police Services Board	0402	100%		
0852	London Transit Commission	0602	100%		
0853	London Public Library Board	1604	100%		
0854	Old East Village Business Improvement Area	1805	100%		
0855	London Downtown Business Association	1805	100%		
0856	Argyle Business Improvement Association	1805	100%		
0857	London Convention Centre Corporation	9001	100%		
0858	Covent Garden Market Corporation	9001	100%		
0859	Museum London	1605	100%		
0860	Eldon House Corporation	1605	100%		
0861	Hamilton Road Business Improvement Area	1805	100%		
0862	London & Middlesex Community Housing Inc	1401	100%		
0863	Housing Development Corporation, London	1401	100%		
0864	Hyde Park Business Improvement Association	1805	100%		
0865			100%		
0866			100%		
0867			100%		
0868			100%		
0869			100%		
0870			100%		
0871			100%		
0872			100%		
0873			100%		
0874			100%		
0875			100%		
0876			100%		
0877			100%		
0878			100%		
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0880			100%		
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0887			100%		
0888			100%		
0889			100%		
0890			100%		
0891			100%		
0892			100%		
0893			100%		
0894			100%		
0895			100%		
0896			100%		
0897			100%		
0898			100%		
0899			100%		

FIR2020: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 80
STATISTICAL INFORMATION
for the year ended December 31, 2020

9. Building Permit Information (Performance Measures)

1300 What method does your municipality use to determine total construction value?
1302 If "Other Method" is selected in line 1300, please describe the method used to determine total construction value

Column 1 #	Column 2 #	Column 3 #	Description 4 LIST
			TACBOC Construction Value Standard

Total Value of Construction Activity
1304 Total Value of Construction Activity for 2020 based on permits issued

1 \$
1,550,962,033

Review of Complete Building Permit Applications: Median number of working days to review a complete building permit application and issue a permit or not issue a permit, and provide all reasons for refusal (by Category):

Median Number of Working Days 1 #
11

1306 **Category 1 : Houses (houses not exceeding 3 storeys/600 square metres)**
Reference : provincial standard is 10 working days

24

1308 **Category 2 : Small Buildings (small commercial/industrial not exceeding 3 storeys/600 square metres)**
Reference : provincial standard is 15 working days

1310 **Category 3 : Large Buildings (large residential/commercial/industrial/institutional)**
Reference : provincial standard is 20 working days

21

1312 **Category 4 : Complex Buildings (post disaster buildings, including hospitals, power/water, fire/police/EMS), communications**
Note : If no complete applications were submitted and accepted for a Category on lines 1306 to 1312, please leave the cell blank and do not enter zero.

31

Number Of Building Permit Applications
1314 **Category 1 : Houses (houses not exceeding 3 storeys/600 square metres)**
1316 **Category 2 : Small Buildings (small commercial/industrial not exceeding 3 storeys/600 square metres)**
1318 **Category 3 : Large Buildings (large residential/ commercial/ industrial/ institutional)**
1320 **Category 4 : Complex Buildings (post disaster buildings, including hospitals, power/water, fire/police/EMS), communications**

Number of Complete Applications 1 #	Number of Incomplete Applications 2 #	Total Number of Complete and Incomplete Applications 3 #
2,804	31	2,835
235	12	247
518	13	531
3	1	4
Subtotal	57	3,617

Note: Zero should be entered on lines 1314 to 1320 in column 1 if no complete applications were submitted and accepted for a category.
Zero should be entered in column 2 if no incomplete applications were submitted and accepted for a category.

10. Planning and Development

Land Use Planning (using building permit information)
1350 Number of residential units in new detached houses
1352 Number of residential units in new semi-detached houses
1354 Number of residential units in new row houses
1356 Number of residential units in new apartments/condo apartments
1358 **Subtotal**

Residential Units within Settlement Areas 1 #	Total Residential Units 2 #	Total Secondary Units 3 #
1,030	1,034	1
0	0	0
469	469	0
2,210	2,210	0
Subtotal	3,713	1

Land Designated for Agricultural Purposes
1370 Hectares of land designated for agricultural purposes in the Official Plan as of December 31, 2020

Hectares 1 #
13,990

FIR2020: London C

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MAH Code: 59101

Schedule 80
STATISTICAL INFORMATION
for the year ended December 31, 2020

11. Transportation Services		1			
		#			
1710	Roads : Total Paved Lane Km	3,749			
1720	Condition of Roads : Number of paved lane kilometres where the condition is rated as good to very good.	1,932			
		Column 1	Column 2	Column 3	Description 4
		#	#	#	LIST
1722	Has the entire municipal road system been rated?				Y
1725	Indicate the rating system used and the year the rating was conducted				2020 Pavement Quality Index (PQI)
1730	Roads : Total UnPaved Lane Km	26			
1740	Winter Control : Total Lane Km maintained in winter	3,775			
1750	Transit : Total Number of Regular Service Passenger Trips on Conventional Transit in Service Area.	12,681,300			
1755	Transit : Population of Service Area.	413,900			
1760	Bridges and Culverts : Total Square Metres of Surface Area on Bridges and Culverts	93,487			
		Number of structures where the condition of primary components is rated as good to very good, requiring only repair		Total Number	
		1	2		
		#	#		
1765	Bridges	90	134		
1766	Culverts	29	58		
1767	Subtotal	119	192		
		Column 1	Column 2	Column 3	Description 4
		#	#	#	LIST
1768	Have all bridges and culverts in the municipal system been rated?				Y
1769	Indicate the rating system used and the year the rating was conducted.				2019 & 2020 Bridge Management System
12. Environmental Services		1			
		#			
1810	Wastewater Main Backups : Total number of backed up wastewater mains	5			
1815	Wastewater Collection/Conveyance : Total KM of Wastewater Mains.	1,405			
1820	Wastewater Treatment and Disposal : Total Megalitres of Wastewater Treated.	71,094,000			
1825	Wastewater Bypasses Treatment : Estimated megalitres of untreated wastewater.	123,000			
1835	Urban Storm Water Management : Total KM of Urban Drainage System plus (0.005 KM times No. of Catch basins)	1,504			
1840	Rural Storm Water Management : Total KM of Rural Drainage System plus (0.005 KM times No. of Catch basins).	350			
1845	Water Treatment : Total Megalitres of Drinking Water Treated.	47,924,000			
1850	Water Main Breaks : Number of water main breaks in a year.	54			
1855	Water Distribution/Transmission : Total kilometres of Water Distribution / Transmission Pipe.	1,628			
1860	Solid Waste Collection : Total tonnes collected from all property classes.	93,273			
1865	Solid Waste Disposal : Total tonnes disposed of from all property classes.	342,707			
1870	Waste Diversion : Total tonnes diverted from all property classes.	77,015			
13. Recreation Services		1			
		#			
1910	Trails : Total kilometres of trails (owned by municipality and third parties).	248			
1920	Indoor recreation facility space : Square metres of indoor recreation facilities (municipally owned).	68,225			
1930	Outdoor recreation facility space : Square metres of outdoor recreation facility space (municipally owned).	92,633			
14. Other Revenue (Used for the calculation of Operating Cost)		1			
		\$			
2310	Fire Services: Other revenue.				
2320	Paved Roads : Other revenue.	263,482			
2330	Solid Waste Disposal : Other revenue.				
2340	Waste Diversion : Other Revenue.	3,578,498			
2370	Assessment on Exempt Properties (Enter data from returned roll)	4,190,883,214			

FIR2020: London C **Schedule 81**
ANNUAL DEBT REPAYMENT LIMIT
 based on the information reported for the year ended December 31, 2020

NOTE: THE ESTIMATED ANNUAL REPAYMENT LIMIT IS EFFECTIVE JANUARY 01, 2022
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)	58,601,261
0220	Interest (SLC 74 3099 02)	8,394,509
0299	Subtotal	66,995,770
0610	Payments for Long Term Commitments and Liabilities financed from the consolidated statement of operations (SLC 42 6010 01)	0
9910	Total Debt Charges	66,995,770

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	66,995,770

		1
		\$
1610	Total Revenues (SLC 10 9910 01)	1,420,238,614
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)	261,885,528
2220	Canada Grants, including Grants for Tangible Capital Assets (SLC 10 0820 01 + SLC 10 0825 01)	19,384,181
2225	Deferred revenue earned (Provincial Gas Tax) (SLC 10 0830 01)	8,961,160
2226	Deferred revenue earned (Canada Gas Tax) (SLC 10 0831 01)	18,186,838
2230	Revenue from other municipalities, including Revenue for Tangible Capital Assets (SLC 10 1099 01 + SLC 10 1098 01)	6,822,691
2240	Gain/Loss on sale of land & capital assets (SLC 10 1811 01)	74,710
2250	Deferred revenue earned (Development Charges) (SLC 10 1812 01)	37,407,118
2251	Deferred revenue earned (Recreation Land (The Planning Act)) (SLC 10 1813 01)	677,201
2253	Other Deferred revenue earned (SLC 10 1814 01)	0
2252	Donated Tangible Capital Assets (SLC 53 0610 01)	61,133,703
2254	Increase / Decrease in Government Business Enterprise equity (SLC 10 1905 01)	4,038,171
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)	16,227,804
2299	Subtotal	434,799,105
2410	Fees and Revenue for Joint Local Boards for Homes for the Aged	0
2610	Net Revenues	985,439,509
2620	25% of Net Revenues	246,359,877
9930	ESTIMATED ANNUAL REPAYMENT LIMIT	179,364,107

For Illustration Purposes Only

Annual Interest Rate	@	Term	years =
<input style="width: 100px; height: 20px;" type="text"/>		<input style="width: 100px; height: 20px;" type="text"/>	<input style="width: 100px; height: 20px;" type="text"/>

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FIR2020: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 83

NOTES

for the year ended December 31, 2020

NOTES

0010 **Schedule 10 :**

0020 **Schedule 12 :**

0030 **Schedule 40 :**

0040 **Schedule 51 :**

0050 **Schedule 53 :**

0060 **Schedule 54 :**

0070 **Schedule 60 :**

0080 **Schedule 70 :**

0090 **Schedule 74 :**

0110 **Schedule - Other :**

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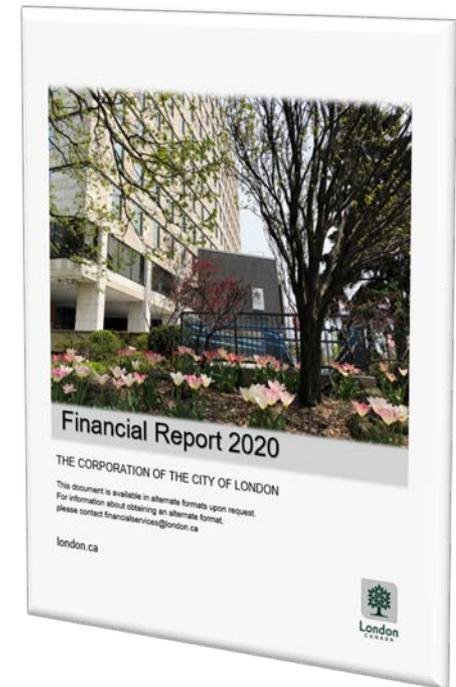
2020 Consolidated Financial Report



Audit Committee
June 16, 2021

Financial Consolidated Report

- Aligns with Council's Strategic Plan by demonstrating that London's finances are **transparent** and **well planned**, to balance equity and affordability.
- City of London Financial Report comprises:
 - 14 fully consolidated boards and commissions
 - 3 proportionately consolidated entities
 - 3 government business entities
- In accordance with **Section 294.1** of the ***Municipal Act, 2001*** requirement.



Consolidated Statements Comprise

Statement of Financial Position

- ❑ Summary of **assets** (financial and non-financial) and **liabilities**.

Statement of Operations

- ❑ Summary of **revenues, expenses** for the year.
- ❑ Identifies accumulated **surplus** at year end.

Statement of Changes in Net Financial Assets

- ❑ Identifies changes in financial assets as a result of annual **operations** and tangible **capital asset** transactions.

Statement of Cash Flows

- ❑ Highlights changes in case throughout the year, **sources** and **uses**.

Highlights and Changes

- Loans Receivable – **Note 5** – Accounting for Loans
 - Community Improvement Program
 - Development Charge Deferral and Alternative Payment
- Employee Benefits Payable – **Note 12** – WSIB Obligation
 - Actuarial valuation as at December 31, 2020
- Impact of COVID-19 – **Note 25**
 - Builds on the 2019 Subsequent Event Note
- Demand Loan – **Note 26** – Middlesex London Health Unit
 - Fit-up and relocation costs related to the move to Citi Plaza

Statement of Financial Position

- ✓ Financial Assets increased \$ 227 million
(attributable to an increase in Cash and Investments)
- ✓ Financial Liabilities increased \$ 75 million
(attributable to deferred revenue – development charges and Employee Benefits Payable)
- ✓ Net Financial Assets increased \$ 152 million
(Financial Assets less Financial Liabilities)
- ✓ Non-Financial Assets increased \$ 107 million
(comprised of \$376 million in tangible capital asset additions)
- ✓ Accumulated Surplus increased \$259 million

Notable Capital Projects (Assets) Recognized in 2020

- ✓ Annual road rehab program, \$12.4 million
- ✓ Phase 2 of the Wilton Grove Rd upgrade, \$ 11 million
- ✓ Force mains installed for the new Dingman Creek Pumping Station, \$9.4 million
- ✓ York St upgrade from Talbot to Clarence, \$7.6 million
- ✓ Thames Valley Parkway upgrades between the Richmond & Adelaide corridor, \$7.1 million
- ✓ Assets contributed by developers, \$61.1 million
 - *8.8 kms of roads*
 - *11.1 kms of sidewalks*
 - *261 streetlights*
 - *4.9 km of water pipe*
 - *18.1 km of sanitary pipe*
 - *19.8 km of storm sewer*



Net Book Value of Assets – December 31, 2020 (in millions)

Tangible Capital Assets (Note 14)	Historical Cost 2020	Accumulated Amortization 2020	Net Book Value 2020
Land	\$ 472	\$ -	\$ 472
Landfill and Land Improvements	167	88	79
Buildings and Building Improvements	1,107	539	568
Leasehold Improvements	9	3	6
Machinery, Equipment and Furniture	324	157	167
Vehicles	138	76	62
Water Infrastructure	825	280	545
Wastewater Infrastructure	1,604	515	1,089
Roads Infrastructure	1,499	554	945
Computers and Computers under lease	18	11	7
Assets under Construction	161	-	161
Totals	\$ 6,324	\$ 2,223	\$ 4,101



Five Year Review Highlights 2020 compared to 5-year average

❑ Tax Arrears	4.5% (4.1%)
❑ Total Long Term Debt	\$279 million (\$299 million)
❑ Debt Principal Repayments	\$57.4 million (\$52.2 million)
❑ Debt Issued	\$36 million (\$42.2 million)
❑ Tangible Capital Asset Additions	\$376 million (\$421 million)
❑ Annual Surplus	\$259 million (\$217 million)
❑ Assessment Growth	1.63% (1.39%)

City Budget vs. PSAB Accounting (\$ 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**.

2020	Modified Cash Basis Budget	Financial Statement Adjustments	Full Accrual Basis PSAB
Revenue	1,199,022	169,463	1,368,485
Expenses	1,199,022	(89,397)	1,109,625
Surplus (Rev – Ex)	-	258,860	258,860

- 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) Revenue

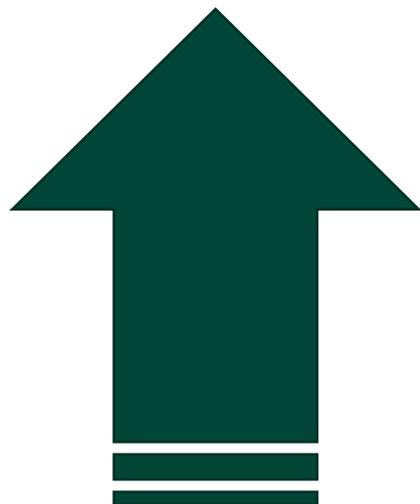
Statement of Operations - Revenues	City Budget 2020 (Unconsolidated)	PSAB Accounting 2020 Actuals
Net Municipal Taxation	664,559	666,502
Grants, User Fees and Other Revenue	524,615	529,456
Transfers from Capital and Reserve Funds	9,848	-
Capital Funding Earned	-	27,381
Developer Contributions	-	61,134
Reserve Fund Deferred Revenue Earned	-	73,690
Government Business Enterprise Adjustments	-	(962)
Boards and Commissions Surplus	-	11,284
Total Revenues	<u>1,199,022</u>	<u>1,368,485</u>

City Budget vs. PSAB Accounting (000's) Expenses

Statement of Operations - Expenses	City Budget 2020 (Unconsolidated)	PSAB Accounting 2020 Actuals
Operating Expenses	958,533	889,784
Debt Principal Repayments	40,171	-
Transfer to Reserve & Reserve Funds	108,087	-
Capital Expenditures (pay as you go financing)	92,231	-
Capital Expenses not capitalized	-	26,390
Amortization	-	154,856
Loss on Disposal of Capital Assets	-	4,785
Landfill, Contaminated Sites, and Employee future benefits Liability	-	33,810
Total Expenses	<u>1,199,022</u>	<u>1,109,625</u>
Annual Surplus	<u>0</u>	<u>258,860</u>

Statement of Operations - Expenses

- Overall, expenses **decreased** by **\$38.1 million** in 2020
 - a **3.2% decrease** over 2019



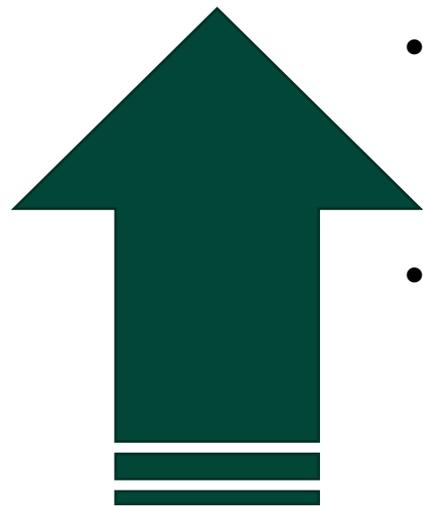
- ❑ Protection to persons and property \$17.4 million
- ❑ Environmental Services \$12.0 million
- ❑ Planning, Development and Compliance \$4.2 million



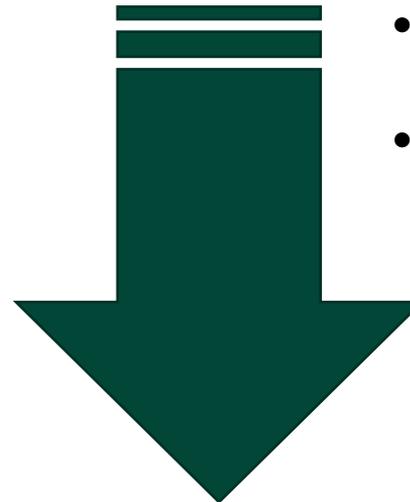
- ❑ General Government \$12.5 million
- ❑ Social and Family Services \$22.8 million
- ❑ Recreation and Culture Services \$11.8 million
- ❑ Transportation Services \$23.5 million

Statement of Operations - Revenues

- Overall, 2020 revenues **decreased \$1.4** million compared to 2019, a **0.1% decrease**.



- Increase in municipal taxation revenue \$34.3 million
- \$ 12.1 million net increase in transfer payments; Safe Restart Funding, Social Services Relief Funding, Federal Economic Response Plan Homeless Prevention Funding



- User Fee revenue \$16.4 million
- One-time revenues received in 2019 such as; Medical Network Repayment & contributions from utility companies for work done on Dundas Place
- OLG revenue and Municipal Accommodation Tax



Comparing the Budget Surplus to Financial Statement Surplus

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

Public Sector Accounting Board (PSAB) Landscape

- Upcoming Financial Statements enhancements to **look forward to** and **start building towards** as setout in Public Sector Accounting Standards (PSAS).

2023 Financial Statements

- Foreign Currency Translation
- Financial Instruments
- Asset Retirement Obligations

2024 Financial Statements

- Revenue

On the Radar

Climate Change Disclosure

Where do we go from here?

- ❑ The preparation of the 2020 Financial Report was a total **TEAM** effort. **THANKS** is extended to the entire Financial Services Team for their long hours, along with all the contributions from;
 - Capital Assets and Projects,
 - Financial Planning & Business Supports,
 - Legal Services,
 - People Services, and
 - Risk Management
- ❑ This could not have been accomplished without the **CO-OPERATION** of the City's Boards and Commissions.

KPMG will present their **Audit Findings Report**

The Corporation of the City of London

Audit Findings Report
for the year ended December 31, 2020

KPMG LLP

Licensed Public Accountants

JUNE 7, 2021

kpmg.ca/audit

KPMG

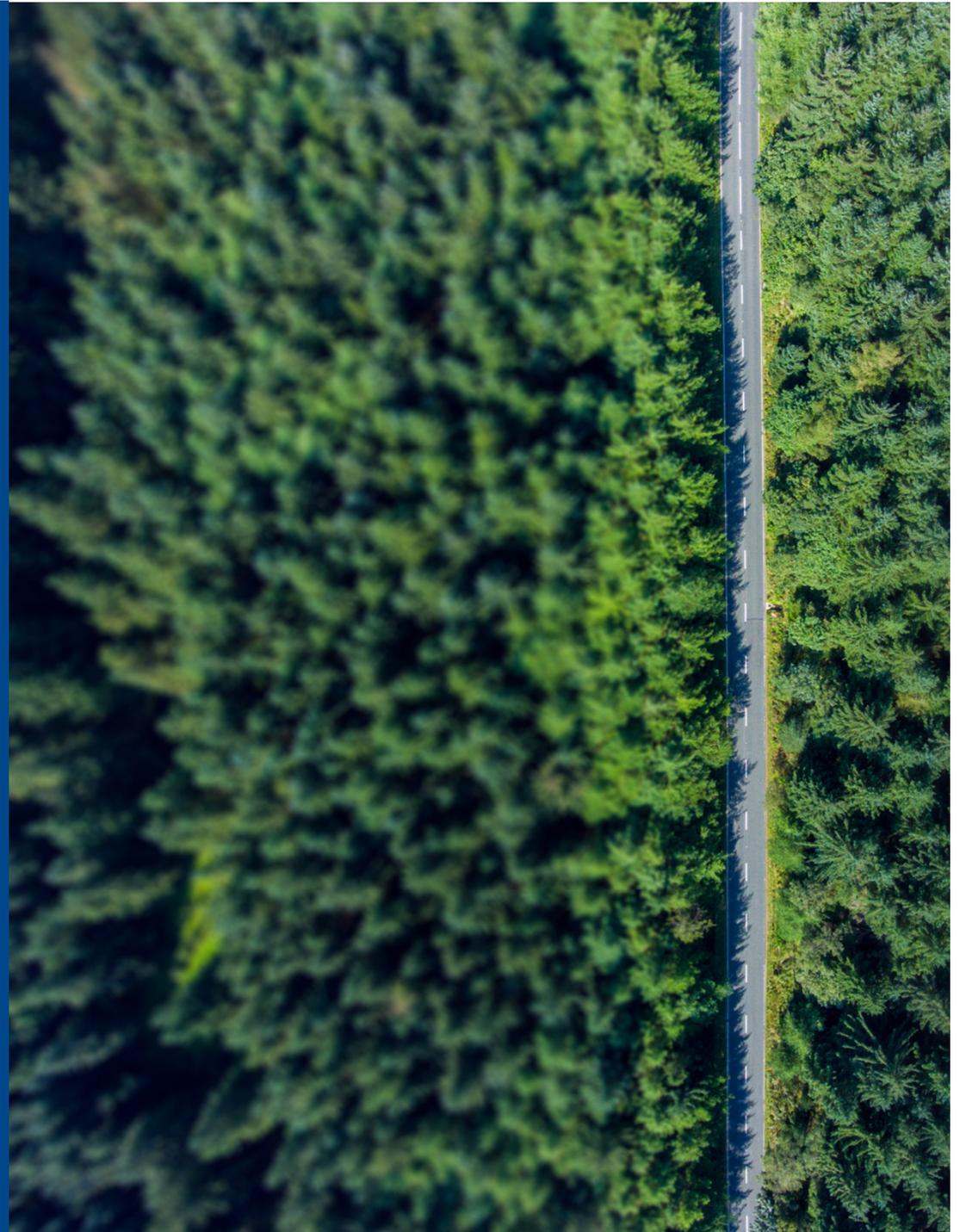


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What's new in 2020	6
Audit risks and results	8
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Uncorrected differences and corrected adjustments	18
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KPMG contacts

The contacts at KPMG in connection with this report are:



Katie denBok

Lead Audit Engagement Partner

Tel: 519-660-2115

kdenbok@kpmg.ca



Deanna Baldwin

Audit Senior Manager

Tel: 519-660-2156

deannabaldwin@kpmg.ca

Our refreshed Values

What we believe



Integrity

We do what is right.



Excellence

We never stop learning and improving.



Courage

We think and act boldly.



Together

We respect each other and draw strength from our differences.



For Better

We do what matters.

Executive summary

Purpose of this report (1)

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 as at and for the year ended December 31, 2020. This Audit Findings Report builds on the Audit Plan we presented to the Audit Committee on February 10, 2021.

What's new in 2020

There have been significant changes in 2020 which impacted financial reporting and our audit:

- COVID-19 pandemic – See pages 6-7
- New CAS auditing standards – See page 7

Changes from the audit plan

There have been no significant changes regarding our audit from the Audit Planning Report previously presented to you.

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.

¹ This Audit Findings Report is intended solely for the information and use of Management and the Audit Committee and should not be used for any other purpose or any other party. 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.

Executive summary (continued)

Finalizing the audit

As of June 7, 2021, we have completed the audit of the consolidated financial statements, with the exception of certain remaining procedures, which include:

- Receipt of supporting documentation and/or performance of audit procedures over the following:
 - Operating expenses
 - Salary and benefits expenses
- Response and review of legal letters from certain external law firms;
- Obtaining internal and external legal letter updates to the date of financial statement approval;
- Completion of audit procedures over Management’s consolidation workbook;
- Tie-out of the consolidated financial statements, including note disclosures;
- Review of the financial report;
- Obtaining the signed management representation letter;
- Completing our discussions with the Audit Committee; and
- Obtaining evidence of Council’s approval of the consolidated 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.

Executive summary (continued)

Adjustments and differences

The impact of the uncorrected differences is as follows:

Annual surplus	(in \$'000s)
As currently presented	\$4,797,772
Uncorrected differences	(\$2,644)
As a % of the balance	0.06%

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 of the City of London (the "Corporation") in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada.

See *Appendix 3*.

Control deficiencies

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting.

What's new in 2020

COVID 19 pandemic

In our Audit Planning Report, we communicated revisions to our audit plan arising from the impacts of the COVID-19 pandemic. We adapted our audit to respond to the continued changes in your operations, including the impacts on financial reporting and internal control over financial reporting.

Area of Impact	Key Observations
Corporation's financial reporting impacts	<ul style="list-style-type: none">— We considered impacts to financial reporting due to COVID 19 pandemic and the increased disclosures needed in the consolidated financial statements as a result of the significant judgements.— In areas of the consolidated financial statements where estimates involved significant judgements, we evaluated whether the method, assumptions and data used by management to derive the accounting estimates, and their related financial statement disclosures were still appropriate per the relevant financial reporting framework given the changed economic conditions and increased estimation uncertainty.— The areas of the consolidated financial statements most affected included: Disclosures – See note 1(b)(vi) to the consolidated financial statements
Materiality	<ul style="list-style-type: none">— We considered impacts to financial reporting on both the determination and the re-assessment of materiality for the audit of the consolidated financial statements.
Risk Assessment	<ul style="list-style-type: none">— We performed a more thorough risk assessment specifically targeted at the impacts of the COVID 19 pandemic, including an assessment of fraud risk factors (i.e., conditions or events that may be indicative of an incentive/pressure to commit fraud, opportunities to commit fraud, rationalizations of committing fraud). We did not identify additional risks of material misstatement as a result of COVID 19 which required a revision to our audit response compared to the prior year.
Working remotely	<ul style="list-style-type: none">— We used virtual work rooms, video conferencing, and internally shared team sites to collaborate in real-time, both amongst the audit team as well as with management.— We used secure and innovative technologies to conduct walkthroughs and perform tests of controls

COVID 19 pandemic

In our Audit Planning Report, we communicated revisions to our audit plan arising from the impacts of the COVID-19 pandemic. We adapted our audit to respond to the continued changes in your operations, including the impacts on financial reporting and internal control over financial reporting.

Area of Impact	Key Observations
	<ul style="list-style-type: none">— We increased our professional skepticism when evaluating electronic evidence received and performed additional procedures to validate the authenticity and reliability of electronic information used as audit evidence.
Direction and Supervision of the audit	<ul style="list-style-type: none">— The manager, partner and engagement quality control review were actively involved in determining the impact that the COVID 19 pandemic had on the audit (as discussed above), including the impact on the Corporation's financial reporting and changes in the Corporation's internal control over financial reporting.

New auditing standards

The following new auditing standards that are effective for the current year had an impact on our audit.

Standard	Key observations
CAS 540, Auditing Accounting Estimates and Related Disclosures	<ul style="list-style-type: none">— The new standard was applied on all estimates within the consolidated financial statements that had a risk of material misstatement due to estimation uncertainty and not just “key estimates”, “critical accounting estimates”, or “estimates with significant risk”.— The granularity and complexity of the new standard along with our interpretation of the application of that standard necessitated more planning and discussion and increased involvement of more senior members of the engagement team.— We performed more granular risk assessments based on the elements making up <u>each</u> accounting estimate such as the method, the assumptions used, the data used and the application of the method.— We considered the potential for management bias.— We assessed the degree of uncertainty, complexity, and subjectivity involved in making each accounting estimate to determine the level of audit response; the higher the level of response, the more persuasive the audit evidence was needed.— See pages 8-15 under Audit Risk and Results for estimates that related to significant risk or other areas of focus, which are a subset of all the estimates subject to the new standard.

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 financial reporting risks identified.

Significant financial reporting risk Professional requirements	New or changed?	Estimate?
<u>Fraud risk from management override of controls</u> This is a presumed fraud risk. We have not identified any specific additional risks of management override relating to this audit.	No	No
Our response		
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.		
Significant findings		
No significant findings were noted during our testing		

Audit risks and results (continued)

Significant financial reporting risk	New or changed?	Estimate?
<u>Completeness of legal accruals</u> The consolidated financial statements include certain accruals related to the future settlement of legal claims which involve a significant amount of management judgment and assumptions in developing.	No	Yes
Our response		
KPMG performed the procedures as indicated in our audit planning report and discussed further on pages 11-12.		
Significant findings		
As of the date of this report, our audit procedures over legal accruals are ongoing.		

Audit risks and results (continued)

We highlight our significant findings in respect of **areas of focus** as identified in our discussion with you in the Audit Plan, as well as any additional areas of focus identified.

Area of focus	New or changed?	Estimate?
<u>Landfill closure and post-closure liability</u> Represents a significant account balance for the Corporation and certain accrued liabilities require judgment and estimation by management.	No	Yes

Our response

- 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, 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, multiplied by the percentage of the used capacity of the sites.
- At December 31, 2020, the landfill accrual amounted to \$46.3 million (2019 - \$41.0 million), \$37.1 million of which related to the future closure of the active landfill and \$9.2 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 consolidated financial statements.

Significant findings

No significant findings were noted during our testing. We believe Management's process for identifying significant accounting estimates is considered adequate.

Audit risks and results (continued)

Area of focus	New or changed?	Estimate?
<u>Accounts payable and accrued liabilities</u> Represents a significant account balance for the Corporation and is subject to estimation uncertainty.	No	Yes

Our response

- Management accrues estimates for liabilities that have been incurred at year end, but not yet paid, within accounts payable and accrued liabilities in the consolidated financial statements.
- Included within this balance are estimates related to provisions for personnel and legal matters in the amount of \$7.7 million (2019 - \$9.3 million). The accrual for personnel matters amounted to \$2.3 million (2019 - \$1.8 million) and includes amounts for matters which will be taken to arbitration and other internal grievances. The accrual for legal matters amounted to \$5.4 million (2019 - \$7.5 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 estimates related to liabilities for contaminated sites. As at December 31, 2020, a liability of \$9.1 million (2019 - \$0.9 million) for remediation of contaminated sites has been recognized, net of any expected recoveries. 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 for the contaminated property or comparable properties.
- 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 consolidated 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.
- Management has represented that these balances are fairly presented for financial reporting purposes.

Audit risks and results (continued)

Area of focus	New or changed?	Estimate?
<u>Accounts payable and accrued liabilities (continued)</u>	No	Yes

Significant findings

As at the date of this report, certain procedures over legal accruals are ongoing. No significant findings were noted during our testing performed over other areas. We believe Management's process for identifying significant accounting estimates is adequate.

Audit risks and results (continued)

Area of focus	New or changed?	Estimate?
<u>Capital projects and acquisitions</u> 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.	No	Yes
Our response		
KPMG performed the procedures as indicated in our audit planning report.		
Significant findings		
<ul style="list-style-type: none">– 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 16 for details on the data and analytics routines performed over tangible capital assets.		
No significant findings were noted during our testing.		

Audit risks and results (continued)

Area of focus	New or changed?	Estimate?
<p><u>Payroll and employee future benefits</u></p> <p>The Corporation provides defined retirement and other future benefits for some groups of its retirees and employees. As at December 31, 2020, the Corporation had a liability for employee future benefits of \$181.7 million (2019 - \$161.7 million).</p>	No	Yes

Our response

KPMG performed the procedures as indicated in our audit planning report.

Significant findings

The balance of employee future benefits is comprised of the following:

- Post-employment and post-retirement benefits of \$97.4 million (2019 - \$95.0 million) - includes health, dental, life insurance and long-term disability, which are provided to retirees until they reach 65 years;
- WSIB accrual of \$64.9 million (2019 - \$48.3 million) – as a Schedule 2 Employer, the Corporation must finance its own costs related to WSIB;
- Vacation liability of \$18.2 million (2019 - \$16.7 million) – relates to vacation credits earned but not taken by employees as at December 31; and
- Unused sick leave liability of \$1.3 million (2019 - \$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, 2018.

The liability for workplace safety and insurance costs is determined through an actuarial valuation which was prepared by Mercer as of December 31, 2020. Vacation and unused sick leave liabilities are accrued in the consolidated financial statements when they are earned by employees. We performed attribute testing over the underlying data used by Mercer to prepare the valuation in the current year.

Audit risks and results (continued)

Area of focus	New or changed?	Estimate?
<u>Taxation, user charges and transfer payments revenue</u> For the year ended December 31, 2020, these revenue streams amounted to more than \$1.3 billion for the Corporation (2019 - \$1.2 billion).	No	No
<u>Debt issuances</u> Individual debt issuances at the Corporation have historically been for significant amounts	No	No

Our response

KPMG performed the procedures as indicated in our audit planning report.

Significant findings

No significant findings were noted during our testing.

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 2020 to the WIP detail in fiscal 2019, testing any projects that did not incur costs in fiscal 2020 and remain in work in progress (WIP) as at December 31, 2020. 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

Misstatements, including omissions, if any, related to financial statement presentation and disclosure items are in the management representation letter.

We also highlight the following:

Form, arrangement, and content of the consolidated financial statements

Adequate

Significant qualitative aspects of financial statement presentation and disclosure

No issues noted related to the Corporation's selection of accounting policies, process for identifying significant estimates, accounting for significant unusual transactions and application of Canadian public sector accounting standards, including related disclosures

See Appendix 7 for discussion regarding upcoming standard changes

Uncorrected differences and corrected adjustments

Differences and adjustments include disclosure and presentation 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 discloses the impact of all uncorrected differences considered to be other than clearly trivial, including the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the consolidated financial statements as a whole.

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 consolidated financial statements. This management representation is included in the management representation letter.

We concur with management's representation that the differences are not material to the consolidated 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 consolidated financial statements.

Control deficiencies

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 consolidated 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 and to meet professional standards.

Significant deficiencies

Description	Potential effect
No significant control deficiencies were noted.	

Appendices

Content

Appendix 1: Other Required communications

Appendix 2: Management Representation Letter(s)

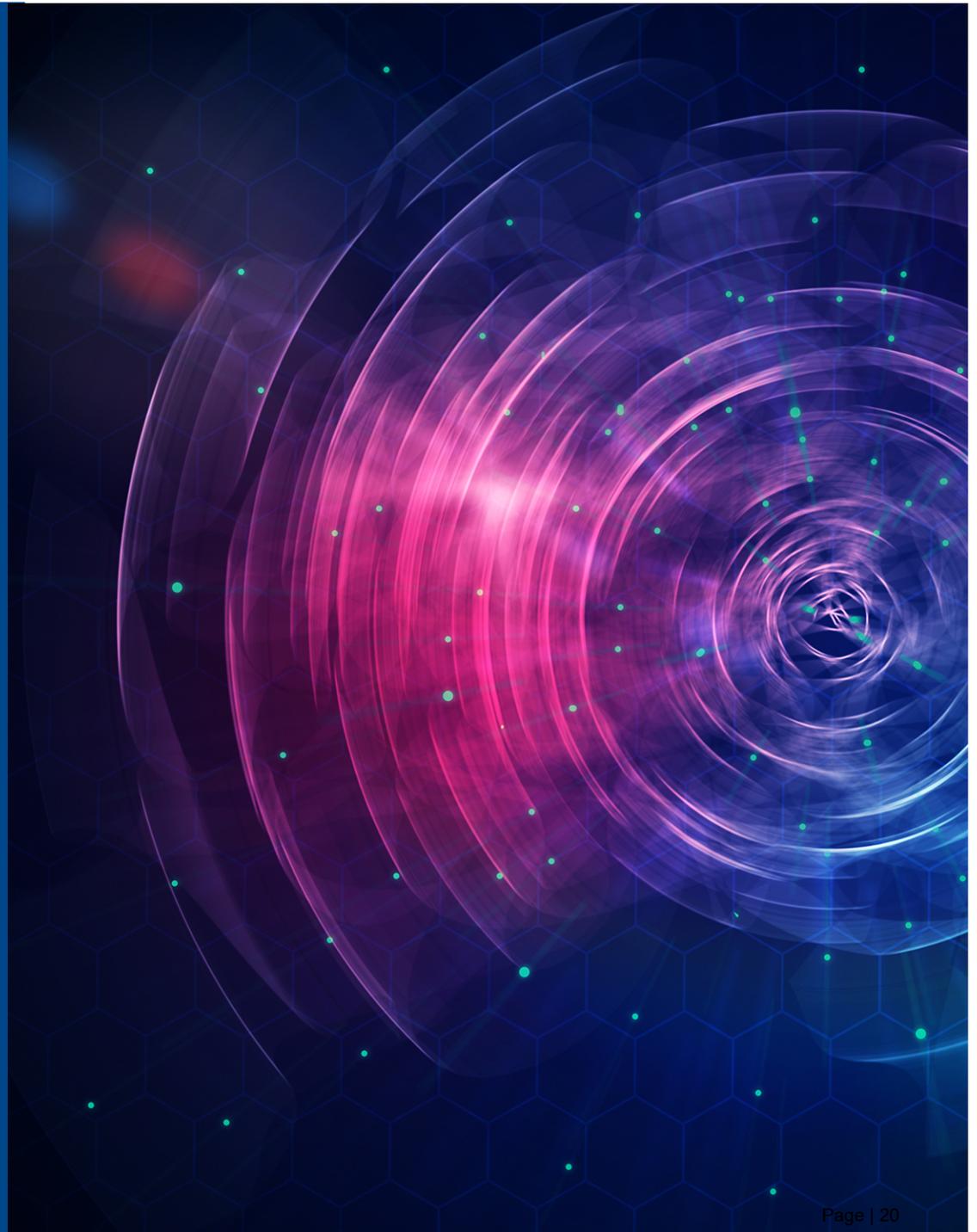
Appendix 3: Independence Letter

Appendix 4: Draft Auditors' Report

Appendix 5: How do we deliver audit quality?

Appendix 6: Lean in Municipalities

Appendix 7: Current developments



Appendix 1: Other Required Communications

Report	Engagement terms
Refer to the draft report attached.	A copy of the engagement letter and any subsequent amendments has been provided to management.
Reports to the Audit Committee	Representations of management
We have provided our audit planning report to the Audit Committee on February 10, 2021.	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. <i>See Appendix 2</i>
Control deficiencies	Matters pertaining to independence
Other control deficiencies, identified during the audit, that do not rise to the level of a significant deficiency have been, communicated to management.	We have attached our annual independence letter dated as of the date of this report. <i>See Appendix 3</i>

Appendix 2: Management Representation Letter

(Letterhead)

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, 2020.

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, Financial Services

Ms. Anna Lisa Barbon, Deputy City Manager, Finance Supports

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.

Information is material if omitting, misstating or obscuring it 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 perception of the needs of, or the characteristics of, the users of the financial statements and, the size or nature of a misstatement, or a combination of both while also considering the entity's own circumstances.

Information is obscured if it is communicated in a way that would have a similar effect for users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

- a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;
- b) information regarding a material item, transaction or other event is scattered throughout the financial statements;
- c) dissimilar items, transactions or other events are inappropriately aggregated;
- d) similar items, transactions or other events are inappropriately disaggregated; and
- e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.]

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 F2020:

	Annual surplus effect	Financial position		
Description	(Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Accumulated surplus (Decrease) Increase
Overstatement of revenue that results from correcting the statement of financial position in the current year – recording CIP loans receivable	(2,643,902)	-	-	-
Total uncorrected misstatements	(2,643,902)	-	-	-

Uncorrected misstatements F2019 (Revised):

	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
Understatement of CIP loans receivable	-	2,643,902		2,643,902
Total uncorrected misstatements	6,456,141	2,643,902	(2,157,957)	4,801,859

Appendix 3: Independence Letter

Audit Committee

The Corporation of the City of London
300 Dufferin Avenue
London, Ontario N6A 4L9

June 7, 2021

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 2020:

Description of Professional Services

Audit and audit related

- Audit of the consolidated financial statements of the Entity for the year ended December 31, 2020
- Audit of all individual Boards and Commissions and Trust Funds financial statements for the year ended December 31, 2020
- Audit of the Dearness Program Report and Dearness Long-Term Care Report
- Audit of Joint Water Board (Huron and Elgin) Financial Statements
- Review of Childcare Program Envelopes
- Review of the statement of operations of Ontario Works program administered by the Entity
- Audit of the schedule of monthly expenses and subsidy claims of the Homelessness Partnering Strategy
- Specified auditing procedures over the City of London Closed Circuit Television System for the year ended December 31, 2020

Tax

- Preparation of corporate tax return for London & Middlesex Community Housing Inc.
- Preparation of corporate tax return for Eldon House
- Preparation of corporate tax return for Housing Development Corporation, London
- Preparation of corporate tax return for Argyle Business Improvement Association Board of Management
- Preparation of corporate tax return for Hyde Park Business Improvement Association Board of Management

Advisory

- Sustainability review for the London Convention Centre

Professional standards require that we communicate the actions that have been taken to eliminate identified threats to independence or to reduce them to an acceptable level. We have not provided any prohibited services. We have taken the following actions or 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,

Chartered Professional Accountants, Licensed Public Accountants

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, 2020
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2020, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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: How do we deliver audit quality?

Quality essentially means doing the right thing and remains our highest priority. Our **Global Quality Framework** outlines how we deliver quality and how every partner and staff member contributes to its delivery.

‘**Perform quality engagements**’ sits at the core along with our commitment to continually monitor and remediate to fulfil on our quality drivers.

Our **quality value drivers** are the cornerstones to our approach underpinned by the **supporting drivers** and give clear direction to encourage the right behaviours in delivering audit quality.

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**.



Doing the right thing. Always.

Appendix 6: Lean in Municipalities

Municipalities share the same goal: to deliver services to its citizens in the best possible manner. As municipal budget challenges grow year after year, municipalities face a host of unavoidable pressures while also enduring an unprecedented pace of change. Accordingly, municipal leadership seeks to optimize service delivery through continuous improvement initiatives to maintain the cost of service delivery and tax rate while improving service levels to residents while also managing:

Beyond the fiscal challenges facing municipalities, municipalities also need to manage:



Increasing demands from residents and businesses for improved service delivery



Rising expectations for innovative technology solutions across municipal services



An organizational structure not aligned to effective and efficient service delivery or strategic priorities



An aging workforce exacerbated by the challenge of recruitment, retention, and development of young leaders



Leadership dealing with predominantly operational and service delivery troubleshooting and lacking progress on strategic priorities

Lean thinking is the belief that there is a simpler, better way through a continuous drive to identify and eliminate waste, inefficiencies, and errors in our day-to-day work. It is about making our work environments efficient and effective so we can provide higher quality of services to our stakeholders and residents. A quality improvement mindset improves safety, quality, costs, efficiencies, and service delivery helping create time for quality improvement to be part of everyday routine activity.

Do you want to enhance technology integration and utilization? Are you maximizing the benefits technology can provide?

Does your municipality struggle with outdated, misunderstood and complex processes, in addition to siloed functions and lacking technological integration that slow down and hinder potential improvements, resulting in fragmented and inconsistent processes impeding collaboration, data consistency, and inefficiencies resulting in project delays and increased costs?

The COVID-19 pandemic has forced many organizations to embrace new methods of work. Many previously paper-based processes have now been modernized as a result of a predominantly virtual work environment since March 2020. It should be noted that there is still work to be done to evaluate these processes and determine if they are still appropriate, if they add value, and if they can be streamlined to create additional efficiency and capacity for staff.

Using the skills and tools obtained through continuous improvement training, you will be able to:

Analyze existing processes to determine where further modernization and digitization is possible/feasible.



Reveal where simple process improvements/waste reduction will suffice, rather than digitization.



Verify where the process is matured/efficient and does not require improvement or modernization.



Identify where both improvement/waste reduction and modernization are required.



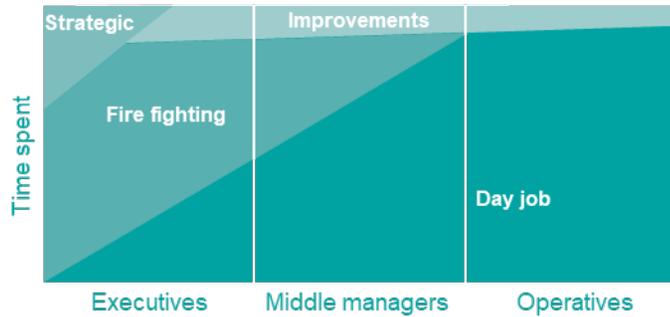
For processes that cannot be automated, the application of Lean methodology will reveal opportunities for improvement in operating efficiency. As the municipalities processes improve and efficiencies realized, staff can begin to focus on Value-Add activities. This new capacity provides municipalities with the ability to maximize existing human resources to accommodate the growth and more agile to respond to future needs. Lean is not a one-time event but rather a journey to continually improve your processes and always strive to supply the customer with value, from their perspective

The Sustainable Organization

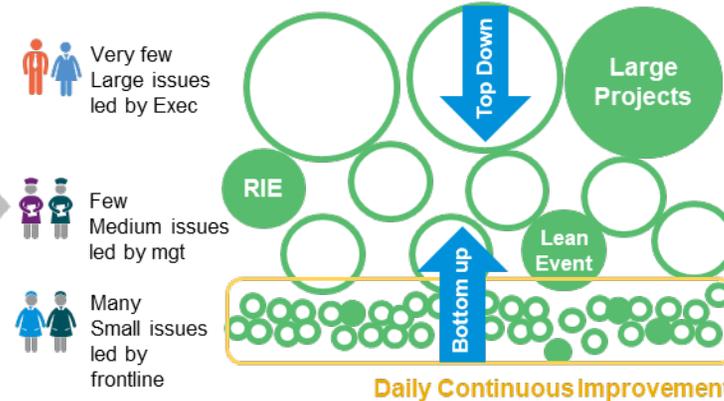
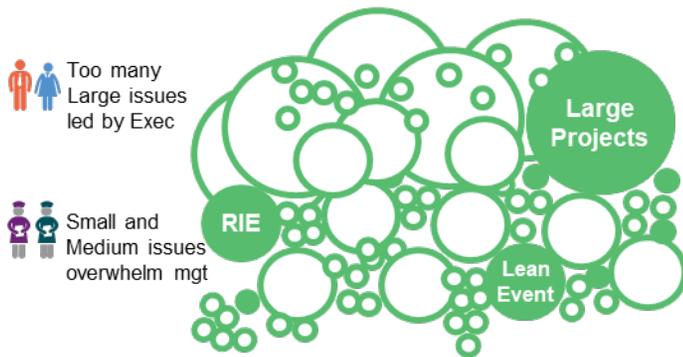
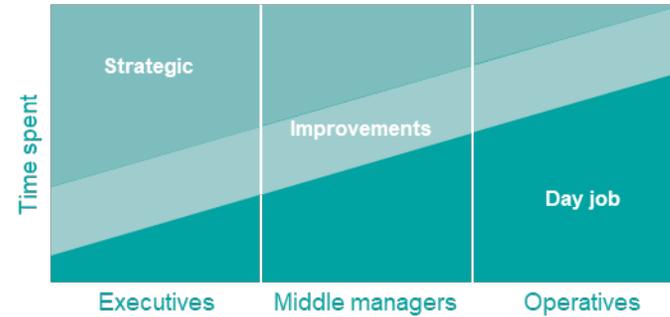
Transforming an organization to operate in a culture of continuous improvement does not happen overnight. This transformation will require teams to change the way they do business and to do this, they will need to be supported in different ways than they are today. Leadership skills developed through the training programs delivered by KPMG include helping managers raise the capability of their teams to focus on process: stabilize it, standardize it, and innovatively improve it by exposing problems and eliminating them. The objective is to develop leaders who align and engage the organization around the delivery of core business goals, engage their teams to reveal and solve problems, ensure the standards for the way work is done are in place and in use, and ensure continuous improvement is part of their team's daily work.

When leaders apply their learnings from our continuous improvement training programs it can fundamentally change how an organization operates and positions the organizations to begin functioning at a world class level, as illustrated in "The Sustainable Organization" diagram on the right below:

The typical organization



The sustainable organization



Adapted from: "The Toyota" Way Fieldbook, Liker and Meier and KPMG UK

Firefighting
 Repetitive work
 Low-performing
 Low morale

Client focus
 Priority driven
 High-performing
 Inspired talents

A fundamental culture transformation and adoption of continuous improvement principles within an organization creates capacity for senior leadership to focus on strategic pursuits and new initiatives and empowers the staff to address operational issues with a practical and innovative approach to problem-solving and improvement. Organizational focus can shift from firefighting and reactive service delivery response, to a proactive service delivery model centered on the resident, with a priority driven mandate and high-performance team members.

This alignment of these key management practices listed below will result in increased productivity of staff and improved quality of service delivery for residents:



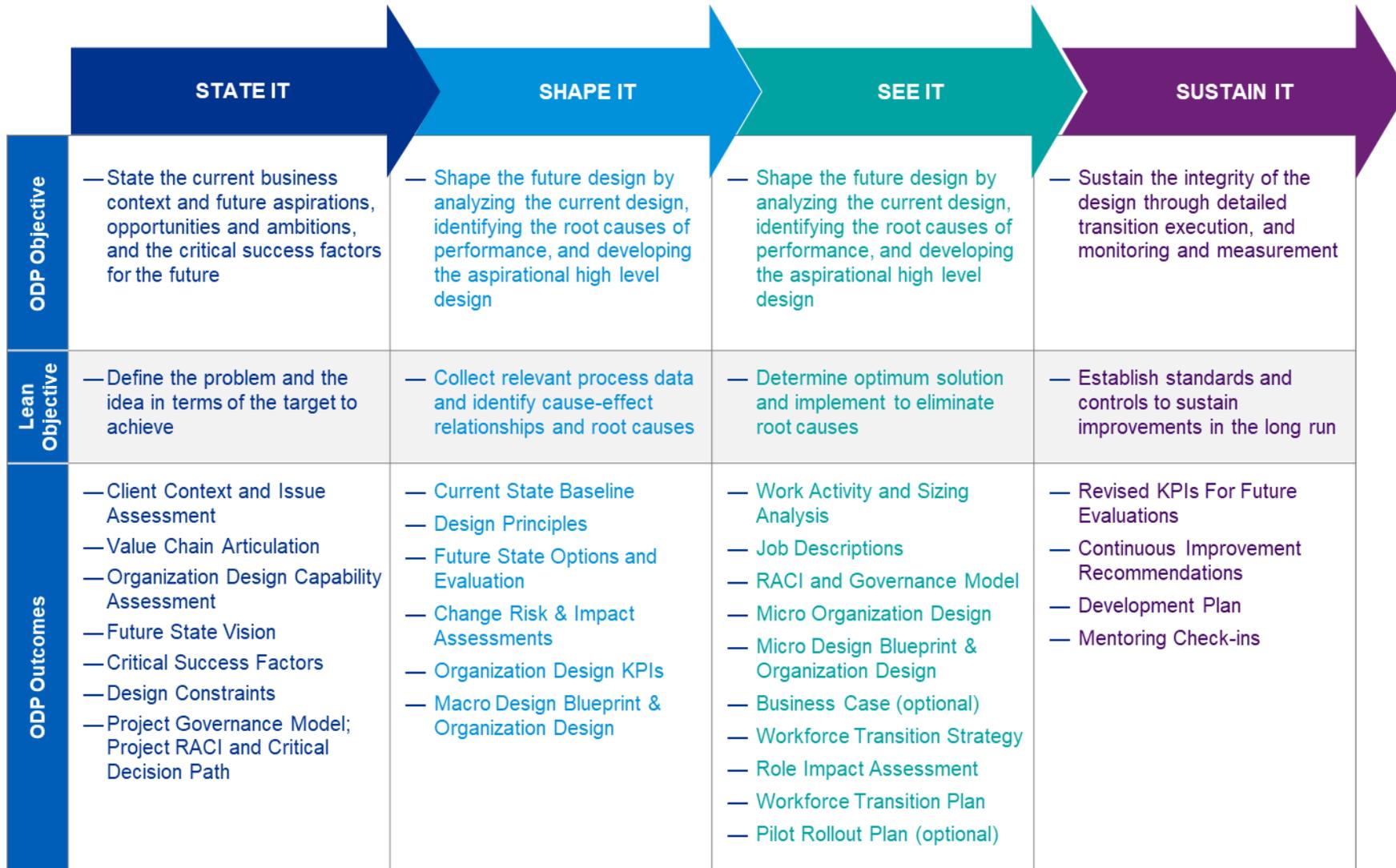
KPMG uses Lean Six Sigma methodology to support our clients in their journey to continuous improvement. An organization can begin their journey at any one of these steps and KPMG will help you identify where you are



It is imperative to develop an approach that builds a solid foundational knowledge of continuous improvement across departments, leverages the capabilities of emerging leaders by training them in facilitating their own continuous improvement training programs, then provides a support system for staff upon completion of the training to sustain the organization's continuous improvement culture. When implemented together, these phases build capacity for Lean thinking at all levels and will take the municipality a big step towards becoming a beacon in Lean Management within the Canadian public sector.

A New Design for a Changing Environment

The evolution of service provision required to meet the needs of the municipality's residents today, as well as future growth, will require a proactive approach to organizational design. To optimize strategic capabilities and effective operations of the municipality, KPMG's ODP methodology applies Lean principles and tools to build the infrastructure to support this growth and embed Lean within your methodologies and daily work; resulting in a culture of performance and innovation, that ensures that the municipality delivers maximum value for residents in the most efficient manner possible.



We are Canada’s leading municipal advisory firm with a proven record of training Lean methodology across the public sector.

Our experience serving local governments and implementing Lean methodology is unparalleled. We have a team of partners and professionals dedicated to providing advisory services to municipal governments, both small and large, rural and urban, that have worked with municipalities from coast to coast. KPMG is your firm of choice to partner with you in achieving your continuous improvement goals.

Appendix 7: Current developments

Current Developments, created by the KPMG Public Sector and Not-for-Profit Practice, summarizes some of the regulatory, operational and governance developments impacting public sector, charitable and not-for-profit organizations. We provide this summary to inform our clients of changes that they may impact their organization, and the trends we see in the industry based on our discussions with the management and Board members of our clients.

We attach this summary to our audit plans and audit findings reports that we provide to the Audit Committees and their equivalents of our public sector, not-for-profit and charity clients. Some of these developments may not impact your organization directly but we believe it is important for management and Committee members to understand what is happening in the broader public, not-for-profit and charity sector.

Annual Accounting, Tax and Risk Update for Not-for-Profit Organizations

KPMG held its Annual Accounting, Tax & Risk Update for Not-for-Profit Organizations remotely on **November 5, 2020**. The seminar covers current accounting, tax, technology and risk issues, including some of those discussed below, in greater detail providing not-for-profit organizations and charities with guidance on new standards, regulations and best practices.

Audit Committee members are also invited to virtually attend our next session. If you wish to have your name included on the invite list going forward, please e-mail Vicki Ng (vwng@kpmg.ca).

Fraud Risk Assessments

A proactive approach to help counter the risk of fraud

A reputation for integrity is critical to safeguarding public trust in your business. Unfortunately, fraud can seriously undermine these efforts after they occur. That's why regulators, insurers, Boards of Directors and experienced business leaders are focused on ensuring organizations have effective approaches to mitigating fraud risks.

In the wake of high-profile corporate failures and their devastating impacts, there is a renewed spotlight on fraud from regulators. Regulators know that a company's susceptibility to fraud is influenced by the strength of its fraud risk management programs. So, regulators are exploring what actions relevant stakeholders should be taking to better prevent and detect fraud.

Insurers, who may provide coverage for losses suffered due to fraud, are also inquiring about what efforts companies have taken to proactively assess and address fraud risks in the organization. Without such proactive measures in place, there may be a risk that insurers will deny such coverage if the company is found to have contributed to an environment that enabled the fraud to occur in the first place.

In coping with the current pandemic crisis, organizations must continue to manage future risks, especially the risk of fraud during uncertain times. For many organizations that are working to ride out these difficult times, the need to cut costs and continue to operate is painful and ever-present. There is usually increased pressure on organizations to conserve through the close management of costs. Whether a company reduces its headcount, rationalizes processes and controls, cuts back on internal audits and other risk management measures, or restructures some of its business, these decisions can have significant consequences for the organization and its people. At the same time, there are greater incentives for employees, suppliers, customers, agents, and others to commit fraud during uncertain times, economic downturns, pandemics, or other periods of economic distress. Experience suggests that an unintended downside of our focus on the present may be the neglect of risks and opportunities ahead.

So what can you do to help ensure that your organization can proactively mitigate fraud risks that it may face?

A good starting point is to first understand where you may be vulnerable to fraud risk. A [Fraud Risk Assessment](#) is a tool that organizations use to understand where these vulnerabilities may exist. The objective is to understand these vulnerabilities and then to ensure that adequate measures are in place to mitigate these fraud risks.

Return to the Office Assurance

Returning to the physical workplace is a complex yet integral part of organizations' recovery from the pandemic. Various considerations around health and safety will need to be taken into account when developing any return to work (RTW) strategy. However, the changing implications of COVID-19 make it challenging for organizations to navigate this landscape on their own.

Organizations have established several processes to help ensure that employees' health and safety risks are clearly understood and effectively managed. However, are these processes complete and do they continue to adapt to the evolving state of the pandemic? In this environment, there are still many questions left unanswered, but here is what we do know:

- Leaders will play an active role in managing mental health
- The municipalities guidelines for reopening will differ from other municipalities
- There will be frequent changes in requirements
- Best practices will evolve over a year or more, not in a matter of weeks
- There will be regional disparity in approaches
- There will be outbreaks of COVID-19 in the workplace
- The 9 to 5 workday will be challenged
- Technology will contribute to the solution and will permanently alter the workplace but will need time to evolve.

KPMG has developed a comprehensive people-centric *RTW Playbook*, which takes into account 23 different elements that need to be considered in order to bring staff and relevant stakeholders back to work, safely. The framework starts with a COVID-19 task force, and ends with case response procedure. Each of the 23 elements in the RTW Playbook has several action items tagged, providing a basis for a comprehensive RTW management system.

In order to help organizations navigate through this rapidly changing landscape, KPMG has developed the **Return to Work (RTW) Management Systems Framework**.

KPMG's RTW Management Systems Framework and related assurance will increase the Government of Canada's level of confidence over the comprehensiveness of its RTW program, by alignment to industry leading practices. Ultimately our framework will focus on the following categories aligned to the RTW framework:

- Governance;
- Planning and program design;
- Workforce preparation;
- Implementation and operations; and,
- Monitoring, maintenance and improvement.

The RTW framework and assurance provides management and executives with the "playbook" to implement RTW and the framework to manage and monitor, with the level of dashboard reporting to allow for dynamic and agile management actions.

Our approach consists of performing a current state assessment, gap analysis and RTW implementation roadmap, in order to support the implementation of appropriate management activities, and ultimately monitor and track successes. Our approach also offers several tools, including the RTW Dashboard, which is used as a reporting tool to assess and track all or portions of the Government of Canada's return to work management system, and the KPMG Workforce Safeguard App. For more information on Return to Work Assurance, please contact your relevant KPMG professional.

Working from Anywhere

As we all strive to cope and adapt to the new reality and rapidly changing landscape, many organizations are being forced to quickly adopt remote ways of working. In some cases, employees are requesting to work from a different country than their employer, or employers are considering hiring remote workers who will work abroad. Working from Anywhere (WFA) offers a number of potential benefits, including increased employee flexibility and productivity, and the availability of a broader pool of talent to draw upon. Yet it's important to weigh the costs and benefits, and there are a number of potential risks and compliance obligations that employers must consider, such as:

- Tax planning and compliance: Understand where corporate tax obligations are triggered, and how payroll registration and indirect tax obligations are impacted depending on the country where the remote employee is performing the service.
- Employment and labour law considerations: Design workplace terms, conditions and agreements to navigate the interplay between local and foreign labour standards and overcome the human resources challenges of a remote workforce.
- Immigration implications: Assess the need for business visitor and work permit eligibility assessments, as well as a review of immigration compliance considerations related to changes in the work location.
- People and culture impacts: Identify the short and long-term effects of WFA on leadership and employee engagement, and take an active role in the employee experience and organizational reshaping.
- Cybersecurity and technology challenges: Secure systems and data against internal and external threats, and rapidly adapt to technological change, while considering the potentially different technological environment and standards in the remote work jurisdiction.

KPMG can assist your organization with understanding the information to collect, performing a risk assessment of potential remote work jurisdictions, creating terms and conditions to minimize the risks and amplify the benefits, developing a WFA compliance process and policies, and coaching you through stakeholder communications and WFA program implementation. For more information on WFA assistance, please contact your relevant KPMG professional.

Government Subsidy Programs

The Government of Canada offers various subsidy programs to organizations that meet various criteria and characteristics. Various programs continue to receive frequent and further information on eligibility, extensions to programs, and restrictions. As your trusted advisors, we are here to help. Because every organization is unique, our experienced professionals can assist you with establishing that the methodology you use to determine eligibility – which can often be subjective – is consistent with similar organizations in your sector and across Canada.

Auditing Accounting Estimates:

As acknowledged in on page 7, the new auditing standard over accounting estimates is in effect for audits of Organizations with year-ends on or after December 15, 2020. As a result of the revised methodology for auditing estimates, audit engagement teams globally will apply one methodology when auditing accounting estimates, including fair value accounting estimates, and related disclosures. Canadian Auditing Standards define an accounting estimate as a monetary amount for which the measurement in accordance with the requirements of the applicable financial reporting framework, is subject to estimation uncertainty.

Accounting estimates vary widely across Organizations and are required to be made by management when the monetary amounts cannot be directly observed. The process of determining accounting estimates involves selecting and applying a method using assumptions and data, which requires judgment by management and can give rise to complexity in measurement. The effects of complexity, subjectivity or other inherent risk factors on the measurement of these monetary amounts affects their susceptibility to misstatement. Similar to the variation among different Organizations, the degree to which an accounting estimate is subject to estimation uncertainty will also vary significantly. Examples of accounting estimates consist of, but are not limited to:

- Inventory obsolescence;
- Amortization of property and equipment;
- Valuation of financial instruments;
- Outcome of pending litigation;
- Revenue recognized for long-term contracts;
- Impairment of long-lived assets or property of equipment held for disposal;

Key concepts in this revised standard focus on assessment of risks, and the goal of your KPMG team is to obtain sufficient appropriate audit evidence about whether accounting estimates and related disclosures in the financial statements are reasonable in the context of the applicable financial reporting framework.

With the new accounting standards, organizations will be required to perform self-assessments of all applicable accounting estimates relevant to your Organization and support the determination and methodology of the calculation of all accounting estimates. In auditing accounting estimates, your KPMG team will work with management to complete the following:

- Understand the Organization and its environment, including internal controls over financial reporting;
- Understand the process, including understand the process by which each accounting estimate is developed, understand the nature and extent to which management uses the work of specialists of third parties (other than specialists), understand how management understandings and addresses estimation uncertainty, and understand the elements of an estimate

Based on the understanding we have obtain from management, we will determine the components of the accounting estimate, perform a retrospective review and assess risk. The revision to our methodology includes as well the following considerations:

- Identification and addressing any management bias;
- Consideration of additional risk factors when assessing whether an estimate gives rise to a risk of material misstatement;
- Determination of components of an estimate and consideration of their differing risks;
- Identification and linkage of risk considerations of the methods, assumptions and data;
- Identification of individual items that contribute ti risks individually, or in combination, and determination of our audit response for each applicable element;
- Performance of a retrospective review for all significant accounts and applicable disclosure for identification of a relevant assertion for an accounting estimate in the current year;
- Performance of an aggregate risk assessment

Cyber Security – Adapting to the ‘new normal’

COVID-19 has forced us to transform the way we work — projects which might have taken a year have been driven through in weeks. Pragmatism has become the rule, and organizations have likely taken security risks that they might never have accepted in other circumstances. The dust is still settling, but some major themes are emerging: we’re already seeing rapid expansions of digital commerce channels as consumer behaviours shift, in addition to dealing with a workforce that has grown accustomed to a flexible and remote work environment.

At the same time, cyber criminals have shown themselves ruthless and entrepreneurial in exploiting fear, uncertainty and doubt over COVID-19 — repurposing phishing and attack infrastructure to build out COVID-19 fake websites and scams. With a larger attack surface due to the increased use of online tools, opportunity for malicious activity is abound.

Organizations need to demonstrate that they can protect the heart of the transformed business with an agility of thought and action that recognizes the pace and speed at which cyber criminals operate. These issues must be handled proactively and can no longer be an after-thought. Cyber security is now becoming the key business enabler.

Members of Audit Committees should be asking management fundamental questions such as:

- Are we doing enough to reduce our cyber risk to an acceptable level?
- Is our organization fully prepared to detect, respond and react to a cyber attack of any kind?
- As we shifted to remote interaction with employees and customers, have we done it securely without relaxing our security or increasing our exposure?

Lean:

Approach

Our innovative audit approach, Lean in Audit™, further improves audit value and productivity to help deliver real insight to you. Lean in Audit is process oriented, directly engaging organizational stakeholders and employing hands-on tools, such as walkthroughs and flowcharts of actual financial processes.

By embedding Lean techniques into our core audit delivery process, our teams are able to enhance their understanding of the business processes and control environment within your organization – allowing us to provide actionable quality and productivity improvement observations.

Any insights gathered through the course of the audit will be available to both engagement teams and management. For example, we may identify control gaps and potential process improvement areas, while management has the opportunity to apply such insights to streamline processes, inform business decisions, improve compliance, lower costs, increase productivity, strengthen customer service and satisfaction and drive overall performance.

How it Works

Lean in Audit employs three key Lean techniques:

- Provide basic Lean training and equip our teams with a new Lean mindset to improve quality, value and productivity;
- Perform interactive workshops to conduct walkthroughs of selected financial processes providing end-to-end transparency and understanding of process and control quality and effectiveness;
- Quick and pragmatic insight report including immediate quick win actions and prioritized opportunities to realize benefit

Current Environment Adaptation

In the current environment, Organizations are working entirely remotely and we have tailored our methodology on the delivery and facilitation of interactive workshops to accommodate for current in-person restrictions. We are happy to inform our clients that we offer Lean in Audit workshops facilitated remotely, through the use of Microsoft Teams or Skype for Business. In facilitating workshops remotely, we are able to obtain the same high quality level of process information, and document the process live with the help of your teams.

Please reach out to your KPMG professional on more information on remote-workshops and to schedule workshops for your audit processes.

Asset Retirement Obligations

The new standard is effective for fiscal years beginning on or after April 1, 2022. The effective date was deferred by one year due to COVID-19. The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. Retirement costs will be recognized as an integral cost of owning and operating tangible capital assets. PSAB currently contains no specific guidance in this area.

The ARO standard will require the public sector entity to record a liability related to future costs of any legal obligation to be incurred upon retirement of any controlled tangible capital assets (“TCA”). The amount of the initial liability will be added to the historical cost of the asset and amortized over its useful life.

As a result of the new standard, the public sector entity will have to:

- Consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset;
- Carefully review legal agreements, senior government directives and legislation in relation to all controlled TCA to determine if any legal obligations exist with respect to asset retirements;
- Begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify AROs and obtain information to estimate the value of potential AROs to avoid unexpected issues.

Are You Ready Checklist	Potential Impact Areas
<ol style="list-style-type: none"> 1. Have you formed a project team for ARO implementation? If so, who outside of Finance is on that team? 2. Have you developed a policy or guideline, with clear roles and responsibilities? 3. Have you identified asset types considered in scope? If so, what assumptions have you used? 4. Does your scoping consider both capital assets, and other asset type items? 5. What assessment has been done of active landfill sites – particularly those early in their lifespan? 6. Are you applying a risk-based approach to scoping and assessment? 7. How are you identifying legislation, regulations or contracts creating legal obligations? 8. Are you applying discounting to measure the retirement obligation? If so, what estimates are you applying for discount rate? 9. What data sources do you have for measurement? 10. Have you identified a transition method? 	<ol style="list-style-type: none"> 1. Facilities with asbestos or other contaminated substances. 2. Underground fuel storage tanks 3. Active landfill sites 4. Septic tanks 5. Drinking wells 6. Firewater holding tanks 7. Leases with end of lease retirement clauses. 8. Underground pipes with asbestos (where there is a requirement to remove) 9. Land leases 10. Wastewater treatment plants

Revenues

The new standard is effective for fiscal years beginning on or after April 1, 2023. The effective date was deferred by one year due to COVID-19.

The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement.

The standard notes that in the case of revenues arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations.

The standard notes that unilateral revenues arise when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.

Are You Ready Checklist	Potential Impact Areas
<ol style="list-style-type: none"> 1. Have you identified any revenue-generating transactions other than taxation or government transfer revenues which create performance obligations (ie: the entity is required to provide a good or service to earn that revenue)? 2. Did you review accounting policies for these transactions to verify revenue is recognized only as performance obligations are being met? 3. Have you quantified the impact of any change in accounting policy, or determined that there is no impact? 	<ol style="list-style-type: none"> 1. User charges such as transit fees, utility charges, licencing fees and fees for programs or activities. 2. Revenues linked to the provision of a good or service. 3. Development charges

Financial instruments and foreign currency translation

The accounting standards, PS3450 *Financial Instruments*, PS2601 *Foreign Currency Translation*, PS1201 *Financial Statement Presentation* and PS3041 *Portfolio Investments* are effective for fiscal years commencing on or after April 1, 2022. The effective date was deferred by one year due to COVID-19.

Equity instruments quoted in an active market and free-standing derivatives are to be carried at fair value. All other financial instruments, including bonds, can be carried at cost or fair value depending on the public sector entity’s choice and this choice must be made on initial recognition of the financial instrument and is irrevocable. Hedge accounting is not permitted.

A new statement, the Statement of Remeasurement Gains and Losses, will be included in the financial statements. Unrealized gains and losses incurred on fair value accounted financial instruments will be presented in this statement. Realized gains and losses will continue to be presented in the statement of operations

In July 2020, PSAB approved federal government narrow-scope amendments to PS3450 *Financial Instruments* which will be included in the Handbook in the fall of 2020. Based on stakeholder feedback, PSAB is considering other narrow-scope amendments related to the presentation and foreign currency requirements in PS3450 *Financial Instruments*.

Are You Ready Checklist	Potential Impact Areas
<ol style="list-style-type: none"> 1. What process have you followed to determine if you have any embedded derivatives that might arise from existing contractual arrangements? Has a contract review been conducted? 2. Does the entity have other financial assets which it assesses performance based on fair value, and for which it might elect a fair value measure? 3. Where the entity holds equity or derivative instruments, does it have readily observable market data to inform a fair value measure? 4. Has the entity reviewed existing financial instrument note disclosure in the financial statements to determine any required revisions to meet the requirements of this section (particularly the required risk disclosures)? 5. Does the entity enter foreign exchange transactions? Does the entity hold any monetary assets and monetary liabilities, or non-monetary assets denominated in a foreign currency? 	<ol style="list-style-type: none"> 1. Equity instruments 2. Derivatives such as futures, forwards, interest rate swaps and currency swaps. 3. Contracts with embedded derivatives 4. Other financial instruments for which performance is assessed on a fair value basis

Employee Future Benefits

PSAB has initiated a review of sections PS3250 *Retirement Benefits* and PS3255 *Post-Employment Benefits, Compensated Absences and Termination Benefits*. In July 2020, PSAB approved a revised project plan.

PSAB intends to use principles from International Public Sector Accounting Standard 39 *Employee Benefits* as a starting point to develop the Canadian standard.

Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, PSAB will implement a multi-release strategy for the new standards. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues.



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KPMG member firms around the world have 227,000 professionals, in 146 countries.



Report to Audit Committee

To: Chair and Members
Audit Committee
From: Anna Lisa Barbon, Deputy City Manager, Finance Supports
Subject: Request for Proposal Internal Audit Services
Date: June 16, 2021

Recommendation

That, on the recommendation of the Deputy City Manager, Finance Supports the following actions be taken with respect to internal audit services:

- a) The report dated June 16, 2021 titled “Request for Proposal Internal Audit Services” which outlines the scope of work including timelines and general parameters included in the Request for Proposal (RFP) for internal audit services **BE RECEIVED**;
- b) The striking of an Internal Audit Services Evaluation Committee **BE APPROVED** consisting of: Audit Committee Chair; Audit Committee Vice Chair; a representative from the City Manager’s office and from the Finance Supports Service Area; Deputy City Manager, Finance Supports; with support by appropriate members of Civic Administration including Purchasing & Supply; and,
- c) The City Clerk **BE DIRECTED** to establish an additional meeting of the Audit Committee in October 2021 to complete the RFP evaluation process.

Executive Summary

At the March 24th, 2020 meeting of Municipal Council, Civic Administration was directed to proceed with the development and issuance of an RFP for internal audit services. However, in response to COVID-19 and uncertainty at that time, Municipal Council on June 29th, 2020 extended the existing contract for one (1) more year. To ensure that an internal auditor is in place for 2022, the striking of an Internal Audit Evaluation Committee is required, along with the scheduling of another Audit Committee meeting in October 2021.

This report outlines the scope of work of the RFP for Internal Audit Services, the timelines of the RFP, and the corresponding evaluation team and process.

Linkage to the Corporate Strategic Plan

Council’s 2019-2023 Strategic Plan includes the Strategic Area of Focus ‘Leading in Public Service’, which outlines the following:

- Expected Result: Maintain London’s finances in a transparent and well-planned manner to balance equity and affordability over the long term.
- Strategy: Continue to ensure the strength and sustainability of London’s finances.

Analysis

1.0 Background Information

1.1 Previous Reports Related to this Matter

Internal and External Audit Services Contract Extensions, June 24, 2020, Audit Committee, Item #4.1

Request for Proposal Internal Audit Services, March 11, 2020, meeting of Audit Committee, Item #4.9

2020-2022 Internal Audit Plan, November 6, 2019, meeting of Audit Committee, Item #4.4

Internal Audit Services, May 30, 2016, meeting of Audit Committee, Item #2

RFP Process for Internal and External Audit Services, April 13, 2016, meeting of Audit Committee, Item #2

RFP Process Internal and External Audit Services, Sept 25, 2014, meeting of Audit Committee, Item #2

1.2 Previous Municipal Council Actions

The Municipal Council, at the meeting held on March 24, 2020 resolved the following with respect to this matter:

“That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer the following actions be taken:

- a) the scope of work including expectations of the successful proponent, timelines, and general parameters described in this report for inclusion in the Request for Proposal (RFP) for internal audit services BE ENDORSED;
- b) the Civic Administration BE DIRECTED to proceed with the development and issuance of an RFP for internal audit services; and
- c) the striking of an Internal Audit Services Evaluation Committee BE APPROVED consisting of: Audit Committee Chair; Audit Committee Vice Chair; a representative from the City Manager’s office and from the Finance & Corporate Services area; Managing Director, Corporate Services and City Treasurer, Chief Financial Officer; with support by appropriate members of Civic Administration including Purchasing & Supply.”

As a result of the impact of COVID-19 on the workplace, Civic Administration requested that the Audit Committee recommend to the Municipal Council, that the above-noted matter be reconsidered and that the City’s option to renew the contract with Deloitte for one additional one-year term for internal audit services be exercised. This would reduce the possibility of having to “on-board” a possible new internal auditor in the Fall given possible uncertainty. Further, it would give the Civic Administration additional time to adjust to new processes and the adjusted work environment.

The Municipal Council, at the meeting held on June 29, 2020 resolved the following:

“That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer the following actions be taken with respect to Audit Services:

- a) pursuant to section 13.3 of the Council Procedural By-law the decision of Municipal Council from the meeting held on March 24, 2020 with respect to clause 4.9 of the 1st Report of the Audit Committee, having to do with undertaking a Request for Proposal (RFP) process for the internal audit services, BE RECONSIDERED;
- b) consistent with RFP16-36 and the terms set out in the contract with Deloitte LLP for internal audit services, the internal audit services by Deloitte LPP BE RENEWED for one (1) additional one (1) year term;
- c) approval noted in b) above, hereby BE GIVEN to extend the current contract for a one (1) year period;
- d) the Civic Administration BE DIRECTED to enter into negotiations with KPMG LLP, 1400-140 Fullarton Street, London, Ontario N6A 5P2 for external audit services to extend the existing contract for two (2) more years;

- e) the Civic Administration BE AUTHORIZED to undertake all administrative acts that are necessary in connection with contracts to implement c) and d), above; and
- f) the approval hereby given BE CONDITIONAL upon The Corporation of the City of London entering into negotiations for satisfactory prices, terms and conditions with Deloitte LLP and KPMG LLP, to the satisfaction of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer.”

As 2021 is the fifth (5th) year of the contract with Deloitte for internal audit services, this report outlines the RFP process for internal audit services which has been initiated.

2.0 Discussion and Considerations

2.1 Scope of Work

The RFP seeks to continue a fully outsourced internal audit function, delivered by a firm that will offer, to the City, the full capacity of its organization in delivering specialized and emerging audit functions.

The scope of work included in the RFP was written to include the maximum scope of work and deliverables possible for the internal audit function. The risk-based audit plan (developed and approved by year) sets out the narrowed scope and deliverables approved as the specific work-plan. Emphasis will be placed on workplans where, annually, there will be a balance between compliance audits and value for money audits.

The RFP document will also set out the submission requirement to include a sample Audit Plan that represents one (1) year of audit work for consideration as part of the evaluation. This will include the manner and methodology to complete a risk assessment and prioritization of audits for the City of London, including all significant assumptions as well as sample reporting to the Audit Committee.

2.2 Timelines

The Internal Audit Services RFP includes the timeline outlined in the table below, which consistent with past practice requires the Audit Committee and Council to appoint the outsourced internal audit firm.

Event	Date
RFP Issue Date	Week of May 31, 2021
RFP Closing Date	Wednesday, June 23, 2021
Review & Evaluation of RFP Submissions	Weeks of June 23 through to Fri Aug 27, 2021
Short List Selected by Evaluation Team	Tuesday, September 7, 2021
Interviews With Short Listed Firms	September 22, 2021
Recommendation Audit Committee	Wednesday, November 3, 2021
Council Award	Tuesday, November 16, 2021

Audit Committee is required to schedule dates for the interviews and presentations of the short-listed proponents at its regularly scheduled meeting on September 22, 2021. The interview date is included in the RFP document. The City reserves the right to alter the schedule at its sole discretion if required. The Audit Committee will require the

establishment of an additional meeting to complete the selection process in the month of October 2021, prior to the Council meeting of October 26.

2.3 Evaluation Team and Process

An evaluation team, known as the Internal Audit Services Evaluation Committee, will be established for the purposes of reviewing, and evaluating all responses against pre-determined evaluation criteria set. The Internal Audit Services Evaluation Committee will consist of the following:

- Audit Committee Chair;
- Audit Committee Vice Chair;
- Deputy City Manager, Finance Supports;
- A representative from City Manager's Office; and
- A representative from Finance Supports.

The team will be supported by appropriate members of Civic Administration including Purchasing & Supply.

The Internal Audit Services Evaluation Committee will recommend a short list of Respondents to the Audit Committee for an interview and presentation.

The Audit Committee will interview the short-listed respondents. Interviews will be completed at the regularly scheduled Audit Committee Meeting held on September 22, 2021. Once the interview & presentations are complete, the Audit Committee shall recommend the chosen Proponent to Council. City Council makes the final decision on the appointment of an audit firm.

3.0 Financial Impact/Considerations

The 2020 – 2023 Multi-Year Budget contains an average annual budget of \$315,000 for internal audit services.

Conclusion

In the wake of COVID-19, the RFP for internal audit services was delayed until 2021. Civic Administration issued the RFP for internal audit services on June 2, 2021 with a closing date of Monday June 21, 2021. The Internal Audit Services Evaluation Committee will evaluate the proposals as set out in the RFP document and the Audit Committee will interview the short-listed respondents at its regularly scheduled meeting to be held on September 22, 2021. Another Audit Committee meeting is required to be scheduled in October 2021 to complete the RFP process.

Submitted by: Ian Collins, Director, Financial Services
Recommended by: Anna Lisa Barbon, CPA, CGA, Deputy City Manager, Finance Supports

Cc: Lynne Livingstone, City Manager

June 16, 2021

Members of The Corporation of the City of London Audit Committee

Subject: Internal Audit Summary Update

Internal Audit has included a summary memo 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. 2020 Internal audit plan completion and executing for 2021

- a. The final report for 2020 plan was the Police Services – Time Management and Scheduling Review. At our last meeting we reported that the report was complete but not yet shared with the Police Services Board. This report is now being shared at their June 2021 meeting and upon their approval it will be shared with this committee.
- b. We have provided an updated plan for the remainder of 2021 based on a scan of projects and risks identified in other municipalities and through discussions with the Senior Leadership Team (SLT). This plan is a continuation of the plan from 2020 with one change for your approval. The updated plan has removed one project “Environment and Asset Retirement Obligations Assessment” as the implementation date for these guidelines have been delayed making this project no longer relevant for 2021. We have added a project to review the city’s management of its vehicle fleet called “Fleet Inventory Audit”.

2. Internal Audit Dashboard Report

- a. Internal Audit continues to have ongoing meetings with the City Treasurer.
- b. Internal Audit has one (1) report in the final reporting process (SaaS Application Review) and are in the planning phase for the Traffic Management Process Review.

2. Audit Observation Status Summary of High and Medium Priority Observations

- a. Findings relating to the Computer Maintenance Management System Review are now fully remediated.
- b. Management continues to report on their status to implement the recommendations from the following internal audit projects:
 - i. Parking Revenue Generation Assessment
 - ii. Homeless Prevention Assessment
 - iii. Construction Procurement Process Assessment
 - iv. Dearness Home Assessment
 - v. Class Replacement (Perfectmind) Reconciliation Process Review
 - vi. Assumptions and Securities Process Review.

It is important to note that several timelines have extended since the last committee meeting. However, we are comfortable that management is committed to remediate open items and the challenges encountered in the remediation efforts are mainly due to challenges presented by the pandemic, but also the added complexity of remediation items relating to system changes required or changes in the organization structure of the city.

The Corporation of the City of London Internal audit dashboard as at June 4, 2021

Project status – Revised 2021 internal audit plan

2021 Audit plan project	Percent complete	Est. timeframe ¹	Project status	Report issued
• SaaS Application Review	 90%	March – June	DL	
• Traffic Management Process Review	 5 %	June - Sept	DL	
• Recruitment Process Assessment	0%	July- Oct	OT	
• Fire Process Assessment	0%	Sept-Dec	OT	
• Fleet Inventory Review	0%	Sept-Dec	OT	

Internal audit activities – June 2021 to September 2021

- Issue SaaS Application Review
- Traffic Management Process Review fieldwork
- Begin Recruitment Process Review
- Planning activities for fall projects

Other activities

- Prepare Audit Committee meeting materials
- Observation follow-ups and validation

2021 Performance metrics

Project customer satisfaction

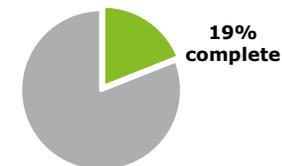
Overall quality of work/satisfaction level (Based on completed reports surveys returned)

1 3 5



Objective = 4

% Complete of the Revised 2021 internal audit plan



Internal audit 2020 Revised IA plan Reporting

	Draft (days)	Management comment (days)	Issue final (days)	Final (days)
• Objective	5.0	15.0	10.0	30.0
• Performance				

OT – On track

DF – Deferred

DL – Delayed

Comments

¹ Agreed timing with management to scope project and kick-off fieldwork

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Internal Audit (IA) Plan Revision Process | FY 2021

Overview

Using our Agile IA methodology, we reviewed the FY 2021 IA Plan with key stakeholders at the City and made required revisions to keep the IA Plan relevant and aligned with City's key strategic priorities and initiatives. A three step approach was followed to update the 2021 IA Plan.



Revised Audit Universe | FY 2021

The audit universe was updated based on the latest restructuring of City's service areas.

Audit Universe

City Manager's Office	Enterprise Supports	Finance Supports	Legal Services	Planning & Economic Development	Environment & Infrastructure	Neighbourhood & Community-Wide Services	Social & Health Development
<ul style="list-style-type: none"> • Strategy and Innovation • Anti-Racism & Anti-Oppression 	<ul style="list-style-type: none"> • People Services • Information Technology Services (ITS) • Strategic Communications, Government Relations & Community Engagement • Corporate Security & Emergency Management • Service London 	<ul style="list-style-type: none"> • Financial Planning & Business Support • Financial Services • Realty Services • Fleet and Facilities • Capital Assets and Projects 	<ul style="list-style-type: none"> • City Solicitor's Office • City Clerk's Office • Prosecutors' Office • Courts Administration • Risk Management • Top of the Hall 	<ul style="list-style-type: none"> • Planning & Development • Economic Services & Supports • Building • Licensing & Compliance • Municipal Housing Development • Tourism 	<ul style="list-style-type: none"> • Transportation & Mobility • Construction and Infrastructure Services • Climate Change, Environment and Waste Management • Water, Wastewater and Stormwater • Parks and Forestry • Regional Water Supply 	<ul style="list-style-type: none"> • Community Development and Grants • Culture • London Fire Department • Recreation and Sport 	<ul style="list-style-type: none"> • Long Term Care • Life Stabilization • Childcare and Early Years • Housing Stability Services

Revised IA Plan | FY 2021

Jan 1, 2021 to Dec 31, 2021

Audit Area	Sub-area	Audit Title	Audit Description
Enterprise Supports	People Services	Recruitment Process Assessment (Q3 2021)	Assess the effectiveness of recruiting and hiring processes for the City, including Human Resource (HR) planning , recruitment strategies, and staffing process to staff positions in a timely manner.
	Information Technology Services (ITS)	SaaS Application Review (In-progress)	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.
Environment & Infrastructure	Transportation & Mobility	Traffic Management Project Review (Q2 2021)	Evaluate and assess the proposed scope, user requirements and controls established for the Traffic Management system.
Neighbourhood & Community-Wide Services	London Fire Department	Fire Process Assessment (Q4 2021)	Assess the processes and controls in place for operational and financial processes within fire services. This audit will consider best practices and key performance indicators that the Fire Department can utilize for decision making along with periodic and annual reporting.
Finance Supports	Fleet and Facilities	Fleet Inventory Audit (Q4 2021) <i>Newly added audit to replace the Environment and Asset Retirement Obligation Assessment Audit – see below</i>	Evaluate the use and efficiency of the City’s vehicle fleet. Consider best practices in fleet management.
	Capital Assets & Projects	Environment and Asset Retirement Obligations Assessment <i>(Deferred due to delay in the accounting standards implementation)</i>	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.

Audits for Consideration for FY 2022 IA Plan Development*

Jan 1, 2022 to Dec 31, 2022

Audit Area	Sub-area	Audit Title	Audit Description
Enterprise Supports	Information Technology Services (ITS)	IT Risk Identification Process Assessment	Evaluate and assess the IT risk identification and assessment process to understand how risks are mitigated and reported.
	Corporate Security & Emergency Management	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.
Planning & Economic Development	Economic Services & Supports	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.
	Building	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.
	Planning & Development	Public Works Process Assessment	Assess the effectiveness and efficiency of processes and controls in place for operational and financial processes within public works.
Social & Health Development	Life Stabilization	Social Services Process Assessment	Assess the effectiveness of processes and controls in place for operational and financial processes within social services.

* These audits are solely for consideration for FY 2022 IA Plan development. Only a select few audits will be included in the FY 2022 IA Plan as part of the planning process.

Revised IA Plan Budget for FY 2021

Jan 1, 2021 to Dec 31, 2021

The following table outlines the estimated budget for the potential audit projects for 2021.

Project	Budget
Recruitment Process Assessment	\$45,000
SaaS Application Review	30,000
Traffic Management Process Review	30,000
Fire Process Assessment	40,000
Fleet Inventory Audit	40,000
Project Management, management meetings and Audit Committee reporting and attendance	30,000
Follow-up of outstanding observations *	15,000
Total 2021 Internal Audit Budget	\$230,000

Actual incurred expenses will be billed in accordance with the engagement letter terms

* Internal Audit Follow-ups of previously issued audit comments will be performed in advance of each Audit Committee meeting for outstanding observations that are due and will include verbal updates, validation of status and summary reporting on results of the follow-up.

Appendix A

Top Global Risks and IA Trends | 2021



Jurisdictional Scan - Audits Considered by Other Municipalities

Audit Title	Audit Description
Driver Certification Program Compliance Audit	Assess compliance with Ministry of Transportation's regulatory requirements for commercial fleet operators, specifically for 'signing authorities' approved by the Ministry of Transportation to deliver driver training and testing.
Corporate Governance (incl. Anti-corruption & Money Laundering Policies)	Assess the adequacy and effectiveness of processes and internal controls in place related to corporate governance, including anti-corruption and money laundering polices.
Diversity, Equity and Inclusion Audit	Assess programs, policies, procedures and practices regarding diversity, equity and inclusion.
Workplace Culture Audit	Assess the overall workplace culture (including working environment, employee engagement and internal communications).
Cybersecurity Audit	Assess the adequacy and effectiveness of processes and internal controls in place to prevent or adequately mitigate the risks of cyber attacks.
IT Disaster Recovery/Business Continuity Planning	Evaluate the adequacy of the IT disaster recovery plan/business continuity planning process.



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**City of London Audit Committee Observation Summary
As at June 4, 2021**

LEGEND	
Observations closed	All observations have been addressed by management
Remediation in progress	Observations in progress are being addressed by management including
Remediation in progress - exceptions noted	Management where missed implementation deadlines for observations and no
Management accepts the risk	Management has accepted the remaining risk

Report Summary				Observation Status for Management Action Plans due May, 2021.						
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 January 2021 update	Estimated completion in prior update (Jan 21)	Current Estimated Completion
2017/2018	Parking Revenue Generation Assessment	Jun-18	6	3	3	0	3	0	Feb-21	Mar-22
2017/2018	Homeless Prevention Assessment	Oct-18	4	2	2	0	2	0	Apr-21	Feb-22
2017/2018	Construction Procurement Process Assessment	Aug-19	8	6	6	0	2	0	Jun-21	Jun-21
Sub-total 2017/2018 reports			18	11	11	0	7	0		
2019	Dearness Home Process Assessment	Feb-20	4	0	0	0	4	0	Jun-22	Jun-22
2019	Computerized Maintenance Management System Review	Jan-20	9	9	9	0	0	1	Mar-21	Complete
Sub-total 2019 reports			13	9	9	0	4	1		
2020	Class Replacement (Perfectmind) Reconciliation Process Review	Jan-21	1	0	0	1	0	0	Oct-21	Oct-21
2020	Assumptions and Securities Process Assessment	Jan-21	1	0	0	1	0	0	Oct-21	Sep-22
Sub-total 2020 reports			2	0	0	2	0	0		
Total High and Medium observations			33	20	20	2	11	1		

Closed per Management: Management has indicated that action plans due to be acted upon by June 2021 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 June 2021 are underway or management has asserted observations are closed but Internal Audit has not yet validated.

Past Due Observations: Actions plans due by June 2021 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.

Notes:

None