



# Financial Report 2021

THE CORPORATION OF THE CITY OF LONDON

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## **LAND ACKNOWLEDGEMENT**

We acknowledge that we are gathered today on the traditional lands of the Anishinaabek (AUh-nish-in-ah-bek), Haudenosaunee (Ho-den-no-show-nee), Lūnaapéewak (Len-ah-pay-wuk) and Attawandaron (Add-a-won-da-run).

We acknowledge all the treaties that are specific to this area: the Two Row Wampum Belt Treaty of the Haudenosaunee Confederacy/Silver Covenant Chain; the Beaver Hunting Grounds of the Haudenosaunee NANFAN Treaty of 1701; the McKee Treaty of 1790, the London Township Treaty of 1796, the Huron Tract Treaty of 1827, with the Anishinaabeg, and the Dish with One Spoon Covenant Wampum of the Anishnaabek and Haudenosaunee.

This land continues to be home to diverse Indigenous peoples (First Nations, Métis and Inuit) whom we recognize as contemporary stewards of the land and vital contributors to society. We hold all that is in the natural world in our highest esteem and give honor to the wonderment of all things within Creation. We bring our minds together as one to share good words, thoughts, feelings and sincerely send them out to each other and to all parts of creation. We are grateful for the natural gifts in our world, and we encourage everyone to be faithful to the natural laws of Creation.

The three Indigenous Nations that are neighbours to London are the Chippewas of the Thames First Nation; Oneida Nation of the Thames; and the Munsee-Delaware Nation who all continue to live as sovereign Nations with individual and unique languages, cultures and customs.

This Land Acknowledgement is a first step towards reconciliation. It is the work of all citizens to steps towards decolonizing practices and bringing our awareness into action. We encourage everyone to be informed about the traditional lands, Treaties, history, and cultures of the Indigenous people local to their region.

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2021 City of London at a Glance

# City of London...



## At a Glance

**422,324**  
Population

**423.43 km<sup>2</sup>**  
Land Area

**3,793**  
Lane KM of  
Paved Road

**65.3%**

**7.6%**

**Aaa**

2021 Labour Participation Rate<sup>v</sup>  
(Canada's Rate is 65.1%)<sup>vi</sup>

2021 Unemployment Rate<sup>v</sup>  
(Canada Rate is 7.5%)<sup>vi</sup>

2021 Credit Rating  
Provided by Moody's  
Investors

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## Message from the City Treasurer



*Photo 1: City Treasurer, Anna Lisa Barbon*

His Worship Mayor Ed Holder,  
Members of London City Council,  
Residents 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, 2021.

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 completed 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 2021 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 as the impacts of the global pandemic continued. The 2021 results demonstrate London's continued commitment to strong financial leadership and fiscal prudence with a strong financial position, despite the uncertainty and impacts of the COVID-19 pandemic. We are committed to providing high standards of fiscal excellence and long-term financial management at the City of London.

My sincere thanks for the hard work, dedication, and cooperation from the Finance staff, all Service Areas, and Boards and Commissions in the preparation of this Report.

Sincerely,

A handwritten signature in black ink that reads "A. Barbon". The signature is fluid and cursive.

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

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## Financial Reporting

### External Audit

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

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

### Accounting and Financial Reporting Requirements

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

### Consolidated Financial Statements Overview

The Consolidated Financial Statements include the following individual statements:

Name	Purpose
Consolidated Statement of Financial Position	Provides a summary of the City's assets (financial and non-financial), and financial liabilities as at December 31, 2021.
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 2021 budget values presented in this statement have been adjusted to reflect the differences between amounts as budgeted at the City on a modified "cash



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## 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: Central Park Public Library*



*Photo 3: Museum London*

## 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 strategic plan 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 budget 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 for the remaining years of the Multi-Year Budget cycle.

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, Civic Administration, 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 informed of, and engaged on 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.

The City of London adopted and approved its 2022 Annual Budget Update in December 2021. The 2022 budget update also included the updated 10-year capital forecast to 2031.



Photo 4: Thames River along Labatt 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 projects are primarily funded by capital levy and reserve funds. Growth projects are primarily funded by development charges and debt. Service improvements are commonly funded by all three tax and rate supported sources (capital levy, reserve fund and debt). By 2022, the City is projected to 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 appropriate maturities to meet the funding requirements of the City.

The City’s Council-approved Investment Policy was comprehensively reviewed and updated in 2021, however, the primary objectives of the Policy remained unchanged. The City’s objectives to investing, in priority order, are to adhere to statutory requirements, preserve capital, maintain liquidity and achieve an adequate rate of return to maintain the purchasing power of invested funds. 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 external investment managers.

The benefit of investment services provided by a sophisticated team of experts include: regular monitoring, more active trading (where appropriate and beneficial), diversification of funds, access to leading market research and external expertise. 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.

In a response to the pandemic, the Provincial government delayed the property assessment update scheduled for 2020. The result is no assessment-based shifts between classes in 2021. As the schedule for future assessments has not been determined, and future impacts including tax shifts between property classes are unknown, there were no changes to tax ratios in 2021.

The Province reduced Business Education Tax rates for Commercial and Industrial classes in 2021. The result is that London will no longer be at a disadvantage based on provincial education property tax policy for business properties. The positive impact will be a reduction in the education portion of property tax for Commercial and Industrial property owners.

The ending of the tax mitigation, known as capping, 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. No properties had tax decreases clawed back in any property class in 2021, nor will there be capping adjustments in future years.

## **Financial Management (continued)**

### **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 the materials noted above, 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 July 23, 2021, the City has maintained its Aaa credit rating with a stable outlook.

The City has proudly held the Aaa rating since 1977, making 2021 the 45th 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 45 consecutive years is a testament to the success of the City's prudent, conservative approach to fiscal planning.



*Figure 1: 2021 Credit Rating Provided by Moody's Investor Service.*



*Photo 5: Dundas Street*

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## Economic Overview

London's economy has been mostly resilient during the pandemic. Real GDP in the city rose past its pre-pandemic (2019) level in 2021, rising 6.7%. This year, London's economy is projected to expand by 3.8% with another 1.8% gain in real GDP forecast for 2023. (Conference Board of Canada, Major City Insights London, March 2022)

## Sectoral Performance

Health care and financial services, two of the city's major sectors performed incredibly well over the past year. These two industries have helped to offset the impact of supply chain disruptions on manufactures and will continue to be key drivers for London's economy in the years ahead. Additionally, the city's tourism sector will continue healthy growth over the next few months, with the momentum carrying well into 2023. London's proximity to Toronto and Detroit means high-profile entertainers make a stop in the Forest City when permitted. (Conference Board of Canada, Major City Insights London, March 2022)

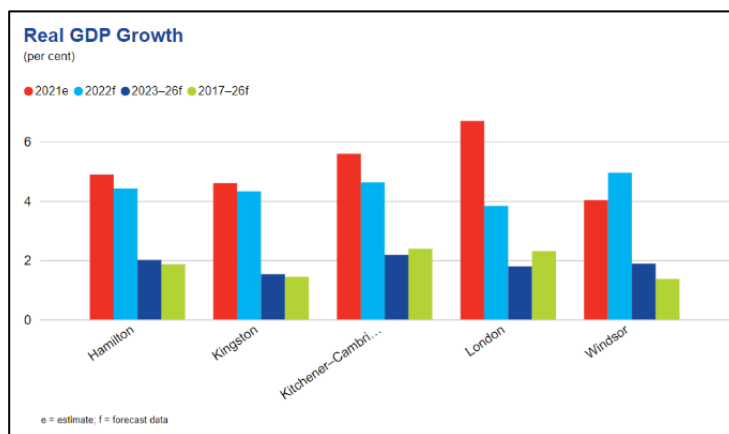


Figure 2: Real GDP Growth, London, Ontario - Source: Conference Board of Canada, Major City Insights London, March 2022

Sector	2019	2020	2021e	2022	2023	2024	2025	2026
Total employment	253.8	257.2	280.5	277.8	279.6	283.1	286.6	290.0
Manufacturing	35.0	32.3	34.2	32.8	34.9	35.3	35.6	35.8
Construction	17.8	20.0	19.6	22.0	19.0	19.0	19.3	19.7
Primary and utilities	3.3	5.5	4.5	6.8	5.7	5.5	5.5	5.5
Wholesale and retail trade	37.5	31.9	37.4	37.8	38.5	39.4	40.1	40.7
Transportation and warehousing	10.8	12.8	12.0	8.9	10.1	10.5	10.6	10.7
Information and cultural industries	3.0	3.1	4.2	3.7	3.5	3.5	3.6	3.6
Finance, insurance, real estate, business, building, and other support services	29.6	28.9	34.0	30.0	31.0	31.7	32.1	32.6
Professional, scientific and technical services	17.2	20.4	18.9	22.6	22.9	23.2	23.7	24.2
Educational services	21.6	23.0	26.8	27.5	26.5	26.3	26.5	26.6
Health care and social assistance	38.1	39.5	46.0	44.3	44.4	44.8	45.2	45.6
Arts, entertainment and recreation	5.1	6.0	4.6	3.6	4.2	4.6	4.7	4.9
Accommodation and food services	15.1	14.9	17.2	19.0	18.7	18.8	19.1	19.3
Other services (except public administration)	10.2	9.1	10.3	9.7	10.2	10.5	10.7	10.8
Public administration	9.5	9.6	10.7	9.3	9.8	9.9	10.0	10.0

Figure 3: London, Ontario's relative employment growth by sector. Source: Conference Board of Canada, Major City Insights London, March 2022

The health care sector accounts for about 16% of jobs in London. After rising an expected 16.3% in 2021, driven by a stunning 14.3% expansion in the second quarter, employment in the industry is projected to post a modest contraction over the next two years. Nevertheless, the city's health care sector is leading research and development hub in Ontario, and the industry will continue to attract top talent from around the globe. Employment in London's health care sector will also benefit from the metropolitan area's solid population growth and aging population, both which are projected to increase the demand for medical services. (Conference Board of Canada, Major City Insights London, March 2022). Finance, insurance, and real-estate sector is another key industry in the London economy, which accounts for 12% of London-wide employment. Employment in the financial sector has been surging, as 5,100 jobs have been added in the last year (for growth of 17.7%). The area's red-hot housing market has increased the demand for mortgages and home insurance, leading to a greater need for workers in the industry. (Conference Board of Canada, Major City Insights London, March 2022)

## Economic Overview (continued)

### Employment

Employment growth in the City has been blistering over the past year even though high-contact sectors are still struggling to regain their footing. Momentum is expected to fade in London's labour market over the short term, but there are enough bright spots in the metropolitan area's economy to keep employment near its perspective record high reached in 2021. (Conference Board of Canada, Major City Insights London, March 2022)

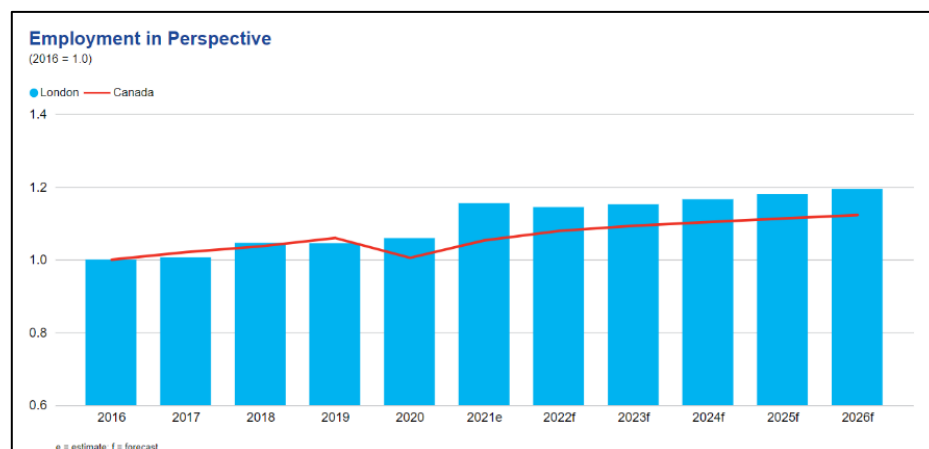


Figure 4: Employment Perspective in London, Ontario, vs. Canada. Source: Conference Board of Canada, Major City Insights London, March 2022

The city added 23,300 jobs in 2021, equivalent to 9.1%. The performance was particularly impressive considering that, unlike most other parts of Canada, employment in the city increased in 2020. It is predicted that employment in London will mostly hold steady in 2022-23, as employment will fall just by 2,700 this year before 1,800 jobs are added in 2023. The modest contraction reflects the declining outlook for London's labour force participation rate, which reached an 11-year high in the second quarter of last year.

Given that the city's population is aging, and its labour force participation rate has trended downward for the better part of two decades, the recent spike in participation rate is temporary, and more workers will exit the labour force in the short term, stunting employment growth. (Conference Board of Canada, Major City Insights London, March 2022)

On a positive note, the rise of remote working over the past two years has been a boon to London's labour market. Workers who now have the flexibility to work anywhere in the country have realized the Forest City is a more affordable alternative to the Greater Toronto Area and have relocated to the London area as a result. Looking ahead, employment in the industry is projected to moderate over the short term as residential markets cool and the record level of savings in the economy dissipates. (Conference Board of Canada, Major City Insights London, March 2022)

### Migration and Cost of Living

The metropolitan area is projected to benefit from strong migration over the next few years. With immigration levels recovering and the Toronto area facing a housing supply crunch, new migrants are projected to opt to settle in the more affordable London area rather than in the Greater Toronto Area.

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## Economic Overview (continued)

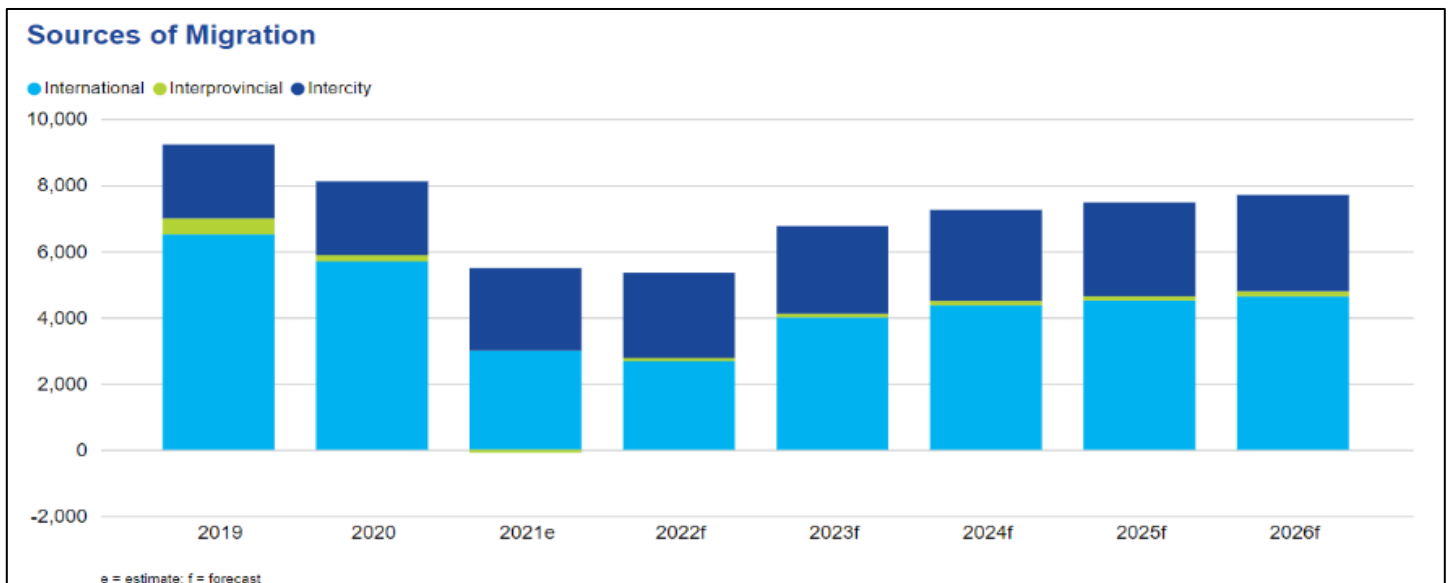


Figure 5: Sources of Migration for London, Ontario. Source: Conference Board of Canada, Major City Insights London, March 2022

The return of most students to in-person learning at Western University and Fanshawe College this year will provide a welcome boost to London’s economy, allowing high-contact industries such as restaurants and arts and entertainment to post a strong recovery. Population in the census metropolitan area is set to increase by 1.1% annually over the next two years. The city’s affordability compared with other major cities in the province, along with increased flexibility around remote working, is projected to draw residents from other areas of Canada and around the globe to London. (Conference Board of Canada, Major City Insights London, March 2022)

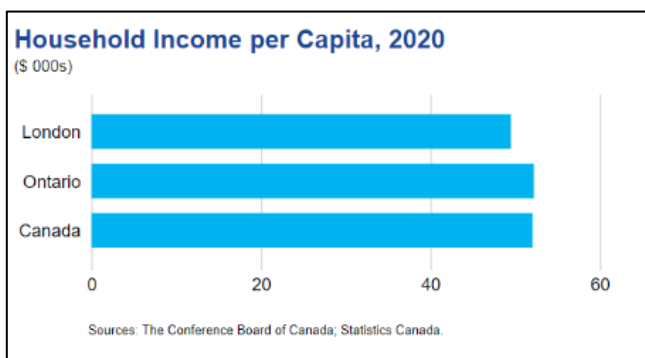


Figure 6: Household Income per Capita, in 2020 for London, Ontario. Source: Conference Board of Canada, Major City Insights London, March 2022

After surging over the past two years, household disposable income is set to contract by 2.5% this year. Next year, as the economy stabilizes and manufacturers regain their footing, household disposable income is projected to rise by 3.5%. Falling levels of disposable income combined with the difficulties surrounding supply chains, are projected to limit growth in retail sales to just 0.7% in 2022. (Conference Board of Canada, Major City Insights London, March 2022)



## Economic Overview (continued)

### Construction and Real Estate

London’s real estate market is coming off an excellent year, as 5,600 units broke ground in 2021, a record high. The rise in remote working over the past two years has encouraged many households to invest in more space, adding fuel to the metropolitan area’s housing market. Another factor driving up residential construction has been the resale market. Resale home listings in London have been flat for the past two years, while sales have risen quickly. That has led to surging prices for existing homes, encouraging homebuyers to invest in new homes rather than trying to purchase existing units. (Conference Board of Canada, Major City Insights London, March 2022)

About 4,130 starts are expected annually in 2022-23 in the London area. The slowdown will be driven by rising interest rates and a scale-back in buyers looking for additional space. The forecast for housing starts in the city still represents a hot housing market by historical standards. It is projected that prices for existing homes to decelerate but remain elevated, further encouraging development of new units over the next few years.

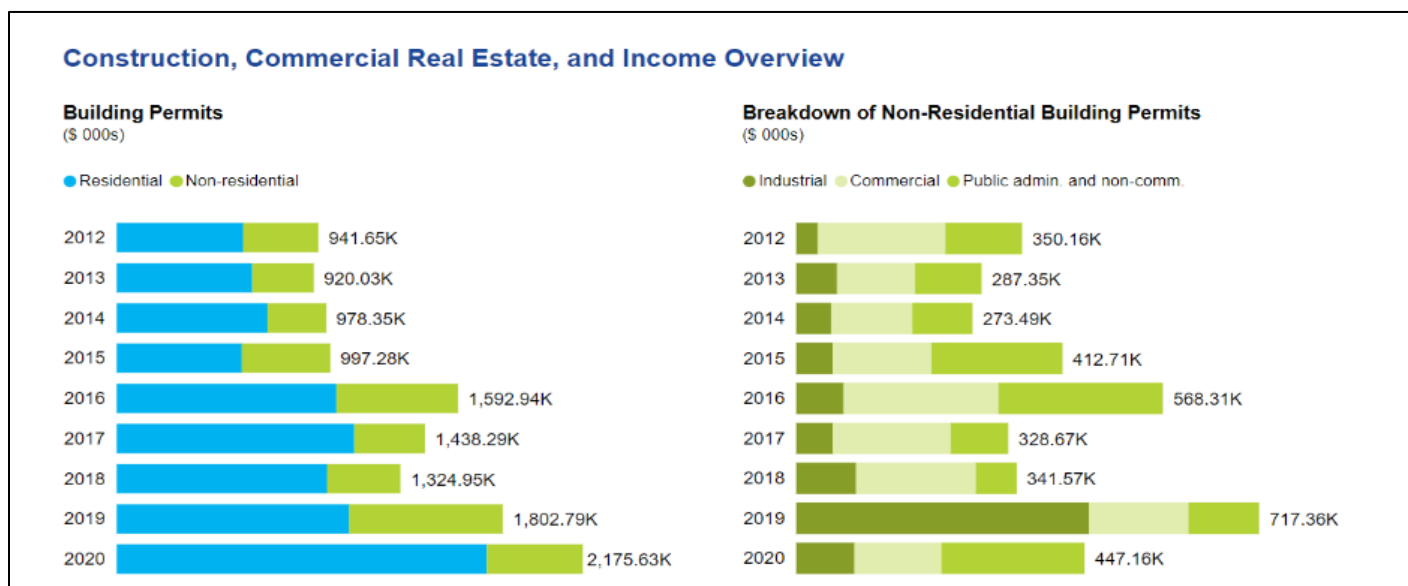


Figure 7 - Construction Overview for London, Ontario. Source: Conference Board of Canada, Major City Insights London, March 2022, Statistics Canada, and CBRE

On the non-residential side of London’s construction sector, infrastructure projects will boost activity. Construction of both the Adelaide Street North underpass and the East London Link bus rapid transit project is expected to get under way this year and take around three years to complete. (Conference Board of Canada, Major City Insights London, March 2022)

On the downside, projections for office construction are bleak. According to CBRE, the city’s office vacancy rate has surged over the past two years, reaching 26.1% in the final quarter of 2021. Overall, it is projected that construction output will expand just 0.9% this year, with another gain of 0.3% forecast for 2023. The growth is a testament to a moderating housing market and commercial building projects. (Conference Board of Canada, Major City Insights London, March 2022)

# THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report  
Year ended December 31, 2021

## 2021 Financial Results

### Financial Results Summary

2021 (millions)	Budget	Actual	Variance
Revenues	1,439	1,477	38
Expenses	1,252	1,198	(54)
Surplus	187	279	92

Table 1: Financial Results Summary

The City's financial position remained stable during 2021, with the City's cash and investments increasing by \$253 million to a combined total of \$1,694 million, compared to \$1,441 million in 2020. 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 \$865 million in 2021, representing an increase of \$194 million over 2020. 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 \$1,477 million in 2021, up \$57 million (4%) compared to 2020. This is mainly as a result of:

- Tax and transfer payments were \$1,019 million, up \$37 million (3.8%) compared to 2020;
- User charges were \$283 million, up \$6 million (2.1%) compared to 2020, predominantly in the areas of water and wastewater, and planning, development and compliance.

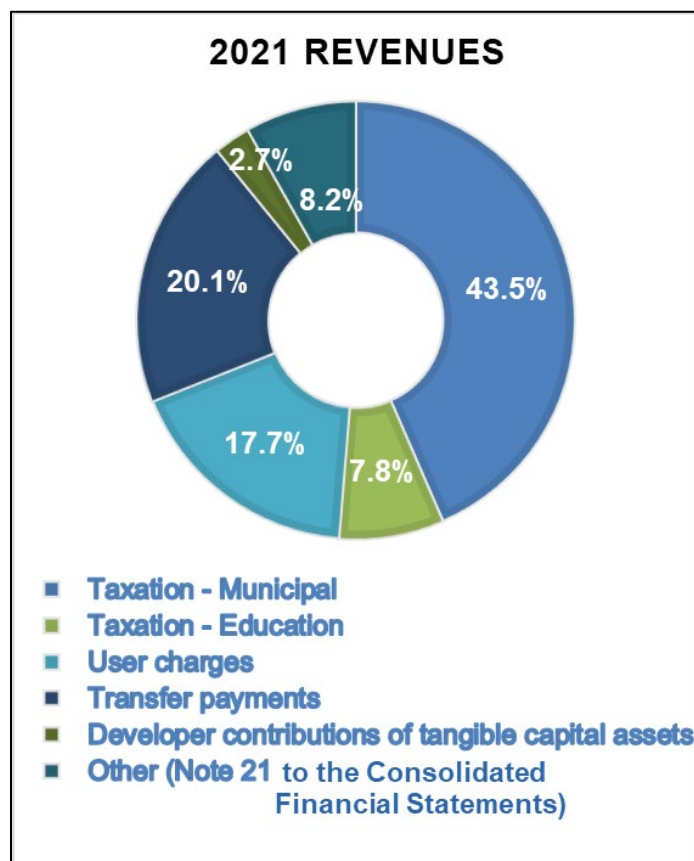


Figure 8: 2021 Revenues

### Revenue Budget Variance

In 2021, revenue realized on a full accrual basis of \$1.5 billion was \$38 million greater than budget. Contributing factors to this variance were:

- Greater than anticipated investment income of \$17.5 million
- Higher than anticipated Development Charges revenue earned of \$14.6 million related to growth capital works
- Greater than expected equity earnings in government business enterprises by \$14.0 million
- Lower than anticipated user fees because of program restrictions attributable to Covid-19
- Greater than expected developer contributions of tangible capital assets by \$4.8 million.

# THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report  
Year ended December 31, 2021

## 2021 Financial Results (continued)

### Total Expenses

Total expenses are \$1,198 million in 2021, up \$36.7 million (3.2%) compared to 2020. This is mainly due in part to:

- Increase spending in Transportation Services (\$23.3 million), Environmental Services (\$10.1 million), Recreation and Cultural Services (\$6.2 million), and Health Services (\$3.0 million).
- Decrease spending in General Government (\$1.1 million) and Planning and Development (\$8.1 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.

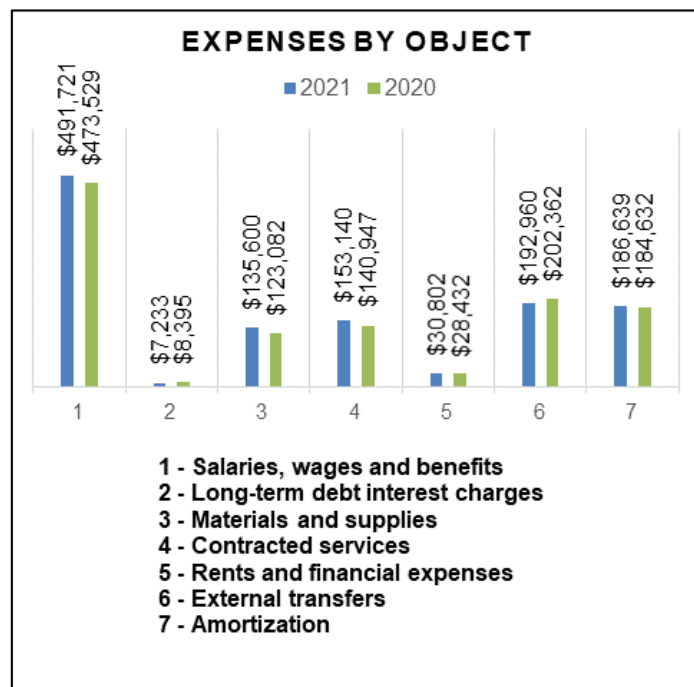


Figure 10: Expenses by Object (\$'000's)

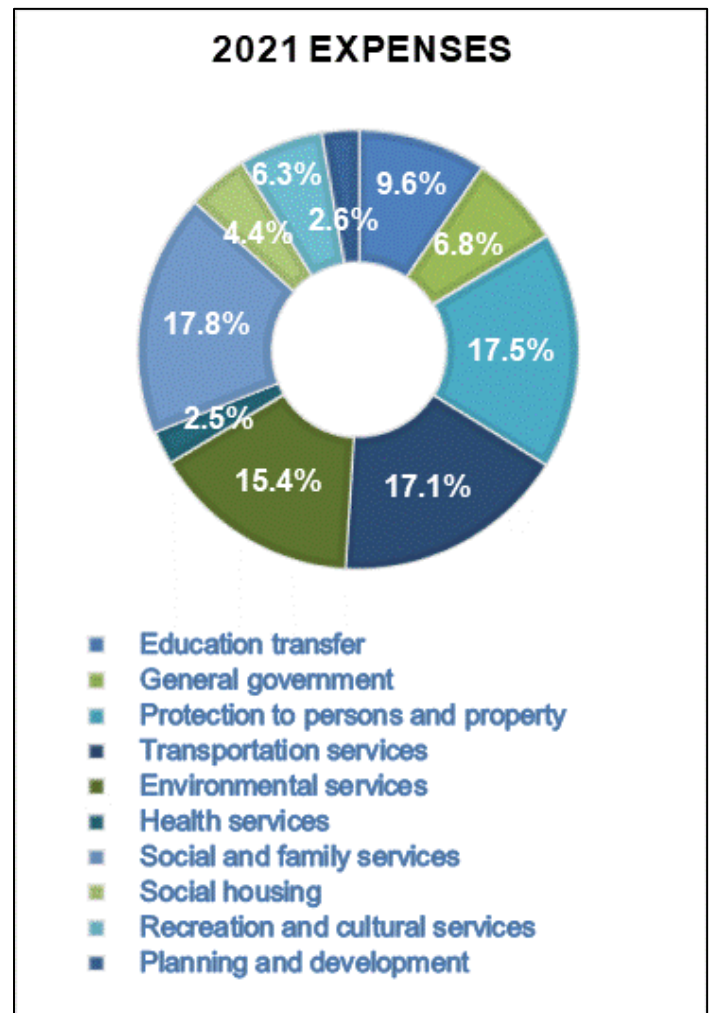


Figure 9: 2021 Expenses

### Expense Budget Variance

In 2021, expenses incurred on a full accrual basis were \$1,198 million which was \$54 million lower than budget. Major contributing factor to this variance was net operational savings realized primarily from temporary closures or reduced operations in various programs, services, and facilities throughout the City due to public health restrictions. This resulted in lower costs incurred in Recreation and Cultural Services, Transportation Services, Social and Family Services, and General Government. However, higher than anticipated costs were incurred in Social Housing.

# THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report  
Year ended December 31, 2021

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## 2021 Financial Results (continued)

### City Budget Versus Consolidated Financial Statements Budget

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

<b>2021 (\$ 000's)</b>	<b>Modified Cash Basis Budget Unconsolidated</b>	<b>Financial Statement Adjustments</b>	<b>Full Accrual Basis Budget Consolidated</b>
Revenue	1,236,587	202,462	1,439,049
Expenses	1,236,587	15,098	1,251,685
Surplus (Deficit)	-	<b>187,364</b>	<b>187,364</b>

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

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

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

**THE CORPORATION OF THE CITY OF LONDON**

Consolidated Financial Report  
Year ended December 31, 2021

**2021 Financial Results (continued)**

Outlined in the table below is a reconciliation of what was reported to the Corporate Services Committee in the 2021 Year-End Operating Budget Monitoring Report on April 19, 2022, highlighting Financial Statement adjustments. Note 20 of the Consolidated Financial Statements provides a similar reconciliation based on the approved budgets.

<b>2021 Operating Budget Surplus per the 2021 Year-End Operating Budget Monitoring Report to Corporate Services Committee on April 19, 2022</b>	<b>\$ millions</b>
Property Tax Supported Budget Surplus	19.6
Water Rate Supported Budget Surplus	3.7
Wastewater & Treatment Rate Supported Budget Surplus	2.2
2021 Operating Budget Surplus	25.5
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	(25.5)
<b>Operating Fund Surplus per 2021 Approved Budget (Modified Cash Basis)</b>	<b>-</b>
Financial Statement Adjustments:	
Plus: Transfers to (from) Capital, Reserves, and Reserve Funds	275.3
Plus: Debt Principal Repayments (unconsolidated)	38.6
Plus: Capital program funding earned in year	44.1
Less: Capital expenses not capitalized (Non-Tangible Capital Assets)	(47.7)
Less: Amortization of Tangible Capital Assets	(156.7)
Plus: Developer contributions of assumed Tangible Capital Assets	43.5
Less: Loss on disposal of Tangible Capital Assets	(7.7)
Plus: Reserves and reserve fund net revenues earned in year	71.5
Plus: Government Business Enterprises adjustments	15.1
Less: Change in landfill liability, contaminated site liability and employee future benefit liability	(19.6)
Plus: Boards' and Commission's Surpluses	22.7
<b>2021 Surplus per Financial Statements (PSAS Format)</b>	<b>279.1</b>

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

**THE CORPORATION OF THE CITY OF LONDON**

Consolidated Financial Report  
 Year ended December 31, 2021

**2021 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.

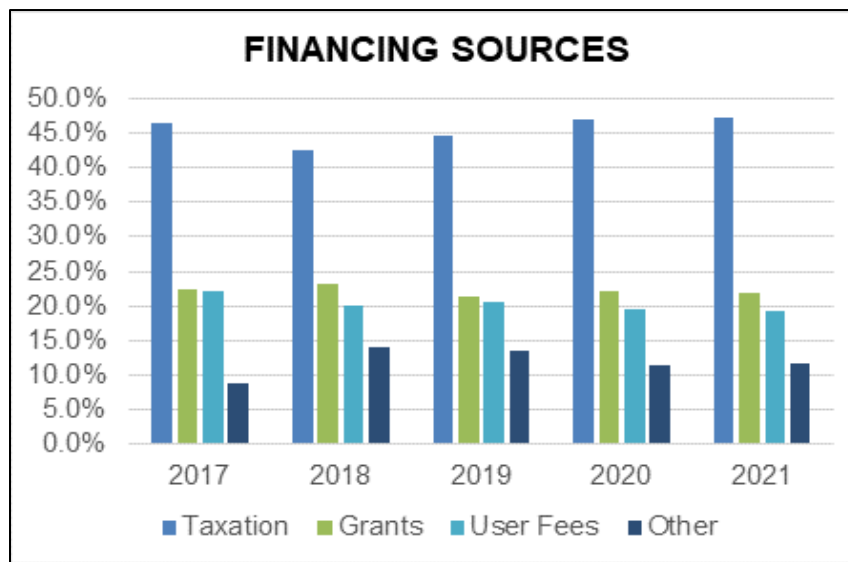


Figure 11: Five (5) Year Overview of Financing Services

**Property Tax Rates and Assessment Growth**

City Council approved a tax levy of \$ 673.6 million, representing an increase over 2020 of 4.56%. When assessment growth, tax policy and education taxes are taken into consideration, the property tax increase translated into a 3.0 % 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 2021 and an average value increase from 2020, due to an assessment freeze.

For 2021, assessment weighted with applicable tax ratios and using consistent valuation dates increased by 1.38%.

<b>COMPARATIVE PROPERTY TAXES</b>		
	<b>2021</b>	2020
Municipal	<b>\$3,051</b>	\$2,952
Education	<b>378</b>	378
<b>Total</b>	<b>\$3,429</b>	\$3,330

Table 4: Municipal & Education Comparative Property Taxes

**THE CORPORATION OF THE CITY OF LONDON**

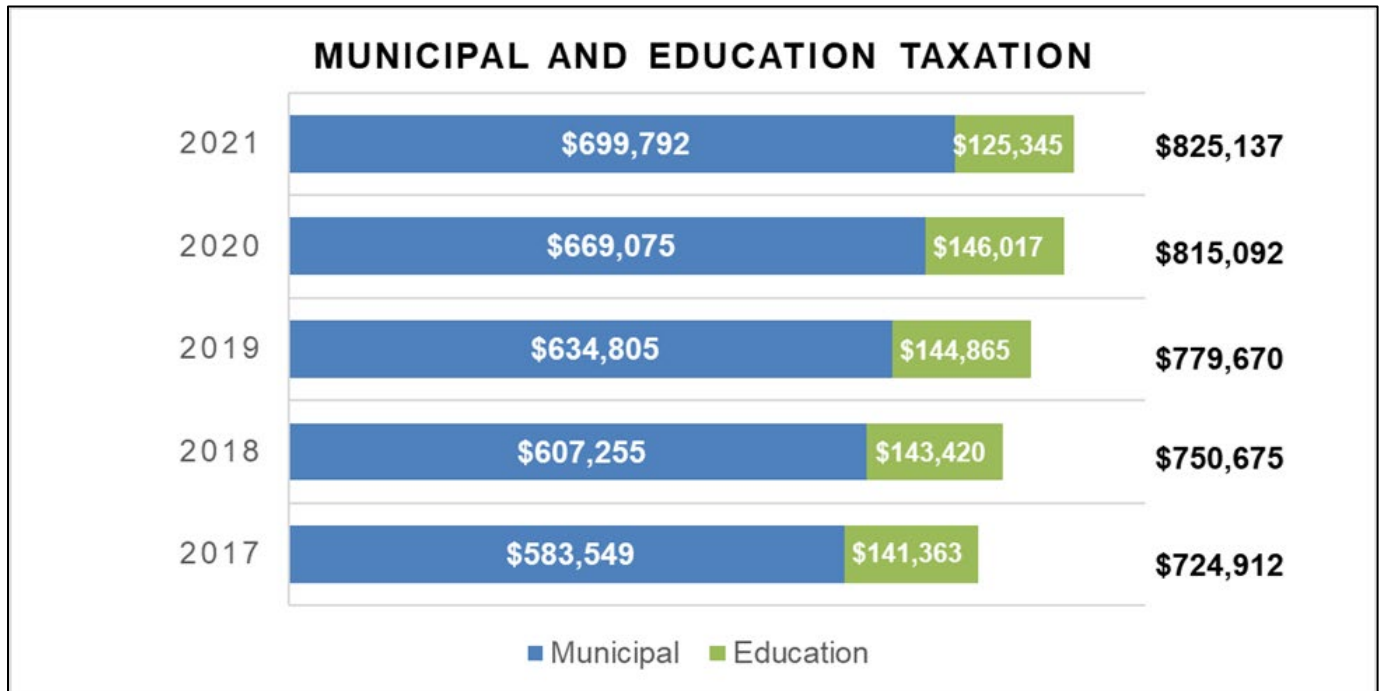
Consolidated Financial Report  
Year ended December 31, 2021

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**2021 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 12: Five (5) year Overview of Property Taxes (\$000's)  
Source: 2021 Financial Information Return, Schedule 26A*

# THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report  
Year ended December 31, 2021

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## 2021 Financial Results (continued)

### Capital Additions and Disposals

During 2021, additions to our completed capital assets were \$298 million versus \$265 million in 2020, excluding works in progress. The City also disposed of capital assets of \$72 million compared to \$206 million in 2020. There was also a net decrease in assets still under construction of \$19 million in 2021. The following table reflects where the largest net additions in 2021 were, excluding assets still under construction:

#### NET CAPITAL ASSET INCREASES RANKED BY 2021 SPENDING (\$000's)

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1.	Roads and Bridges Infrastructure	\$44,769
2.	Land, Landfill and Land Improvements	28,058
3.	Water and Wastewater Infrastructure	23,630

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*Table 5: Largest Net Additions, 2021 (\$000's)*

In 2021 amortization expense recorded was \$187 million and accumulated amortization of \$62 million was removed upon disposal of the assets.

This resulted in a 2021 net book value of \$4,183 million for the City's tangible capital assets, compared to \$4,101 million for 2020.

### Annual Surplus and Accumulated Surplus

The annual surplus for the consolidated entity for 2021 was \$279 million (2020 - \$259 million). This results in an increase to the City's Accumulated Surplus for 2021 to \$5,077 million (2020 - \$4,798 million).



# THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report  
Year ended December 31, 2021

## 2021 Financial Results (continued)

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

In 2021, the City issued debt of \$23,077, which is a decrease from 2020 when \$36,000 was issued. The 2021 debenture issuance consisted of \$23,000 debt through public debentures (2020-\$36,000) and \$77 (2020 – nil) to the Canada Mortgage and Housing Corporation (CMHC).

The amounts issued financed the following major activities:

Debenture Issuance (\$000's)	Public Debentures	CMHC	Total Issuance
General Municipal Activities (Roads, Industrial Land, Recreation, Housing)	\$14,062	\$77	\$14,139
Wastewater Infrastructure	8,938	-	8,938
	\$23,000	\$77	\$23,077

Table 6: Debenture Amounts Issued

The City issued public debentures at an average cost of 1.819% over a 10-year term. In addition, debentures were issued to CMHC at 1.840% for a 10-year term and at Canada Prime Rate plus 2% for a 2-year term.

During the year, debt substitution totaled \$4,300 (2020 - \$4,100) 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.

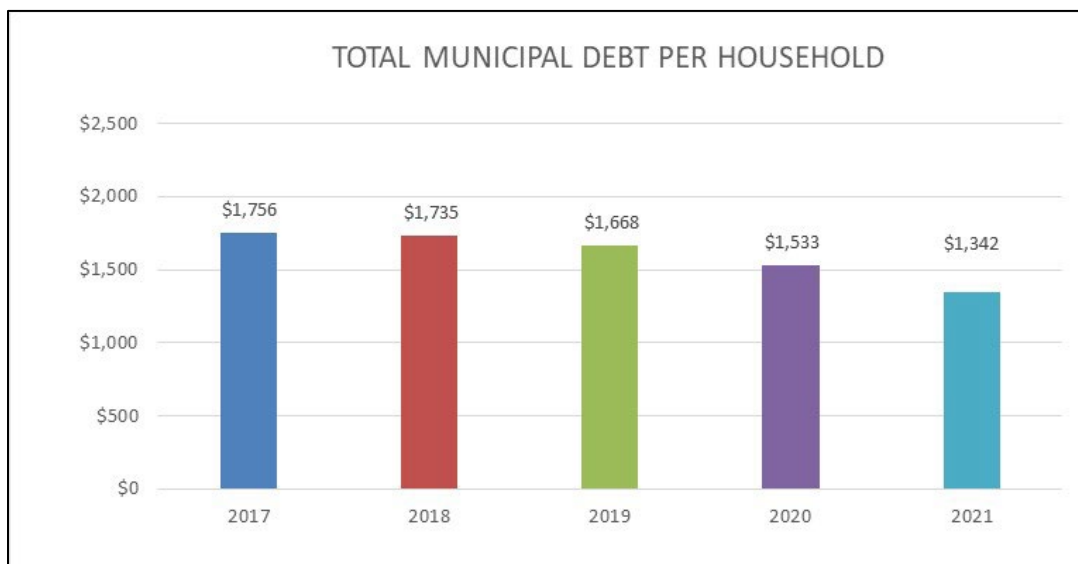


Figure 13: Five (5) Year Overview of Municipal Debt per Household

As a result of the Strategic Financial Planning Process, the City has limited the amount of new debt authorized each year.

**THE CORPORATION OF THE CITY OF LONDON**

Consolidated Financial Report  
Year ended December 31, 2021

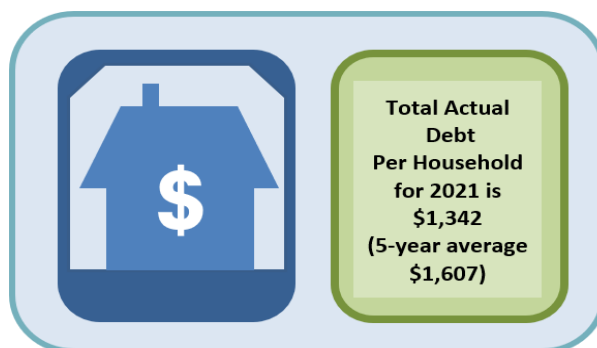
**2021 Financial Results (continued)**

**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)**

	2017	2018	2019	2020	2021
Total Tax Supported Debt (\$)	192,732	184,684	169,593	148,194	<b>129,583</b>
Total Rate Supported Debt (\$)	117,883	126,443	133,800	132,984	<b>118,150</b>
Total Debt (\$)	310,615	311,127	303,393	281,178	<b>247,733</b>
Number of Households	176,859	179,342	181,841	183,358	<b>184,650</b>
Total Debt per Household (\$)	1,756	1,735	1,668	1,533	<b>1,342</b>
Discretionary Reserve Funds & Reserves (\$)	681,028	761,075	854,787	1,001,960	<b>1,152,763</b>
Discretionary Reserve Funds & Reserves Per Household (\$)	3,851	4,244	4,701	5,465	<b>6,243</b>

*Table 7: Discretionary Reserves and Reserve Funds per Household*



*Figure 14: Total Actual Debt per Household, 2021*

**THE CORPORATION OF THE CITY OF LONDON**

Consolidated Financial Report  
Year ended December 31, 2021

**2021 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, 2021. The current obligation will be met by 2032.

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

	2021	2022	2023	2024	2025	2026
General Municipal	126,585	99,325	75,255	57,154	42,740	30,319
Discretionary Reserve Funds	3,752	1,656	490	-	-	-
<b>Total Tax Supported Debt</b>	<b>130,337</b>	<b>100,981</b>	<b>75,745</b>	<b>57,154</b>	<b>42,740</b>	<b>30,319</b>
Water	7,734	5,393	3,776	2,382	1,761	1,725
Wastewater	24,662	19,456	15,217	11,184	7,732	4,690
Obligatory Reserve Funds	86,359	73,802	61,703	50,223	39,191	28,829
<b>Total Rate Supported Debt</b>	<b>118,755</b>	<b>98,651</b>	<b>80,696</b>	<b>63,789</b>	<b>48,684</b>	<b>35,244</b>
<b>Total Long-term Debt and Liabilities</b>	<b>249,092</b>	<b>199,614</b>	<b>156,441</b>	<b>120,943</b>	<b>91,424</b>	<b>65,563</b>
<b>Less Unamortized Discount</b>	<b>(1,359)</b>	<b>(1,060)</b>	<b>(807)</b>	<b>(604)</b>	<b>(441)</b>	<b>(299)</b>
<b>Total Long-term Debt and Liabilities, net of Unamortized Discount</b>	<b>247,733</b>	<b>198,572</b>	<b>155,634</b>	<b>120,339</b>	<b>90,983</b>	<b>65,264</b>
<b>Percentage Remaining</b>	<b>100%</b>	<b>80%</b>	<b>63%</b>	<b>49%</b>	<b>37%</b>	<b>26%</b>

Table 8: Principal Balances Remaining on Outstanding Debentures as at December 31, 2021 (\$000's)

# THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report  
Year ended December 31, 2021

## 2021 Financial Results (continued)

### Reserves and Reserve Funds

At December 31, 2021, the City of London had combined Reserves, and Discretionary and Obligatory Reserve Funds of \$1,636 million (\$167 million and \$1,469 million respectively). These balances reflect a net increase of \$237 million from December 2020, 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 15 below shows the ten-year trend in yearend 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.

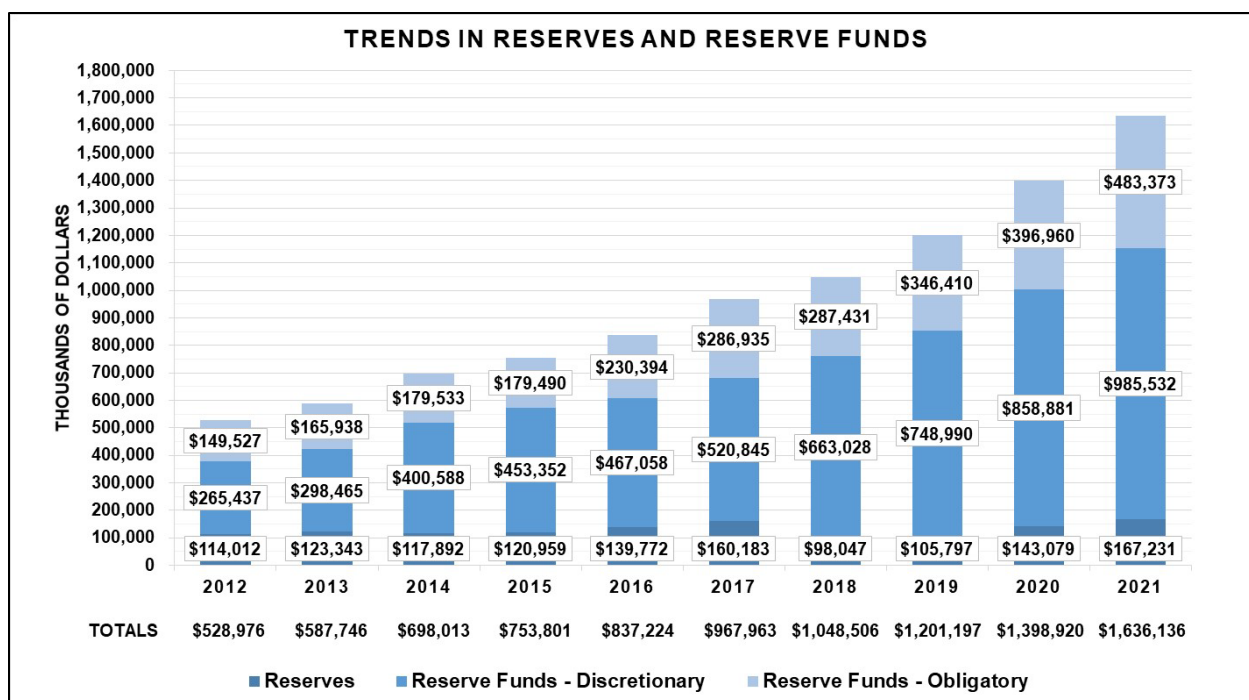


Figure 15: Ten Year Overview of Reserves and Reserve Funds (\$000's)

In 2021, Reserve Funds grew by \$213 million, reaching \$1,469 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 \$24 million over 2020 balances.

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

# THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report  
Year ended December 31, 2021

## Five Year Review and General Statistics

### Five Year Review (\$000's)

	2021	2020	2019	2018	2017
TAXATION (including education)					
Residential & Farm	\$589,068	\$562,401	\$539,339	\$522,543	\$507,405
Commercial & Industrial	236,069	252,691	240,331	228,132	217,507
	<b>\$825,137</b>	<b>\$815,092</b>	<b>\$779,670</b>	<b>\$750,675</b>	<b>\$724,912</b>
TOTAL TAXES RECEIVABLE	<b>\$29,596</b>	<b>\$37,046</b>	<b>\$29,223</b>	<b>\$29,792</b>	<b>\$28,937</b>
TAX ARREARS					
Percentage of Current Levy	<b>3.6%</b>	4.5%	3.7%	4.0%	4.0%
TAX RATES (%) (including all area rates & education)					
Residential	<b>1.388283</b>	1.348259	1.340225	1.350819	1.360444
Multi-Residential	<b>2.267656</b>	2.199140	2.223582	2.290515	2.361127
Commercial	<b>3.239391</b>	3.532945	3.554112	3.618981	3.693816
Industrial	<b>3.239391</b>	3.532945	3.554112	3.618981	3.693816
TOTAL LONG-TERM DEBT					
General Municipal Rates	<b>\$123,884</b>	\$139,657	\$155,812	\$163,414	\$164,844
Water Rates	<b>7,734</b>	10,517	13,158	15,638	18,927
Sewer Rates	<b>24,662</b>	33,008	41,663	50,346	55,551
Municipal Reserve Funds	<b>90,112</b>	95,913	89,870	75,590	62,653
	<b>\$246,392</b>	<b>\$279,095</b>	<b>\$300,503</b>	<b>\$304,988</b>	<b>\$301,975</b>
DEBT PRINCIPAL & INTEREST REPAYMENTS					
Principal	<b>\$55,781</b>	\$57,408	\$53,865	\$ 51,987	\$49,361
Interest and debenture discount	<b>7,233</b>	8,395	9,347	9,605	9,698
	<b>\$63,014</b>	<b>\$65,803</b>	<b>\$63,212</b>	<b>\$61,592</b>	<b>\$59,059</b>
DEBT ISSUED	<b>\$23,077</b>	<b>\$36,000</b>	<b>\$49,380</b>	<b>\$55,000</b>	<b>\$41,000</b>
ASSESSMENT GROWTH	<b>1.38%</b>	1.63%	1.96%	1.27%	0.91%
TANGIBLE CAPITAL ASSETS ADDITIONS	<b>\$412,477</b>	<b>\$376,254</b>	<b>\$392,112</b>	<b>\$502,850</b>	<b>\$457,929</b>
TANGIBLE CAPITAL ASSETS AMORTIZATION	<b>\$186,639</b>	<b>\$184,632</b>	<b>\$182,017</b>	<b>\$172,672</b>	<b>\$162,828</b>
NET BOOK VALUE TANGIBLE CAPITAL ASSETS	<b>\$4,183,481</b>	<b>\$4,101,180</b>	<b>\$3,995,680</b>	<b>\$3,892,797</b>	<b>\$3,749,717</b>
ANNUAL SURPLUS	<b>\$279,102</b>	<b>\$258,860</b>	<b>\$222,165</b>	<b>\$272,392</b>	<b>\$166,359</b>
CONSOLIDATED ACCUMULATED SURPLUS	<b>\$5,076,874</b>	<b>\$4,797,772</b>	<b>\$4,538,912</b>	<b>\$4,316,747</b>	<b>\$4,044,355</b>
RESERVES, DISCRETIONARY & OBLIGATORY RESERVE FUNDS	<b>\$1,636,136</b>	<b>\$1,398,920</b>	<b>\$1,201,197</b>	<b>\$1,048,506</b>	<b>\$967,963</b>

**THE CORPORATION OF THE CITY OF LONDON**

Consolidated Financial Report  
 Year ended December 31, 2021

**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.

	2021	2020
<b>GENERAL STATISTICS:</b>		
Population <sup>i</sup>	<b>422,324</b>	402,659
Area in Acres	<b>104,632</b>	104,632
Number of Households <sup>ii</sup>	<b>184,650</b>	183,358
Number of Properties <sup>ii</sup>	<b>163,302</b>	161,687
Building Permit Values (\$000's) <sup>iii</sup>	<b>\$1,634,083</b>	\$1,621,544
Average Home Selling Price <sup>iv</sup>		
London and St. Thomas	<b>\$637,132</b>	\$488,500
Ontario	<b>\$871,876</b>	\$705,369
Canada	<b>\$688,113</b>	\$567,091
Unemployment Rates (Annual Averages)		
London <sup>v</sup>	<b>7.6%</b>	8.8%
Ontario <sup>vi</sup>	<b>8.0%</b>	9.6%
Canada <sup>vi</sup>	<b>7.5%</b>	9.5%
CPI Canada (percentage change) <sup>vii</sup>	<b>3.4%</b>	0.7%
Real GDP Canada (percentage change) <sup>viii</sup>	<b>5.0%</b>	-4.5%

*Table 9: General Statistics and Indicators*

## THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report  
Year ended December 31, 2021

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### Definitions

**Amortization** – the systematic allocation of the historical cost of a tangible capital asset over its useful life.<sup>ix</sup>

**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.<sup>ix</sup>

**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).<sup>ix</sup>

**Consolidated Financial Statements** – statements containing financial information for the municipality and its owned or controlled organizations (e.g., fire, library).<sup>ix</sup>

**Contributed Assets** – assets that have been transferred or donated to the municipality and that will provide a future economic benefit.<sup>ix</sup>

**Deferred Revenue** – income received that will not be recorded as revenue until certain transactions or events take place.<sup>ix</sup>

**Development Charges** - an optional revenue tool designed to help municipalities pay for a portion of the capital costs of infrastructure to support new growth. The charges help ensure that a municipality's existing taxpayers are not required to pay the full capital costs of infrastructure or services required to serve new residents and businesses. The charges do not pay for operating costs or for the future repair of infrastructure.

To ensure they have the resources to support growth, municipalities can use development charges to fully recover the eligible costs of services listed under the *Development Charges Act, 1997* (DCA). Some of the services include roads, water and wastewater, police and fire services and transit.<sup>x</sup>

**Equity in Tangible Capital Assets** – the net book value of recorded tangible capital assets less capital debt.<sup>ix</sup>

**Expenditure** – an outlay of cash, payment or disbursement.<sup>ix</sup>

**Expense** – the cost to the municipality of an activity and can be cash or non-cash cost (e.g., wages, materials, amortization).<sup>ix</sup>

**Financial Assets** – current cash resources plus any items or holdings that are expected to be converted into cash in the future.<sup>ix</sup>

**Government Transfers** – entitlements, transfers under cost-share agreements, and/or grants from other levels of government.<sup>ix</sup>

## THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report  
Year ended December 31, 2021

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### Definitions (continued)

**Net Book Value** – the total cost of a tangible capital asset minus the accumulated amortization and any write-down of the asset.<sup>ix</sup>

**Net Financial Assets (Net Debt)** – an amount equal to the total financial assets less the total liabilities.<sup>ix</sup>

**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.<sup>x</sup>

**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.<sup>x</sup>

**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.<sup>x</sup>

**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.<sup>x</sup>

**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).<sup>x</sup>

**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).<sup>ix</sup>



# THE CORPORATION OF THE CITY OF LONDON

Consolidated Financial Report  
Year ended December 31, 2021

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## Endnotes

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- <sup>i</sup> Statistics Canada. 2022. (table). *Census Profile*. 2021 Census of Population. Statistics Canada Catalogue no. (number) 98-316-X2021001. Ottawa. Released April 27, 2022. <https://www12.statcan.gc.ca/census-recensement/2021/dp-pd/prof/index.cfm?Lang=E> (accessed May 14, 2022)
- <sup>ii</sup> Municipal Property Assessment Corporation, <https://www.mpac.ca/>, 2021 year end assessment roll, December 2021
- <sup>iii</sup> Provided by City's Building Division
- <sup>iv</sup> London-St. Thomas Real Estate Board and The Canadian Real Estate Association, <https://www.lstar.ca/> and <https://www.crea.ca/>
- <sup>v</sup> Statistics Canada. [Table 14-10-0385-01 Labour force characteristics, annual](#) (accessed May 29, 2022)
- <sup>vi</sup> Statistics Canada. [Table 14-10-0327-01 Labour force characteristics by sex and detailed age group, annual](#) (accessed May 29, 2022)
- <sup>vii</sup> Statistics Canada. [Table 18-10-0005-01 Consumer Price Index, annual average, not seasonally adjusted](#) (accessed May 29, 2022)
- <sup>viii</sup> Statistics Canada. [Table 36-10-0104-01 Gross domestic product, expenditure-based, Canada, quarterly \(x 1,000,000\)](#) (accessed May 29, 2022)
- <sup>ix</sup> Ontario Ministry of Municipal Affairs and Housing, Common Language Guide to Municipal Financial Statements, <https://www.ontario.ca/document/tools-municipal-budgeting-and-long-term-financial-planning/common-language-guide-municipal-financial-statements>
- <sup>x</sup> Ontario Ministry of Municipal Affairs and Housing, The Ontario Municipal Councillor's Guide, Chapter 9, The Fiscal Context, <https://www.ontario.ca/document/ontario-municipal-councillors-guide/9-fiscal-context#>

Consolidated Financial Statements of

**THE CORPORATION OF THE CITY  
OF LONDON**

And Independent Auditors' Report thereon

December 31, 2021

# THE CORPORATION OF THE CITY OF LONDON

## Consolidated Financial Statements

Year ended December 31, 2021

(all dollar amounts in thousands of dollars)

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### 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, 2021.

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

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

The audited Consolidated Financial Statements for City operations include:

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



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## INDEPENDENT AUDITORS' REPORT

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

### *Opinion*

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

- the consolidated statement of financial position as at December 31, 2021
- 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, 2021, 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.



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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.



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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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that underlines the text.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

July 11, 2022

**THE CORPORATION OF THE CITY OF LONDON**  
**Consolidated Statement of Financial Position**  
**December 31, 2021, with comparative information for 2020**  
(all dollar amounts in thousands of dollars)

	2021	2020
<b>Financial assets</b>		
Cash and cash equivalents (note 2)	\$ 643,461	\$ 562,193
Accounts receivable		
Taxes receivable (note 3)	22,642	29,171
Other receivables	75,922	78,123
Land held for resale	35,473	36,847
Investments (note 4)	1,050,932	879,284
Loans and long-term receivable (note 5)	53,181	38,894
Investment in government business enterprises and partnerships (note 6)	207,581	192,448
<b>Total financial assets</b>	<b>2,089,192</b>	<b>1,816,960</b>
<b>Financial liabilities</b>		
Demand Loan (note 26)	404	670
Accounts payable and accrued liabilities	176,056	173,407
Deferred revenue (note 7)	543,586	452,077
Accrued interest on long-term debt	1,451	1,715
Long-term liabilities (note 8)	2,700	3,600
Long-term debt (note 9)	245,033	277,578
Capital lease obligations (note 10)	109	356
City Services payable (note 11)	6,807	7,803
Employee benefits payable (note 12)	196,038	181,726
Landfill closure and post-closure liability (note 13)	51,669	46,320
<b>Total financial liabilities</b>	<b>1,223,853</b>	<b>1,145,252</b>
<b>Net financial assets</b>	<b>865,339</b>	<b>671,708</b>
<b>Non-financial assets</b>		
Tangible capital assets (note 14)	4,183,481	4,101,180
Inventories of supplies	6,086	5,465
Prepaid expenses	21,968	19,419
<b>Total non-financial assets</b>	<b>4,211,535</b>	<b>4,126,064</b>
Contingent Liabilities (note 16)		
Loan Guarantees (note 17)		
Commitments (note 18)		
<b>Accumulated surplus (note 15)</b>	<b>\$ 5,076,874</b>	<b>\$ 4,797,772</b>

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



**THE CORPORATION OF THE CITY OF LONDON**  
**Consolidated Statement of Operations**  
**Year ended December 31, 2021, with comparative information for 2020**  
(all dollar amounts in thousands of dollars)

	<b>Budget</b>	<b>2021</b>	<b>2020</b>
	(note 20)		
<b>Revenues</b>			
Net municipal taxation	\$ 692,652	\$ <b>696,617</b>	\$ 666,502
User charges	296,803	<b>283,304</b>	277,565
Transfer payments			
Provincial	277,295	<b>275,228</b>	270,847
Federal	36,325	<b>39,425</b>	37,571
Other municipalities	8,359	<b>7,963</b>	6,823
Investment income	4,772	<b>22,293</b>	22,024
Penalties and interest	8,106	<b>7,761</b>	6,714
Development charges earned	27,742	<b>42,294</b>	38,084
Developer contributions of tangible capital assets (note 14)	38,699	<b>43,543</b>	61,134
Other	42,207	<b>38,636</b>	28,937
Equity in earnings of government business enterprises and partnerships (note 6)	6,089	<b>20,133</b>	4,038
<b>Total revenues</b>	<b>1,439,049</b>	<b>1,477,197</b>	<b>1,420,239</b>
<b>Expenses</b>			
General government	124,539	<b>89,993</b>	91,141
Protection services	228,929	<b>232,168</b>	231,189
Transportation services	233,607	<b>226,800</b>	203,528
Environmental services	202,850	<b>204,003</b>	193,923
Health services	33,714	<b>33,515</b>	30,502
Social and family services	260,010	<b>234,926</b>	232,912
Social housing	40,671	<b>58,854</b>	58,499
Recreation and cultural services	91,862	<b>83,091</b>	76,866
Planning and development	35,503	<b>34,745</b>	42,819
<b>Total expenses</b>	<b>1,251,685</b>	<b>1,198,095</b>	<b>1,161,379</b>
<b>Annual surplus</b>	<b>187,364</b>	<b>279,102</b>	<b>258,860</b>
<b>Accumulated surplus, beginning of year (note 15)</b>	<b>4,797,772</b>	<b>4,797,772</b>	<b>4,538,912</b>
<b>Accumulated surplus, end of year (note 15)</b>	<b>\$ 4,985,136</b>	<b>\$ 5,076,874</b>	<b>\$ 4,797,772</b>

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**  
**Year ended December 31, 2021, with comparative information for 2020**  
(all dollar amounts in thousands of dollars)

	<b>Budget</b>	<b>2021</b>	<b>2020</b>
Annual surplus	\$ 187,364	\$ <b>279,102</b>	\$ 258,860
Acquisition of tangible capital assets	(73,718)	<b>(235,235)</b>	(235,444)
Developer contributions of tangible capital assets	(38,699)	<b>(43,543)</b>	(61,134)
Amortization of tangible capital assets	178,060	<b>186,639</b>	184,632
Proceeds from sale of tangible capital assets	48	<b>9,942</b>	6,511
Gain on disposal of tangible capital assets	(48)	<b>(104)</b>	(65)
	65,643	<b>(82,301)</b>	(105,500)
Change in inventories of supplies	-	<b>(621)</b>	(409)
Change in prepaid expenses	-	<b>(2,549)</b>	(3,406)
	-	<b>(3,170)</b>	(3,815)
<b>Change in net financial assets</b>	253,007	<b>193,631</b>	149,545
<b>Net financial assets, beginning of year</b>	671,708	<b>671,708</b>	522,163
<b>Net financial assets, end of year</b>	\$ 924,715	\$ <b>865,339</b>	\$ 671,708

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

**THE CORPORATION OF THE CITY OF LONDON**  
**Consolidated Statement of Cash Flows**  
**Year ended December 31, 2021, with comparative information for 2020**  
(all dollar amounts in thousands of dollars)

	2021	2020
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Annual surplus	\$ 279,102	\$ 258,860
<b>Items not involving cash</b>		
Amortization of tangible capital assets	186,639	184,632
Developer contributions of tangible capital assets	(43,543)	(61,134)
Gain on disposal of tangible capital assets	(104)	(65)
Change in employee benefits payable	14,312	20,027
Change in landfill closure and post-closure liability	5,349	5,269
Equity in earnings of government business enterprises and partnerships	(21,044)	(5,156)
Dividends receivable from government business enterprises and partnerships	5,000	5,000
Amortization of debenture discount	159	93
<b>Change in non-cash assets and liabilities</b>		
Taxes receivable	6,529	(7,097)
Other receivables	2,201	(598)
Land held for resale	1,374	1,475
Accounts payable and accrued liabilities	2,649	(303)
Deferred revenue	91,509	79,831
Accrued interest on long-term debt	(264)	(311)
City Services payable	(996)	(7,212)
Inventories of supplies	(621)	(409)
Prepaid expenses	(2,549)	(3,406)
<b>Net change in cash from operating activities</b>	<b>525,702</b>	<b>469,496</b>
<b>Capital activities</b>		
Proceeds from sale of tangible capital assets	9,942	6,511
Acquisition of tangible capital assets	(235,235)	(235,444)
<b>Net change in cash from capital activities</b>	<b>(225,293)</b>	<b>(228,933)</b>
<b>Investing activities</b>		
Net decrease (increase) in investments	(171,648)	(138,171)
Issuance of loans and long-term receivables	(15,009)	(12,966)
Repayment of loans receivable	722	2,169
Repayment of promissory note receivable from government business enterprises	855	969
Government business enterprises and partnerships (notes (6.a)(v))	56	149
<b>Net change in cash from investing activities</b>	<b>\$ (185,024)</b>	<b>\$ (147,850)</b>

**THE CORPORATION OF THE CITY OF LONDON**  
**Consolidated Statement of Cash Flows (continued)**  
**Year ended December 31, 2021, with comparative information for 2020**  
(all dollar amounts in thousands of dollars)

	<b>2021</b>	<b>2020</b>
<b>Financing activities</b>		
Long-term debt issued	\$ 23,077	\$ 36,000
Long-term debt repayments	(55,781)	(57,408)
Repayments of long-term liabilities	(900)	(900)
Repayments of capital lease obligations	(247)	(293)
Demand loan issued	-	670
Demand loan repayments	(266)	-
<b>Net change in cash from financing activities</b>	<b>(34,117)</b>	<b>(21,931)</b>
<b>Net change in cash and cash equivalents</b>	<b>81,268</b>	<b>70,782</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>562,193</b>	<b>491,411</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 643,461</b>	<b>\$ 562,193</b>

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

**THE CORPORATION OF THE CITY OF LONDON**  
**Notes to Consolidated Financial Statements**  
**Year ended December 31, 2021**  
(all dollar amounts in thousands of dollars)

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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 Consolidated Financial Statements (continued)**  
**Year ended December 31, 2021**  
(all dollar amounts in thousands of dollars)

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**1. Significant Accounting Policies (continued)**

**(a) Basis of Consolidation (continued)**

(ii) Equity Accounting

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

The government business enterprises and partnerships during the year were:

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

(iii) Proportionate Consolidation

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

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

(iv) Accounting for School Board Transactions

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

During the year, **\$125,345** of taxation was collected on behalf of school boards (2020 - \$146,017) and remitted to the school boards during the year.

**THE CORPORATION OF THE CITY OF LONDON**  
**Notes to Consolidated Financial Statements (continued)**  
**Year ended December 31, 2021**  
(all dollar amounts in thousands of dollars)

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**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 **\$4,673** (2020 - \$4,597).

**(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 Consolidated Financial Statements (continued)**  
**Year ended December 31, 2021**  
(all dollar amounts in thousands of dollars)

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

*Table 1: Tangible Capital Asset Useful Life*

<b>Asset</b>	<b>Useful Life - Years</b>
Landfill and land improvements	5 - 60
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 Consolidated Financial Statements (continued)**  
**Year ended December 31, 2021**  
(all dollar amounts in thousands of dollars)

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**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.

**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.

**1. Significant Accounting Policies (continued)**

**(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.

(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.

1. Significant Accounting Policies (continued)

(d) Tax Revenues

In 2021 the Corporation received **\$696,617** (2020 - \$666,502) 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.).

(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.

**1. Significant Accounting Policies (continued)**

**(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.

**(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.

**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.

**(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.

**1. Significant Accounting Policies (continued)**

**(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.

**(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.

**1. Significant Accounting Policies (continued)**

**(q) Future Accounting Pronouncements**

These standards and amendments were not yet effective for the year ended December 31, 2021, and have therefore not been applied in preparing these consolidated financial statements. Management is currently assessing the impact of the following accounting standards updates on the future consolidated financial statements.

(i) Asset Retirement Obligations

PS 3280, Asset Retirement Obligations, addresses the recognition, measurement, presentation, and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. This standard is effective for fiscal years beginning on or after April 1, 2022 (the Corporation's December 31, 2023 year-end).

(ii) Financial Statement Presentation

PS 1201, Financial Statement Presentation requires entities to present a new statement of remeasurement gains and losses separate from the consolidated statement of operations and accumulated surplus. This new statement includes unrealized gains and losses arising from remeasurement of financial instruments and items denominated in foreign currencies and any other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This standard is effective for fiscal years beginning on or after April 1, 2022 and applies when PS 3450, Financial Instruments, and PS 2601, Foreign Currency Translation, are adopted (the Corporation's December 31, 2023 year-end).

(iii) Financial Instruments

PS 3450, Financial Instruments, establishes the standards on accounting for and reporting all types of financial instruments including derivatives. The effective date of this standard has been deferred and is now effective for fiscal periods beginning on or after April 1, 2022 (the Corporation's December 31, 2023 year-end).

(iv) Foreign Currency Translation

PS 2601, Foreign Currency Translation, establishes the standards on accounting for and reporting transactions that are denominated in a foreign currency. The effective date of this standard has been deferred and is now effective for fiscal periods beginning on or after April 1, 2022 (the Corporation's December 31, 2023 year-end). Earlier adoption is permitted. A public sector entity adopting this standard must also adopt the new financial instruments standard.



**THE CORPORATION OF THE CITY OF LONDON**  
**Notes to Consolidated Financial Statements (continued)**  
**Year ended December 31, 2021**  
(all dollar amounts in thousands of dollars)

**1. Significant Accounting Policies (continued)**

**(q) Future Accounting Pronouncements (continued)**

(v) Revenue

PS 3400, Revenue, establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. This standard is effective for fiscal years beginning on or after April 1, 2023 (the Corporation's December 31, 2024 year-end).

(vi) Public Sector Guideline 8 Purchased Intangible

Public Sector Guideline 8 Purchased Intangible, allows public sector entities to recognize intangibles purchased through an exchange transaction. This guideline is effective for fiscal years beginning on or after April 1, 2023 (the Corporation's December 31, 2024 year-end).

**2. Cash and Cash Equivalents**

*Table 2: Cash and Cash Equivalents*

	<b>2021</b>	<b>2020</b>
Cash on deposit	\$ 437,598	\$ 550,218
Cash equivalents	205,863	11,975
	<b>\$ 643,461</b>	<b>\$ 562,193</b>

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*

	<b>2021</b>	<b>2020</b>
Taxes receivable	\$ 27,959	\$ 35,267
Penalties and interest	1,637	1,779
Allowance for doubtful accounts	(6,954)	(7,875)
	<b>\$ 22,642</b>	<b>\$ 29,171</b>

**THE CORPORATION OF THE CITY OF LONDON**  
**Notes to Consolidated Financial Statements (continued)**  
**Year ended December 31, 2021**  
(all dollar amounts in thousands of dollars)

**4. Investments**

Investments are comprised of the following:

*Table 4: Investments*

	<b>2021</b>		<b>2020</b>	
	<b>Cost</b>	<b>Market Value</b>	<b>Cost</b>	<b>Market Value</b>
Pooled investment funds	\$ 74,833	\$ 84,222	\$ 42,634	\$ 45,865
Government fixed income	246,338	245,050	166,274	172,693
Corporate fixed income	664,877	662,874	599,258	605,296
Asset backed securities	64,884	65,586	71,022	76,086
Other investments	-	-	96	96
	<b>\$ 1,050,932</b>	<b>\$ 1,057,732</b>	<b>\$ 879,284</b>	<b>\$ 900,036</b>

**THE CORPORATION OF THE CITY OF LONDON**  
**Notes to Consolidated Financial Statements (continued)**  
**Year ended December 31, 2021**  
(all dollar amounts in thousands of dollars)

**5. Loans and Long-term Receivables**

*Table 5: Loans and long-term Receivables*

	<b>2021</b>	<b>2020</b>
Subordinate loan – City of London Arena Trust	\$ 23,671	\$ 23,723
Affordable Housing	4,172	4,094
Community Improvement Program	4,498	4,285
Development Charge Deferral & Alternative payment	19,364	6,678
Other Miscellaneous	1,476	114
	<b>\$ 53,181</b>	<b>\$ 38,894</b>

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, **\$52** (2020 - \$68) was received as a payment on the loan.

**6. Investment in Government Business Enterprises and Partnerships**

The Corporation holds a 100% interest in London Hydro Inc. (2020 - 100%), a 32.858% (2020 - 35.715%) interest in the Fair-City Joint Venture Partnership and a 73.432% (2020 - 73.432%) interest in the City-YMCA Joint Venture Partnership based upon investments as follows:

*Table 6: Investment in Government Business Enterprises and Partnerships*

	<b>2021</b>	<b>2020</b>
London Hydro Inc. (note (6.a))	\$ 191,525	\$ 175,136
Fair-City Joint Venture Partnership (note (6.b))	2,101	2,859
City-YMCA Joint Venture Partnership (note (6.c))	13,955	14,453
	<b>\$ 207,581</b>	<b>\$ 192,448</b>

**THE CORPORATION OF THE CITY OF LONDON**  
**Notes to Consolidated Financial Statements (continued)**  
**Year ended December 31, 2021**  
(all dollar amounts in thousands of dollars)

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

**(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*

	2021	2020
<b>Financial position</b>		
Current assets	\$ 102,906	\$ 115,217
Capital assets	390,400	376,435
<b>Total assets</b>	<b>493,306</b>	491,652
Regulatory balances	28,596	22,993
<b>Total assets and regulatory balance</b>	<b>521,902</b>	514,645
Current and other liabilities	63,116	76,860
Deferred revenue	46,447	42,367
Post-employment benefits	15,008	16,100
Long-term debt	200,000	200,000
<b>Total liabilities</b>	<b>324,571</b>	335,327
Regulatory balances	5,806	4,182
<b>Total liabilities and regulatory balances</b>	<b>330,377</b>	339,509
<b>Net assets</b>	<b>\$ 191,525</b>	\$ 175,136

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

	2021	2020
<b>Results of operations</b>		
Revenues	\$ 468,939	\$ 517,704
Operating expenses	(454,527)	(499,977)
Other income (expense)	10,040	(11,271)
Income tax expense	(6,574)	(1,206)
Net movement in regulatory balances	3,731	196
<b>Net earnings</b>	<b>21,609</b>	5,446
Dividends	(5,000)	(5,000)
Change in accounting policy	(220)	-
Net assets, beginning of year	175,136	174,690
<b>Net assets, end of year -</b>		
<b>Investment in London Hydro Inc.</b>	<b>\$ 191,525</b>	\$ 175,136

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

(a) Investment in London Hydro Inc. (continued)

(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.

(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 2021 totalled **\$28,596** (2020 - \$22,935). Net regulatory credit balances for 2021 totalled **\$5,806** (2020 - \$4,182).

(iii) Commitments

The Company has provided **\$4,300** (2020 - \$4,300) 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 **\$800** (2020 - \$500).

The Company has committed to operating lease agreements with future minimum non-cancellable annual lease payments of **\$1,213** (2020 - \$916).

(iv) Credit Facilities

The Company has an uncommitted operating revolving line of credit facility of \$20,000. As at December 31, 2021 the amount drawn under this facility was **\$nil** (2020 - \$nil).

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

(a) Investment in London Hydro Inc. (continued)

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 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 has an interest rate swap agreement for an unsecured loan in the amount of \$75,000. Interest only payments are due quarterly and commenced December 2020. The principal is due at maturity. The agreement is a fixed rate swap and matures June 2032.

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, 2021, the Company would be required to pay **\$1,100** (2020 - \$3,900) if it wished to cancel the certain swap agreements, and would be entitled to collect \$6,700 (2020 - \$4,400 payment requirement), if it decided to cancel the other swap agreement.

(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 **\$5,040** (2020 - \$5,048) and are included on the consolidated statement of operations. At December 31, 2021, the Corporation has a receivable of **\$15,400** (2020 - \$14,356) for water and wastewater charges collected by London Hydro Inc. Miscellaneous receivables of **\$463** (2020 - \$789) are also outstanding at year end.

The Corporation, charged London Hydro Inc. rent, totalling **\$100** (2020 - \$100).

The Corporation received **\$5,000** (2020 - \$5,000) in dividend payments, which were recorded as a reduction in the investment in government business enterprises.

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

**(a) Investment in London Hydro Inc. (continued)**

(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 Consolidated Financial Statements (continued)**  
**Year ended December 31, 2021**  
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**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 Fair-City Joint Venture Partnership:

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

	2021	2020
<b>Financial position</b>		
Current assets	\$ 1,051	\$ 1,215
Capital assets	10,172	10,762
<b>Total assets</b>	<b>11,223</b>	<b>11,977</b>
Accrued liabilities	1,146	2,125
Deferred capital contributions	2,627	2,754
Long-term debt	1,055	1,486
<b>Total liabilities</b>	<b>4,828</b>	<b>6,365</b>
<b>Net assets</b>	<b>\$ 6,395</b>	<b>\$ 5,612</b>

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

	2021	2020
<b>Results of operations</b>		
Revenues	\$ 2,975	\$ 3,158
Operating expenses	(2,508)	(2,575)
<b>Net earnings</b>	<b>467</b>	<b>583</b>
Net earnings available to the Corporation	223	208
Distribution for employee future benefit re-measurements	34	(5)
<b>Corporation's portion of earning retained in Joint Venture</b>	<b>257</b>	<b>203</b>
Corporation's investment in Fair-City Joint Venture's net assets, beginning of year	2,004	1,945
Adjustment due to change in Corporation's share during year	(160)	(144)
<b>Corporation's investment in Fair-City Joint Venture's net assets, end of year</b>	<b>2,101</b>	<b>2,004</b>
Promissory note due to the Corporation	-	855
<b>Investment in Fair-City Joint Venture Partnership</b>	<b>\$ 2,101</b>	<b>\$ 2,859</b>



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

(b) Fair-City Joint Venture Partnership (continued)

(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's equity interest as at June 30, 2021 was 32.858% (2020 - 35.175%). 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, a **\$69** (2020 - \$nil) contribution was required by 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 2021 (2020 - \$1,910), 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, 2021 is **\$nil** (2020 - \$855). During the year, the partnership paid interest to the Corporation in the amount of **\$25** (2020 - \$87), which was recorded as investment income in the consolidated statement of operations.

**THE CORPORATION OF THE CITY OF LONDON**  
**Notes to Consolidated Financial Statements (continued)**  
**Year ended December 31, 2021**  
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**6. Investment in Government Business Enterprises and Partnerships (continued)**

**(c) City-YMCA Joint Venture Partnership**

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

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

	<b>2021</b>	<b>2020</b>
<b>Financial position</b>		
Capital assets	\$ 27,135	\$ 27,135
Accumulated amortization	(8,132)	(7,453)
<b>Net assets</b>	<b>\$ 19,003</b>	<b>\$ 19,682</b>

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

	<b>2021</b>	<b>2020</b>
<b>Results of operations</b>		
Amortization of capital assets	\$ (679)	\$ (678)
<b>Net loss</b>	<b>(679)</b>	<b>(678)</b>
Net assets, beginning of year	19,682	20,360
<b>Net assets, end of year</b>	<b>19,003</b>	<b>19,682</b>
Corporation's portion of net assets	13,955	14,453
<b>Investment in City-YMCA Joint Venture Partnership</b>	<b>\$ 13,955</b>	<b>\$ 14,453</b>

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.

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

**(c) City-YMCA Joint Venture Partnership (continued)**

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**  
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**Year ended December 31, 2021**  
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**7. Deferred Revenue**

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

*Table 13: Deferred Revenue*

	<b>2021</b>	<b>2020</b>
<b>Funds deferred to future periods for specific purposes by legislation, regulation or agreement</b>		
Development Charges Act		
Recreation, transit and culture	\$ 47,624	\$ 38,854
Capital infrastructure	<b>308,792</b>	267,186
<b>Development Charges Act (Note 11)</b>	<b>356,416</b>	306,040
Development Charge Deferral and Alternative Payment Arrangements	<b>19,364</b>	6,678
Federal and Provincial gas tax	<b>112,103</b>	80,415
Recreational land ( <i>The Planning Act</i> )	<b>3,797</b>	4,752
Safe Restart Public Transit Funding	<b>11,057</b>	5,753
	<b>502,737</b>	403,638
<b>Other deferred revenue:</b>		
Subsidy advances from Provincial Ministries for future periods	<b>30,334</b>	41,648
Prepaid deposits	<b>472</b>	258
Prepayment of recreation programs, facility rentals, memberships	<b>728</b>	518
Vacancy rebate allowances	<b>621</b>	600
Boards and commissions	<b>8,369</b>	5,112
Other deferred revenues	<b>325</b>	303
	<b>\$ 543,586</b>	\$ 452,077

**THE CORPORATION OF THE CITY OF LONDON**  
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(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*

	<b>Last Year of Obligation</b>	<b>2021</b>	<b>2020</b>
Fanshawe College, with annual principal repayments of \$900, subject to annual budget approval, maturing on 2024	2024	\$ 2,700	\$ 3,600
		\$ 2,700	\$ 3,600

Anticipated principal repayments are summarized as follows:

2022	\$ 900
2023	900
2024	900
<b>Total</b>	<b>\$ 2,700</b>

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**9. Long-term Debt**

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

Long-term debt is as follows:

*Table 15: Long-term Debt*

	<b>2021</b>	<b>2020</b>
Long-term debt issued by the Corporation at various rates of interest ranging from 0.30% to 5.67% (2020 - 0.80% to 5.67%) with maturity dates ranging from September, 2022 to April, 2031.	<b>\$ 230,025</b>	<b>\$ 253,530</b>
Long-term debt issued to Infrastructure Ontario programs at various rates of interest ranging from 2.60% to 4.44% (2020 - 2.60% to 4.44%) with maturity dates ranging from December, 2024 to March, 2030.	<b>18,246</b>	<b>26,385</b>
Long-term debt issued to Canada Mortgage and Housing Corporation at an interest rate of 1.84% (2020-3.23%) and maturing December, 2031.	<b>59</b>	<b>1,823</b>
Long-term debt issued to Canada Mortgage and Housing Corporation at an interest rate of Canada Prime Rate plus 2% and maturing August, 2023.	<b>18</b>	<b>-</b>
Long-term debt issued to Federation of Canadian Municipalities, as Trustee for the Green Municipal Fund (FCM) at various rates of interest ranging from 2.00% to 2.25% (2020 - 2.00% to 2.25%) with maturity dates ranging from April, 2026 to May, 2032.	<b>2,605</b>	<b>3,006</b>
Long-term debt, assumed by unconsolidated local Boards, other municipalities, municipal enterprises and utilities.	<b>(4,561)</b>	<b>(5,649)</b>
	<b>246,392</b>	<b>279,095</b>
Less: Unamortized debenture discount	<b>(1,359)</b>	<b>(1,517)</b>
<b>Net long-term debt</b>	<b>\$ 245,033</b>	<b>\$ 277,578</b>

**THE CORPORATION OF THE CITY OF LONDON**  
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**9. Long-term Debt (continued)**

Principal repayments are summarized as follows:

*Table 16: Principal Repayment Summary*

	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>Beyond</b>	<b>Total</b>
General	\$ 26,359	\$ 23,170	\$ 17,201	\$ 14,414	\$ 12,420	\$ 30,320	<b>\$ 123,884</b>
Water	2,341	1,617	1,395	1,419	671	291	<b>7,734</b>
Wastewater	5,207	4,239	4,033	3,452	3,041	4,690	<b>24,662</b>
Discretionary	2,096	1,166	490	-	-	-	<b>3,752</b>
Obligatory	12,556	12,099	11,480	11,032	10,362	28,831	<b>86,360</b>
	<b>\$ 48,559</b>	<b>\$ 42,291</b>	<b>\$ 34,599</b>	<b>\$ 30,317</b>	<b>\$ 26,494</b>	<b>\$ 64,132</b>	<b>\$ 246,392</b>

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

*Table 17: Principal repayments - Total Charges*

	<b>2021</b>	<b>2020</b>
Interest on long-term debt	\$ 6,913	\$ 8,061
Amortization of debenture discount	311	317
Interest on capital lease obligation	9	17
	<b>\$ 7,233</b>	<b>\$ 8,395</b>

**10. Capital Lease Obligations**

*Table 18: Capital Lease Obligations*

	<b>2021</b>	<b>2020</b>
2021	\$ -	\$ 256
2022	111	110
<b>Minimum lease payments</b>	<b>111</b>	<b>366</b>
Less amount representing interest at 3.25% (2020 - 3.25%)	2	10
<b>Present value of net minimum capital lease payments</b>	<b>\$ 109</b>	<b>\$ 356</b>

**11. City Services Payable**

The Corporation operates a system of funding developer claims for construction of infrastructure works. The claimable works generally provide regional benefit beyond the boundaries of the subdivision or development which triggers the requirement for the works. The cost 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 **\$356,416** (2020 - \$306,040) in the City Services Reserve Funds to fund this liability.



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**11. City Services Payable (continued)**

The continuity breakdown is as follows:

*Table 19: City Services - Continuity Breakdown*

		Roads	Waste Water	Storm Water	Parks & Recreation	Water	Total
<b>City Services Payable</b>	<b>Dec 31, 2019 \$</b>	<b>3,372</b>	<b>\$ 1,825</b>	<b>\$ 8,140</b>	<b>\$ 1,343</b>	<b>\$ 335</b>	<b>\$ 15,015</b>
<b>Expenses:</b>							
Value of construction work completed		321	11	318	30	-	<b>680</b>
<b>Payments:</b>							
From City Services Reserve Funds		(1,205)	(1,773)	(4,663)	(144)	(107)	<b>(7,892)</b>
<b>City Services Payable</b>	<b>Dec 31, 2020</b>	<b>2,488</b>	<b>63</b>	<b>3,795</b>	<b>1,229</b>	<b>228</b>	<b>7,803</b>
<b>Expenses:</b>							
Value of construction work completed		115	24	695	-	34	<b>868</b>
<b>Payments:</b>							
From City Services Reserve Fund in 2021		(631)	(15)	(971)	(204)	(43)	<b>(1,864)</b>
<b>City Services Payable</b>	<b>Dec 31, 2021 \$</b>	<b>1,972</b>	<b>\$ 72</b>	<b>\$ 3,519</b>	<b>\$ 1,025</b>	<b>\$ 219</b>	<b>\$ 6,807</b>

**THE CORPORATION OF THE CITY OF LONDON**  
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**12. Employee Benefits Payable**

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

*Table 20: Employee Benefit Payable*

	<b>2021</b>	<b>2020</b>
Post-employment and post-retirement benefits (note (12.a))	<b>\$ 107,384</b>	\$ 97,356
Workplace Safety and Insurance Board Obligation (note (12.b))	<b>68,413</b>	64,880
Vacation credits (note (12.c))	<b>19,041</b>	18,234
Vested sick leave benefits (note (12.d))	<b>1,200</b>	1,256
	<b>\$ 196,038</b>	\$ 181,726

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 **\$170,919** (2020 - \$143,947), to fund these obligations.

**(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, 2021.

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

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

<b>Assumptions</b>	<b>2021</b>	<b>2020</b>
	<b>%</b>	<b>%</b>
Discount rate	<b>3.00</b>	3.25
Rate of compensation increase	<b>2.00</b>	2.00
Healthcare cost increases	<b>4.00 – 5.63</b>	4.00 – 5.70

**THE CORPORATION OF THE CITY OF LONDON**  
**Notes to Consolidated Financial Statements (continued)**  
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**12. Employee Benefits Payable (continued)**

The benefit obligation continuity is as follows:

*Table 22: Employee Benefits Payable - Benefit Obligation Continuity*

<b>Liability for post-employment and post-retirement benefits</b>	<b>2021</b>	<b>2020</b>
<b>Accrued benefit obligation, January 1</b>	<b>\$ 87,219</b>	<b>\$ 84,484</b>
Current period benefit cost	<b>4,609</b>	4,450
Retirement interest expense	<b>2,817</b>	2,728
Plan amendment	<b>6,137</b>	-
Actuarial loss	<b>10,825</b>	-
Benefits paid	<b>(4,869)</b>	(4,443)
<b>Accrued benefit obligation, December 31</b>	<b>106,738</b>	<b>87,219</b>
Unamortized actuarial gain	<b>646</b>	10,137
	<b>\$ 107,384</b>	<b>\$ 97,356</b>
<b>Post-employment and post-retirement benefits expense</b>	<b>2021</b>	<b>2020</b>
Current period benefit cost	<b>\$ 4,609</b>	<b>\$ 4,450</b>
Retirement interest expense	<b>2,817</b>	2,728
Plan amendment	<b>6,137</b>	-
Amortization of actuarial loss (gain)	<b>1,334</b>	(367)
<b>Total post-employment and post-retirement benefit expense</b>	<b>\$ 14,897</b>	<b>\$ 6,811</b>

The actuarial loss is amortized over the expected average remaining service life of the related employee group of **14** years (2020 - 14 years).

**(b) Workplace Safety and Insurance Board Obligation**

The Corporation is a Schedule 2 employer under the *Workplace Safety and Insurance Board ("WSIB") Act*, and as such assumes responsibility for financing its workplace safety insurance costs. The actuarial valuation as at December 31, 2021 estimated the accrued benefit obligation for workplace safety and insurance existing claims and future pension awards at **\$68,413** (2020 - \$64,880).

**THE CORPORATION OF THE CITY OF LONDON**  
**Notes to Consolidated Financial Statements (continued)**  
**Year ended December 31, 2021**  
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**12. Employee Benefits Payable (continued)**

**(b) Workplace Safety and Insurance Board Obligation (continued)**

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

	<b>December 31, 2021</b>
Discount rate	3.00% 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, 2021 is **\$19,041** (2020 - \$18,234).

**(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 **\$1,200** (2020 - \$1,256) at December 31, 2021. During the year **\$447** (2020 - \$311) 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, 2021 is **\$790** (2020 - \$1,217). An amount of **\$20** (2020 - \$31) has been contributed in the current year.

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.

12. Employee Benefits Payable (continued)

(d) Liability for Vested Sick Leave Benefits (continued)

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*

2022	\$	1,098
2023		19
2024		83
<b>Total</b>	<b>\$</b>	<b>1,200</b>

(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 **4,692** (2020 - 4,587) 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, 2021. At that time, the plan reported a **\$3.13** billion actuarial deficit (2020 - \$3.21 billion), based on actuarial liabilities for **\$120.80** billion (2020 - \$113.06 billion) actuarial assets for **\$117.67** billion (2020 - \$109.84) 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 2021 was **\$35,154** (2020 - \$35,393) for current service. Employer's contributions for current service are included as an expense in the consolidated statement of operations.

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**13. Landfill Closure and Post-Closure Liability**

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

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

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

Key assumptions in determining the liability at December 31, 2021 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, 2021	0.63 million tonnes
Expected closing cost in 2021 dollars	\$1,931
Inflation rate	1.8%
Discount rate	3.00%
Estimated time required for post-closure care – active landfill	75 years
Estimated remaining time required for post-closure care – closed landfills	25-35 years

The liability as at December 31, 2021 is comprised of:

*Table 26: Landfill Closure and Post-Closure Liability*

	2021	2020
Active landfill (W12A) closure, site rehabilitation and monitoring obligation	\$ 42,140	\$ 37,144
Closed landfills site rehabilitation and monitoring obligation	9,529	9,176
	<b>\$ 51,669</b>	<b>\$ 46,320</b>

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

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, 2021 is **\$28,345** (2020 - \$26,034).

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 Environmental Study Report has been submitted to the Ministry of Environment Conservation and Parks for public and government comment. At this stage in the process the EA is approximately 95% 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 2023.

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**14. Tangible Capital Assets**

<b>Cost</b>	<b>Balance at December 31, 2020</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance at December 31, 2021</b>
Land	\$ 471,919	\$ 26,332	\$ 48	\$ 498,203
Landfill and land improvements	167,079	10,730	7,463	170,346
Buildings and building improvements	1,106,858	34,000	4,675	1,136,183
Leasehold improvements	9,344	142	447	9,039
Machinery, equipment and furniture	324,189	29,134	13,043	340,280
Vehicles	137,535	14,559	9,761	142,333
Water infrastructure	825,207	26,133	3,707	847,633
Wastewater infrastructure	1,604,274	47,647	11,647	1,640,274
Roads infrastructure	1,499,496	105,333	17,392	1,587,437
Computers	17,614	3,899	3,373	18,140
Assets under construction	161,372	114,568	133,699	142,241
<b>Total</b>	<b>\$ 6,324,887</b>	<b>\$ 412,477</b>	<b>\$ 205,255</b>	<b>\$ 6,532,109</b>

<b>Accumulated Amortization</b>	<b>Balance at December 31, 2020</b>	<b>Amortization Expense</b>	<b>Amortization Disposals</b>	<b>Balance at December 31, 2021</b>
Land	\$ -	\$ -	\$ -	\$ -
Landfill and land improvements	87,980	8,961	7,468	89,473
Buildings and building improvements	539,447	34,155	3,980	569,622
Leasehold improvements	2,741	563	646	2,658
Machinery, equipment and furniture	157,426	24,733	12,826	169,333
Vehicles	75,967	12,234	9,586	78,615
Water infrastructure	279,993	17,129	3,627	293,495
Wastewater infrastructure	515,057	28,036	6,742	536,351
Roads infrastructure	554,391	56,642	13,470	597,563
Computers	10,705	4,186	3,373	11,518
Assets under construction	-	-	-	-
<b>Total</b>	<b>\$ 2,223,707</b>	<b>\$ 186,639</b>	<b>\$ 61,718</b>	<b>\$ 2,348,628</b>

	<b>Net Book Value December 31, 2020</b>	<b>Net Book Value December 31, 2021</b>
Land	\$ 471,919	\$ 498,203
Landfill and land improvements	79,099	80,873
Buildings and building improvements	567,411	566,561
Leasehold improvements	6,603	6,381
Machinery, equipment and furniture	166,763	170,947
Vehicles	61,568	63,718
Water infrastructure	545,214	554,138
Wastewater infrastructure	1,089,217	1,103,923
Roads infrastructure	945,105	989,874
Computers	6,909	6,622
Assets under construction	161,372	142,241
<b>Total</b>	<b>\$ 4,101,180</b>	<b>\$ 4,183,481</b>



**14. Tangible Capital Assets (continued)**

**(a) Assets Under Construction**

Assets under construction having a value of **\$142,241** (2020 - \$161,372) 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 **\$43,543** (2020 - \$61,134) comprised predominantly of roads infrastructure in the amount of **\$24,248** (2020 - \$21,877 and water and wastewater infrastructure in the amount of **\$17,898** (2020 - \$38,416).

**(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 **\$130** (2020 - \$485).

**(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.

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**14. Tangible Capital Assets (continued)**

**(f) Assets under Shared Control (continued)**

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.

Total project costs of **\$54,129** have been offset by contributions from the YMCA of \$9,200 and Library of \$4,556. The net project costs of \$40,373 have been accounted for in the Corporation and capitalized or expensed as follows:

*Table 27: Tangible Capital Assets under Shared Control*

<b>Capitalized as</b>	
Land	\$ 5,155
Building	26,754
Equipment	7,709
<b>Expensed as</b>	
Contracted services	755
<b>Total</b>	<b>\$ 40,373</b>

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

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

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**15. Accumulated Surplus**

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

*Table 28: Accumulated Surplus*

	<b>2021</b>	<b>2020</b>
<b>Surplus</b>		
Invested in tangible capital assets	\$ 4,218,845	\$ 4,137,671
Other	(4,894)	(25,099)
Local boards	2,903	2,110
Equity in government business enterprise	207,581	192,448
Unfunded		
Landfill closure and post-closure liability and liability for contaminated sites	(60,573)	(55,417)
Employee benefits payable	(197,209)	(182,873)
Net long-term debt	(242,542)	(273,028)
<b>Total surplus</b>	<b>3,924,111</b>	<b>3,795,812</b>
<b>Reserves set aside by Council</b>		
Contingencies	117,113	100,549
General operations	50,118	42,530
<b>Total reserves</b>	<b>167,231</b>	<b>143,079</b>
<b>Reserve funds set aside for specific purposes by Council</b>		
Contingencies	142,329	116,372
Infrastructure renewal	299,062	272,699
Acquisition of vehicles	40,588	32,965
Acquisition of facilities	43,634	38,641
Recreational programs and facilities	766	380
Self-insurance (note (16.b))	18,524	15,221
Sick leave (note (12.d))	790	1,217
Industrial over sizing	12,847	13,468
Other purposes	347,136	289,545
Special purpose	79,856	78,373
<b>Total reserve funds</b>	<b>985,532</b>	<b>858,881</b>
<b>Accumulated surplus</b>	<b>\$ 5,076,874</b>	<b>\$ 4,797,772</b>

**15. Accumulated Surplus (continued)**

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

**(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:

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

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

## 16. Contingent Liabilities

### (a) Legal Actions

As at December 31, 2021, certain legal actions and other contingent liabilities are pending against the Corporation. The final outcome of the outstanding claims cannot be determined at this time. However management believes that ultimate disposition of these matters will not materially exceed the amounts recorded in these consolidated financial statements.

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

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

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

Insurance is also purchased for claims in excess of these limits to a maximum of \$50,000 for liability claims. The insured and self-insured Boards and Commissions are: Museum London, London Convention Centre Corporation, Covent Garden Market Corporation, London Police Services Board and 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, 2021 amounted to **\$18,524** (2020 - \$15,221) and is reported in note 15 of the consolidated financial statements. The contribution for the year of **\$6,177** (2020 - \$6,192) has been reported in the individual revenues on the consolidated statement of operations.

Claims expensed during the year amounting to **\$2,874** (2020 - \$2,862) 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, 2021 to be paid from the self-insurance reserve fund. The probable outcome of these claims cannot be determined at this time.

**16. Contingent Liabilities (continued)**

**(c) Environmental Remediation**

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

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

- A collection system was completed in November 2000 to intercept coal tar-impacted ground water for treatment by an on-site facility which is situated on the smaller parcel.
- A hard-surfaced parking lot was constructed on the larger of the two parcels and is being operated as a municipal parking lot
- 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.

**THE CORPORATION OF THE CITY OF LONDON**  
**Notes to Consolidated Financial Statements (continued)**  
**Year ended December 31, 2021**  
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**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, 2021 is **\$1,086** (2020 - \$1,686).

The Corporation has entered into an agreement which, under certain conditions, guarantees to assume the purchase and payment of block power from the Ontario Electricity Market on behalf of the Lake Huron Primary Water Supply System (Market Participant). The Corporation, in its capacity as Administering Municipality for the Joint Water Board, has guaranteed payment to the Independent Electricity System Operator (IESO) on behalf of the Market Participant. This guarantee is limited to **\$762**. There is no amount outstanding and no anticipated loss from this guarantee.

The Corporation has entered into an agreement which, under certain conditions, guarantees to assume payment obligations to OMERS on behalf of the Housing Development Corporation, London (Principal). The Corporation, as an associated employer of the Principal, is required to furnish financial security in the form of a letter of guarantee. There is no amount outstanding and no anticipated loss from this guarantee.

The Corporation has entered into an agreement which, under certain conditions, guarantees a ten-year credit agreement with Canada Mortgage and Housing Corporation (CMHC) on behalf of London & Middlesex Community Housing Inc. (Borrower). Under the agreement, the Borrower will make quarterly drawdowns up to a maximum of \$40,136. The outstanding principal of this loan at December 31, 2021 is **\$59** (2020 - \$nil)

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, 2021 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 Consolidated Financial Statements (continued)**  
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**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 2021 was **\$1,191** (2020 - \$1,152). Payments are based on the base year of 1997 at \$1,000 and are calculated contingent on annual assessment and tax rate increases.

**(b) Rehabilitation and Redevelopment Tax Grant Programs**

The Corporation has future commitments on the various Rehabilitation and Redevelopment Programs, which are programs that allow for future reductions in property taxes. The future commitments are as follows:

*Table 29: Future Grant Program Commitments*

2022	\$	6,370
2023		1,444
2024		2,793
2025		3,367
2026		6,495
Beyond		1,631
<b>Total</b>	<b>\$</b>	<b>22,100</b>

**(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*

2022	\$	21,176
2023		10,244
2024		6,554
2025		5,861
2026		5,114
Beyond		14,940
<b>Total</b>	<b>\$</b>	<b>63,889</b>



**THE CORPORATION OF THE CITY OF LONDON**  
**Notes to Consolidated Financial Statements (continued)**  
**Year ended December 31, 2021**  
(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, 2021:

*Table 31: Facilities and Infrastructure Commitments*

	<b>2021</b>	<b>2020</b>
Roads	\$ 47,547	\$ 61,896
Storm Sewer	37,253	29,006
Water	27,426	25,021
Sanitary Sewer	25,469	20,326
Waste Collection, Disposal, and Recycling	11,320	791
General Government	11,117	5,237
Transit	10,900	9,824
Commercial and Industrial	6,943	2,659
Recreational Facilities	2,430	4,719
Fire, POA and Emergency Measures	1,433	308
Parks	974	2,304
Social Housing	865	1,082
Social and Family Services	260	296
Cultural Facilities	64	474
Library Facilities	49	-
	<b>\$ 184,050</b>	<b>\$ 163,943</b>

These amounts represent uncompleted portions of contracts, as at December 31, 2021, 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, 2021, the Corporation has outstanding commitments remaining on these agreements of **\$5,448** (2020 - \$10,987).

**18. Commitments (continued)**

**(f) Derivatives**

The Corporation has the following derivative contracts as at December 31, 2021:

- Contract, expiring October 31, 2022, for the transportation daily natural gas purchases of 218 gigajoules, with a remaining contract value of **\$150** (2020 - \$109).
- Contract, expiring October 31, 2023, for the transportation daily natural gas purchases of 182 gigajoules, with a remaining contract value of **\$216** (2020 - \$nil).
- Contract, expiring October 31, 2024, for the transportation daily natural gas purchases of 145 gigajoules, with a remaining contract value of **\$170** (2020 - \$nil).

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 nil megawatt hours, covering the period of November 1, 2018 to August 31, 2021, with a remaining contract cost at December 31, 2021 is **\$nil** (2020 - \$173).

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 Consolidated Financial Statements (continued)**  
**Year ended December 31, 2021**  
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**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*

	2021	2020
<b>Revenues</b>		
Fines	\$ 4,059	\$ 3,360
<b>Total revenues</b>	<b>4,059</b>	<b>3,360</b>
<b>Expenses</b>		
Salary, wages and fringe benefits	1,554	1,561
County share of net revenues	108	5
Occupancy costs	81	52
Provincial government cost recovery	364	229
Administration costs	1,254	1,239
Equipment and maintenance	223	194
<b>Total expenses</b>	<b>3,584</b>	<b>3,280</b>
<b>Excess of revenues over expenses</b>	<b>\$ 475</b>	<b>\$ 80</b>

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

**THE CORPORATION OF THE CITY OF LONDON**  
**Notes to Consolidated Financial Statements (continued)**  
**Year ended December 31, 2021**  
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**20. Budget Data**

Budget data presented in these consolidated financial statements is based upon the 2021 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 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*

	<b>Total</b>	<b>Tax</b>	<b>Water</b>	<b>Wastewater</b>
<b>Net budget PSAB surplus</b>	<b>\$ 187,364</b>	<b>\$ 129,440</b>	<b>\$ 24,628</b>	<b>\$ 33,296</b>
<b>Public Sector Accounting Board (PSAB) reporting requirements:</b>				
<b>Addback (deduct) from net budget PSAB surplus</b>				
<b>Transfers</b>				
Transfers to capital	<b>(95,078)</b>	(51,269)	(21,414)	(22,395)
Transfers from reserves and reserve funds	<b>8,257</b>	8,257	-	-
Transfers to reserves and reserve funds	<b>(114,376)</b>	(68,190)	(14,362)	(31,824)
	<b>(201,197)</b>	(111,202)	(35,776)	(54,219)
<b>Budget adjustments</b>				
Government grants and subsidies	<b>879</b>	879	-	-
Expenses related to government grants and subsidies	<b>614</b>	614	-	-
Transfers to capital	<b>100</b>	100	-	-
Transfers from reserves and reserve funds	<b>1,597</b>	1,597	-	-
Transfers to reserves and reserve funds	<b>(3,190)</b>	(3,190)	-	-
	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**THE CORPORATION OF THE CITY OF LONDON**  
**Notes to Consolidated Financial Statements (continued)**  
**Year ended December 31, 2021**  
(all dollar amounts in thousands of dollars)

**20. Budget Data (continued)**

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

	<b>Total</b>	<b>Tax</b>	<b>Water</b>	<b>Wastewater</b>
<b>Debt principal repayments</b>	<b>\$ (39,103)</b>	<b>\$ (30,420)</b>	<b>\$ (337)</b>	<b>\$ (8,346)</b>
<b>PSAB adjustments</b>				
Capital program funding earned in year	<b>(58,469)</b>	(52,334)	(1,425)	(4,710)
Capital projects not resulting in capital assets	<b>48,964</b>	31,651	5,283	12,030
Amortization of tangible capital assets	<b>164,939</b>	95,025	18,771	51,143
Developer contributions - assumed capital assets	<b>(38,699)</b>	(13,364)	(5,427)	(19,908)
Loss on disposal of capital assets	<b>2,654</b>	1,595	485	574
Obligatory reserve fund deferred revenue earned	<b>(33,007)</b>	(22,006)	(1,515)	(9,486)
Government business enterprises adjustments	<b>(6,089)</b>	(6,089)	-	-
Other	<b>728</b>	1,749	(493)	(528)
Landfill liability	<b>2,059</b>	2,059	-	-
Employee future benefits liability	<b>3,506</b>	3,266	86	154
	<b>86,586</b>	41,552	15,765	29,269
<b>Boards and Commissions budget</b>				
<b>PSAB Surplus</b>	<b>(33,650)</b>	(29,370)	(4,280)	-
<b>Net Surplus per 2021 Approved Budget</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**THE CORPORATION OF THE CITY OF LONDON**  
**Notes to Consolidated Financial Statements (continued)**  
**Year ended December 31, 2021**  
(all dollar amounts in thousands of dollars)

**20. Budget Data (continued)**

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

	<b>Total</b>	<b>Tax</b>	<b>Water</b>	<b>Wastewater</b>
<b>Net surplus per 2021 approved budget – comprised of:</b>				
<b>Revenues</b>				
Property tax	\$ 673,581	\$ 673,581	\$ -	\$ -
Government grants and subsidies	225,722	225,692	-	30
User fees	252,596	56,145	87,354	109,097
Municipal revenues - other	78,028	77,084	134	810
Municipal revenues - transfers from reserves and reserve funds	6,660	6,660	-	-
<b>Total revenues</b>	<b>1,236,587</b>	<b>1,039,162</b>	<b>87,488</b>	<b>109,937</b>
<b>Expenses</b>				
Personnel costs	415,518	387,667	9,931	17,920
Administrative expenses	16,160	7,335	3,279	5,546
Financial expenses - other	11,333	11,259	74	-
Financial expenses - Interest and discount on long-term debt	5,300	4,440	13	847
Financial expenses - debt principal repayments	39,103	30,420	337	8,346
Financial expenses - transfers to reserves and reserve funds	111,186	65,000	14,362	31,824
Financial expenses - transfers to capital	95,178	51,369	21,414	22,395
Purchased services	230,113	223,476	3,088	3,549
Materials and supplies	82,636	40,054	30,900	11,682
Furniture and equipment	30,719	26,019	1,652	3,048
Transfers	204,971	202,117	-	2,854
Other expenses	21,322	11,188	2,765	7,369
Recovered expenses	(26,951)	(21,182)	(327)	(5,442)
<b>Total expenses</b>	<b>1,236,587</b>	<b>1,039,162</b>	<b>87,488</b>	<b>109,937</b>
<b>Net surplus per 2021 Approved Budget</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**THE CORPORATION OF THE CITY OF LONDON**  
**Notes to Consolidated Financial Statements (continued)**  
**Year ended December 31, 2021**  
(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*

	2021	2020
<b>Net municipal taxation and user charges</b>		
Net municipal taxation	\$ 686,251	\$ 656,530
Payments-in-lieu of taxation	10,366	9,972
	<b>696,617</b>	666,502
User charges	283,304	277,565
	<b>\$ 979,921</b>	\$ 944,067
<b>Transfer payments</b>		
Operating	\$ 4,647	\$ 6,190
Capital infrastructure	34,778	31,381
<b>Government of Canada - Total</b>	<b>39,425</b>	37,571
Unconditional - operating	37,751	38,896
Conditional – operating	224,080	227,279
Capital infrastructure	13,397	4,672
<b>Province of Ontario - Total</b>	<b>275,228</b>	270,847
Other municipalities	7,963	6,823
	<b>\$ 322,616</b>	\$ 315,241
<b>Investment income</b>		
Investment income - operating	\$ 4,781	\$ 4,265
Investment income - reserves and reserve funds	17,512	17,759
	<b>\$ 22,293</b>	\$ 22,024
<b>Other revenues</b>		
Provincial Offences Fines	\$ 4,059	\$ 3,360
Ontario Lottery & Gaming Corporation	2,676	1,050
Municipal accomodation tax	1,582	1,331
Other contributions - operating	19,747	10,763
Other contributions - capital	5,525	5,464
Donations	1,476	572
Miscellaneous sales	3,571	6,397
	<b>\$ 38,636</b>	\$ 28,937

**THE CORPORATION OF THE CITY OF LONDON**  
**Notes to Consolidated Financial Statements (continued)**  
**Year ended December 31, 2021**  
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**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*

	<b>2021</b>	<b>2020</b>
Salaries, wages and fringe benefits	\$ 491,721	\$ 473,529
Long-term debt interest charges	7,233	8,395
Materials and supplies	135,600	123,082
Contracted services	153,140	140,947
Rents and financial expenses	30,802	28,432
External transfers	192,960	202,362
Amortization of tangible capital assets	186,639	184,632
<b>Total expenses by object</b>	<b>\$ 1,198,095</b>	<b>\$ 1,161,379</b>

**23. Liability for Contaminated Sites**

Under Public Sector Accounting Board Standard PS 3260 *Liability for Contaminated Sites*, the Corporation has identified one site that had contamination and was 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 **\$657** (2020 - \$850).

With respect to the second site, reports indicate that remediation for this site will be required and has been estimated at **\$8,247** (2020 - **\$8,247**).

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 2021 financial statement presentation.

**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.

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.



**25. Impact of COVID-19 Pandemic (continued)**

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 been manageable. 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**

In 2020, 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 subsequently 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.

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

**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:

**27. Segmented Information (continued)**

**(a) Protection Services**

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

**(b) Transportation Services**

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

**27. Segmented Information (continued)**

**(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.

**(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.

**27. Segmented Information (continued)**

**(e) Social and Family Services**

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

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

**(f) Social Housing**

The Housing Division is responsible for establishing and maintaining a system for administering mortgage and rent subsidies for social housing providers; receiving and evaluating financial reports of housing providers; assessing extraordinary financial requests from housing providers; responding to requests for technical support from housing providers and reviewing housing providers operations to ensure compliance with the *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.

**27. Segmented Information (continued)**

**(i) Planning, Development and Compliance**

(i) 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.

(ii) 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.

(iii) 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.

**27. Segmented Information (continued)**

**(i) Planning, Development and Compliance (continued)**

(iv) 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**  
**Year ended December 31, 2021, with comparative information for 2020**  
(all dollar amounts in thousands of dollars)

<b>Revenues</b>	<b>Taxation</b>	<b>User Charges</b>	<b>Government Transfers</b>	<b>Developer Contributions</b>	<b>Other</b>	<b>2021</b>	<b>2020</b>
<b>General government</b>	<b>\$ 694,019</b>	<b>\$ 4,227</b>	<b>\$ 16,617</b>	<b>\$ 13</b>	<b>\$ 41,219</b>	<b>\$ 756,095</b>	<b>\$ 725,675</b>
Fire	-	384	99	-	178	661	285
Police	-	1,058	6,747	-	1,716	9,521	7,803
Other protection services	-	12,734	-	-	6,226	18,960	16,761
<b>Total protection services</b>	<b>-</b>	<b>14,176</b>	<b>6,846</b>	<b>-</b>	<b>8,120</b>	<b>29,142</b>	<b>24,849</b>
Transit	-	21,742	27,726	-	220	49,688	45,331
Other transportation services	-	2,573	19,731	24,248	35,269	81,821	71,619
<b>Total transportation services</b>	<b>-</b>	<b>24,315</b>	<b>47,457</b>	<b>24,248</b>	<b>35,489</b>	<b>131,509</b>	<b>116,950</b>
Water and wastewater	-	195,183	10,795	17,898	22,560	246,436	264,753
Solid waste	-	12,240	1,550	-	6,819	20,609	13,290
<b>Total environmental services</b>	<b>-</b>	<b>207,423</b>	<b>12,345</b>	<b>17,898</b>	<b>29,379</b>	<b>267,045</b>	<b>278,043</b>
<b>Health Services</b>	<b>-</b>	<b>-</b>	<b>5,654</b>	<b>-</b>	<b>(130)</b>	<b>5,524</b>	<b>5,448</b>
General assistance	-	38	129,975	-	65	130,078	139,301
Assistance to aged persons	-	5,470	15,235	-	91	20,796	20,741
Child care	-	41	50,908	-	179	51,128	41,082
<b>Total social and family services</b>	<b>-</b>	<b>5,549</b>	<b>196,118</b>	<b>-</b>	<b>335</b>	<b>202,002</b>	<b>201,124</b>
<b>Social housing</b>	<b>-</b>	<b>12,646</b>	<b>35,254</b>	<b>-</b>	<b>1,478</b>	<b>49,378</b>	<b>36,594</b>
Parks and recreation	-	8,902	751	1,384	3,573	14,610	16,870
Libraries	-	242	612	-	239	1,093	843
Cultural services	-	166	855	-	3,595	4,616	3,224
<b>Total recreation and cultural services</b>	<b>-</b>	<b>9,310</b>	<b>2,218</b>	<b>1,384</b>	<b>7,407</b>	<b>20,319</b>	<b>20,937</b>
<b>Planning, development and compliance</b>	<b>2,598</b>	<b>5,658</b>	<b>107</b>	<b>-</b>	<b>7,820</b>	<b>16,183</b>	<b>10,619</b>
<b>Total revenues</b>	<b>\$ 696,617</b>	<b>\$ 283,304</b>	<b>\$ 322,616</b>	<b>\$ 43,543</b>	<b>\$ 131,117</b>	<b>\$ 1,477,197</b>	<b>\$ 1,420,239</b>

**THE CORPORATION OF THE CITY OF LONDON**  
**Consolidated Schedule of Segment Disclosure - Operating Expenses**  
**Year ended December 31, 2021, with comparative information for 2020**  
(all dollar amounts in thousands of dollars)

<b>Expenses</b>	<b>Salaries, Wages &amp; Benefits</b>	<b>Materials</b>	<b>Contracted Services</b>	<b>External Transfers</b>	<b>Amortization</b>	<b>Other</b>	<b>2021</b>	<b>2020</b>
<b>General government</b>	\$ 54,775	\$ 9,081	\$ 12,502	\$ 11	\$ 10,261	\$ 3,363	\$ 89,993	\$ 91,141
Fire	68,055	2,774	359	-	2,913	48	74,149	82,208
Police	117,010	6,438	2,641	12	5,159	397	131,657	125,958
Other protection services	17,029	3,675	2,372	2,085	321	880	26,362	23,023
<b>Total protection services</b>	<b>202,094</b>	<b>12,887</b>	<b>5,372</b>	<b>2,097</b>	<b>8,393</b>	<b>1,325</b>	<b>232,168</b>	231,189
Transit	53,039	20,751	7,650	-	13,291	525	95,256	88,086
Other transportation services	27,189	21,850	13,668	2	57,701	11,134	131,544	115,442
<b>Total transportation services</b>	<b>80,228</b>	<b>42,601</b>	<b>21,318</b>	<b>2</b>	<b>70,992</b>	<b>11,659</b>	<b>226,800</b>	203,528
Water and wastewater	29,979	33,251	12,926	2,772	69,318	9,912	158,158	152,913
Solid waste	10,710	10,305	17,322	1,589	3,201	2,718	45,845	41,010
<b>Total environmental services</b>	<b>40,689</b>	<b>43,556</b>	<b>30,248</b>	<b>4,361</b>	<b>72,519</b>	<b>12,630</b>	<b>204,003</b>	193,923
Public health services	4,830	554	289	5,654	79	287	11,693	11,557
Ambulance services	-	-	21,822	-	-	-	21,822	18,945
<b>Total health services</b>	<b>4,830</b>	<b>554</b>	<b>22,111</b>	<b>5,654</b>	<b>79</b>	<b>287</b>	<b>33,515</b>	30,502
General assistance	22,133	438	7,764	117,299	445	2,712	150,791	158,719
Assistance to aged persons	22,624	3,397	1,105	96	1,199	433	28,854	26,997
Child care	2,056	738	20,744	31,359	4	380	55,281	47,196
<b>Total social and family services</b>	<b>46,813</b>	<b>4,573</b>	<b>29,613</b>	<b>148,754</b>	<b>1,648</b>	<b>3,525</b>	<b>234,926</b>	232,912
<b>Social housing</b>	<b>8,647</b>	<b>2,707</b>	<b>18,622</b>	<b>25,497</b>	<b>2,424</b>	<b>957</b>	<b>58,854</b>	58,499
Parks and recreation	22,542	5,879	6,006	41	12,827	2,159	49,454	45,228
Libraries	14,286	3,608	1,541	-	3,494	930	23,859	23,273
Cultural services	2,479	2,638	763	2,101	1,710	87	9,778	8,365
<b>Total recreation and cultural services</b>	<b>39,307</b>	<b>12,125</b>	<b>8,310</b>	<b>2,142</b>	<b>18,031</b>	<b>3,176</b>	<b>83,091</b>	76,866
<b>Planning, development and compliance</b>	<b>14,338</b>	<b>7,516</b>	<b>5,044</b>	<b>4,442</b>	<b>2,292</b>	<b>1,113</b>	<b>34,745</b>	42,819
<b>Total expenses</b>	<b>\$ 491,721</b>	<b>\$ 135,600</b>	<b>\$ 153,140</b>	<b>\$ 192,960</b>	<b>\$ 186,639</b>	<b>\$ 38,035</b>	<b>\$ 1,198,095</b>	\$ 1,161,379
<b>Annual surplus</b>							<b>\$ 279,102</b>	\$ 258,860





**London**  
CANADA

**City of London  
Financial Report  
2021**