



London
CANADA



Financial Report 2025

The Corporation of the
City of London

london.ca

Land Acknowledgements

We acknowledge that we are gathered today on the traditional lands of the Anishinaabek, Haudenosaunee, Lūnaapéewak and Attawandaron. 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 people (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. Awareness means nothing without action. It is important that everyone takes the necessary steps towards decolonizing practices. 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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2025 City of London at a Glance

At a Glance

 **472,800**
population

 **6.4%**
2025 Unemployment Rate^v
(Canada Rate is 6.8%)^v

64.8% 
2025 Labour Participation Rate^v
(Canada Rate is 65.3%)^v



 **3,845** lane-kilometres
of paved road

 **Aaa**
2025 Credit Rating
Provided by Moody's Investors



Message from the City Treasurer

His Worship Mayor Josh Morgan,
Members of London City Council,
Residents and Ratepayers of the City of London.

I am pleased to share The Corporation of the City of London's (the City) Annual Financial Report for the year ended December 31, 2025.

The Financial Statements have been prepared in accordance with Canadian Public Sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. The provincial financial information return has been completed using accounting policies and practices prescribed for Ontario Municipalities by the Ministry of Municipal Affairs and Housing. The Consolidated Financial Statements and the Financial Statements of Local Boards and Commissions have been audited by the firm of KPMG LLP.

This document provides an overview of the City's 2025 financial performance highlighting the City's ongoing commitment to fiscal accountability and transparency. The results demonstrate another year of strong financial performance and a continued strengthening of the City's balance sheet in alignment with its long-term financial strategies. The 2025 fiscal year was one of continued growth for the City and additional investments in infrastructure and services to advance the direction of Council's approved Strategic Plan. Guided by the City's Strategic Financial Framework and responsible investment, the City continues to build on a solid foundation of financial sustainability and excellence.

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,



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

Financial Reporting

External Audit

The City is required under the *Municipal Act, 2001*, section 294.1, for each fiscal year, to prepare annual financial statements for the municipality in accordance with generally accepted accounting principles for local governments. Further, in accordance with section 296, an independent auditor, *licensed under the Public Accounting Act, 2004*, is required 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 meet with the auditors to discuss any matters that occur during the audit process. At the end of the year end audit, the City through Audit Committee will receive a report, the Audit Findings 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. This reporting is in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board.

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) that the City owns or controls, and the financial liabilities the City owes as of December 31, 2025.
Consolidated Statement of Operations	Outlines revenues, expenses, surplus for the year and the 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, providing the calculation of the City's accumulated surplus for the reporting year.
Consolidated Statement of Change in Net Financial Assets	Outlines the changes in net financial assets because of annual operations, tangible capital asset transactions (acquisition and disposal), as well as changes in inventories for supplies, and prepaid expenses.
Consolidated Statement of Cash Flows	Summarizes the City's cash position and changes during the year by outlining the City's sources (where cash came from) and uses of cash.
Consolidated Statement of Remeasurement Gains and Losses	This statement identifies unrealized changes arising from remeasurement of financial instruments and items denominated in foreign currencies and any other comprehensive income.

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

THE CORPORATION OF THE CITY OF LONDON
Consolidated Financial Statements
Year ended December 31, 2025
(all dollar amounts in thousands of dollars)

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 Significant Accounting Policies 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 13 to the Consolidated Financial Statements details the breakdown of the accumulated surplus, including all 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. Also contributing to the accumulated surplus, is 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 2025 budget values presented in this statement have been adjusted to reflect the differences between amounts as budgeted at the City on a modified "cash requirements" basis and amounts now recorded in these financial statements.

Note 18 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.

Consolidated Statement of Remeasurement Gains and Losses

The Consolidated Statement of Remeasurement Gains and Losses was introduced as part of the City's Financial Statements for the year ended December 31, 2023. The inclusion of this new statement is in accordance with the Public Sector Accounting Handbook Section, Financial Statement Presentation (PS 1201). The requirement to adopt this section is a result of Financial Instruments (PS 3450), Portfolio Investments (PS 3041) and Foreign Currency Translation (PS 2601). This 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.



City of London Budget

Budgetary Process

On March 1, 2024, the City of London's 2024-2027 Multi-Year Budget was deemed adopted in accordance with Ontario Regulation (O. Reg.) 530/22. The Multi-Year Budget includes operating and capital budgets for 2024 to 2027, as well as a capital plan covering the subsequent six years. The 2024-2027 Multi-Year Budget is linked to Municipal Council's 2023-2027 Strategic 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 preparing a full budget annually, the City of London budgets in four (4) year cycles, with the last year aligning with the first year of the new term of Municipal Council.

An important element of the Multi-Year Budget is the annual budget update process. The municipality is required by the *Municipal Act, 2001* to review and readopt the budget for that year. Annual updates continue to provide 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.

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The budget is presented on a modified accrual basis of accounting which is a combination of the cash basis of 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; Housing, Social and Health Services; Transportation Services; Corporate, Operational & Council Services; and Financial Management.

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

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Surplus/Deficit Policy provides framework for the allocation of surpluses and funding of deficits.

Effective for the City's 2024 budget process (and applicable in subsequent years), the Province extended "Strong Mayor" legislation to London that enables the Mayor to propose the budget on or before February 1st. Section 284.16 of the Municipal Act describes the powers and duties of the Mayor with respect to the municipal budget process. Under the "Strong Mayor" process, the power to propose and adopt the budget defaults to the Mayor and cannot be delegated. In addition, the powers are mandatory rather than permissive under section 284.16(2) and there is no 'opt-out' provision. O. Reg. 530/22 outlines prescriptive timelines and requirements for the passing of a budget. Under O. Reg. 530/22, the proposed budget must be prepared, presented to council and made public by the Mayor before February 1st each year. O. Reg. 530/22 further outlines the following timelines for the budget process:

- Within 30 days after receiving the proposed budget from the head of council, the council may pass a resolution making an amendment to the proposed budget (noting that the council may pass a resolution to shorten the 30-day period);
- If a council does not pass a resolution to amend the budget within the prescribed time period, the proposed budget shall be deemed to be adopted by the municipality;
- Within 10 days after the expiry of the time period for council to pass a resolution to amend the proposed budget, the head of council may veto a resolution passed by council (noting that the head of council may, in writing, shorten the 10-day period);
- If the head of council does not veto a resolution to amend the budget, the proposed budget shall be deemed to be adopted by the municipality with the council amendment;
- Within 15 days after the expiry of the time period for the head of council to veto a resolution to amend the budget, council may override the head of council's veto if two-thirds of the members of council vote to override the veto (noting that the council may pass a resolution to shorten the 15-day period);
- If council overrides the veto, the veto does not apply and the proposed budget is deemed to be adopted by the municipality with the council amendment.

Despite the powers and duties of the Mayor under the "Strong Mayor" legislation, the public is informed of, and engaged on, the budget and public input is solicited to aid the decision-making process through multiple channels and engagement opportunities.

Financial Management

Strategic Financial Framework

In 2023, Council approved the Strategic Financial Framework that links existing financial policies, financial reports and plans, and ongoing financial practices together and outlines the general principles that Civic Administration utilizes in financial planning and decision making for the City. It is intended to be a supplement to, rather than a replacement for, the City's various existing financial policies and documents. The City of London is currently governed by a robust set of Council-approved financial policies (a few of which are highlighted in the following section), while the City's tactical financial plans are outlined in the City's Multi-Year Budget (covering a period of 4 years) and the associated Annual Budget Updates. The City's financial results are reported in this Annual Financial Report which includes the audited financial statements. The City also produces, maintains and updates a variety of related plans, such as the Corporate Asset Management Plan and Development Charges Background Study, that inform the financial management of the municipality. The principles in the Strategic Financial Framework underpin these various financial policies, reports, and plans, as well as the City's ongoing financial practices and activities. The relationship between these various components is best illustrated by the following graphic:



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”), reserves and reserve funds, debt, non-tax/rate supported development charges and other third-party contributions like funding from other levels of government. Capital projects are classified as lifecycle, growth, or service improvement. 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). Third-party contributions are generally applied per the parameters of funding programs, contribution agreements etc. The City currently has no further debt projected as a source of financing on future lifecycle capital projects, limiting the debt burden on future generations while providing intergenerational equity. Furthermore, consistent with the Debt Management Policy, the capital financing strategy aims 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 and holdings to meet the funding requirements of the City.

The City’s objectives to investing, in priority order, are to adhere to statutory requirements, preserve capital, maintain liquidity and 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 investing in securities in various asset classes, sectors and categories; purchasing securities with varying maturities and investing in marketable securities that have an active secondary market. Another key strategy used by the City is a “buy and hold” strategy while regularly monitoring investment holdings and rebalancing as required.

These strategies facilitate the City working towards achieving its investment return goals while managing risk to capital.

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 gradually lower the ratios 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, the multi-residential was reduced to a level equal to the commercial tax ratio and the industrial tax ratios was also reduced.

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 was 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.

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(all dollar amounts in thousands of dollars)

In a response to the pandemic, the Provincial government delayed the property assessment update scheduled for 2020. As reassessment remains delayed, the result is no assessment-based shifts between classes in 2025. As the schedule for future assessments has not been determined, and future impacts including tax shifts between property classes are unknown, the only change to tax ratios in 2025 was to slightly lower the multi-residential ratio to equalize the property tax increase in the multi-residential and residential classes.

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 is a reduction in the education portion of property tax for Commercial and Industrial property owners which continued in 2025.

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.

The Province of Ontario is conducting a review of the assessment and property tax system. It is expected that reassessment will resume once this review is completed and any legislative changes arising from the review will further impact future tax policy.

Credit Rating provided by
Moody's Investors Service

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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 and Housing, the adopted 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 an annual meeting with the City to interview senior management and the head of Council.

As published in Moody's credit rating opinion on September 10, 2025, the City has maintained its Aaa credit rating with a stable outlook.

The City has proudly held the Aaa rating since 1977, making 2025 the 49th 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 49 consecutive years is a testament to the success of the City's prudent, conservative approach to fiscal planning.



2025 Financial Results

Financial Results Summary

Highlights from the City's consolidated financial position, based on a full accrual basis of accounting, for the year ending December 31, 2025 include the following:

- The City's net financial assets position improved to \$1,466.8 million in 2025, representing an increase of \$234.0 million (19.0%) over 2024. When the City's financial assets are greater than its financial liabilities, it would indicate that the City is in a stronger financial position to provide for future expenses and liability repayments.
- The City's net book value of tangible capital assets increased to \$5,082.9 million, a 5.2% increase over 2024. Major contributing factors to this increase were the result of major investments in roads infrastructure, vehicles, buildings and building improvements, machinery, equipment, and furniture, and wastewater infrastructure.
- The City realized an annual surplus of \$463.7 million. As this is based on Public Sector Accounting Standards, this surplus includes transfers to reserves and reserve funds which were identified as an expense under the modified cash basis budget, but includes contributions of tangible capital assets from developers, and capital funding earned in the year.

Consolidated Statement of Operations

2025 (\$ millions)	Budget	Actual	Variance
Revenues	1,933.0	2,103.5	170.5
Expenses	1,651.9	1,639.8	(12.1)
Surplus	281.1	463.7	182.6

Table 1: Financial Results Summary

Statement of Operations – Total Revenue

In 2025, revenue realized on a full accrual basis was \$2,103.5 million which was \$170.5 million greater than budget. Contributing factors to this variance were:

- Investment income surpassed expectations.
- Revenue recognized for development charges exceeded prior year experience.
- Transfer payments from other levels of government were higher than anticipated for Ontario Works, Child Care, and Housing Stability Services.
- User fee revenue from W12A landfill tipping fees and water consumption based revenues were greater than expected.
- Municipal taxation revenue was greater than budget as a result of supplementary taxes.

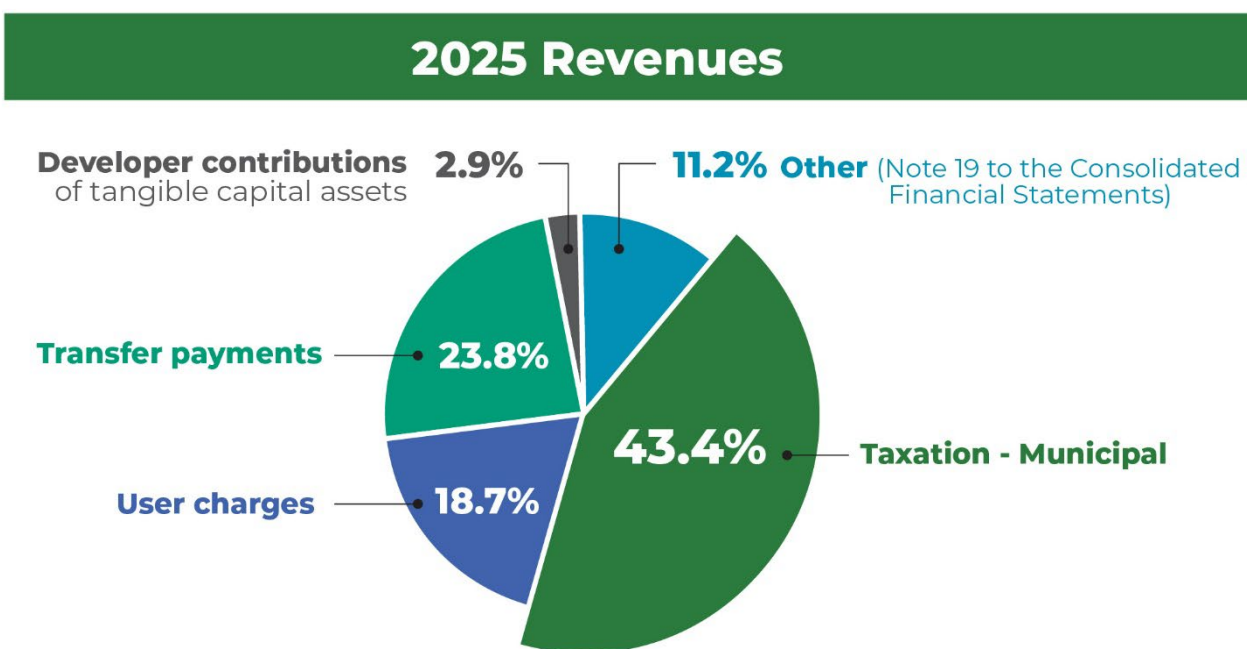


Figure 1 2025 Revenues

Statement of Operations - Total Expenses

In 2025, expenses incurred on a full accrual basis were \$1,639.8 million which was \$12.1 million lower than budget.

Major contributing factors to this favourable variance was from operational savings realized from;

- Personnel savings in Social & Family Services, General Government, and Protection Services.
- General Government expenses were lower due to reduced utility costs from decreased facility energy usage.
- These savings were partially offset by increased snowfall and freezing rain events resulting in deficits in the plowing, salting, and sanding budgets for roads and sidewalks.

2025 Expenses

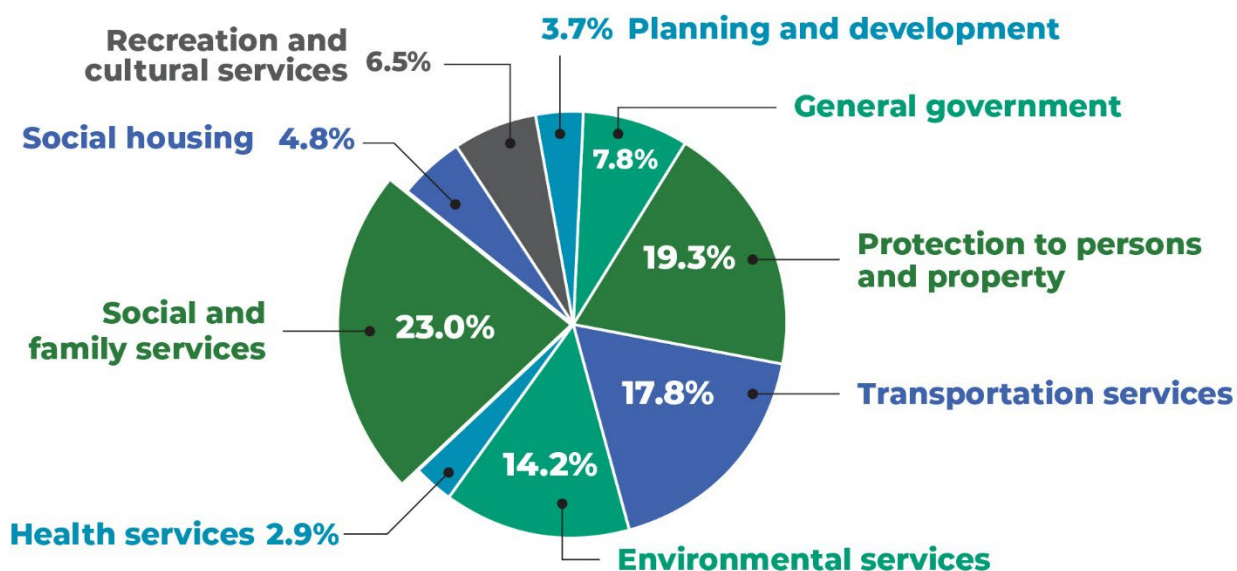


Figure 2 2025 Expenses

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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.

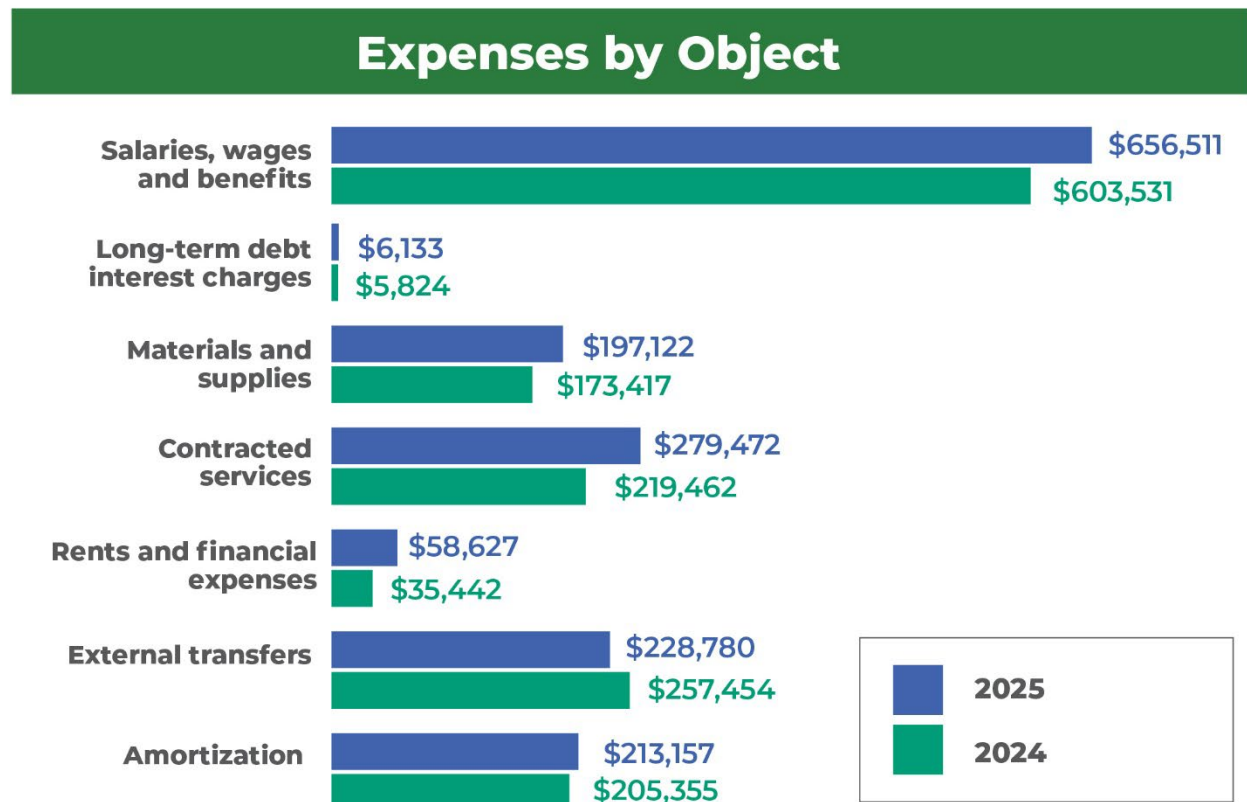


Figure 3 Expenses by Object

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.

2025 (\$ 000's)	Modified Cash Basis Budget Unconsolidated	Financial Statement Adjustments	Full Accrual Basis Budget Consolidated
Revenue	1,658,614	274,350	1,932,964
Expenses	1,658,614	(6,735)	1,651,879
Surplus (Deficit)	-	281,085	281,085

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 repayments 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, and asset retirement obligation, such as landfill closure, and
- Recognition of developer contributions of assumed tangible capital assets.

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Outlined in the table below is a reconciliation of what was reported to the Infrastructure and Corporate Services Committee in the 2025 Year-End Operating Budget Monitoring Report on April 20, 2026, highlighting Financial Statement adjustments. Note 18 of the Consolidated Financial Statements provides a similar reconciliation based on the adopted budgets.

**2025 Operating Budget Surplus per the 2025 Year-End
Operating Budget**

2025 Year-End Operating Budget Monitoring Report to Infrastructure and Corporate Services Committee on April 20, 2026	\$ millions
Property Tax Supported Budget Surplus	18.0
Water Rate Supported Budget Surplus	1.6
Wastewater & Treatment Rate Supported Budget Surplus	4.9
2025 Operating Budget Surplus	24.5
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	(24.5)
Operating Fund Surplus per 2025 Adopted Budget (Cash) Format	0.0
Plus: Transfers to (from) Capital, Reserves, and Reserve Funds	370.5
Plus: Debt Principal Repayments (unconsolidated)	21.7
Plus: Capital program funding earned in year	88.0
Less: Capital expenses not capitalized (Non-Tangible Capital Assets)	(77.5)
Less: Amortization of Tangible Capital Assets	(179.1)
Plus: Developer contributions of assumed Tangible Capital Assets	61.9
Less: Loss on disposal of Tangible Capital Assets	(13.4)
Plus: Reserves and reserve fund net revenues earned in year	167.2
Plus: Government Business Enterprises adjustments	3.3
Plus: Change in employee future benefit liability	2.0
Plus: Boards' and Commission's Surpluses (Losses)	19.1
2025 Surplus per Financial Statements (PSAS Format)	463.7

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

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.

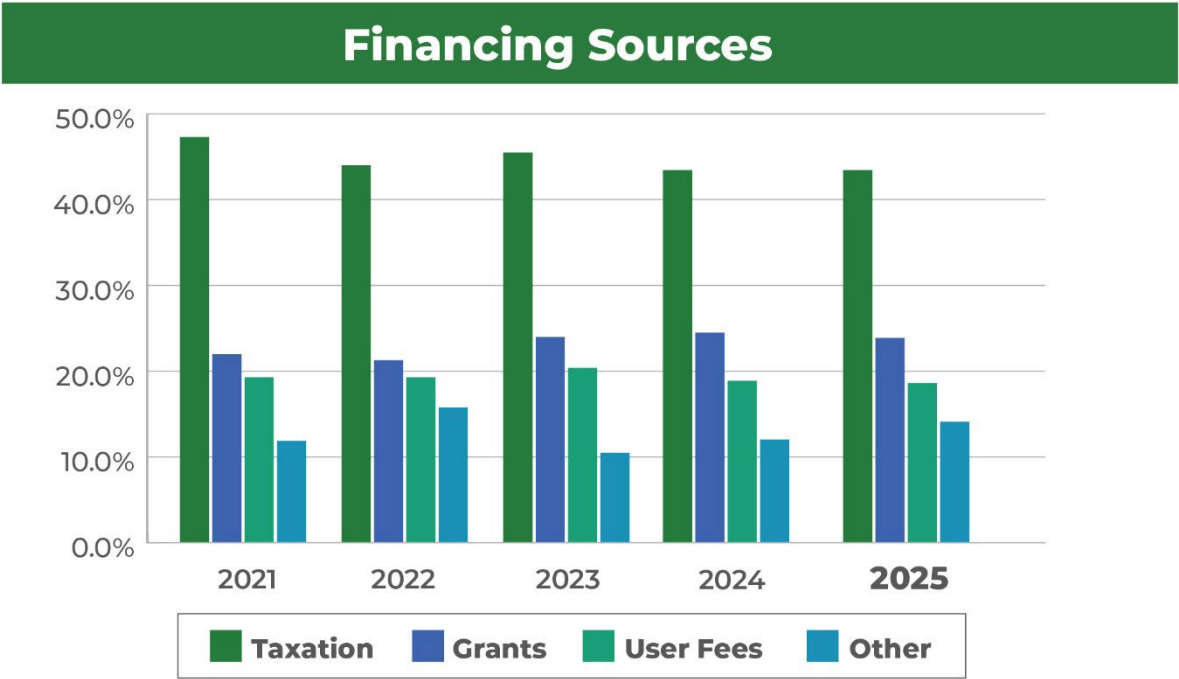


Figure 4 Five (5) Year Overview of Financing Services

Property Tax Rates and Assessment Growth

City Council approved a total tax levy of \$882.1 million, representing an increase over 2024 of 7.3% from rates. When assessment growth, tax policy and education taxes are taken into consideration, the property tax increase translated into a 6.57% 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 \$254,237 in 2025 and no average value increase from 2024, due to an assessment freeze.

For 2025, assessment weighted with applicable tax ratios and using consistent valuation dates increased by 1.20%.

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Comparative Property Taxes

	2025	2024
Municipal	\$3,873	\$3,579
Education	\$389	\$385
Total	\$4,262	\$3,964

Table 4: Municipal & Education Comparative Property Taxes

This next chart reflects property taxes collected, including payments-in-lieu, 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.

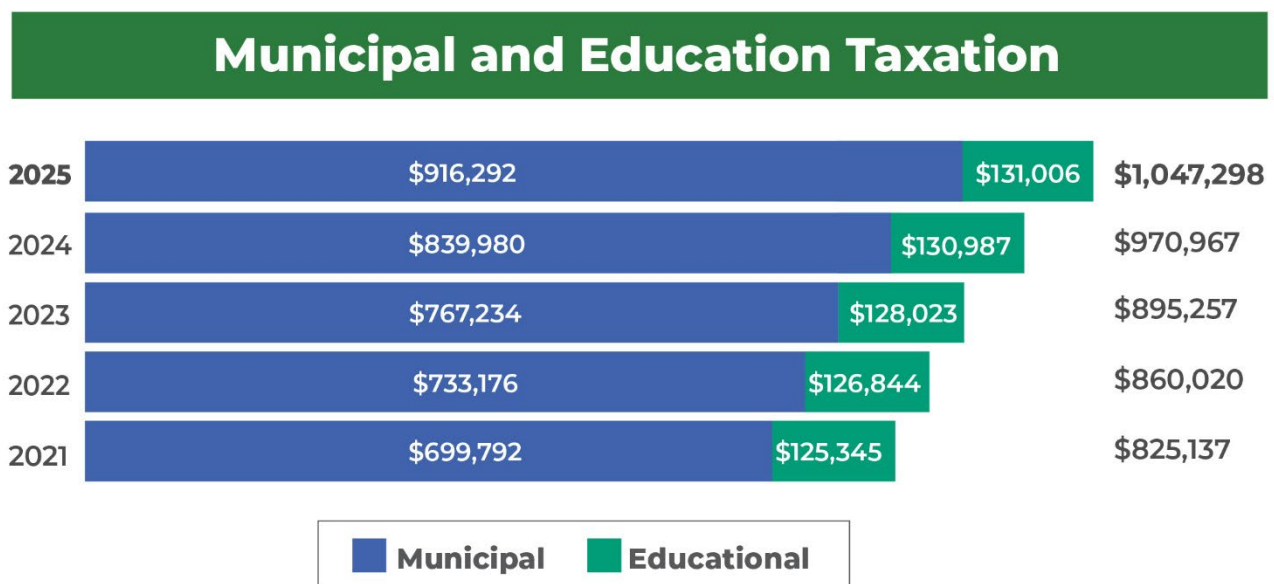


Figure 11 Five (5) year Overview of Property Taxes (\$'000's)
Source: 2025 Financial Information Return, Schedule 26A

-Capital Additions and Disposals

During 2025, additions to our completed capital assets were \$375.8 million versus \$555.6 million in 2024, excluding assets under construction. The City also disposed of capital assets of \$139.0 million compared to \$128.8 million in 2024. There was also a net assets still under construction of \$106.9 million in 2025. The following table reflects where the largest net additions in 2025 were, excluding assets still under construction:

NET CAPITAL ASSET INCREASES RANKED BY 2025 SPENDING (\$000's)

1. Vehicles, machinery, equipment and furniture	47,415
2. Roads Infrastructure	34,942
3. Water and Wastewater Infrastructure	29,253

Table 5: Largest Net Additions, 2025 (\$000's)

In 2025, amortization expense recorded was \$213 million and accumulated amortization of \$121 million was removed upon disposal of the assets.

This resulted in a 2025 net book value of \$5,083 million for the City's tangible capital assets, compared to \$4,832 million for 2024.

Annual Surplus and Accumulated Surplus

The annual surplus for the consolidated entity for 2025 was \$463.7 million (2024 - \$418.1 million). Further, an accumulated remeasurement gain of \$50.6 million from an unrealized gain is included in the accumulated surplus. This results in an increase to the City's Accumulated Surplus for 2025 to be \$6,606 million (2024 - \$6,119). Note 13 of the Consolidated Financial Statements provides a breakdown of the City's Accumulated Surplus. Most of the accumulated surplus relates to the City's investment in tangible capital assets which are used to provide services to the public now and in the future.

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

In 2025, the City issued debt of \$52,847, which is an increase from 2024 when \$34,714 was issued. The 2025 debenture issuance consisted of \$47,871 debt through public debentures (2024 - \$30,000) and \$4,976 (2024 - \$4,738) 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	\$ -	\$4,976	\$4,976
Recreation and Cultural	\$21,671	\$ -	\$21,671
Roadways	\$14,878	\$ -	\$14,878
Wastewater Infrastructure	\$6,147	\$ -	\$6,147
Rapid Transit	\$4,267	\$ -	\$4,267
Protective Services	\$908	\$ -	\$908
Total	\$47,871	\$4,976	\$52,847

Table 6: Debenture Amounts Issued

The City issued public debentures at an average cost of 3.763% over a 10-year term, 4.33% over a 20-year term and debentures were issued to CMHC at 3.48% for a 10-year term.

During the year, funding transferred to the debt substitution reserve funds totalled \$28,322 (2024 - \$18,680) to be utilized to reduce future authorized but unissued debt or to manage fluctuations in debt servicing costs as per the Council-approved Reserve Fund By-Laws. This funding is the result of allocations from operating budget surplus and assessment growth funding in accordance with the Council-approved Surplus/Deficit, Assessment Growth Policies and Debt Management Policies.

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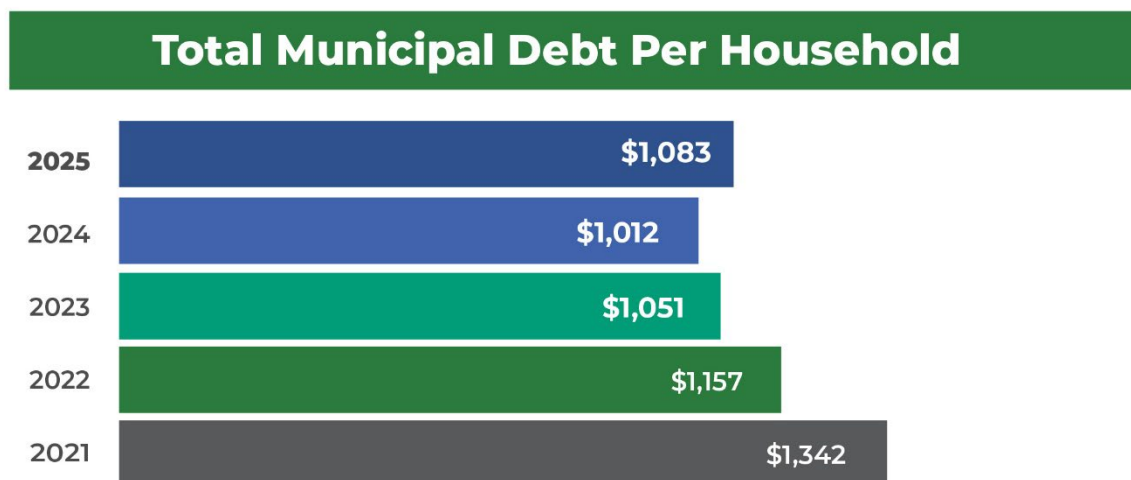


Figure 5 Five (5) Year Overview of Municipal Debt per Household

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



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

	2021	2022	2023	2024	2025
Total Tax Supported Debt (\$)	129,582	113,311	98,603	98,841	107,101
Total Rate Supported Debt (\$)	118,150	106,868	101,269	94,793	101,541
Total Debt (\$)	247,732	220,179	199,872	193,634	208,642
Number of Households	184,650	190,234	190,172	191,380	192,579
Total Debt per Household (\$)	1,342	1,157	1,051	1,012	1,083
Discretionary Reserve Funds & Reserves (\$)	1,152,763	1,258,700	1,380,553	1,532,839	1,682,029
Discretionary Reserve Funds & Reserves Per Household (\$)	6,243	6,617	7,259	8,009	8,734

Table 7: Discretionary Reserves and Reserve Funds per Household



Figure 6 Total Actual Debt per Household, 2025

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, 2025. The current obligation will be met by 2045.

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

	2025	2026	2027	2028	2029	2030
General Municipal	86,047	69,689	54,622	41,850	32,243	25,143
Discretionary Reserve Funds	21,671	20,899	20,107	19,293	18,457	17,596
Total Tax Supported Debt	107,718	90,588	74,729	61,143	50,700	42,739
Water	948	287	-	-	-	-
Wastewater	13,879	10,303	7,292	4,499	3,918	3,319
Obligatory Reserve Funds	87,281	71,720	56,702	42,699	31,113	22,481
Total Rate Supported Debt	102,108	82,310	63,994	47,198	35,031	25,800
Total Long-term Debt and Liabilities	209,826	172,898	138,723	108,341	85,731	68,539
Less Unamortized Discount	(1,184)	(985)	(806)	(658)	(546)	(461)
Total Long-term Debt and Liabilities, net of Unamortized Discount	208,642	171,913	137,917	107,683	85,185	68,078
Percentage Remaining	100%	82%	66%	52%	41%	33%

Table 8: Principal Balances Remaining on Outstanding Debentures as at December 31, 2025 (\$000's)

Reserves and Reserve Funds

At December 31, 2025, the City of London had combined Reserves, and Discretionary and Obligatory Reserve Funds of \$2,304 million (\$178 million and \$2,126 million respectively). These balances reflect a net increase of \$165 million from December 2024, created by increased contributions to reserves and reserve funds to allow,

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predominantly, for future purchases of tangible capital assets and coverage of unfunded liabilities.

Figure 14 below shows the ten-year trend in year-end equity balances. It should be noted that this does not include the effect of budgeted commitments, which significantly reduces the available balance of reserves and reserve funds. Reserves and reserve funds are governed by the City of London's long-term strategic financial plan, including Council approved financial policies and applicable reserve fund by-laws.

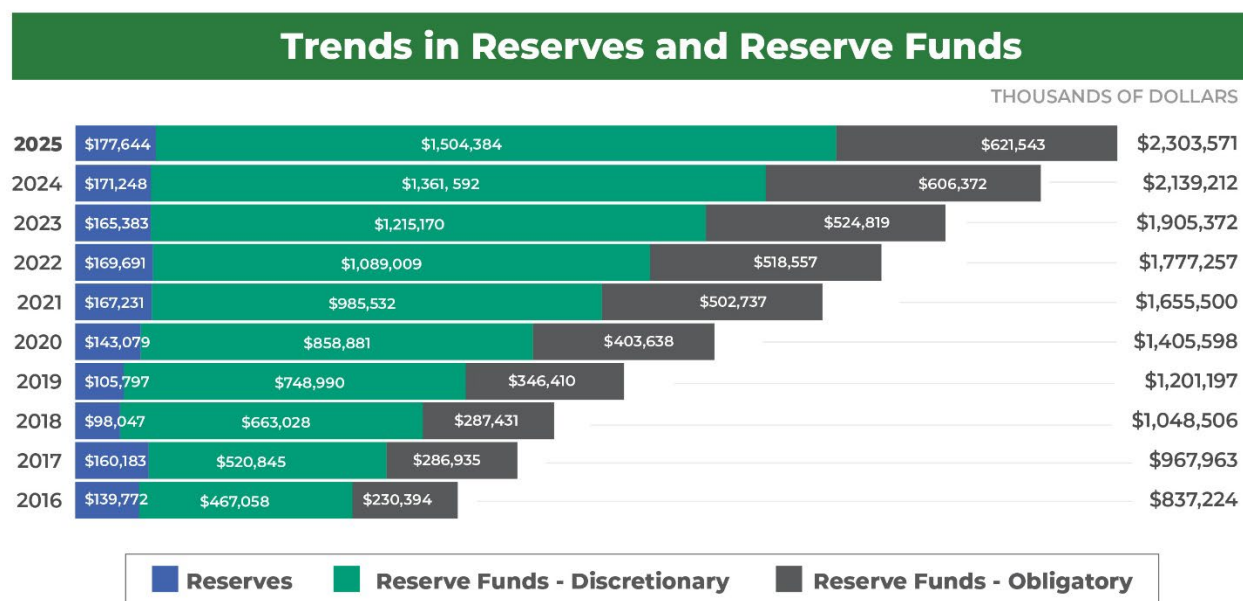


Figure 14 Ten Year Overview of Reserves and Reserve Funds (\$000's)

In 2025, Reserve Funds grew by \$158 million, reaching \$2,126 million by year end. The majority of funds grew due to increased contributions to fund future capital work requirements which were informed by the City's Corporate Asset Management Plan, infrastructure master plans, the Multi-Year Budget, and the Development Charges Background Study; others were drawn down to fund operations as well as fund capital projects leading to the creation of capital assets.

Reserves increased by \$7 million over 2024 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.

Five Year Review and General Statistics

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Five Year Review and General Statistics

Five Year Review (\$000's)

	2025	2024	2023	2022	2021
TAXATION (including education)					
Residential & Farm	\$761,240	\$701,699	\$647,016	\$617,243	\$589,068
Commercial & Industrial	286,058	269,268	248,240	242,777	252,691
	<u>\$1,047,298</u>	<u>\$970,967</u>	<u>\$895,257</u>	<u>\$860,020</u>	<u>\$825,137</u>
TOTAL TAXES RECEIVABLE	<u>\$63,804</u>	<u>\$53,326</u>	<u>\$41,764</u>	<u>\$34,286</u>	<u>\$29,596</u>
TAX ARREARS					
Percentage of Current Levy	6.1%	5.5%	4.7%	4.0%	3.6%
TAX RATES (%) (including all area rates & education)					
Residential	1.676394	1.573126	1.461166	1.422308	1.388283
Multi-Residential	2.741429	2.572530	2.389441	2.325903	2.267656
Commercial	3.789683	3.592441	3.378597	3.304378	3.239391
Industrial	3.789683	3.592441	3.378597	3.304378	3.239391
TOTAL LONG-TERM DEBT					
General Municipal Rates	\$86,048	\$99,365	\$97,761	\$110,510	\$123,884
Water Rates	947	2,385	3,842	5,445	7,734
Wastewater Rates	13,879	11,183	15,216	19,455	24,662
Municipal Reserve Funds	108,952	81,715	83,220	84,170	90,112
	<u>\$209,826</u>	<u>\$194,648</u>	<u>\$200,039</u>	<u>\$219,580</u>	<u>\$246,392</u>
DEBT PRINCIPAL & INTEREST REPAYMENTS					
Principal	\$37,668	\$40,105	\$43,164	\$48,524	\$55,781
Interest and debenture discount	6,133	5,824	5,820	6,302	7,233
	<u>\$43,801</u>	<u>\$45,929</u>	<u>\$48,984</u>	<u>\$54,826</u>	<u>\$63,014</u>
DEBT ISSUED	<u>\$52,847</u>	<u>\$34,714</u>	<u>\$23,624</u>	<u>\$21,713</u>	<u>\$23,077</u>
ASSESSMENT GROWTH	1.20%	1.68%	1.82%	1.40%	1.38%
TANGIBLE CAPITAL ASSETS ADDITIONS	<u>\$628,612</u>	<u>\$753,996</u>	<u>\$513,493</u>	<u>\$498,393</u>	<u>\$412,477</u>
TANGIBLE CAPITAL ASSETS AMORTIZATION	<u>\$213,157</u>	<u>\$205,355</u>	<u>\$193,064</u>	<u>\$192,366</u>	<u>\$186,639</u>
NET BOOK VALUE TANGIBLE CAPITAL ASSETS	<u>\$5,082,867</u>	<u>\$4,831,612</u>	<u>\$4,575,778</u>	<u>\$4,385,315</u>	<u>\$4,183,481</u>
ANNUAL SURPLUS	<u>\$463,734</u>	<u>\$418,052</u>	<u>\$279,462</u>	<u>\$365,390</u>	<u>\$279,102</u>
CONSOLIDATED ACCUMULATED SURPLUS	<u>6,605,896</u>	<u>\$6,119,317</u>	<u>\$5,670,476</u>	<u>\$5,394,081</u>	<u>\$5,076,874</u>
RESERVES, DISCRETIONARY & OBLIGATORY RESERVE FUNDS	<u>2,303,571</u>	<u>\$2,138,211</u>	<u>\$1,905,372</u>	<u>\$1,777,257</u>	<u>\$1,655,500</u>

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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.

General Statistic:	2025	2024
Population ⁱ	472,800	463,900
Area in Acres	104,632	104,632
Number of Households ⁱⁱ	192,579	191,380
Number of Properties ⁱⁱ	167,903	167,457
Building Permit Values (\$000's) ⁱⁱⁱ	\$2,713,023	\$2,211,758

Average Home Selling Price ^{iv}	2025	2024
London and St. Thomas	\$641,600	\$662,700
Ontario	\$866,200	\$895,600
Canada	\$759,800	\$776,900

Unemployment Rates (Annual Averages)	2025	2024
London ^v	6.4%	6.3%
Ontario ^v	7.7%	7.0%
Canada ^v	6.8%	6.3%

CPI + GDP (Annual Averages)	2025	2024
CPI Canada (percentage change) ^{vi}	2.1%	2.4%
Real GDP Canada (percentage change) ^{vii}	2.3%	2.6%

Table 9: General Statistics and Indicators

Definitions & Endnotes

Definitions

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

Accretion expense - is the increase in the carrying amount of a liability for asset retirement obligations due to the passage of time. ^x

Accumulated Amortization – the total amortization pertaining to a tangible capital asset from the time the asset was placed into service until the date of the financial statement.^{viii}

Asset Retirement Obligation - is a legal obligation associated with the retirement of a tangible capital asset. ^x

Assets under Construction (Construction in Progress) – tangible capital assets under construction at the end of the fiscal year that have not been put into service (e.g., engineered structures, buildings, land improvements).^{viii}

Contingent Liability(ies) - possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.^{xiv}

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

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

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

Development Charges - 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

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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.^{ix}

Effective Interest Method - is a method of calculating the amortized cost of a financial instrument asset or financial instrument liability (or a group of financial instrument assets or financial instrument liabilities) and of allocating the interest income or interest expense over the relevant period.^{xi}

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

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

Fair Value - is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.^{xi}

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

Financial Instruments - are any contracts that give rise to financial instrument assets of one entity and financial instrument liabilities or equity instruments of another entity.^{xi}

Financial Instrument Assets - are any assets that are:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual right:
 - (i) to receive cash or another financial instrument asset from another entity; or
 - (ii) to exchange financial instruments with another entity under conditions that are potentially favourable to the reporting entity.^{xi}

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Financial Instrument Liabilities are any financial liabilities that are contractual obligations:

- (a) to deliver cash or another financial instrument asset to another entity; or
- (b) to exchange financial instruments with another entity under conditions that are potentially unfavourable to the reporting entity.^{xi}

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

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

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

Portfolio investments - are investments in organizations that do not form part of the government reporting entity. Such investments are normally in equity instruments or debt instruments issued by the investee.^{xii}

Reserves and reserve funds - are included in the accumulated surplus of the municipality. They are both used, among other things, to account for transactions which, for legal or policy reasons, require that amounts specifically earmarked for a project or purpose be identified and spent on that project or activity.

Usually, the purpose is specified when the reserve or reserve fund is established. Reserve fund uses generally are not converted to other uses without council's approval.^{ix}

Statement of financial position - provides information about the municipality's financial position in terms of its assets (what the municipality owns or controls) and liabilities (what the municipality owes) at the end of the fiscal year or accounting period. It reports the municipality's net debt, and its accumulated surplus or deficit, because these figures are indicators that can be used to assess a municipality's financial position.

Net debt shows the amount of future revenues that will have to be raised to pay for past transactions and events. The accumulated surplus/deficit is the primary indicator of the resources (financial and physical) the municipality has available to provide future services.^{ix}

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Statement of operations - reports the revenues, expenses, results, and surplus or deficit from operations in the fiscal year or accounting period. The statement shows the cost of municipal services provided in the period, the revenues recognized in the period and the difference between them. It summarizes cost-of-service information at a functional level – for example, social services, recreation, general government, transportation and protection, to name a few. ^{ix}

Statement of change in net financial assets - explains the difference between the annual surplus or deficit and the change in net financial assets. It tracks what the municipality has spent to acquire tangible capital assets and inventories of supplies. It reports on the disposal of tangible capital assets and the use of inventory. ^{ix}

Statement of cash flow - identifies where cash came from, shows how cash was used and provides details on changes in cash and cash equivalents since the previous reporting period. Sources and uses of cash are reported by major activity: operations, capital transactions (acquisitions and disposals), investments (purchases and disposals), and financing (debt proceeds and payments). ^{ix}

Statement of remeasurement gains and losses – reports: (a) the accumulated remeasurement gains and losses at the beginning of the period; (b) remeasurement gains and losses during the period, distinguishing between: (i) amounts arising during the period; and (ii) amounts reclassified during the period to the statement of operations; (c) any other comprehensive income that arises when a government includes the results of government business enterprises and business partnerships in its financial statements; and (d) the accumulated remeasurement gains and losses at the end of the period. ^{xiii}

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, snowplow). ^{viii}

Endnotes

- ⁱ Provided by City's Planning and Development Division and Statistics Canada.
Source: City of London Growth Projections 2021-2051 report, December 12, 2022, Watson & Associates Economists Limited. Appendix – Figure D-3: City of London, Population and Census Housing Forecast, 2021 to 2051 Medium Scenario (2021 census), reflecting the consideration of 3.5% of Census under-coverage during enumeration, derived by Watsons' same report
<https://www150.statcan.gc.ca/n1/daily-quotidien/260227/t006a-eng.htm> (accessed April 27, 2026).
- ⁱⁱ Municipal Property Assessment Corporation, <https://www.mpac.ca/>, 2025 year end assessment roll, November 2025
- ⁱⁱⁱ Provided by City's Building Division
- ^{iv} The Canadian Real Estate Association, <https://www.crea.ca/> (accessed April 27, 2026)
- ^v Statistics Canada. [Table 14-10-0464-01 Labour force characteristics by province, territory and economic region, annual](#) (accessed March 27, 2026)
- ^{vi} Statistics Canada. [Table 18-10-0005-01 Consumer Price Index, annual average, not seasonally adjusted](#) (accessed March 30, 2026)
- ^{vii} Statistics Canada. [Table 36-10-0104-01](#). Real gross domestic product by expenditure -, account, year-over-year change – Seasonally adjusted at annual rates, chained (2017) dollars (accessed March 16, 2025)
- ^{viii} 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>
- ^{ix} 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#>
- ^x Chartered Professional Accountants of Canada (2024, June). CPA Canada Public Sector Accounting Standards: Section 3280: Asset Retirement Obligations. Retrieved from CPA Canada Standards and Guidance Collection.

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^{xi} Chartered Professional Accountants of Canada (2024, June). CPA Canada Public Sector Accounting Standards: Section 3450: Financial Instruments. Retrieved from CPA Canada Standards and Guidance Collection.

^{xii} Chartered Professional Accountants of Canada (2024, June). CPA Canada Public Sector Accounting Standards: Section 3041: Portfolio Investments. Retrieved from CPA Canada Standards and Guidance Collection.

^{xiii} Chartered Professional Accountants of Canada (2024, June). CPA Canada Public Sector Accounting Standards: Section 1201: Financial Statement Presentation. Retrieved from CPA Canada Standards and Guidance Collection.

^{xiv} Chartered Professional Accountants of Canada (2026, June). CPA Canada Public Sector Accounting Standards: Section PS 3300: Contingent Liabilities. Retrieved from CPA Canada Standards and Guidance Collection.

Consolidated Financial Statements of

**THE CORPORATION OF THE CITY
OF LONDON**

And Independent Auditor's Report thereon

December 31, 2025

THE CORPORATION OF THE CITY OF LONDON
Consolidated Financial Statements
Year ended December 31, 2025
(all dollar amounts in thousands of dollars)

INTRODUCTION

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

The City Treasurer is responsible for submitting annually, to the Audit Committee and Council, audited financial statements. These financial statements include the consolidated results of the City of London for the fiscal year ending December 31, 2025.

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:

- Independent Auditor's Report
- Consolidated Statement of Financial Position
- Consolidated Statement of Operations
- Consolidated Statement of Change in Net Financial Assets
- Consolidated Statement of Cash Flows
- Consolidated Statement of Remeasurement Gains and Losses
- 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 AUDITOR'S 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, 2025
- 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 statements of cash flows for the year then ended
- the consolidated statement of remeasurement gains and losses 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, 2025, and its consolidated results of operations, its consolidated remeasurement gains and losses, 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 **"Auditor's Responsibilities for the Audit of the Financial Statements"** section of our auditor's report.

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

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

Other Information

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

- the information, other than the financial statements and the auditor's 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 auditor's report thereon, included in the Financial Report as at the date of this auditor's 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 auditor's 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.

Auditor's 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 auditor's 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes 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, stylized font. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

July 23, 2026

THE CORPORATION OF THE CITY OF LONDON
Consolidated Statement of Financial Position
December 31, 2025, with comparative information for 2024
(all dollar amounts in thousands of dollars)

	2025	2024
Financial assets		
Cash and cash equivalents (note 2)	\$ 415,702	\$ 536,377
Accounts receivable:		
Taxes receivable (note 3)	50,348	42,315
Other receivables	215,956	163,493
Land held for resale	41,057	36,731
Portfolio investments (note 4)	1,855,966	1,579,418
Loans and long-term receivables (note 5)	131,793	74,497
Investment in government business enterprises and partnerships (note 6)	247,711	244,454
Total financial assets	2,958,533	2,677,285
Financial liabilities		
Demand loan (note 22)	584	620
Accounts payable and accrued liabilities	228,905	222,702
Deferred revenue (note 7)	720,637	687,306
Accrued interest on long-term debt	1,178	1,140
Long-term debt (note 8)	208,642	193,634
City services payable (note 9)	6,127	8,175
Employee benefits payable (note 10)	238,826	232,419
Asset retirement obligations (note 11)	86,875	98,493
Total financial liabilities	1,491,774	1,444,489
Net financial assets	1,466,759	1,232,796
Non-financial assets		
Tangible capital assets (note 12)	5,082,867	4,831,612
Inventories of supplies	10,949	8,133
Prepaid expenses	45,321	46,776
Total non-financial assets	5,139,137	4,886,521
Contingent liabilities (note 14)		
Loan guarantees (note 15)		
Commitments (note 16)		
Accumulated surplus (note 13)	6,605,896	6,119,317
Accumulated surplus comprised of:		
Accumulated surplus - operating	6,555,329	6,091,595
Accumulated remeasurement gains	50,567	27,722
Accumulated surplus	\$ 6,605,896	\$ 6,119,317

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, 2025, with comparative information for 2024
(all dollar amounts in thousands of dollars)

	Budget	2025	2024
	(note 18)		
Revenues			
Net municipal taxation	\$ 905,058	\$ 912,484	\$ 835,685
User charges	381,272	392,916	370,390
Transfer payments			
Provincial	366,090	379,563	370,311
Federal	77,891	113,784	92,982
Other municipalities	9,593	8,441	8,642
Investment income	31,851	82,008	84,816
Penalties and interest	14,072	17,642	16,033
Development charges earned	39,614	78,934	11,988
Developer contributions of tangible capital assets (note 12)	69,109	61,894	75,752
Other	24,610	47,117	44,090
Equity in earnings of government business enterprises and partnerships (note 6)	13,804	8,753	7,848
Total revenues	1,932,964	2,103,536	1,918,537
Expenses			
General government	137,139	128,420	101,081
Protection services	323,543	315,882	290,812
Transportation services	264,203	292,357	277,719
Environmental services	237,905	233,313	207,434
Health services	48,151	47,471	43,543
Social and family services	382,793	376,818	352,962
Social housing	93,073	78,515	77,280
Recreation and cultural services	106,357	107,095	103,478
Planning and development	58,715	59,931	46,176
Total expenses	1,651,879	1,639,802	1,500,485
Annual surplus	281,085	463,734	418,052
Accumulated surplus - operating, beginning of year (note 13)	6,091,595	6,091,595	5,673,543
Accumulated surplus - operating, end of year (note 13)	\$ 6,372,680	\$ 6,555,329	\$ 6,091,595

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, 2025, with comparative information for 2024
(all dollar amounts in thousands of dollars)

	Budget	2025	2024
	(note 18)		
Annual surplus	\$ 281,085	\$ 463,734	\$ 418,052
Acquisition of tangible capital assets	(427,781)	(420,780)	(399,886)
Gain on disposal of tangible capital assets	(48)	13,737	7,097
Amortization of tangible capital assets	196,380	213,157	205,355
Proceeds from sale of tangible capital assets	48	4,525	7,352
Developer contributions of tangible capital assets	(69,109)	(61,894)	(75,752)
	(300,510)	(251,255)	(255,834)
Change in inventories of supplies	-	(2,816)	(44)
Change in prepaid expenses	-	1,455	(16,306)
	-	(1,361)	(16,350)
Change in net financial assets, excluding remeasurement gains	(19,425)	211,118	145,868
Net financial assets, beginning of year	1,232,796	1,232,796	1,056,139
Net change in remeasurement gains	-	22,845	30,789
Net financial assets, end of year	\$ 1,213,371	\$ 1,466,759	\$ 1,232,796

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, 2025, with comparative information for 2024
(all dollar amounts in thousands of dollars)

	2025	2024
Cash provided by (used in)		
Operating activities		
Annual surplus	\$ 463,734	\$ 418,052
Items not involving cash		
Amortization of tangible capital assets	213,157	205,355
Developer contributions of tangible capital assets	(61,894)	(75,752)
Loss on disposal of tangible capital assets	13,737	7,097
Change in employee benefits payable	6,407	12,735
Change in asset retirement obligations	(11,618)	(8,914)
Equity in earnings of government business enterprises and partnerships	(8,753)	(7,848)
Dividends receivable from government business enterprises and partnerships	5,500	5,500
Amortization of debenture discount	(171)	53
Change in assets and liabilities		
Taxes receivable	(8,033)	(10,060)
Other receivables	(52,463)	(18,819)
Land held for resale	(4,326)	75
Accounts payable and accrued liabilities	6,203	(5,371)
Deferred revenue	33,331	86,098
Accrued interest on long term debt	38	(58)
City services payable	(2,048)	(377)
Inventories of supplies	(2,816)	(44)
Prepaid expenses	1,455	(16,306)
Net change in cash from operating activities	591,440	591,416
Capital activities		
Proceeds from sale of tangible capital assets	4,525	7,352
Acquisition of tangible capital assets	(420,780)	(399,886)
Net change in cash used in capital activities	(416,255)	(392,534)

THE CORPORATION OF THE CITY OF LONDON
Consolidated Statement of Cash Flows (continued)
Year ended December 31, 2025, with comparative information for 2024
(all dollar amounts in thousands of dollars)

	2025	2024
Investing activities		
Net increase in investments	(253,708)	(164,767)
Issuance of loans and long-term receivables	(69,669)	(29,946)
Collection and adjustments of loans and long-term receivables	12,373	2,258
Government business enterprises and partnerships	1	3
Net change in cash used in investing activities	\$ (311,003)	\$ (192,452)
Financing activities		
Long-term debt issued	\$ 52,847	\$ 34,714
Long-term debt repayments	(37,668)	(40,105)
Repayments of long-term liabilities	-	(900)
Demand loan issued (repaid)	(36)	86
Net change in cash from (used in) financing activities	15,143	(6,205)
Net change in cash and cash equivalents	(120,675)	225
Cash and cash equivalents, beginning of year	536,377	536,152
Cash and cash equivalents, end of year	\$ 415,702	\$ 536,377

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

THE CORPORATION OF THE CITY OF LONDON
Consolidated Statement of Remeasurement Gains and Losses
Year End December 31, 2025 , with comparative information for 2024
(all dollar amounts in thousands of dollars)

	2025	2024
Accumulated remeasurement gains (losses), beginning of the year	\$ 27,722	\$ (3,067)
Unrealized gains attributable to:		
Portfolio investments		
Designated for fair value	69,370	52,636
Total unrealized gains	69,370	52,636
Amounts reclassified to statement of operations:		
Portfolio investments		
Designated for fair value	(46,530)	(23,707)
Total realized gains, reclassified to the statement of operations	(46,530)	(23,707)
Proportionate amount of other comprehensive income from investment in government business enterprises	5	1,860
Net change in remeasurement gains for the year	22,845	30,789
Accumulated remeasurement gains, end of the year	\$ 50,567	\$ 27,722

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, 2025
(all dollar amounts in thousands of dollars)

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

1. Significant Accounting Policies

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

(a) Basis of Consolidation

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

(i) Consolidated Entities

The following local Boards or Commissions are consolidated:

Argyle Business Improvement Association Board of Management
Covent Garden Market Corporation
Eldon House Corporation
Hamilton Road Business Improvement Area Board of Management
Housing Development Corporation, London
Hyde Park Business Improvement Association Board of Management
London & Middlesex Community Housing Inc.
London Convention Centre Corporation
London Downtown Business Association
London Police Service 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, 2025
(all dollar amounts in thousands of dollars)

1. Significant Accounting Policies (continued)

(a) Basis of Consolidation (continued)

(ii) Equity Accounting

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

The government business enterprises and partnerships during the year were:

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

(iii) Proportionate Consolidation

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

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

(iv) Accounting for School Board Transactions

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

During the year, **\$131,006** of taxation was collected on behalf of school boards (2024 - \$130,987) 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, 2025
(all dollar amounts in thousands of dollars)

1. Significant Accounting Policies (continued)

(a) Basis of Consolidation (continued)

(v) Trust Funds

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

Total net assets of Trust Funds administered by the Corporation amounted to **\$6,151** (2024 - \$5,925).

(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, 2025
(all dollar amounts in thousands of dollars)

1. Significant Accounting Policies (continued)

(b) Basis of Accounting (continued)

(iv) Non-Financial Assets

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

(a) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, 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

Asset	Useful Life - Years
Landfill and land improvements	5 - 60
Buildings and building improvements	15 - 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, 2025
(all dollar amounts in thousands of dollars)

1. Significant Accounting Policies (continued)

(b) Basis of Accounting (continued)

(iv) Non-Financial Assets (continued)

(c) Works of Art and Cultural and Historic Assets

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

(d) Interest Capitalization

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

(e) Leased Tangible Capital Assets

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

(f) Inventories of Supplies

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

(v) Budget Figures

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

THE CORPORATION OF THE CITY OF LONDON
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2025
(all dollar amounts in thousands of dollars)

1. Significant Accounting Policies (continued)

(b) Basis of Accounting (continued)

(vi) Use of Estimates

The preparation of these consolidated financial statements, in accordance with Canadian Public Sector Accounting standards, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the year. These estimates and assumptions, including employee benefits payable, taxation assessment appeals, legal claims provisions, the valuation of tangible capital assets and their related useful lives, amortization, estimated retirement costs 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 the social service 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 2025 the Corporation received **\$912,484** (2024 - \$835,685) 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 adoption 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 performance obligation is satisfied. The performance obligation is satisfied when services are rendered.

(f) Development Charges and Other Revenues

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

1. Significant Accounting Policies (continued)

(f) Development Charges and Other Revenues (continued)

Development charges are one-time fees levied by the City on newly to be developed or to be redeveloped properties. The charges vary by development type (residential and non-residential) and location (within urban growth boundary and outside urban growth boundary). Development charges are initially recorded as deferred revenue when received and are then recognized as earned revenue over time as the City makes growth infrastructure investments to support development.

Building permit revenue is recognized when the performance obligation to the customer has been satisfied. This occurs, when the permit has been issued, and the refund period has expired.

Fine revenue, such as fines under the Provincial Offences Act, or municipal by-laws such as parking, or administrative monetary penalties, are recognized when they are enforceable. Fines are considered enforceable when the issued fine is no longer disputable by the recipient, or the appeals process is exhausted.

THE CORPORATION OF THE CITY OF LONDON
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2025
(all dollar amounts in thousands of dollars)

1. Significant Accounting Policies (continued)

(g) Financial Instruments

Financial instruments are classified in one of the following categories: (i) fair value; (ii) cost or amortized cost. The Corporation determines the classification of its financial instruments at initial recognition.

Portfolio investments reported at fair value consist of equity instruments, certain fixed income securities, derivative instruments, and any other investments where the investments are managed and evaluated on a fair value basis and the fair value option is elected.

Unsecured debentures and other long-term debt are initially recorded at fair value and subsequently measured at amortized cost using the effective interest rate method. Transaction costs related to the issuance of long-term debt are capitalized and amortized over the term of the debt.

Other financial instruments, including cash and cash equivalents, investments in guaranteed investment certificates, accounts receivable, loans receivable, accounts payable and accrued liabilities, long-term liabilities and city services payable are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

The following table provides the carrying amount information of the Corporation's financial instrument by category.

Table 2: Financial Instruments with Associated Measurement Method

Financial Instruments	Measurement Method
Cash and cash equivalents	Cost
Other receivables	Cost
Portfolio investments	Cost and Fair Value
Loans and long-term receivables	Amortized Cost
Demand loan	Amortized Cost
Accounts payable and accrued liabilities	Cost
Accrued interest on long-term debt	Cost
Long-term liabilities	Cost
Long-term debt	Amortized Cost
City services payable	Cost

Amortized cost is measured using the effective interest rate method.

1. Significant Accounting Policies (continued)

(g) Financial Instruments (continued)

Fair value category: The Corporation manages and reports performance for groups of financial assets on a fair-value basis. Investments traded in an active market are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets are recognized in the consolidated statement of remeasurement gains and losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the consolidated statement of operations and related balances reverse from the consolidated statement of remeasurement gains and losses.

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of a financial instrument on initial recognition is the transaction price at the trade date, which is the fair value of the consideration given or received. After initial recognition, the fair values of financial instruments that are quoted in active markets are based on bid prices for financial assets held and offer prices for financial liabilities. When independent prices are not available, fair values are determined by using valuation techniques that refer to observable market data. These include comparisons with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Amortized cost category: Amounts are measured using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, based on the effective interest rate. It is applied to financial assets or financial liabilities that are not in the fair value category.

Cost category: Amounts are measured at cost less any amount for valuation allowance. Valuation allowances are made when collection is in doubt.

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

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

1. Significant Accounting Policies (continued)

(g) Financial Instruments (continued)

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

(h) Portfolio Investments

Portfolio investments predominantly consist of authorized investments pursuant to provisions of the *Municipal Act, 2001* and are comprised of fixed income securities such as government and corporate bonds, structured notes, equities, pooled equity funds, and guaranteed investment certificates. Portfolio investments in guaranteed investment certificates are recorded at cost. Portfolio investments in equities, pooled equity funds, and all other fixed income securities are recorded at fair value. Any cash or investments with short maturity dates held within investment accounts are for the purposes of investing and are classified as portfolio investments in the consolidated statement of financial position.

Realized investment income earned on available current funds, reserves, and reserve funds (other than obligatory funds) are reported as revenue in the period earned and recognized in the consolidated statement of operations. Unrealized changes in fair value are recognized in the consolidated statement of remeasurement gains and losses until they are realized, when they are reclassified to the consolidated statement of operations.

Realized and unrealized investment income earned on obligatory reserve funds forms part of the deferred revenue balances.

(i) Loans Receivable

Loans receivable are recorded at the lower of amortized cost or the net recoverable value when the risk of loss exists. Recoverability is reviewed annually, and a valuation allowance is recorded when recoverability is impaired. A loan receivable is written off when it is no longer recoverable. Recoveries of loans receivable previously written off are recognized in the year received. Changes in the valuation of loans receivable are recognized in the consolidated statement of operations. Interest is accrued on loans receivable to the extent it is deemed collectible.

When the terms associated with a loan are considered concessionary such that all or a part of the loan is a grant, the Corporation will expense the grant portion of the transaction in the consolidated statement of operations at the time the loan is made.

1. Significant Accounting Policies (continued)

(j) Foreign Currency Translations

Foreign currency translations are recorded at the exchange rate at the time of the transaction.

(k) 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)

(l) 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.

(m) 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.

(n) 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)

(o) Asset Retirement Obligations

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

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

The following liabilities have been recognized based on estimated future expenses:

- Closure of operational landfill sites and post-closure care relating to current and previous landfill sites. 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 funded through tipping fees.
- Removal of asbestos in various buildings owned by the Corporation. The Occupational Health and Safety Act states the demolition of a building, all or in part, can be done only when asbestos-containing material that may be disturbed during the work has been removed.
- Removal of underground fuel and oil storage tanks and related piping. The Technical Standards and Safety Authority (TSSA) states in both its Liquid Fuels Handling Code and the Fuel and Oil Code that an underground storage tank and its piping must be removed when it has been out of service for 2 years or more.

The liabilities are discounted using a present value calculation, where appropriate, and adjusted yearly for changes in circumstances. The recognition of a liability results in an accompanying increase to the respective tangible capital assets or an expense when the asset is no longer in productive use. The increase to the tangible capital assets is being amortized in accordance with the accounting policies. At each financial reporting date, the Corporation reviews the carrying amount of the liability. The Corporation recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The Corporation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

1. Significant Accounting Policies (continued)

(p) 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.

(q) 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.

(r) 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.

(s) Future Accounting Pronouncements

These standards and amendments were not yet effective for the year ended December 31, 2025, 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.

1. Significant Accounting Policies (continued)

(s) Future Accounting Pronouncements (continued)

(i) New Public Sector Accounting Standards (PSAS) Conceptual Framework

This new model is a comprehensive set of concepts that underlie and support financial reporting. It is the foundation that assists:

- Preparers to account for items, transactions, and other events not covered by standards;
- Auditors to form opinions regarding compliance with accounting standards;
- Users in interpreting information in financial statements; and
- Public Sector Accounting Board (PSAB) to develop standards grounded in the public sector environment.

The main changes are:

- Additional guidance to improve understanding and clarity
- Non-substantive changes to terminology/definitions
- Financial statement objectives foreshadow changes in the Reporting Model
- Relocation of recognition exclusions to the Reporting Model
- Consequential amendments throughout the Public Sector Accounting Handbook

The framework is expected to be implemented prospectively.

Applicable for fiscal years beginning on or after April 1, 2026 (in effect for the Corporation for the year ending December 31, 2027). Standard must be implemented at the same time as PS 1202.

(ii) Reporting Model PS 1202 Financial Statement Presentation

This reporting model provides guidance on how information should be presented in the financial statements and will replace PS 1201 Financial Statement Presentation. The model is expected to be implemented retroactively with restatement of prior year amounts.

The main changes are:

- Restructured Statement of Financial Position
- Introduction of financial and non-financial liabilities
- Amended non-financial asset definition
- New components of net assets - accumulated other and issued share capital
- Relocated net debt to its own statement

1. Significant Accounting Policies (continued)

(s) Future Accounting Pronouncements (continued)

(ii) Reporting Model PS 1202 Financial Statement Presentation (continued)

- Renamed the net debt indicator
- Revised the net debt calculation
- Removed the Statement of Change in Net Financial Assets
- New Statement of Net Financial Assets/Liabilities
- New Statement of Change in Net Assets/Liabilities
- Isolated financing transaction in the Statement of Cash Flows

Applicable for fiscal years beginning on or after April 1, 2026 (in effect for the Corporation for the year ending December 31, 2027). Standard must be implemented at the same time as New Public Sector Accounting Standards (PSAS) Conceptual Framework.

(iii) Employee Benefits

The Public Sector Accounting Standards Board (PSAB) has issued a proposed new standard, PS 3251 Employee Benefits, which would replace PS 3250 Retirement Benefits and PS 3255 Post Employment Benefits, Compensated Absences and Termination Benefits.

The proposed standard would result in public sector entities recognizing the impact of revaluations of net defined benefit liabilities (assets) immediately in the statement of financial position and provides updated guidance related to discount rate assumptions, presentation of remeasurements, and accounting for jointly sponsored defined benefit plans. The standard is expected to be applied retrospectively, with or without prior period restatement.

(iv) Intangible Assets

PSAB has issued a proposed new standard, PS 3155 Intangible Assets, which would replace Public Sector Guideline PSG 8, Purchased Intangibles.

The proposed standard provides comprehensive guidance on the recognition, measurement and disclosure of acquired and internally generated intangible assets, including internally developed software and other identifiable non physical assets. Intangible assets would be initially measured at cost and subsequently amortized over their useful lives, subject to impairment.

THE CORPORATION OF THE CITY OF LONDON
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2025
(all dollar amounts in thousands of dollars)

2. Cash and Cash Equivalents

Table 3: Cash and Cash Equivalents

	2025	2024
Cash on deposit	\$ 395,026	\$ 516,075
Cash equivalents	20,676	20,302
	\$ 415,702	\$ 536,377

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 4: Taxes Receivable

	2025	2024
Taxes receivable	\$ 59,888	\$ 49,934
Penalties and interest	3,916	3,392
Allowance for doubtful accounts	(13,456)	(11,011)
	\$ 50,348	\$ 42,315

THE CORPORATION OF THE CITY OF LONDON
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2025
(all dollar amounts in thousands of dollars)

4. Portfolio Investments

The composition of portfolio investments is as follows:

Table 5: Portfolio Investments

	2025	2024
Measured at fair value		
Fixed income securities	\$ 1,427,431	\$ 1,212,935
Equity	8,292	7,600
Pooled equity funds	295,184	234,348
	1,730,907	1,454,883
Measured at cost		
Guaranteed investment certificates	125,059	124,535
	\$ 1,855,966	\$ 1,579,418

Financial instruments measured at fair value are classified according to a fair value hierarchy that reflects the reliability of the data used to determine fair value, which includes three levels of information that may be used to measure fair value:

- Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

The fair value hierarchy requires the use of observable data from the market each time such data exists. A financial instrument is classified at the lowest level of hierarchy for which significant inputs have been considered in measuring fair value.

THE CORPORATION OF THE CITY OF LONDON
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2025
(all dollar amounts in thousands of dollars)

4. Portfolio Investments (continued)

The composition of portfolio investments measured at fair value is as follows

2025				
	Level 1	Level 2	Level 3	Total
Fixed income securities	\$ 3,933	\$ 1,423,498	\$ -	\$ 1,427,431
Equity	8,292	-	-	8,292
Pooled equity funds	-	295,184	-	295,184
	\$ 12,225	\$ 1,718,682	\$ -	\$ 1,730,907
2024				
	Level 1	Level 2	Level 3	Total
Fixed income securities	\$ 4,316	\$ 1,208,619	\$ -	\$ 1,212,935
Equity	7,600	-	-	7,600
Pooled equity funds	-	234,348	-	234,348
	\$ 11,916	\$ 1,442,967	\$ -	\$ 1,454,883

There were no material transfers between Level 1 and Level 2 for the year. There were also no transfers in or out of Level 3.

THE CORPORATION OF THE CITY OF LONDON
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2025
(all dollar amounts in thousands of dollars)

5. Loans and Long-term Receivables

Table 6: Loans and Long-term Receivables

	2025	2024
Subordinate loan – City of London Arena Trust	\$ 49,317	\$ 31,852
Affordable housing	4,529	4,383
Community improvement program	5,962	5,445
Development charge deferral and alternative payment	69,055	31,633
Other miscellaneous	2,930	1,184
	\$ 131,793	\$ 74,497

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 Canada Life Place 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 fifty-year agreement. During the year, **\$206** (2024 - \$423) was received as a payment on the loan.

THE CORPORATION OF THE CITY OF LONDON
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2025
(all dollar amounts in thousands of dollars)

6. Investment in Government Business Enterprises and Partnerships

The Corporation holds a 100% interest in London Hydro Inc. (2024 - 100%), a 30.000% (2024 - 30.000%) interest in the Fair-City Joint Venture Partnership and a 73.432% (2024 - 73.432%) interest in the City-YMCA Joint Venture Partnership based upon investments as follows:

Table 7: Investment in Government Business Enterprises and Partnerships

	2025	2024
London Hydro Inc. (note 6(a))	\$ 232,919	\$ 229,435
Fair-City Joint Venture Partnership (note 6(b))	2,831	2,560
City-YMCA Joint Venture Partnership (note 6(c))	11,961	12,459
	\$ 247,711	\$ 244,454

(a) Investment in London Hydro Inc.

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

Table 8: Investment in London Hydro Inc. – Financial Position

	2025	2024
Financial position		
Current assets	\$ 158,165	\$ 125,518
Capital assets	511,286	472,358
Total assets	669,451	597,876
Regulatory balances	35,130	41,839
Total assets and regulatory balance	704,581	639,715
Current and other liabilities	103,028	88,324
Deferred revenue	71,701	64,073
Post-employment benefits	6,605	7,053
Long-term debt	290,000	250,000
Total liabilities	471,334	409,450
Regulatory balances	328	830
Total liabilities and regulatory balances	471,662	410,280
Net assets	\$ 232,919	\$ 229,435

THE CORPORATION OF THE CITY OF LONDON
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2025
(all dollar amounts in thousands of dollars)

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

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

Table 9: Investment in London Hydro Inc. – Results of Operations

	2025	2024
Results of operations		
Revenues	\$ 114,556	\$ 96,586
Operating expenses	(87,804)	(80,762)
Other income (expenses)	(8,849)	(11,086)
Income tax expense	(2,715)	(2,590)
Net movement in regulatory balances	(6,208)	5,945
Net earnings	8,980	8,093
Dividends	(5,500)	(5,500)
Net assets, beginning of year	222,223	219,630
Accumulated other comprehensive income	7,216	7,212
Net assets, end of year -		
Investment in London Hydro Inc.	\$ 232,919	\$ 229,435

(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 2025 totalled **\$35,130** (2024 - \$41,839). Net regulatory credit balances for 2025 totalled **\$328** (2024 - \$830).

THE CORPORATION OF THE CITY OF LONDON
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2025
(all dollar amounts in thousands of dollars)

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

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

(iii) Commitments

The Company has provided **\$4,300** (2024 - \$4,300) in bank standby letters of credit to the Independent Electricity System Operator (IESO), as required by regulation.

The Company has vendor commitments in connection with projects of **\$13,098** (2024 - \$5,866).

The Company has committed to operating lease agreements with future minimum non-cancellable annual lease payments of **\$692** (2024 - \$764).

(iv) Credit Facilities

The Company has an uncommitted operating revolving line of credit facility of \$20,000. As at December 31, 2025 the amount drawn under this line of credit was **\$nil** (2024 - \$100). The line of credit is unsecured and interest is at prime rate on prime-based borrowings minus 0.50%, or at Benchmark rates plus 1.40%.

At December 31, 2025, the Company had a committed loan facility of \$90,000 and the amount drawn by the Company under this loan facility was \$nil (2024 - \$50,000). Under the terms of this agreement, the loan has a maturity date of March 31, 2028. Interest options consist of the bank prime rate minus 0.60% or Benchmark plus 1.30%. A standby fee of 0.20% is charged for any unused amounts.

The Company has an interest rate swap agreement for an unsecured loan in the amount of \$90,000. Interest only payments are due monthly and commenced December 2025. The principal is due at maturity, June 30, 2032. The swap agreement is a fixed rate swap which effectively converts variable interest rates to an effective interest rate of 3.15%, plus a stamping fee of 0.83%, for an all-in-rate of 3.98%.

The Company has an interest rate swap agreement for an unsecured loan in the amount of \$125,000. Interest only payments are due monthly and commenced July 2022. The principal is due at maturity, June 30, 2032. The swap agreement is a fixed rate swap which effectively converts variable interest rates to an effective interest rate of 1.39%, plus a stamping fee of 0.74%, for an all-in-rate of 2.13%.

THE CORPORATION OF THE CITY OF LONDON
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2025
(all dollar amounts in thousands of dollars)

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 \$75,000. Interest only payments are due monthly and commenced December 2020. The principal is due at maturity, June 30, 2032. The swap agreement is a fixed rate swap which effectively converts variable interest rates to an effective interest rate of 1.23%, plus a stamping fee of 0.74%, for an all-in-rate of 1.97%.

At December 31, 2025, the Company would be entitled to collect **\$17,200** (2024 - \$20,100) if it decided to cancel the swap agreements.

During the year ended December 31, 2025, interest on long-term debt was incurred in the amount of **\$6,600** (2024 - \$6,500).

(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 **\$5,904** (2024 - \$5,747) and are included on the consolidated statement of operations. At December 31, 2025, the Corporation has a receivable of **\$23,346** (2024 - \$18,567) for water and wastewater charges collected by London Hydro Inc. Miscellaneous receivables of **\$1,026** (2024 - \$961) are also outstanding at year end.

The Corporation charged London Hydro Inc. rent, totalling **\$100** (2024 - \$100).

The Corporation received **\$5,500** (2024 - \$5,500) in dividend payments, which were recorded as a reduction in the investment in government business enterprises.

(vi) International Financial Reporting Standards (IFRS)

The Company's financial statements have been prepared on a going-concern basis in accordance with IFRS, Accounting Standards.

THE CORPORATION OF THE CITY OF LONDON
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2025
(all dollar amounts in thousands of dollars)

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

(b) Fair-City Joint Venture Partnership

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

Table 10: Fair-City Joint Venture Partnership – Financial Position

	2025	2024
Financial position		
Current assets	\$ 3,244	\$ 3,117
Capital assets	10,239	9,975
Total assets	13,483	13,092
Accrued liabilities	769	1,048
Deferred capital contributions	2,557	2,711
Long-term debt	721	802
Total liabilities	4,047	4,561
Net assets	\$ 9,436	\$ 8,531

Table 11: Fair-City Joint Venture Partnership – Results of Operations

	2025	2024
Results of operations		
Revenues	\$ 4,431	\$ 4,315
Operating expenses	(3,522)	(3,459)
Net earnings	909	856
Net earnings available to the Corporation	272	257
Distribution for employee future benefit re-measurements	(1)	(3)
Corporation's portion of earnings retained in Joint Venture	271	254
Corporation's investment in Fair-City Joint Venture's net assets, beginning of year	2,560	2,306
Corporation's investment in Fair-City Joint Venture's net assets, end of year	2,831	2,560
Investment in Fair-City Joint Venture Partnership	\$ 2,831	\$ 2,560

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 repaid \$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, 2025 was 30.000% (2024 - 30.000%).

At any time after the above-noted loan has been repaid in full, the Western Fair Association has the option to purchase the Corporation's interest in the joint venture at a purchase price of \$5,000.

(ii) Related Party Transactions

The Corporation has an Ice Rental Agreement with the Fair-City Joint Venture Partnership for 6,240 hours per year. **\$2,063** was paid for ice rental in 2025 (2024 - \$2,022), which was recorded as an expense in the consolidated statement of operations.

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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 12: City-YMCA Joint Venture Partnership – Financial Position

	2025	2024
Financial position		
Capital assets	\$ 27,135	\$ 27,135
Accumulated amortization	(10,848)	(10,169)
Net assets	\$ 16,287	\$ 16,966

Table 13: City-YMCA Joint Venture Partnership – Results of Operations

	2025	2024
Results of operations		
Amortization of capital assets	\$ (679)	\$ (679)
Net loss	(679)	(679)
Net assets, beginning of year	16,966	17,645
Net assets, end of year	16,287	16,966
Corporation's portion of net assets	11,961	12,459
Investment in City-YMCA Joint Venture Partnership	\$ 11,961	\$ 12,459

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%.

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

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

Construction of this facility was completed in October 2010.

The Joint Venture Partnership has entered into a forty-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 forty-year lease term, the Joint Venture Partnership will transfer the land and building representing the facility to the YMCA for consideration of nil. The transfer of the land and building will result in the dissolution of the Joint Venture Partnership in 2049.

THE CORPORATION OF THE CITY OF LONDON
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2025
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7. Deferred Revenue

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

Table 14: Deferred Revenue

	2025	2024
Funds deferred to future periods for specific purposes by legislation, regulation or agreement		
Development Charges Act		
Recreation, transit and culture	\$ 70,113	\$ 66,590
Capital infrastructure	374,167	400,923
Development Charges Act (note 9)	444,280	467,513
Development Charge Deferral and Alternative Payment Arrangements	69,055	31,532
Federal and Provincial gas tax	86,518	94,466
Recreational land (<i>The Planning Act</i>)	9,423	6,817
Unrealized remeasurement losses attributable to funds deferred to future periods	12,267	6,044
	621,543	606,372
Other deferred revenue:		
Subsidy advances from Provincial Ministries for future periods	84,569	64,871
Prepaid deposits	591	782
Prepayment of recreation programs, facility rentals, memberships	2,601	2,337
Vacancy and rebate allowances	1,116	1,068
Boards and commissions	9,718	11,128
Other deferred revenues	499	748
	\$ 720,637	\$ 687,306

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Year ended December 31, 2025
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8. Long-term Debt

Provincial legislation restricts the use of long-term debt to financing only capital expenses. 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

	2025	2024
Long-term debt issued by the Corporation at various rates of interest ranging from 1.40% to 4.65% (2024 - 1.10% to 4.85%) with maturity dates ranging from March 2026 to October 2045.	\$ 190,297	\$ 177,678
Long-term debt issued to Infrastructure Ontario programs at various rates of interest ranging from 2.60% to 4.44% (2024 - 2.60% to 4.44%) with maturity dates ranging from July 2026 to March 2030.	7,021	9,672
Long-term debt issued to Canada Mortgage and Housing Corporation at an interest rate of 1.84% to 3.48% (2024 - 1.84% to 3.01%) with term maturity dates ranging from December 2032 to December 2034.	12,500	7,608
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% (2024 - 2.00% to 2.25%) with maturity dates ranging from April 2026 to May 2032.	908	1,346
Long-term debt, assumed by unconsolidated local Boards, other municipalities, municipal enterprises and utilities.	(900)	(1,656)
	209,826	194,648
Less: Unamortized debenture discount	(1,184)	(1,014)
Net long-term debt	\$ 208,642	\$ 193,634

THE CORPORATION OF THE CITY OF LONDON
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2025
(all dollar amounts in thousands of dollars)

8. Long-term Debt (continued)

Principal repayments are summarized as follows:

Table 16: Principal Repayment Summary

	2026	2027	2028	2029	2030	Beyond	Total
General	\$ 16,359	\$ 15,067	\$ 12,772	\$ 9,607	\$ 7,099	\$ 25,144	\$ 86,048
Water	660	287	-	-	-	-	947
Wastewater	3,576	3,011	2,793	581	599	3,319	13,879
Discretionary	772	792	814	836	861	17,596	21,671
Obligatory	15,561	15,017	14,004	11,585	8,632	22,482	87,281
	\$ 36,928	\$ 34,174	\$ 30,383	\$ 22,609	\$ 17,191	\$ 68,541	\$ 209,826

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

Table 17: Principal Repayments - Total Charges

	2025	2024
Interest on long-term debt	\$ 5,923	\$ 5,576
Amortization of debenture discount	210	248
	\$ 6,133	\$ 5,824

THE CORPORATION OF THE CITY OF LONDON
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2025
(all dollar amounts in thousands of dollars)

9. City Services Payable

The Corporation operates a system of funding developer claims for the 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 costs of these works are shared through development charge collections administered by the Corporation through the City Services Reserve Funds.

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

As at December 31 of each year, the value of all work classified as substantially complete and not paid is recognized as a liability in the consolidated statement of financial position. Repayment of this liability remains subject to all of the rules of the City Services Reserve Funds and Development Charges By-law, including a reliance on development charges received as the source for repayment. At December 31, there is **\$444,280** (2024 - \$467,513) in the City Services Reserve Funds to fund this liability.

THE CORPORATION OF THE CITY OF LONDON
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2025
(all dollar amounts in thousands of dollars)

9. City Services Payable (continued)

The continuity breakdown is as follows:

Table 18: City Services - Continuity Breakdown

		Roads	Waste Water	Storm Water	Parks & Recreation	Water	Total
City Services Payable	Dec 31, 2023	\$ 2,334	\$ 137	\$ 4,238	\$ 1,590	\$ 253	\$ 8,552
Expenses:							
Value of construction work completed		94	34	118	1,284	15	1,545
Payments:							
From City Services Reserve Fund		(320)	(99)	(1,104)	(399)	-	(1,922)
City Services Payable	Dec 31, 2024	2,108	72	3,252	2,475	268	8,175
Expenses:							
Value of construction work completed		307	66	38	77	-	488
Payments:							
From City Services Reserve Funds		(12)	(2)	(1,547)	(971)	(4)	(2,536)
City Services Payable	Dec 31, 2025	\$ 2,403	\$ 136	\$ 1,743	\$ 1,581	\$ 264	\$ 6,127

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Year ended December 31, 2025
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10. 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 19: Employee Benefit Payable

	2025	2024
Post-employment and post-retirement benefits (note 10(a))	\$ 119,931	\$ 118,942
Workplace Safety and Insurance Board Obligation (note 10(b))	78,345	83,923
Vacation credits (note 10(c))	29,960	27,316
Vested sick leave benefits (note 10(d))	87	274
Non-vested sick leave benefits (note 12(e))	10,503	1,964
	\$ 238,826	\$ 232,419

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 **\$209,101** (2024 - \$208,255), 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, 2025.

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

Table 20: Post-Employment and Post-Retirement Benefits – Assumptions

Assumptions	2025 %	2024 %
Discount rate	4.20	3.50
Rate of compensation increase	2.00	2.00
Healthcare cost increases	4.00 – 4.89	4.00 - 5.36

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Year ended December 31, 2025
(all dollar amounts in thousands of dollars)

10. Employee Benefits Payable (continued)

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

The benefit obligation continuity is as follows:

Table 21: Post-Employment and Post-Retirement Benefits (continued)

Liability for post-employment and post-retirement benefits	2025	2024
Accrued benefit obligation, January 1	\$ 117,776	\$ 106,309
Current period benefit cost	5,518	5,766
Retirement interest expense	4,064	3,677
Actuarial (gain) loss	(7,940)	8,147
Benefits paid	(7,338)	(6,123)
Accrued benefit obligation, December 31	112,080	117,776
Unamortized actuarial gain	7,851	1,166
	\$ 119,931	\$ 118,942
Post-employment and post-retirement benefits expense	2025	2024
Current period benefit cost	\$ 5,518	\$ 5,766
Retirement interest expense	4,064	3,677
Amortization of actuarial (gain) loss	(1,255)	2,337
Total post-employment and post-retirement benefit expense	\$ 8,327	\$ 11,780

The actuarial loss is amortized over the expected average remaining service life of the related employee group of **14** years (2024 - 14 years).

10. Employee Benefits Payable (continued)

(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, 2025, estimated the accrued benefit obligation for workplace safety and insurance existing claims and future pension awards at **\$78,345** (2024 - \$83,923).

Table 22: Self-Insured (Schedule II) Workers Compensation Actuarial - Assumptions

	December 31, 2025
Discount rate	4.40% per annum
Rate of compensation increase	2.00% per annum
Healthcare cost increases	4.89% 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, 2025 is **\$29,960** (2024 - \$27,316).

(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 **\$87** (2024 - \$274) at December 31, 2025. During the year **\$192** (2024 - \$178) 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, 2025 is **\$118** (2024 - \$302). An amount of **\$7** (2024 - \$268) has been contributed in the current year.

10. Employee Benefits Payable (continued)

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

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

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

Table 23: Employee Benefits Payable - Anticipated Future Payments

2026	\$	87
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(e) Liability for Non-vested Sick Leave Benefits

Non-vested sick leave refers to the balance of unused sick leave credits which have accumulated and may be drawn upon for an illness or injury-related absence in a future period. These benefits are non-vested as they are not eligible for payment when employees leave the Corporation’s employment. The liability measurement considers the expectation of future utilization of the benefits and would consider the extent to which accumulated sick days are expected to be used prior to retirement by employees. The liability for these accumulated days, as actuarially determined, amounted to **\$10,503** (2024 – \$1,964) at December 31, 2025.

During the fiscal year ended December 31, 2025, the Corporation revised its estimate for non-vested sick leave benefits liability based on a review of methodologies and assumptions in conjunction with further insight obtained through the engagement of an independent actuary. The revised estimate increased the liability as of December 31, 2025, by \$8,539, from \$1,964 to \$10,503. The impact of this change in estimate resulted in an increase in the expense object “salaries, wages and fringe benefits” of \$8,539 for the year. This change in estimate is accounted for prospectively, in accordance with PS 2120, Accounting Changes.

10. Employee Benefits Payable (continued)

(f) 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 **5,773** (2024 - 5,281) members. The plan is a contributory defined benefit plan which specifies the amount of 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, 2025. At that time, the plan reported a **\$1.32** billion actuarial deficit (2024 - \$2.90 billion), based on actuarial liabilities for **\$151.37** billion (2024 - \$142.50 billion) and actuarial assets for **\$150.04** billion (2024 - \$139.60) 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 2025 was **\$45,816** (2024 - \$43,545) for current service. Employer's contributions for current service are included as an expense in the consolidated statement of operations.

11. Asset Retirement Obligations

The Corporation's asset retirement obligations consist of the following:

(a) Landfill Closure and Post-closure Care

The Corporation owns and operates the W12A landfill site and owns various closed landfill sites. The landfill site assets at W12A are broken down into different cells and each cell became active when the cell started accepting waste. Each cell has an estimated useful life of 5 years and at January 1, 2025 there was one asset that had not been fully depreciated. The liability for the closure of operational sites and post-closure care for closed landfill sites has been recognized under PS 3280, Asset Retirement Obligations. The costs were based upon the presently known obligations that will exist at the estimated year of closure of the W12A site including 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, 2025 for landfills are as follows:

- Timing of settlement - the active (W12A) landfill is expected to reach capacity in 2051, which is when the closing costs will be incurred and when the monitoring period will begin. The monitoring costs for the closed landfill sites are presently being incurred.
- Undiscounted liability for W12A - \$142,496 (2024 - \$127,069)
- Undiscounted liability for closed landfill sites - \$11,133 (2024 - \$10,287)
- Inflation rate - 2.20% (2024 - 2.00%)
- Discount rate - 4.66% (2024 - 3.50%)
- Estimated time required for post-closure care; active landfill - 75 years (2024 - 75 years)
- Estimated remaining time required for post-closure care; closed landfills - 25 years (2024 - 26 years)

11. Asset Retirement Obligations (continued)

(b) Asbestos Removal

The Corporation owns and operates various buildings that are known or are assumed to contain asbestos, which represents a health hazard upon demolition of the building. There is a legal obligation to remove the asbestos before these buildings are demolished. Following the adoption of PS 3280, Asset Retirement Obligations, the Corporation recognized an obligation relating to 226 buildings that contain or are suspected to contain asbestos material, of which 81 buildings were not fully amortized at January 1, 2025. Each building has an estimated useful life of 40 years.

Key assumptions in determining the liability at December 31, 2025 for asbestos removal and disposal are as follows:

- Timing of settlement - it is unknown when the buildings will be demolished or abatement will occur
- Undiscounted liability for asbestos removal - \$54,143 (2024 - \$54,474)
- Discount rate - due to the unknown timing of retirement, no discount rate was used when estimating the costs
- Estimated time required for retirement activities - at time of demolition only

(c) Removal of Underground Fuel and Oil Storage Tanks

The Corporation owns various underground fuel and oil storage tanks that have to be removed at the end of their lives. The tanks became a part of the pooled equipment asset for the year in which they were installed. Following the adoption of PS 3280, Asset Retirement Obligations, the Corporation recognized an obligation relating to 27 underground tanks, of which, 18 were not fully amortized at January 1, 2025. Each tank has an estimated useful life of 10 years.

Key assumptions in determining the liability at December 31, 2025 for tank removal are as follows:

- Timing of settlement - it is unknown when the tanks will be removed
- Undiscounted liability for tank removals - \$2,702 (2024 - \$2,597)
- Discount rate - due to the unknown timing of retirement, no discount rate was used when estimating the costs
- Estimated time required for retirement activities - at time of removal only

All assets, including their increased costs from asset retirement obligations, are amortized using the straight-line amortization method.

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Year ended December 31, 2025
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11. Asset Retirement Obligations (continued)

Changes to the asset retirement obligations in the year are as follows:

Table 24: Asset Retirement Obligation Continuity Schedule

2025	Landfill closure	Asbestos removal	Removal of underground fuel and oil storage tanks	Base building clause	Balance at December 31, 2025
Opening balance	\$ 41,422	\$ 54,474	\$ 2,597	\$ -	\$ 98,493
Change in estimate	(11,392)	821	105	-	(10,466)
Liability settled during period	-	(1,152)	-	-	(1,152)
Closing Balance	\$ 30,030	\$ 54,143	\$ 2,702	\$ -	\$ 86,875

2024	Landfill closure	Asbestos removal	Removal of underground fuel and oil storage tanks	Base building clause	Balance at December 31, 2024
Opening balance	\$ 52,925	\$ 51,858	\$ 2,501	\$ 123	\$ 107,407
Change in Estimate	(11,230)	2,853	96	(123)	(8,404)
Liability Settled during period	(273)	(237)	-	-	(510)
Closing Balance	\$ 41,422	\$ 54,474	\$ 2,597	\$ -	\$ 98,493

The change in estimate during the year resulted in a decrease to the asset retirement obligation, which was recorded as a reduction to the net book value of tangible capital assets or a reduction in expenses when the net book value of the related asset was \$nil.

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12. Tangible Capital Assets

Cost	Balance at December 31, 2024	Additions	Disposals	Balance at December 31, 2025
Land	\$ 557,099	\$ 17,290	\$ 135	\$ 574,254
Landfill and land improvements	190,001	10,816	5,046	195,771
Buildings and building improvements	1,310,953	54,186	19,967	1,345,172
Leasehold improvements	10,970	1,530	13	12,487
Machinery, equipment and furniture	402,009	54,082	15,996	440,095
Vehicles	164,274	40,599	16,461	188,412
Water infrastructure	928,764	27,504	8,226	948,042
Wastewater infrastructure	1,869,758	62,812	19,897	1,912,673
Roads infrastructure	1,839,639	101,655	48,633	1,892,661
Computers	24,227	5,325	4,629	24,923
Assets under construction	246,780	252,813	145,938	353,655
Total	\$ 7,544,474	\$ 628,612	\$ 284,941	\$ 7,888,145

Accumulated Amortization	Balance at December 31, 2024	Amortization Expense	Amortization Disposals	Balance at December 31, 2025
Land	\$ -	\$ -	\$ -	\$ -
Landfill and land improvements	98,549	6,848	5,048	100,349
Buildings and building improvements	698,907	39,528	16,414	722,021
Leasehold improvements	2,672	876	4	3,544
Machinery, equipment and furniture	191,410	31,134	15,657	206,887
Vehicles	92,797	15,677	16,345	92,129
Water infrastructure	329,241	17,678	4,963	341,956
Wastewater infrastructure	608,710	31,870	11,645	628,935
Roads infrastructure	676,867	64,116	46,036	694,947
Computers	13,709	5,430	4,629	14,510
Assets under construction	-	-	-	-
Total	\$ 2,712,862	\$ 213,157	\$ 120,741	\$ 2,805,278

	Net Book Value December 31, 2024	Net Book Value December 31, 2025
Land	\$ 557,099	\$ 574,254
Landfill and land improvements	91,452	95,422
Buildings and building improvements	612,046	623,151
Leasehold improvements	8,298	8,943
Machinery, equipment and furniture	210,599	233,208
Vehicles	71,477	96,283
Water infrastructure	599,523	606,086
Wastewater infrastructure	1,261,048	1,283,738
Roads infrastructure	1,162,772	1,197,714
Computers	10,518	10,413
Assets under construction	246,780	353,655
Total	\$ 4,831,612	\$ 5,082,867

12. Tangible Capital Assets (continued)

(a) Assets Under Construction

Assets under construction having a value of **\$353,655** (2024 - \$246,780) have not been amortized. Amortization of these assets will commence when the asset is available for productive use.

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

(b) Contributed Tangible Capital Assets

Contributed capital assets have been recognized at estimated fair value at the date of contribution. The value of contributed assets received during the year is **\$61,894** (2024 - \$75,752) comprised predominantly of roads infrastructure in the amount of **\$21,103** (2024 - \$37,483) and water and wastewater infrastructure in the amount of **\$34,702** (2024 - \$36,289).

(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 no write-downs of tangible capital assets during the year (2024 - \$nil).

12. Tangible Capital Assets (continued)

(f) Assets under Shared Control

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

Each partner proposed to invest in the project as follows:

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

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

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

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

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 in the consolidated statement of financial position or expensed in the consolidated statement of operations.

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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13. Accumulated Surplus

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

Table 25: Accumulated Surplus

	2025	2024
Surplus		
Invested in tangible capital assets	\$ 5,123,995	\$ 4,868,411
Other	(3,865)	(71,234)
Local boards	(11,433)	(5,764)
Equity in government business enterprise	240,495	237,242
Unfunded		
Liability for contaminated sites	(9,071)	(8,942)
Asset retirement obligations	(40,105)	(40,190)
Employee benefits payable	(231,165)	(231,969)
Net long-term debt	(195,550)	(188,799)
Total surplus	4,873,301	4,558,755
Reserves set aside by Council		
Contingencies	105,105	109,765
General operations	72,539	61,483
Total reserves	177,644	171,248
Reserve funds set aside for specific purposes by Council		
Contingencies	171,760	177,424
Infrastructure renewal	703,618	630,589
Acquisition of vehicles	67,023	54,891
Acquisition of facilities	67,596	59,599
Recreational programs and facilities	2,473	2,860
Self-insurance (note 14(b))	21,820	22,439
Sick leave (note 10(d))	118	302
Industrial over sizing	14,048	13,760
Other purposes	364,373	312,450
Special purpose (note 13(a))	91,555	87,278
Total reserve funds	1,504,384	1,361,592
Accumulated surplus - operating	6,555,329	6,091,595
Accumulated remeasurement gains	50,567	27,722
Accumulated surplus	\$ 6,605,896	\$ 6,119,317

13. 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 Table 25: Accumulated Surplus.

(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.

14. Contingent Liabilities

(a) Legal Actions

As at December 31, 2025, 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 Service Board, London & Middlesex Community Housing Inc., and Housing Development Corporation, London.

The Corporation has made a provision for a reserve fund for self-insurance which as at December 31, 2025 amounted to **\$21,820** (2024 - \$22,404) and is reported in note 13 of the consolidated financial statements. The contribution for the year of **\$6,255** (2024 - \$6,251) has been reported in the individual revenues on the consolidated statement of operations.

Claims expensed during the year amounting to **\$2,180** (2024 - \$3,049) 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, 2025 to be paid from the self-insurance reserve fund. The probable outcome of these claims cannot be determined at this time.

14. 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.

15. Loan Guarantees

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

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, 2025 is **\$12,500** (2024 - \$7,608).

The maximum exposure to credit risk is the loan guarantee being called, which is **\$13,264**.

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, 2025 that the Corporation will need to make any payments as a result of providing the guarantees.

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16. 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 2025 was **\$1,468** (2024 - \$1,369). 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 26: Future Grant Program Commitments

2026	\$	6,302
2027		1,929
2028		9,950
2029		2,567
2030		3,438
Beyond		2,178
Total	\$	26,364

(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 27: Fleet, Equipment and Premises Commitments

2026	\$	67,440
2027		26,736
2028		13,207
2029		9,441
2030		6,381
Beyond		19,864
Total	\$	143,069

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16. Commitments (continued)

(d) Facilities and Infrastructure Commitments

The Corporation has the following outstanding commitments remaining on facilities and infrastructure contracts as at December 31, 2025:

Table 28: Facilities and Infrastructure Commitments

	2025	2024
Roads	\$ 119,206	\$ 167,087
Sanitary Sewer	78,099	47,886
Water	41,699	56,967
Storm Sewer	38,319	37,562
Transit	33,939	58,827
Social Housing	33,601	1,542
Fire, Provincial Offences, and Emergency Measures	19,933	12,289
General Government	16,101	16,640
Waste Collection, Disposal, and Recycling	8,510	4,565
Parks	5,261	7,765
Commercial and Industrial	4,884	2,039
Recreational Facilities	1,679	2,466
Cultural Facilities	1,621	1,622
Social and Family Services	1,111	1,144
Environmental Services	1,111	65
	\$ 405,074	\$ 418,466

These amounts represent uncompleted portions of contracts, as at December 31, 2025, on major projects. The majority of payments on these outstanding commitments will be made in the next two (2) 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, 2025, the Corporation has outstanding commitments remaining on these agreements of **\$6,171** (2024 - \$10,596).

16. Commitments (continued)

(f) Derivatives

The Corporation has the following derivative contracts as at December 31, 2025:

- Contract, expiring October 31, 2025, for the transportation daily natural gas purchases of 220 gigajoules, with a remaining contract value of **\$nil** (2024 -\$286).
- Contract, expiring October 31, 2025, for the transportation daily natural gas purchases of 90 gigajoules, with a remaining contract value of **\$nil** (2024 - \$117).
- Contract, expiring October 31, 2025, for the transportation daily natural gas purchases of 84 gigajoules, with a remaining contract value of **\$nil** (2024 - \$109).
- Contract, expiring October 31, 2026, for the transportation daily natural gas purchases of 111 gigajoules, with a remaining contract value of **\$145** (2024 - \$191).
- Contract, expiring October 31, 2027, for the transportation daily natural gas purchases of 111 gigajoules, with a remaining contract value of **\$189** (2024 - \$187).

These derivative contracts were purchased to provide price certainty for the cost of natural gas based on the Corporation's expected usage of natural gas, and as such are excluded from the scope of PS 3450, Financial Instruments and are not reflected as an asset or liability in these consolidated financial statements.

(g) Other Commitments

As of December 31, 2025, the Corporation has an outstanding commitment of \$12,127 due in 2026 under a land purchase agreement.

THE CORPORATION OF THE CITY OF LONDON
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2025
(all dollar amounts in thousands of dollars)

17. 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 29: Charges Laid Under the Provincial Offences Act

	2025	2024
Revenues		
Fines	\$ 5,246	\$ 7,239
Total revenues	5,246	7,239
Expenses		
Salary, wages and fringe benefits	1,963	1,781
Administration costs	1,464	1,348
Provincial government cost recovery	706	597
Equipment and maintenance	415	258
Occupancy costs	116	98
County share of net revenues	88	560
Total expenses	4,752	4,642
Excess of revenues over expenses	\$ 494	\$ 2,597

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, 2025
(all dollar amounts in thousands of dollars)

18. Budget Data

Budget data presented in these consolidated financial statements is based upon the 2025 operating budget adopted 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 adopted budget with the budget figures as presented in these consolidated financial statements.

Table 30: Adopted Budget per Consolidated Financial Statements

	Total	Tax	Water	Wastewater
Net budget PSAB surplus	\$ 281,085	\$ 187,434	\$ 35,666	\$ 57,985
Public Sector Accounting Board (PSAB) reporting requirements:				
Addback (deduct) from net budget PSAB surplus				
Transfers				
Transfers to capital	(113,432)	(63,952)	(24,324)	(25,156)
Transfers from reserves and reserve funds	16,983	12,566	2,486	1,931
Transfers to reserves and reserve funds	(184,852)	(110,220)	(22,936)	(51,696)
	(281,301)	(161,606)	(44,774)	(74,921)
Budget adjustments				
Government grants and subsidies	2,545	2,545	-	-
Expenses related to government grants and subsidies	6,417	6,432	(15)	-
Transfers to capital	(1,806)	(1,806)	-	-
Transfers from reserves and reserve funds	930	930	-	-
Transfers to reserves and reserve funds	(8,086)	(8,101)	15	-
	\$ -	\$ -	\$ -	\$ -

THE CORPORATION OF THE CITY OF LONDON
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2025
(all dollar amounts in thousands of dollars)

18. Budget Data (continued)

Table 30: Adopted Budget per Consolidated Financial Statements (continued)

	Total	Tax	Water	Wastewater
Debt principal repayments	\$ (22,047)	\$ (18,595)	\$ -	\$ (3,452)
PSAB adjustments				
Capital program funding earned in year	(38,465)	(31,358)	(1,425)	(5,682)
Capital projects not resulting in capital assets	90,561	64,277	7,171	19,113
Amortization of tangible capital assets	177,326	107,596	19,202	50,528
Developer contributions - assumed capital assets	(69,109)	(22,903)	(7,009)	(39,197)
Loss on disposal of capital assets	4,820	1,871	522	2,427
Obligatory reserve fund deferred revenue earned	(58,073)	(50,466)	(1,238)	(6,369)
Government business enterprises adjustments	(13,804)	(13,804)	-	-
Other	(15,720)	(13,629)	(1,379)	(712)
Asset retirement obligations	505	505	-	-
Employee future benefits liability	13,404	12,971	153	280
	91,445	55,060	15,997	20,388
Boards and Commissions budget PSAB Surplus	(69,182)	(62,293)	(6,889)	-
Net Surplus per 2025 Adopted Budget	\$ -	\$ -	\$ -	\$ -

THE CORPORATION OF THE CITY OF LONDON
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2025
(all dollar amounts in thousands of dollars)

18. Budget Data (continued)

Table 30: Adopted Budget per Consolidated Financial Statements (continued)

	Total	Tax	Water	Wastewater
Net surplus per 2025 adopted budget – comprised of:				
Revenues				
Property tax	\$ 882,146	\$ 882,146	\$ -	\$ -
Government grants and subsidies	347,320	347,285	-	35
User fees	302,131	62,430	104,815	134,886
Municipal revenues - other	110,964	110,224	130	610
Municipal revenues - transfers from reserves and reserve funds	16,053	11,636	2,486	1,931
Total revenues	1,658,614	1,413,721	107,431	137,462
Expenses				
Personnel costs	549,466	514,797	13,402	21,267
Administrative expenses	20,461	9,617	4,573	6,271
Financial expenses - other	12,529	12,443	86	-
Financial expenses - Interest and discount on long-term debt	3,181	2,917	-	264
Financial expenses - debt principal repayments	22,047	18,595	-	3,452
Financial expenses - transfers to reserves and reserve funds	176,766	102,119	22,951	51,696
Financial expenses - transfers to capital	111,626	62,146	24,324	25,156
Purchased services	381,398	371,756	4,020	5,622
Materials and supplies	95,862	46,397	35,529	13,936
Furniture and equipment	39,425	33,672	2,211	3,542
Transfers	251,695	247,293	-	4,402
Other expenses	28,870	18,246	3,240	7,384
Recovered expenses	(34,712)	(26,277)	(2,905)	(5,530)
Total expenses	1,658,614	1,413,721	107,431	137,462
Net surplus per 2025 Adopted Budget	\$ -	\$ -	\$ -	\$ -

THE CORPORATION OF THE CITY OF LONDON
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2025
(all dollar amounts in thousands of dollars)

19. 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 31: Revenue Classifications

	2025	2024
Net municipal taxation and user charges		
Net municipal taxation	\$ 901,294	\$ 825,794
Payments-in-lieu of taxation	11,190	9,891
	912,484	835,685
User charges	392,916	370,390
	\$ 1,305,400	\$ 1,206,075
Transfer payments		
Operating	\$ 32,331	\$ 15,052
Capital infrastructure	81,453	77,930
Government of Canada - Total	113,784	92,982
Unconditional - operating	-	18
Conditional – operating	349,475	338,854
Capital infrastructure	30,088	31,439
Province of Ontario - Total	379,563	370,311
Other municipalities	8,441	8,642
	\$ 501,788	\$ 471,935
Investment income		
Investment income - operating	\$ 16,944	\$ 23,876
Investment income - reserves and reserve funds	65,064	60,940
	\$ 82,008	\$ 84,816
Other revenues		
Provincial Offences Fines	\$ 5,246	\$ 7,239
Ontario Lottery & Gaming Corporation	5,063	5,148
Municipal accomodation tax	4,871	4,302
Other contributions - operating	11,774	7,214
Other contributions - capital	15,316	16,731
Donations	447	466
Miscellaneous sales	4,400	2,990
	\$ 47,117	\$ 44,090

THE CORPORATION OF THE CITY OF LONDON
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2025
(all dollar amounts in thousands of dollars)

20. Expenses by Object

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

Table 32: Expenses by Object

	2025	2024
Salaries, wages and fringe benefits	\$ 656,511	\$ 603,531
Long-term debt interest charges	6,133	5,824
Materials and supplies	197,122	173,417
Contracted services	279,472	219,462
Rents and financial expenses	58,627	35,442
External transfers	228,780	257,454
Amortization of tangible capital assets	213,157	205,355
Total expenses by object	\$ 1,639,802	\$ 1,500,485

21. Liability for Contaminated Sites

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

With respect to the first site, reports indicate that remediation for this site will be required and has been estimated at **\$724** (2024 - \$595).

With respect to the second site, reports indicate that remediation for this site will be required and has been estimated at **\$8,247** (2024 - \$8,247).

With respect to the third site, reports indicate that remediation for this site will be required and has been estimated at **\$100** (2024 - \$100).

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.

22. 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.

23. Financial instruments and risk management

The Corporation's activities expose it to a range of financial risks. These risks include market risk (including foreign currency risk, interest rate risk, and other price risk), credit risk and liquidity risk.

(a) Market Risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to an individual instrument, its issuer or general market factors. Market price risk is composed of currency risk, interest rate risk and other price risk.

The Corporation's portfolio investments are exposed to market risk, both within its fixed income and equity holdings predominantly through interest rate risk and price risk. Portfolio investments are predominantly held in Canadian denominated currency.

Within portfolio investments, exposure to interest rate risk; the risk future cashflows or fair values will fluctuate due to volatility in market interest rate risks, exists due to its interest-bearing holdings. Bond valuations are inversely related to interest rates. Management monitors this exposure regularly and estimates that if interest rates increased by 1% and all other variables are held constant, the potential change in unrealized loss on its fair valued fixed income holdings would be **\$49,466** (2024 - \$40,948).

Price risk within portfolio investments is predominantly driven by holdings in diversified Canadian equities and management estimates that a decrease of 1% in the overall equity markets as measured by changes in the S&P/TSX Composite, the potential change in unrealized loss on its fair valued equity holdings would be **\$2,549** (2024 - \$2,343).

Management aims to reduce market risk through diversification of portfolio investments in terms of asset mix, sectors, issuers, and securities.

THE CORPORATION OF THE CITY OF LONDON
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2025
(all dollar amounts in thousands of dollars)

23. Financial instruments and risk management (continued)

(b) Credit Risk

Credit risk is the risk of financial loss if a counterparty fails to honour its contractual obligation. The Corporation is exposed to credit risk on portfolio investments. The Corporation manages this risk through its established credit quality requirements of securities, as outlined in its investment policy and through diversification of its holdings. The Corporation only invests in investment grade securities or issuances and as such, management has assessed the impact of credit risk to portfolio investments as low, with no change year over year.

The credit rating profile for the Corporation's fixed income holdings is as follows:

Credit Rating	2025	2024
AAA	20.8 %	19.5 %
AA	28.6 %	43.5 %
A	50.6 %	34.2 %
BBB	- %	2.8 %
Total	100.0 %	100.0 %

The Corporation is also subject to credit risk with respect to loans and accounts receivable. The Corporation manages credit risk by engaging with recognized, credit worthy third parties. The Corporation has no significant concentration of credit risk with any one individual customer. There were no changes in exposures to credit risk during the year. The outstanding amounts related to financial instruments are presented in the table below.

2025	Current	31-60 days	61-90 days	91-120 days	Over 120 days	Total
Government receivables	\$118,062	\$ 168	\$ -	\$ -	\$ -	\$ 118,230
Other account receivables	65,339	1,316	525	475	1,901	69,556
Total	183,401	1,484	525	475	1,901	187,786
Less allowance	(633)	-	-	(205)	(771)	(1,609)
Net receivable	\$182,768	\$ 1,484	\$ 525	\$ 270	\$ 1,130	\$ 186,177

THE CORPORATION OF THE CITY OF LONDON
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2025
(all dollar amounts in thousands of dollars)

23. Financial instruments and risk management (continued)

(b) Credit Risk (continued)

2024	Current	31-60 days	61-90 days	91-120 days	Over 120 days	Total
Government receivables	\$ 81,091	\$ -	\$ -	\$ -	\$ 2,540	\$ 83,631
Other account receivables	50,433	902	911	515	711	53,472
Total	131,524	902	911	515	3,251	137,103
Less allowance	(614)	-	-	(34)	(532)	(1,180)
Net receivable	\$130,910	\$ 902	\$ 911	\$ 481	\$ 2,719	\$ 135,923

The net receivables total amount differs from the amount reported on the consolidated statement of financial position, for items excluded from financial instruments as per PS 3450, Financial Instruments, primarily receivables from government for goods and services tax recoveries, and property taxes.

2025	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Loans and long-term receivables	\$ 17,950	\$ 29,538	\$ 29,359	\$ 54,946	\$ 131,793
Total	\$ 17,950	\$ 29,538	\$ 29,359	\$ 54,946	\$ 131,793

2024	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Loans and long-term receivables	\$ 3,298	\$ 8,365	\$ 7,114	\$ 55,720	\$ 74,497
Total	\$ 3,298	\$ 8,365	\$ 7,114	\$ 55,720	\$ 74,497

THE CORPORATION OF THE CITY OF LONDON
Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2025
(all dollar amounts in thousands of dollars)

23. Financial instruments and risk management (continued)

(c) Liquidity Risk

Liquidity risk is the risk the Corporation will be unable to fulfill its obligations associated with its financial liabilities. The Corporation maintains an unsecured line of credit of **\$100,000** (2024 - \$100,000) to ensure funds are available to meet current requirements. As at December 31, 2025, no amount has been drawn on the facility. In addition, the Corporation has \$2,000 of available commercial card credit that can be accessed. Management believes based on its assessment of cash flows it will have access to sufficient capital through internally generated cash, external sources, the undrawn line of credit, as well as commercial card credit, to meet current forecasted expenditures.

The Corporation is also exposed to liquidity risk with respect to accounts payable and accrued liabilities. The majority of accounts payable and accrued liabilities are expected to be settled in thirty days. The maturities of other financial liabilities are provided in the notes to financial statements related to those liabilities.

2025	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 206,379	\$ 621	\$ 93	\$ 865	\$ 207,958
Total	\$ 206,379	\$ 621	\$ 93	\$ 865	\$ 207,958

2024	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 190,603	\$ 2,010	\$ 293	\$ 742	\$ 193,648
Total	\$ 190,603	\$ 2,010	\$ 293	\$ 742	\$ 193,648

The accounts payable and accrued liabilities total amount differs from the amount reported on the consolidated statement of financial position, for items excluded from financial instruments as per PS 3450, Financial Instruments, primarily payables to government for goods and services tax, employment benefits, and insurance contracts.

24. Segmented Information

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

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

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

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

(a) Protection Services

Protection is comprised predominantly of the Police Services and Fire departments. The mandate of the Police Services 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.

24. Segmented Information (continued)

(b) Transportation Services

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

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

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

24. 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.

Middlesex-London Paramedic Service provide medical emergency medical services to the City of London and Middlesex County.

24. Segmented Information (continued)

(e) Social and Family Services

As the Consolidated Municipal Service Manager, the Social and Health Development Service Area 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 Service Area 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 Service Area operates the Dearness Home long term care facility; an Adult Day Program and Home Help Services.

(f) Social Housing

The Municipal Housing and Industrial Development 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 Recreation and Sports Division 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 Services Division 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 Services Division promotes collaboration, communication and the sharing of knowledge and resources for the purpose of generating economic prosperity through cultural vitality.

24. 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 Division

Building Division, 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.

24. Segmented Information (continued)

(i) Planning, Development and Compliance (continued)

(iv) Municipal Compliance Division

The Municipal Compliance Division 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, 2025, with comparative information for 2024
(all dollar amounts in thousands of dollars)

Revenues	Taxation	User Charges	Government Transfers	Developer Contributions	Other	2025	2024
General government	\$ 909,256	\$ 5,041	\$ 1,233	\$ 16	\$ 63,253	\$ 978,799	\$ 900,821
Fire	-	705	416	-	1,672	2,793	2,287
Police	-	2,204	10,149	-	3,774	16,127	15,788
Other protection services	-	17,266	75	-	5,952	23,293	23,772
Total protection services	-	20,175	10,640	-	11,398	42,213	41,847
Transit	-	38,842	39,912	-	1,125	79,879	75,864
Other transportation services	-	4,729	54,107	21,103	84,791	164,730	127,784
Total transportation services	-	43,571	94,019	21,103	85,916	244,609	203,648
Water and wastewater	-	237,860	17,647	34,702	39,088	329,297	287,274
Solid waste	-	23,558	1,276	-	3,292	28,126	32,143
Total environmental services	-	261,418	18,923	34,702	42,380	357,423	319,417
Health Services	-	-	6,318	-	695	7,013	6,135
General assistance	-	17	188,372	-	248	188,637	185,209
Assistance to aged persons	-	6,698	23,499	-	239	30,436	27,986
Child care	-	281	115,698	-	293	116,272	103,853
Total social and family services	-	6,996	327,569	-	780	335,345	317,048
Social housing	-	17,323	21,074	5,050	5,340	48,787	61,062
Parks and recreation	-	22,844	4,359	1,023	5,627	33,853	31,609
Libraries	-	680	667	-	1,216	2,563	2,117
Cultural services	-	1,714	605	-	1,813	4,132	3,796
Total recreation and cultural services	-	25,238	5,631	1,023	8,656	40,548	37,522
Planning, development and compliance	3,228	13,154	16,381	-	16,036	48,799	31,037
Total revenues	\$ 912,484	\$ 392,916	\$ 501,788	\$ 61,894	\$ 234,454	\$ 2,103,536	\$ 1,918,537

THE CORPORATION OF THE CITY OF LONDON
Consolidated Schedule of Segment Disclosure - Operating Expenses
Year ended December 31, 2025, with comparative information for 2024
(all dollar amounts in thousands of dollars)

EXPENSES									
Expenses	Salaries, wages and fringe benefits	Materials and supplies	Contracted services	External transfers	Amortization	Other	2025	2024	
General government	\$ 78,634	\$ 15,997	\$ 12,030	\$ 33	\$ 14,971	\$ 6,755	\$ 128,420	\$ 101,081	
Fire	72,235	3,760	969	-	3,729	144	80,837	82,796	
Police	172,176	12,128	5,697	-	7,795	585	198,381	174,772	
Other protection services	24,892	4,983	2,303	3,021	440	1,025	36,664	33,244	
Total protection services	269,303	20,871	8,969	3,021	11,964	1,754	315,882	290,812	
Transit	67,321	29,903	13,721	-	16,621	346	127,912	125,516	
Other transportation services	34,621	28,828	16,168	1	64,445	20,382	164,445	152,203	
Total transportation services	101,942	58,731	29,889	1	81,066	20,728	292,357	277,719	
Water and wastewater	35,435	41,054	22,772	4,409	76,515	17,904	198,089	172,064	
Solid waste	14,007	7,759	9,093	16	(148)	4,497	35,224	35,370	
Total environmental services	49,442	48,813	31,865	4,425	76,367	22,401	233,313	207,434	
Public health services	6,882	566	771	6,329	-	494	15,042	13,603	
Ambulance services	-	-	32,429	-	-	-	32,429	29,940	
Total health services	6,882	566	33,200	6,329	-	494	47,471	43,543	
General assistance	24,415	1,571	35,638	147,557	304	5,298	214,783	208,958	
Assistance to aged persons	31,871	5,204	587	216	1,518	-	39,396	35,430	
Child care	3,110	1,263	104,514	13,330	3	419	122,639	108,574	
Total social and family services	59,396	8,038	140,739	161,103	1,825	5,717	376,818	352,962	

THE CORPORATION OF THE CITY OF LONDON
Consolidated Schedule of Segment Disclosure - Operating Expenses
Year ended December 31, 2025, with comparative information for 2024
(all dollar amounts in thousands of dollars)

EXPENSES								
Expenses	Salaries, wages and fringe benefits	Materials and supplies	Contracted services	External transfers	Amortization	Other	2025	2024
Social housing	15,234	17,832	5,499	31,404	5,525	3,021	78,515	77,280
Parks and recreation	33,591	8,961	7,764	46	14,020	2,245	66,627	65,624
Libraries	18,440	7,939	283	28	3,096	217	30,003	27,530
Cultural services	3,464	1,242	2,699	1,500	1,560	-	10,465	10,324
Total recreation and cultural services	55,495	18,142	10,746	1,574	18,676	2,462	107,095	103,478
Planning, development and compliance	20,183	8,132	6,535	20,890	2,763	1,428	59,931	46,176
Total expenses	\$ 656,511	\$ 197,122	\$ 279,472	\$ 228,780	\$ 213,157	\$ 64,760	\$ 1,639,802	\$ 1,500,485