

**THE CORPORATION OF THE  
CITY OF ST. THOMAS**

**Consolidated Financial Statements**

**December 31, 2017**

**The Corporation of the City of St. Thomas**  
**Consolidated Financial Statements**  
**For The Year Ended December 31, 2017**

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## **INDEPENDENT AUDITORS' REPORT**

To the Members of Council, Inhabitants and Ratepayers of **The Corporation of the City of St. Thomas** :

We have audited the accompanying consolidated financial statements of **The Corporation of the City of St. Thomas**, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of operations, and changes in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for public sector entities 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated statement of financial position of **The Corporation of the City of St. Thomas** as at December 31, 2017, and the consolidated statements of operations, and changes in net financial assets (debt) for the year then ended in accordance with Canadian accounting standards for public sector entities.

St. Thomas, Ontario

August 13, 2018

*Graham Scott Enns LLP*  
CHARTERED PROFESSIONAL ACCOUNTANTS  
Licensed Public Accountants

**The Corporation of the City of St. Thomas**  
**Consolidated Statement of Financial Position**  
**As at December 31, 2017**

	<b>2017</b>	<b>2016</b>
	<u>\$</u>	<u>\$</u>
<b>FINANCIAL ASSETS</b>		
Cash and short term deposits	44,992,593	47,993,187
Notes receivable (Note 3)	-	13,272,377
Taxes receivable (Note 2)	3,681,483	3,961,503
Accounts receivable (Note 14)	8,964,804	8,219,493
Land held for resale	206,351	276,351
Investment in Ascent Group Inc. (Note 12)	<u>9,641,376</u>	<u>-</u>
<b>Total financial assets</b>	<u><b>67,486,607</b></u>	<u><b>73,722,911</b></u>
<b>LIABILITIES</b>		
Deferred revenue (Note 10)	17,609,631	21,673,839
Accounts payable and accrued liabilities	14,141,112	13,086,695
Employee benefits payable (Note 7)	11,785,067	9,922,716
Allowance for tax reassessments	1,500,000	2,500,000
Liability for investment in Ascent Group Inc. (Note 12)	-	3,319,253
Net long-term liabilities (Note 5)	<u>33,681,728</u>	<u>18,225,237</u>
<b>Total liabilities</b>	<u><b>78,717,538</b></u>	<u><b>68,727,740</b></u>
<b>NET FINANCIAL ASSETS (DEBT)</b>	<u><b>(11,230,931)</b></u>	<u><b>4,995,171</b></u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 4)	366,830,079	336,967,951
Inventories of supplies	564,426	557,780
Prepaid expenses	<u>1,307,609</u>	<u>1,172,124</u>
<b>Total non-financial assets</b>	<u><b>368,702,114</b></u>	<u><b>338,697,855</b></u>
<b>ACCUMULATED SURPLUS (NOTE 6)</b>	<u><b>357,471,183</b></u>	<u><b>343,693,026</b></u>

The accompanying notes are an integral part of these financial statements

**The Corporation of the City of St. Thomas**  
**Consolidated Statement of Operations and Accumulated Surplus**  
**For The Year Ended December 31, 2017**

	Budget (Note 16) \$	Actual 2017 \$	Actual 2016 \$
<b>REVENUES</b>			
Property taxation	49,584,737	<b>49,526,106</b>	47,944,142
Taxation from other governments	715,300	<b>715,300</b>	553,441
User charges and other revenues	33,173,507	<b>33,282,207</b>	34,051,955
Government transfers:			
Federal	5,184,391	<b>5,181,891</b>	8,124,767
Provincial	46,399,221	<b>46,311,713</b>	41,197,538
Municipalities	3,959,736	<b>4,184,459</b>	5,554,682
Development charges earned	6,577,447	<b>6,860,704</b>	3,890,100
Investment interest and dividends	923,997	<b>880,055</b>	1,031,570
Penalties and interest on taxes	545,000	<b>592,138</b>	626,808
Developer contributions of tangible capital assets	-	<b>2,797,335</b>	1,022,797
Gain (loss) on write off of tangible capital assets	-	<b>(447,276)</b>	(683,553)
Income (loss) from government business enterprise - Ascent Group Inc. (Note 12)	-	<b>188,274</b>	(3,942,329)
<b>Total Revenues</b>	<b><u>147,063,336</u></b>	<b><u>150,072,906</u></b>	<b><u>139,371,918</u></b>
<b>EXPENSES</b>			
General government	7,046,344	<b>8,593,236</b>	5,811,130
Protection to persons and property	22,984,864	<b>23,701,882</b>	22,414,522
Transportation services	10,705,361	<b>10,671,272</b>	10,480,634
Environmental services	24,832,093	<b>24,944,002</b>	23,782,763
Health service	6,225,000	<b>6,212,564</b>	6,274,584
Social and family services	39,110,764	<b>39,131,734</b>	37,582,762
Social housing	12,875,807	<b>12,354,796</b>	13,094,104
Recreation and cultural services	8,295,359	<b>8,399,016</b>	8,516,825
Planning and development	1,695,566	<b>2,286,247</b>	1,926,135
<b>Total Expenses (Note 15)</b>	<b><u>133,771,158</u></b>	<b><u>136,294,749</u></b>	<b><u>129,883,459</u></b>
<b>ANNUAL SURPLUS</b>	<b><u>13,292,178</u></b>	<b><u>13,778,157</u></b>	<b><u>9,488,459</u></b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b><u>343,693,026</u></b>	<b><u>343,693,026</u></b>	<b><u>334,204,567</u></b>
<b>ACCUMULATED SURPLUS, END OF YEAR (NOTE 6)</b>	<b><u><u>356,985,204</u></u></b>	<b><u><u>357,471,183</u></u></b>	<b><u><u>343,693,026</u></u></b>

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

**The Corporation of the City of St. Thomas**

**Consolidated Statement of Changes in Net Financial Assets (Debt)  
For The Year Ended December 31, 2017**

	Budget (Note 16) \$	Actual 2017 \$	Actual 2016 \$
<b>ANNUAL SURPLUS</b>	13,292,178	<b>13,778,157</b>	9,488,459
Amortization of tangible capital assets	12,551,868	<b>12,551,868</b>	11,799,139
Acquisition of tangible capital assets	(40,223,768)	<b>(40,223,768)</b>	(33,526,836)
Proceeds on disposal of tangible capital assets	-	<b>159,826</b>	-
Change in inventories of supplies and prepaid expenses	-	<b>(142,126)</b>	42,494
Loss on disposal of tangible capital assets	-	<b>447,276</b>	683,533
Developer contributions of tangible capital assets	-	<b>(2,797,335)</b>	(1,022,797)
<b>CHANGE IN NET FINANCIAL ASSETS (DEBT)</b>	(14,379,722)	<b>(16,226,102)</b>	(12,536,008)
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<u>4,995,171</u>	<u><b>4,995,171</b></u>	<u>17,531,179</u>
<b>NET FINANCIAL ASSETS (DEBT), END OF YEAR</b>	<u>(9,384,551)</u>	<u><b>(11,230,931)</b></u>	<u>4,995,171</u>

The accompanying notes are an integral part of these financial statements

**The Corporation of the City of St. Thomas**

**Consolidated Statement of Cash Flows  
For The Year Ended December 31, 2017**

	<b>2017</b>	<b>2016</b>
	<u>\$</u>	<u>\$</u>
<b>OPERATING ACTIVITIES</b>		
Annual surplus	13,778,157	9,488,459
<b>Items not involving cash:</b>		
Amortization of tangible capital assets	12,551,868	11,799,139
Loss on disposal of tangible capital assets	447,276	683,533
Developer contributions of tangible capital assets	(2,797,335)	(1,022,797)
Change in employee benefits	1,862,351	336,610
Equity loss (income) from Ascent Group Inc.	<u>(188,274)</u>	<u>3,942,329</u>
	<b>25,654,043</b>	<b>25,227,273</b>
<b>Change in non-cash assets and liabilities</b> (Note 15[a])	<u>(4,547,208)</u>	<u>(959,099)</u>
	<u><b>21,106,835</b></u>	<u><b>24,268,174</b></u>
<b>CAPITAL ACTIVITIES</b>		
Tangible capital asset and assets under construction additions	(40,223,768)	(33,526,836)
Proceeds on sale of tangible capital assets	<u>159,826</u>	<u>-</u>
	<u>(40,063,942)</u>	<u>(33,526,836)</u>
<b>INVESTING ACTIVITIES</b>		
Loan repayments from Ascent Group Inc. (Note 12)	8,214,448	530,043
Purchase of common shares of Ascent Group Inc. (Note 12)	<u>(7,714,426)</u>	<u>-</u>
	<u><b>500,022</b></u>	<u><b>530,043</b></u>
<b>FINANCING ACTIVITIES</b>		
Long-term debt principal repayment	(1,752,880)	(1,450,688)
Proceeds from issue of long-term debt	<u>17,209,371</u>	<u>2,149,391</u>
	<u><b>15,456,491</b></u>	<u><b>698,703</b></u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,000,594)</b>	<b>(8,029,916)</b>
<b>OPENING CASH AND CASH EQUIVALENTS</b>	<u><b>47,993,187</b></u>	<u><b>56,023,103</b></u>
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<u><u><b>44,992,593</b></u></u>	<u><u><b>47,993,187</b></u></u>

The accompanying notes are an integral part of these financial statements

# **The Corporation of the City of St. Thomas**

## **Notes to the Consolidated Financial Statements For The Year Ended December 31, 2017**

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The City of St. Thomas is a municipality in the Province of Ontario. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, the Municipal Affairs Act and related legislation.

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements of the Corporation of the City of St. Thomas (the "City") are prepared by management in accordance with Canadian accounting standards for public sector entities. Significant aspects of the accounting policies adopted by the City are as follows:

#### **Reporting Entity**

The consolidated financial statements reflect the assets, liabilities, revenues, expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the City and which are 100% owned or controlled by the City.

#### **Consolidated Entities**

The following local boards are consolidated:

- The St. Thomas Public Library Board
- St. Thomas Economic Development Corporation
- St. Thomas Downtown Improvement Area

Inter-departmental and inter-organizational transactions and balances between these organizations are eliminated.

#### **Proportionate Consolidation**

The Elgin-St. Thomas Health Unit, Elgin Area Primary Water Board and Elgin Area Secondary Water Board have been consolidated on a proportionate basis. The Elgin-St. Thomas Health Unit is proportionately consolidated based on the Municipalities share of contributions which amount to 41%. The Elgin Area Primary Water Board and Elgin Area Secondary Water Board are proportionately consolidated based upon the water flow used by our Municipality in proportion to the entire flows provided by the joint boards. This amounts to 31% and 54% respectively.



# The Corporation of the City of St. Thomas

## Notes to the Consolidated Financial Statements For The Year Ended December 31, 2017

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Equity Accounting**

The investment in Ascent Group Inc. (a Government Business Enterprise) is accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises. Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform with those of the City, and inter-organizational transactions and balances are not eliminated. The City recognizes its equity interest in the annual income or loss of Ascent Group Inc. in its consolidated statement of operations with corresponding increase or decrease in its investment asset account. Any dividends that the City may receive from Ascent Group Inc. will be reflected as a reduction in the investment asset account.

#### **Accounting for School Board Transactions**

Although the City collects taxation on behalf of the School Boards, the taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in these statements.

#### **Trust Funds**

Trust funds and their related operations administered by the City are not included in these consolidated financial statements.

#### **Basis of Accounting**

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable which include user fees for recreation, transit, licensing and water and sewer charges. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

#### **Government Transfers**

Government transfers are recognized in the consolidated financial statements as revenues in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined. Any amount received but restricted is recorded as deferred revenue in accordance with Section 3100 of the Canadian accounting standards for public sector entities and is recognized as revenue in the period in which the resources are used for the purpose specified.

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

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# The Corporation of the City of St. Thomas

## Notes to the Consolidated Financial Statements For The Year Ended December 31, 2017

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Deferred Revenue**

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs, in the completion of specific work. In addition, certain user charges and fees which have been collected but for which the related services have yet to be performed. Revenue is recognized in the period when the related expense are incurred and services are preformed.

#### **Investment Income**

Investment income is reported as revenue in the period earned. When required by funding government or related Act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

#### **Cash equivalents**

Cash equivalents include short-term highly liquid investments with a term to maturity of less than one year or less at acquisition.

#### **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.

#### **Employee benefit plans**

The City accounts for its participation in the Ontario Municipal Employees Retirement System (OMERS), a multi-employer public sector pension fund, as a defined contribution plan. The OMERS plan specifies the retirement benefits to be received by the employees based on the length of service and pay rates. Employee benefits include post employment benefits. Post employment benefits are subject to actuarial valuations and are accrued in accordance with the projected benefit method, prorated on service and management's best estimate of salary escalation and retirement ages of employees. Any actuarial gains and losses related to past service of employees are amortized over the expected average remaining service period.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' compensation and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains or losses that are related to these benefits are amortized over the expected service period.

# The Corporation of the City of St. Thomas

## Notes to the Consolidated Financial Statements For The Year Ended December 31, 2017

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets for the year.

#### i) Tangible capital assets

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

Building and components	40 years
Vehicles	8 to 20 years
Machinery and equipment	5 to 20 years
Land improvements	10 to 50 years
Plants and facilities	20 to 75 years
Roads and paved areas	20 to 40 years
Bridges and other structures	30 to 75 years
Underground and other networks	30 to 75 years

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

#### ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue. Typical examples are roads, storm sewers, and sidewalks installed by a developer as part of a subdivision agreement.

#### iii) Leased tangible capital assets

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

#### iv) Inventories

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

# The Corporation of the City of St. Thomas

## Notes to the Consolidated Financial Statements For The Year Ended December 31, 2017

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### v) Works of art and cultural and historic assets

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

#### vi) Interest capitalization

The City includes interest in the costs associated with the acquisition or construction of tangible capital assets if temporary third party debt is used for the related acquisition or construction.

### **Tax Revenues**

In 2017 the City received \$50,241,406 (2016 - \$48,497,583) in property tax revenues for municipal purposes. The authority to levy and collect property taxes is established under the Municipal Act 2001, the Assessment Act, the Education Act, and other legislation.

The amount of the total annual property tax levy is determined each year through Council's approval of the annual budget. City 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 revenue required to meet operating budget requirements. Education tax rates are established by the Province each year in order to fund costs of education on a Province-wide basis.

Taxation revenues are recorded at the time 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 City may receive supplementary assessment rolls over the course of the year from MPAC 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 value rising 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 revenue (e.g. uncollectible amounts, write-offs, etc.).

### **Use of Estimates**

The preparation of financial statements in conformity with Canadian accounting standards for public sector entities requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Significant estimates include assumptions used in estimating useful life and net realizable value of tangible capital assets, provisions for accrued liabilities, allowances for tax vacancies, write offs and other tax adjustments, litigation and legal contingencies and actuarial valuations of employee future benefits. Actual results could differ from these estimates.

# The Corporation of the City of St. Thomas

## Notes to the Consolidated Financial Statements For The Year Ended December 31, 2017

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Environmental Provisions and Contaminated Sites

The City may be exposed to litigation or other costs of remediation due to contaminated properties in its jurisdiction. A liability for remediation is recognized in the financial statements when an environmental standard exists, contamination exceeds the standard, the government is responsible for the remediation and a reasonable estimate of the liability can be made. As at December 31, 2015 there were no properties that the City was responsible to remedy and as such no liability has been accrued.

#### Financial Instruments

The City's financial instruments consist of cash and cash equivalents, accounts receivable, taxes receivable, accounts payable and accrued liabilities and long-term liabilities. Unless otherwise noted, it is management's opinion that the City is not exposed to significant interest, currency, or credit risk arising from these financial instruments.

### 2. TAXES RECEIVABLE

Taxes receivable are reported net of allowance for doubtful accounts. Balances as at December 31 were as follows:

	<b>2017</b>	2016
	<u>\$</u>	<u>\$</u>
Taxes receivable	<b>3,145,018</b>	3,459,247
Penalties and interest	<u><b>536,465</b></u>	<u>502,256</u>
	<u><b>3,681,483</b></u>	<u>3,961,503</u>

**The Corporation of the City of St. Thomas**

**Notes to the Consolidated Financial Statements  
For The Year Ended December 31, 2017**

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**3. NOTES RECEIVABLE**

The notes receivable are as follows:

	<u>2017</u>	<u>2016</u>
	<u>\$</u>	<u>\$</u>
Demand note from St. Thomas Energy Inc., interest at 5.0%, monthly payments of interest only, due December 31, 2019	-	7,714,426
Demand note from Ascent Group Inc., interest at 3.0%, repayable in blended monthly payments of \$58,786, due December 31, 2017	<u>-</u>	<u>5,557,951</u>
	<u>-</u>	<u>13,272,377</u>

The City received \$146,625 (2016- \$175,391) of interest on the 3.0%, \$5,557,951, promissory note. In December of 2017 the balance of this promissory note totaling \$5,057,929 was exchanged for 149 common share in Ascent Group Inc.

The City received \$369,171 (2016 - \$385,721) of interest costs on the 5.0%, \$7,714,426, promissory note. This promissory note was repaid in December 2017 and utilized to acquire 227 common shares of Ascent Group Inc..

# The Corporation of the City of St. Thomas

## Notes to the Consolidated Financial Statements For The Year Ended December 31, 2017

### 4. TANGIBLE CAPITAL ASSETS

December 31, 2017

Cost	Opening	Additions	Disposals & Adjustments	Ending
<b><u>General</u></b>				
Land	13,458,214	1,393,466	4,553,749	<b>19,405,429</b>
Land Improvements	28,492,112	3,774,245	(1,047,810)	<b>31,218,547</b>
Building/Building Improvements	67,361,305	15,442,031	5,973,693	<b>88,777,029</b>
Machinery and Equipment	3,783,049	809,716	460,068	<b>5,052,833</b>
Vehicles	<u>6,463,567</u>	<u>679,252</u>	<u>(663,664)</u>	<u><b>6,479,155</b></u>
<b>General Total</b>	<b>119,558,247</b>	<b>22,098,710</b>	<b>9,276,036</b>	<b>150,932,993</b>
<b><u>Infrastructure</u></b>				
Land	392,592	-	50,000	<b>442,592</b>
Buildings/Building Improvements	96,577,802	193,088	(1,812,497)	<b>94,958,393</b>
Machinery and Equipment	15,562,294	1,644,088	(616,172)	<b>16,590,210</b>
Linear - Roadways	87,270,587	11,242,481	(2,108,607)	<b>96,404,461</b>
Linear - Sewer and Water Services	<u>263,351,280</u>	<u>15,459,962</u>	<u>(8,333,158)</u>	<u><b>270,478,084</b></u>
<b>Infrastructure Total</b>	<b>463,154,555</b>	<b>28,539,619</b>	<b>(12,820,434)</b>	<b>478,873,740</b>
Assets under construction	<u>25,772,190</u>	<u>54,917</u>	<u>(7,672,143)</u>	<u><b>18,154,964</b></u>
<b>Total Cost</b>	<b><u>608,484,992</u></b>	<b><u>50,693,246</u></b>	<b><u>(11,216,541)</u></b>	<b><u>647,961,697</u></b>
Disposals &				
<b>Accumulated Amortization</b>				
	Opening	Amortization	Adjustments	Ending
<b><u>General</u></b>				
Land Improvements	17,894,542	878,765	924,384	<b>19,697,691</b>
Building/Building Improvements	20,292,014	2,089,995	1,554,720	<b>23,936,729</b>
Machinery and Equipment	1,789,873	454,233	(313,120)	<b>1,930,986</b>
Vehicles	<u>3,239,980</u>	<u>526,163</u>	<u>(396,829)</u>	<u><b>3,369,314</b></u>
<b>General Total</b>	<b>43,216,409</b>	<b>3,949,156</b>	<b>1,769,155</b>	<b>48,934,720</b>
<b><u>Infrastructure</u></b>				
Buildings/Building Improvements	83,785,439	694,192	(529,717)	<b>83,949,914</b>
Machinery and Equipment	5,930,590	1,072,002	(83,565)	<b>6,919,027</b>
Linear - Roadways	50,712,333	2,569,919	(18,235)	<b>53,264,017</b>
Linear - Sewer and Water Services	<u>87,872,270</u>	<u>4,266,599</u>	<u>(4,074,929)</u>	<u><b>88,063,940</b></u>
<b>Infrastructure Total</b>	<b>228,300,632</b>	<b>8,602,712</b>	<b>(4,706,446)</b>	<b>232,196,898</b>
<b>Total Accumulated Amortization</b>	<b><u>271,517,041</u></b>	<b><u>12,551,868</u></b>	<b><u>(2,937,291)</u></b>	<b><u>281,131,618</u></b>
<b>Net Book Value</b>				
	Opening			Ending
<b><u>General</u></b>				
Land	13,458,214			<b>19,405,429</b>
Land Improvements	10,597,570			<b>11,520,856</b>
Building/Building Improvements	47,069,291			<b>64,840,300</b>
Machinery and Equipment	1,993,176			<b>3,121,847</b>
Vehicles	<u>3,223,587</u>			<u><b>3,109,841</b></u>
	76,341,838			<b>101,998,273</b>
<b><u>Infrastructure</u></b>				
Land	392,592			<b>442,592</b>
Building/Building Improvements	12,792,363			<b>11,008,479</b>
Machinery and Equipment	9,631,704			<b>9,671,183</b>
Linear - Roadways	36,558,254			<b>43,140,444</b>
Linear - Sewer and Water Services	<u>175,479,010</u>			<u><b>182,414,144</b></u>
	<u>234,853,923</u>			<u><b>246,676,842</b></u>
Assets under construction	<u>25,772,190</u>			<u><b>18,154,964</b></u>
<b>Total Net Book Value</b>	<b><u>336,967,951</u></b>			<b><u>366,830,079</u></b>

# The Corporation of the City of St. Thomas

## Notes to the Consolidated Financial Statements For The Year Ended December 31, 2017

### 4. TANGIBLE CAPITAL ASSETS (CONTINUED)

December 31, 2016

Cost	Opening	Additions	Disposals	Ending
<b><u>General</u></b>				
Land	13,210,674	247,540	-	13,458,214
Land Improvements	27,696,723	795,389	-	28,492,112
Building/Building Improvements	64,164,568	3,196,737	-	67,361,305
Machinery and Equipment	2,991,294	791,755	-	3,783,049
Vehicle	7,307,817	-	(844,250)	6,463,567
<b>General Total</b>	<b>115,371,076</b>	<b>5,031,421</b>	<b>(844,250)</b>	<b>119,558,247</b>
<b><u>Infrastructure</u></b>				
Land	392,592	-	-	392,592
Buildings/Building Improvements	91,603,614	5,033,103	(58,915)	96,577,802
Machinery and Equipment	10,993,042	4,967,231	(397,979)	15,562,294
Linear - Roadways	82,179,883	6,580,647	(1,489,943)	87,270,587
Linear - Sewer and Water Services	261,743,831	2,466,061	(858,612)	263,351,280
<b>Infrastructure Total</b>	<b>446,912,962</b>	<b>19,047,042</b>	<b>(2,805,449)</b>	<b>463,154,555</b>
Assets under construction	15,301,020	18,282,845	(7,811,675)	25,772,190
<b>Total Cost</b>	<b>577,585,058</b>	<b>42,361,308</b>	<b>(11,461,374)</b>	<b>608,484,992</b>
<b>Accumulated Amortization</b>				
	Opening	Amortization	Disposal	Ending
<b><u>General</u></b>				
Land Improvements	17,201,630	692,912	-	17,894,542
Building/Building Improvements	18,589,777	1,702,237	-	20,292,014
Machinery and Equipment	1,444,943	344,930	-	1,789,873
Vehicle	3,816,203	268,027	(844,250)	3,239,980
<b>General Total</b>	<b>41,052,553</b>	<b>3,008,106</b>	<b>(844,250)</b>	<b>43,216,409</b>
<b><u>Infrastructure</u></b>				
Buildings/Building Improvements	83,189,117	655,237	(58,915)	83,785,439
Machinery and Equipment	5,170,352	1,158,217	(397,979)	5,930,590
Linear - Roadways	49,763,597	2,373,580	(1,424,844)	50,712,333
Linear - Sewer and Water Services	83,508,449	4,603,999	(240,178)	87,872,270
<b>Infrastructure Total</b>	<b>221,631,515</b>	<b>8,791,033</b>	<b>(2,121,916)</b>	<b>228,300,632</b>
<b>Total Accumulated Amortization</b>	<b>262,684,068</b>	<b>11,799,139</b>	<b>(2,966,166)</b>	<b>271,517,041</b>
<b>Net Book Value</b>				
	Opening			Ending
<b><u>General</u></b>				
Land	13,210,674			13,458,214
Land improvements	10,495,093			10,597,570
Building/Building Improvements	45,574,791			47,069,291
Machinery and Equipment	1,546,351			1,993,176
Vehicles	3,491,614			3,223,587
	<u>74,318,523</u>			<u>76,341,838</u>
<b><u>Infrastructure</u></b>				
Land	392,592			392,592
Building/Building Improvements	8,414,497			12,792,363
Machinery and Equipment	5,822,690			9,631,704
Linear - Roadways	32,416,286			36,558,254
Linear - Sewer and Water Services	178,235,382			175,479,010
	<u>225,281,447</u>			<u>234,853,923</u>
Assets under construction	15,301,020			25,772,190
<b>Total Net Book Value</b>	<b>314,900,990</b>			<b>336,967,951</b>

During the year roads and underground networks contributed to the City totaled \$2,797,335 (2016 - \$1,022,797) and were capitalized at their fair value at the time of receipt.



**The Corporation of the City of St. Thomas**

**Notes to the Consolidated Financial Statements  
For The Year Ended December 31, 2017**

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**5. NET LONG-TERM LIABILITIES**

a) The balance of net long-term liabilities reported on the Consolidated Statement of Financial Position is made up of the following:

	<u>2017</u>	<u>2016</u>
	<u>\$</u>	<u>\$</u>
Long-term liabilities incurred by the City and outstanding at the end of the year	<b>24,956,705</b>	10,048,653
Long-term liabilities assumed through consolidation by the City	<u><b>8,725,023</b></u>	<u>8,176,584</u>
Total long-term liabilities at the end of the year	<u><b>33,681,728</b></u>	<u>18,225,237</u>

Principal repayments are summarized as follows:

	2018	2019	2020	2021	2022	Beyond	Total
Recoverable From	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
General taxation	1,472,232	1,534,411	1,599,298	1,667,014	1,687,746	16,996,004	24,956,705
User charges	<u>1,018,484</u>	<u>759,738</u>	<u>777,378</u>	<u>795,253</u>	<u>813,373</u>	<u>4,560,797</u>	<u>8,725,023</u>
	<u>2,490,716</u>	<u>2,294,149</u>	<u>2,376,676</u>	<u>2,462,267</u>	<u>2,501,119</u>	<u>21,556,801</u>	<u>33,681,728</u>

b) Long-term liabilities have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing. Of the above non-assumed principal balances, \$9,189,664 is repayable in semi-annual instalments of \$663,602, due January 2026, bearing interest at 4.8%, \$14,000,000 is repayable in semi-annual instalments of \$480,458, due December 2037 and \$1,767,411 is repayable in semi-annual instalments of \$60,498, due June 2037.

c) Interest expense on long-term liabilities in 2017 amounted to \$782,229 (2016 - \$753,415).

# The Corporation of the City of St. Thomas

## Notes to the Consolidated Financial Statements For The Year Ended December 31, 2017

### 6. ACCUMULATED SURPLUS

The accumulated surplus balance is comprised of current fund, capital fund, equity in government business enterprises, balances in reserves and discretionary reserve funds, unfunded liabilities to be recovered in the future and investment in tangible capital assets.

	2017	2016
	<u>\$</u>	<u>\$</u>
Operating fund:		
Elgin-St. Thomas Health Unit	251,426	221,872
Downtown Development Board (BIA)	<u>61,231</u>	<u>96,546</u>
	<b>312,657</b>	318,418
Invested in tangible capital assets	<b>366,830,079</b>	336,967,951
Capital fund	<b>4,642,370</b>	(1,033,114)
Equity in government business enterprise	<b>9,641,376</b>	4,395,173
Reserves	<b>10,066,576</b>	12,026,066
Reserve funds	<u><b>16,502,849</b></u>	<u>19,166,485</u>
	<b>407,995,907</b>	371,840,979
<b>UNFUNDED</b>		
Recoverable from future distributions of Ascent Group Inc.	<b>(5,057,929)</b>	-
Employee benefits payable	<b>(11,785,067)</b>	(9,922,716)
Net long-term debt	<u><b>(33,681,728)</b></u>	<u>(18,225,237)</u>
<b>ACCUMULATED SURPLUS</b>	<u><b>357,471,183</b></u>	<u>343,693,026</u>
<b>Reserves and reserve funds consist of the following:</b>		
Reserves set aside for specific purposes by Council:		
- for working capital and contingencies	<b>5,628,230</b>	5,467,532
- for human resource issues	<b>1,974,999</b>	1,699,371
- for social and family services	<b>1,063,398</b>	1,087,672
- for general operations	<b>1,189,806</b>	3,567,284
- for sewer operations	<u><b>210,143</b></u>	<u>204,207</u>
Total reserves	<u><b>10,066,576</b></u>	<u>12,026,066</u>
Reserve funds set aside for specific purposes by Council and Joint Boards:		
- general operations	<b>516,948</b>	430,062
- water operations	<b>11,501,780</b>	10,843,665
- sewer operations	<u><b>4,484,121</b></u>	<u>7,892,758</u>
Total reserve funds	<u><b>16,502,849</b></u>	<u>19,166,485</u>

# The Corporation of the City of St. Thomas

## Notes to the Consolidated Financial Statements For The Year Ended December 31, 2017

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### 7. EMPLOYEE BENEFITS PAYABLE

Employee future benefits are liabilities of the City to its employees and early retirees for benefits earned but not taken as at December 31, 2017. Details are as follows:

	2017	2016
	<u>\$</u>	<u>\$</u>
a) Future payments required to WSIB	3,807,465	2,424,873
b) Accumulated sick leave benefit plan entitlements	1,587,159	1,517,788
c) Post employment and retirement benefits	<u>6,390,443</u>	<u>5,980,055</u>
	<u>11,785,067</u>	<u>9,922,716</u>

#### a) Future payment required to WSIB

With respect to responsibilities under provisions of the Workplace Safety and Insurance Board Act, the City has elected to be treated as a Schedule 2 employer and remits payments to the WSIB as required to fund disability payments. The actuarial report was updated 2017 and covers the period from December 31, 2017 to December 31, 2019.

The benefit obligation continuity is as follows:

	2017	2016
	<u>\$</u>	<u>\$</u>
Accrued benefit obligation, January 1	2,424,873	2,427,776
Expense	1,771,061	345,051
Payment	<u>(477,037)</u>	<u>(347,760)</u>
Actual accrued benefit obligation	3,718,897	2,425,067
Add: Amortization of actuarial loss over service life (Unamortized balance - 2017 - \$1,206,408, 2016 - \$229,817)	<u>88,568</u>	<u>(194)</u>
Accrued benefit obligation, December 31	<u>3,807,465</u>	<u>2,424,873</u>

# The Corporation of the City of St. Thomas

## Notes to the Consolidated Financial Statements For The Year Ended December 31, 2017

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### 7. EMPLOYEE BENEFITS PAYABLE (CONTINUED)

#### b) Liability for vested sick leave benefits

Under the sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the City'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, death or retirement, amounted to \$1,587,159 (2016 - \$1,517,788) at the end of the year. An amount of \$179,877 (2016 - \$60,715) was paid to employees who left the City's employment during the current year. An unamortized actuarial loss of \$374,705 (2016 - gain of \$399,092) was determined for the sick leave liability in the 2016 review and is being amortized at \$24,387 per year.

#### c) Post employment and retirement benefits

The City provides certain employee medical and life insurance benefits on behalf of its retired and current employees. An actuarial evaluation was performed on the post employment and retirement benefits in October 2016 and covers the period from December 31, 2016 to December 31, 2018.

Significant assumptions are as follows:

- General inflation rate - 2.75% (2016 - 2.75%)
- Discount rate - 4.50% (2016 - 4.50%)
- Rate of compensation increase - 3.0%
- Healthcare cost increase - 4.0% to 6.33%
- Dental cost increase - 4.0%

The benefit obligation continuity is as follows:

	2017	2016
	<u>\$</u>	<u>\$</u>
Accrued benefit obligation, January 1	7,163,840	6,127,479
Expense	600,311	571,225
Net actuarial loss	-	788,448
Payment	<u>(309,230)</u>	<u>(323,312)</u>
Actual accrued benefit obligation	7,454,921	7,163,840
Less: unamortized actuarial gain/(loss), (straight-line)	<u>(1,064,478)</u>	<u>(1,183,785)</u>
Unfunded benefit obligation, December 31	<u>6,390,443</u>	<u>5,980,055</u>

# The Corporation of the City of St. Thomas

## Notes to the Consolidated Financial Statements For The Year Ended December 31, 2017

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### 8. PENSION AGREEMENTS

The City makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of approximately 450 members of its staff. The Plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Each year, an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits the members have earned to date. The most recent actuarial valuation of the Plan was conducted December 31, 2017, which is required every three years. As at December 31, 2017 the Plan had actuarial liabilities of \$93.6 billion in respect of benefits accrued for service with actuarial assets at that date of \$88.2 billion leaving an actuarial deficit of \$5.4 billion.

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

The amount contributed to OMERS for 2017 was \$3,616,856 (2016 - \$3,466,958).

### 9. SOCIAL HOUSING ADMINISTRATION

On July 26, 2002 the Ministry of Municipal Affairs and Housing issued a letter of direction for the treatment of the debentures relating to the properties transferred to the Local Housing Corporations on January 1, 2001. As these debentures were unsecured and could not be transferred by the Province to the Local Housing Corporation or the Service Manager, the Ministry's position is not to treat these debentures as a liability of the Local Housing Corporation. Further, the Ministry will fund these debenture payments from Federal social housing funds. The outstanding debentures related to the housing corporation will continue to be disclosed in the notes to the financial statements as well as any debenture payments made on behalf of the corporation by the Ministry. As at December 31, 2017 the outstanding debentures totaled \$2,334,637 (2016 - \$2,541,821). The Ministry funding of \$495,305 pays for the annual debenture payment incurred by the City.

# The Corporation of the City of St. Thomas

## Notes to the Consolidated Financial Statements For The Year Ended December 31, 2017

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### 10. DEFERRED REVENUE

A requirement of the Canadian accounting standards for public sector entities is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded. The balances in the obligatory reserve funds of the City are summarized below:

	<b>2017</b>	2016
	<u>\$</u>	<u>\$</u>
Development charges	<b>11,098,179</b>	14,639,085
Parkland	<b>44,118</b>	38,801
Federal and Provincial gas taxes	<b>1,192,689</b>	2,188,867
Prepayment of property taxes	<b>2,410,014</b>	2,283,517
Government transfers	<b>1,783,116</b>	1,481,010
Other - donations, user fees, etc.	<b><u>1,081,515</u></b>	<u>1,042,559</u>
	<b><u>17,609,631</u></b>	<u>21,673,839</u>

### 11. TRUST FUNDS

Trust funds and donations administered by the City amounting to \$1,265,204 (2016 - \$1,496,195) are presented in a separate financial statement of trust fund balances and operations. The balances are held in trust by the City for the benefit of others, and as such they are not presented as part of the City's financial position or financial activities.

# The Corporation of the City of St. Thomas

## Notes to the Consolidated Financial Statements For The Year Ended December 31, 2017

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### 12. INVESTMENT IN ASCENT GROUP INC.

The City owns 100% of Ascent Group Inc. which in turn owns 100% of St. Thomas Energy Inc., and the City owns 100% of Ascent Energy Services Inc., which in turn owns 100% of Ascent Solutions Inc., Ascent Utility Services Inc. and Ascent Renewables Inc. As business enterprises of the City, they are accounted for on a Modified Equity basis in these financial statements. These Corporations are involved in the electricity distribution for the city's residents, sub-station construction/maintenance and transformer sales.

The City as the sole shareholder of Ascent Group Inc. on December 19, 2016, executed a memorandum of understanding "MOU" and letter of intent "LOI" with Entegrus Powerlines Inc. and its shareholders to merge their two corporations with the intention of creating a new regional utility. A Mergers, Acquisition, Amalgamation and Divestitures ("MAADs") application was filed with the Ontario Energy Board on July 21, 2017 and was approved on March 15, 2018. The merger occurred on April 1, 2018.

As part of the merger agreement, the City agreed to invest in 376 new common shares of Ascent Group Inc. for \$12,772,355 before the end of the year and subsequent to the year end, purchased another 118 common shares for \$4,000,000. In addition, the City agreed to take direct ownership of Ascent Energy Services Inc., and its subsidiaries Ascent Solutions Inc., Ascent Utility Services Inc. and Ascent Renewables Inc.

Ascent Solutions Inc. provided electrical services to municipal, utility, institutional, commercial and industrial markets. The Corporation is wholly owned by Ascent Energy Services Inc. In May of 2016, an Asset Purchase Agreement with Spark Power was executed, whereby Spark Power agreed to purchase certain business assets of Ascent Solutions Inc. and agreed to retain a minimum number of Ascent Solutions Inc. employees. In 2017 with no further assets or employees the corporation filed for bankruptcy. City management and the sole Board of Director are working with regulators to finalize the bankruptcy and wind down the Corporation. In 2017, Ascent Energy Services Inc. and Ascent Utility Services Inc. sold their remaining assets and contracts and ceased operations. Management and the Board of Director's are working to wind down these Corporations as well.

# The Corporation of the City of St. Thomas

## Notes to the Consolidated Financial Statements For The Year Ended December 31, 2017

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### 12. INVESTMENT IN ASCENT GROUP INC. (CONTINUED)

The following table provides condensed supplementary financial information for the City for the year ended December 31:

	2017	2016
	<u>\$</u>	<u>\$</u>
<b>Financial Position:</b>		
Current assets	8,077,175	9,873,224
Capital and other non-current assets	30,552,130	31,742,131
Regulatory Assets	<u>946,389</u>	<u>2,951,682</u>
Total assets	<u>39,575,694</u>	<u>44,567,037</u>
Current liabilities	23,866,162	28,015,097
Regulatory liabilities	2,536,241	3,824,572
Other long-term liabilities	<u>3,531,915</u>	<u>16,046,621</u>
Total Liabilities	<u>29,934,318</u>	<u>47,886,290</u>
Net Assets (Liabilities)	<u>9,641,376</u>	<u>(3,319,253)</u>
<b>Results of operations:</b>		
Revenues	42,371,790	53,151,262
Operating expenses	<u>42,183,516</u>	<u>57,093,591</u>
Net income (loss) prior purchase of share capital	188,274	(3,942,329)
Purchase of 227 common shares	7,714,426	-
Note receivable converted to 149 common shares (Note 3)	<u>5,057,929</u>	<u>-</u>
Net change in equity	<u>12,960,629</u>	<u>(3,942,329)</u>



# The Corporation of the City of St. Thomas

## Notes to the Consolidated Financial Statements For The Year Ended December 31, 2017

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### 13. CONTINGENT LIABILITIES

As at December 31, 2017 certain legal actions are pending against the City. 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 City'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. Claim provisions are reported as a liability in the consolidated statement of financial position.

The City has provided a \$1,000,000 standby letter of credit for Ascent Group Inc., and a pledge of its shares in St. Thomas Energy Inc. as security for the debt of Ascent Group Inc.

### 14. RELATED PARTY TRANSACTIONS

During the year, the City had business transactions with Ascent Group Inc. (the City's subsidiary). The City has contracted Ascent Group Inc. to provide billing and collection services for water and sewer user charges.

The particulars of these transactions and balances owing to the City for the years ended December 31, was as follows:

	2017	2016
	<u>\$</u>	<u>\$</u>
Transactions during the year:		
Purchase of services and management fee	<u>329,021</u>	<u>387,184</u>
Balances at end of year:		
Amounts due from Ascent Group Inc. (St. Thomas Energy Inc.)	<u>2,472,909</u>	<u>2,270,713</u>

The above amount is included in accounts receivable on the balance sheet.

The Corporation of the City of St. Thomas

Notes to the Consolidated Financial Statements  
For The Year Ended December 31, 2017

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15. SUPPLEMENTARY INFORMATION:

[a] Changes in non-cash assets and liabilities:

	2017	2016
	<u>\$</u>	<u>\$</u>
Taxes receivable	280,020	85,497
Accounts receivable	(745,311)	1,189,909
Land held for resale	70,000	44,920
Prepaid expenses and inventories of supplies	(142,126)	42,494
Accounts payable and accrued liabilities	1,054,417	3,589,252
Allowance for tax reassessments	(1,000,000)	859,249
Deferred revenue - obligatory reserve funds	<u>(4,064,208)</u>	<u>(6,770,420)</u>
	<u>(4,547,208)</u>	<u>(959,099)</u>

[b] Supplementary cash flow information:

Cash interest received	<u>880,055</u>	<u>1,031,570</u>
Cash interest paid	<u>759,784</u>	<u>772,919</u>

[c] Expenditures by object:

Salaries, wages and employees benefits	52,350,204	50,222,953
Long-term debt interest	782,229	753,415
Materials	20,553,670	16,384,828
Contracted services	30,167,642	28,195,883
Rents and financial	135,938	20,673
Amortization	12,551,868	11,799,139
External transfers	<u>19,753,198</u>	<u>22,506,568</u>
	<u>136,294,749</u>	<u>129,883,459</u>

# The Corporation of the City of St. Thomas

## Notes to the Consolidated Financial Statements For The Year Ended December 31, 2017

### 16. BUDGETED AMOUNTS

The operating budget approved by the council of the City for 2017 is reflected on the consolidated statement of operations. Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements. These adjustments include reserve transfers, capital expenditures, amortization and debt financing and repayment.

	Approved Budget \$	Adjustments \$	PSAB Budget \$
<b>REVENUES</b>			
Property taxation	49,584,737	-	49,584,737
Taxation from other governments	715,300	-	715,300
User charges and other revenues	26,349,995	6,823,512	33,173,507
Transfer payments			
Federal	976,904	4,207,487	5,184,391
Provincial	40,889,488	5,509,733	46,399,221
Other municipalities	3,959,736	-	3,959,736
Development charges	50,000	6,527,447	6,577,447
Investment income	920,000	3,997	923,997
Penalties and interest on taxes	<u>545,000</u>	<u>-</u>	<u>545,000</u>
 Total Revenues	 <u>123,991,160</u>	 <u>23,072,176</u>	 <u>147,063,336</u>
<b>EXPENSES</b>			
General government	11,833,305	(4,786,961)	7,046,344
Protection to persons and property	22,493,862	491,002	22,984,864
Transportation services	6,944,292	3,761,069	10,705,361
Environmental services	20,491,520	4,340,573	24,832,093
Health services	3,226,811	2,998,189	6,225,000
Social and family services	37,931,822	1,178,942	39,110,764
Social housing	12,576,623	299,184	12,875,807
Recreation and cultural services	6,947,231	1,348,128	8,295,359
Planning and development	<u>1,545,694</u>	<u>149,872</u>	<u>1,695,566</u>
 Total Expenses	 <u>123,991,160</u>	 <u>9,779,998</u>	 <u>133,771,158</u>
 <b>BUDGETED ANNUAL SURPLUS</b>	 <u><u>-</u></u>	 <u><u>13,292,178</u></u>	 <u><u>13,292,178</u></u>

# The Corporation of the City of St. Thomas

## Notes to the Consolidated Financial Statements For The Year Ended December 31, 2017

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### 17. SEGMENTED INFORMATION

The City is a diversified municipal government institution that provides a wide range of services to its citizens, including police, fire, public transit, and water. For management reporting purposes the Government'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.

City 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 provided, are as follows.

#### **Protection**

Protection is comprised of the Police Services Board, Fire department, and by-law enforcement. The mandate of the Police Services Board is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law. The Fire department is responsible to provide fire suppression service; fire prevention programs; training and education related to prevention, detection or extinguishments of fires.

#### **Community Services**

The Parks and Recreation department provides public services that contribute to neighbourhood development and sustainability through the provision of parks, recreation and leisure services such as fitness and aquatic programs. It provides public services that contribute to healthy communities through partnerships, promotion, prevention and protection.

The Library Services Board contributes to the information needs of the City's citizens through the provision of library services.

#### **Planning, Property and Economic Development**

The Planning, Property and Economic Development department provides a diverse bundle of services. It manages urban development for business interest, environmental concerns, heritage matters, local neighbourhoods and the downtown through city planning, community development, and parks planning. It ensures an acceptable quality of building construction and maintenance of properties through enforcement of construction codes, building standards and by-law for the protection of occupants. It facilitates economic development through its Economic Development Corporation.

#### **Public Works**

The Public Works department is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, the maintenance of parking and open space, public transit and street lighting.

# The Corporation of the City of St. Thomas

## Notes to the Consolidated Financial Statements For The Year Ended December 31, 2017

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### 17. SEGMENTED INFORMATION (CONTINUED)

#### **The Water and Wastewater Funds**

Water, stormwater and wastewater disposal is provided by the Environmental Services Department. The department provides drinking water to citizens of St. Thomas, as well as, collection and treatment of stormwater and wastewater.

#### **Social and Family Services**

The Ontario Works department provides a number of community programs including income maintenance, employment, childcare and social housing services. Assistance to aged persons is provided by the Valleyview Residence.

#### **Finance and Administration**

This segment includes a number of support functions that are responsible for maintenance of City Hall, the Clerk's department, Treasury Department and Human Resources Department.

#### **Other**

This segment includes the remaining departments and activities of the City. Some of the larger activities in this segment include the Airport Operations, Public Health Services, Emergency Services, Ambulance Services, Conservation authorities, Mayor and Council and Solid Waste collection and disposal.

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 General Revenue Fund reports on municipal services that are funded primarily by taxation such as property and business tax revenues. Taxation and payments-in-lieu of taxes are apportioned to General Revenue Fund services based on the Fund's net surplus. Certain government transfers, transfer from other funds, and other revenues have been apportioned based on a percentage of budgeted expenses.

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. For additional information see the Consolidated Schedule of Segment Disclosure and Schedule of Segment Disclosure.

### 18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the 2017 financial statement presentation.

**The Corporation of the City of St. Thomas**

**Consolidated Schedule of Segment Disclosure - Operating Revenues and Expenses  
For The Year Ended December 31, 2017**

	Ascent Group Inc. \$	Social & Family Services \$	Planning \$	Public Works \$	Finance & Administration \$	Protection \$	Water and Waste Funds \$	Community Services \$	Other \$	Consolidated \$
<b>REVENUES</b>										
Taxation	-	6,170,610	1,232,673	5,043,628	621,300	19,902,873	-	5,481,900	11,788,422	50,241,406
Sales of services and regulatory fees	-	5,365,159	1,265,319	681,727	294,879	284,184	15,881,538	1,365,091	8,144,310	33,282,207
Government transfers	-	38,108,727	275,694	6,105,747	-	1,002,197	1,302,766	58,990	8,823,942	55,678,063
Other	188,274	2,699,982	-	-	1,388,246	-	37,877	-	(303,853)	4,010,526
Development charges earned	-	-	-	2,356,245	-	-	3,386,121	798,353	319,985	6,860,704
	<u>188,274</u>	<u>52,344,478</u>	<u>2,773,686</u>	<u>14,187,347</u>	<u>2,304,425</u>	<u>21,189,254</u>	<u>20,608,302</u>	<u>7,704,334</u>	<u>28,772,806</u>	<u>150,072,906</u>
<b>EXPENSES</b>										
Salaries, wages and employees benefits	-	13,235,186	1,685,211	2,384,404	3,944,198	19,656,007	3,595,675	4,361,640	3,487,883	52,350,204
Long-term debt interest	-	479,816	-	-	-	38,383	151,476	-	112,554	782,229
Materials	-	2,476,637	383,382	1,592,191	136,713	1,071,049	9,240,344	1,077,631	4,575,723	20,553,670
Contracted services	-	18,567,362	1,114,060	2,225,929	2,071,660	902,970	3,146,864	1,429,538	709,259	30,167,642
Rents, financial and other	-	15,868,358	116,000	75	118,275	-	-	182,177	3,604,251	19,889,136
Amortization	-	859,172	-	3,548,202	427,944	420,774	5,820,313	1,348,030	127,433	12,551,868
	<u>-</u>	<u>51,486,531</u>	<u>3,298,653</u>	<u>9,750,801</u>	<u>6,698,790</u>	<u>22,089,183</u>	<u>21,954,672</u>	<u>8,399,016</u>	<u>12,617,103</u>	<u>136,294,749</u>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<u>188,274</u>	<u>857,947</u>	<u>(524,967)</u>	<u>4,436,546</u>	<u>(4,394,365)</u>	<u>(899,929)</u>	<u>(1,346,370)</u>	<u>(694,682)</u>	<u>16,155,703</u>	<u>13,778,157</u>

**The Corporation of the City of St. Thomas**

**Consolidated Schedule of Segment Disclosure - Operating Revenues and Expenses  
For The Year Ended December 31, 2016**

	Ascent Group Inc.	Social & Family Services	Planning	Public Works	Finance & Administration	Protection	Water and Waste Funds	Community Services	Other	Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>REVENUES</b>										
Taxation	-	6,634,964	1,186,210	4,987,512	621,300	19,823,301	-	5,371,795	9,872,501	48,497,583
Sales of services and regulatory fees	-	5,143,319	2,049,961	988,010	780,561	264,947	21,656,072	1,689,955	1,479,130	34,051,955
Government transfers	-	37,920,474	-	4,124,767	-	718,171	1,982,144	1,098,904	9,032,527	54,876,987
Other	(3,942,329)	7,487	-	-	1,450,222	-	199,527	-	340,386	(1,944,707)
Development charges earned	-	-	-	1,187,837	381,513	193,431	976,263	817,189	527,298	3,890,100
	<u>(3,942,329)</u>	<u>49,706,244</u>	<u>3,236,171</u>	<u>11,288,126</u>	<u>3,233,596</u>	<u>20,999,850</u>	<u>24,814,006</u>	<u>8,977,843</u>	<u>21,251,842</u>	<u>139,371,918</u>
<b>EXPENSES</b>										
Salaries, wages and employees benefits	-	13,341,465	1,522,614	2,403,420	3,731,561	19,448,399	3,248,814	4,194,738	2,331,942	50,222,953
Long-term debt interest	-	488,183	-	-	-	-	141,769	-	123,463	753,415
Materials	-	2,511,016	315,826	947,847	130,271	958,141	8,821,010	1,557,309	1,143,408	16,384,828
Contracted services	-	15,626,494	657,730	2,584,280	1,595,940	475,375	2,292,392	1,468,444	3,495,228	28,195,883
Rents, financial and other	-	17,953,556	116,000	70,237	164,606	-	634,011	181,315	3,407,516	22,527,241
Amortization	-	756,152	-	3,455,647	188,751	291,645	5,877,505	1,115,020	114,419	11,799,139
	<u>-</u>	<u>50,676,866</u>	<u>2,612,170</u>	<u>9,461,431</u>	<u>5,811,129</u>	<u>21,173,560</u>	<u>21,015,501</u>	<u>8,516,826</u>	<u>10,615,976</u>	<u>129,883,459</u>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<u>(3,942,329)</u>	<u>(970,622)</u>	<u>624,001</u>	<u>1,826,695</u>	<u>(2,577,533)</u>	<u>(173,710)</u>	<u>3,798,505</u>	<u>461,017</u>	<u>10,635,866</u>	<u>9,488,459</u>

**The Corporation of the City of St. Thomas**

**Schedule of Segment Disclosure- Operating Revenues and Expenses  
For The Year Ended December 31, 2017**

	Actual 2017 <u>\$</u>	Actual 2016 <u>\$</u>
<b>PROTECTION</b>		
<b>Revenue</b>		
Taxation	19,902,873	19,823,301
Sales of services and regulatory fees	284,184	264,947
Government transfers	1,002,197	718,171
Development charges earned	<u>-</u>	<u>193,431</u>
Total Revenues	<u>21,189,254</u>	<u>20,999,850</u>
<b>Expenditures</b>		
Salaries, wages and employees benefits	19,656,007	19,448,399
Long-term debt interest expense	38,383	-
Materials	1,071,049	958,141
Contracted services	902,970	475,375
Amortization	<u>420,774</u>	<u>291,645</u>
Total Expenditures	<u>22,089,183</u>	<u>21,173,560</u>
<b>Net Surplus (Deficit)</b>	<u><u>(899,929)</u></u>	<u><u>(173,710)</u></u>
 <b>COMMUNITY SERVICES</b>		
<b>Revenue</b>		
Taxation	5,481,900	5,371,795
Sales of services and regulatory fees	1,365,091	1,689,955
Government transfers	58,990	1,098,904
Development charges earned	<u>798,353</u>	<u>817,189</u>
Total Revenues	<u>7,704,334</u>	<u>8,977,843</u>
<b>Expenditures</b>		
Salaries, wages and employees benefits	4,361,640	4,194,738
Long-term debt interest expense	-	-
Materials	1,077,631	1,557,309
Contracted services	1,429,538	1,468,444
Rents and financial expenses	11,177	10,315
Transfer to others	171,000	171,000
Amortization	<u>1,348,030</u>	<u>1,115,020</u>
Total Expenditures	<u>8,399,016</u>	<u>8,516,826</u>
<b>Net Surplus (Deficit)</b>	<u><u>(694,682)</u></u>	<u><u>461,017</u></u>



**The Corporation of the City of St. Thomas**

**Schedule of Segment Disclosure- Operating Revenues and Expenses  
For The Year Ended December 31, 2017**

	<b>Actual 2017</b>	<b>Actual 2016</b>
	<u>\$</u>	<u>\$</u>
<b>PLANNING</b>		
<b>Revenue</b>		
Taxation	1,232,673	1,186,210
Sales of services and regulatory fees	1,265,319	2,049,961
Government transfers	<u>275,694</u>	<u>-</u>
Total Revenues	<u>2,773,686</u>	<u>3,236,171</u>
<b>Expenditures</b>		
Salaries, wages and employees benefits	1,685,211	1,522,614
Materials	383,382	315,826
Contracted services	1,114,060	657,730
Transfer to others	<u>116,000</u>	<u>116,000</u>
Total Expenditures	<u>3,298,653</u>	<u>2,612,170</u>
<b>Net Surplus (Deficit)</b>	<u>(524,967)</u>	<u>624,001</u>
 <b>PUBLIC WORKS</b>		
<b>Revenue</b>		
Taxation	5,043,628	4,987,512
Sales of services and regulatory fees	681,727	988,010
Government transfers	6,105,747	4,124,767
Development charges earned	<u>2,356,245</u>	<u>1,187,837</u>
Total Revenues	<u>14,187,347</u>	<u>11,288,126</u>
<b>Expenditures</b>		
Salaries, wages and employees benefits	2,384,404	2,403,420
Materials	1,592,191	947,847
Contracted services	2,225,929	2,584,280
Rents and financial expenses	75	5,138
Amortization	3,548,202	3,455,647
Loss on disposal of tangible capital assets	<u>-</u>	<u>65,099</u>
Total Expenditures	<u>9,750,801</u>	<u>9,461,431</u>
<b>Net Surplus (Deficit)</b>	<u>4,436,546</u>	<u>1,826,695</u>

**The Corporation of the City of St. Thomas**

**Schedule of Segment Disclosure- Operating Revenues and Expenses  
For The Year Ended December 31, 2017**

	<b>Actual</b>	<b>Actual</b>
	<b>2017</b>	<b>2016</b>
	<u><b>\$</b></u>	<u><b>\$</b></u>
<b>FINANCE AND ADMINISTRATION</b>		
<b>Revenue</b>		
Taxation	621,300	621,300
Sales of services and regulatory fees	294,879	780,561
Other	1,388,246	1,450,222
Development charges earned	<u>-</u>	<u>381,513</u>
Total Revenues	<u><b>2,304,425</b></u>	<u><b>3,233,596</b></u>
<b>Expenditures</b>		
Salaries, wages and employees benefits	3,944,198	3,731,561
Materials	136,713	130,271
Contracted services	2,071,660	1,595,940
Rents and financial expenses	103,011	9,034
Transfer to others	15,264	155,572
Amortization	<u>427,944</u>	<u>188,751</u>
Total Expenditures	<u><b>6,698,790</b></u>	<u><b>5,811,129</b></u>
<b>Net Surplus (Deficit)</b>	<u><b>(4,394,365)</b></u>	<u><b>(2,577,533)</b></u>
 <b>SOCIAL AND FAMILY SERVICES</b>		
<b>Revenue</b>		
Taxation	6,170,610	6,634,964
Sales of services and regulatory fees	5,365,159	5,143,319
Government transfers	38,108,727	37,920,474
Other	<u>2,699,982</u>	<u>7,487</u>
Total Revenues	<u><b>52,344,478</b></u>	<u><b>49,706,244</b></u>
<b>Expenditures</b>		
Salaries, wages and employees benefits	13,235,186	13,341,465
Long-term debt interest expense	479,816	488,183
Materials	2,476,637	2,511,016
Contracted services	18,567,362	15,626,494
Rents and financial expenses	32,854	33,781
Transfer to others	15,835,504	17,919,775
Amortization	<u>859,172</u>	<u>756,152</u>
Total Expenditures	<u><b>51,486,531</b></u>	<u><b>50,676,866</b></u>
<b>Net Surplus (Deficit)</b>	<u><b>857,947</b></u>	<u><b>(970,622)</b></u>