

**THE CORPORATION OF THE
CITY OF ST. THOMAS
Consolidated Financial Statements
December 31, 2018**

The Corporation of the City of St. Thomas
Consolidated Financial Statements
For The Year Ended December 31, 2018

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of **The Corporation of the City of St. Thomas**, which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of operations and accumulated surplus, consolidated statement of changes in financial assets (net debt) and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the City's consolidated financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for public sector entities.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the City'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 City or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 these consolidated financial statements.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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 consolidated 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 City'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 City'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 consolidated 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 City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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.

St. Thomas, Ontario

September 3, 2019

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, 2018

	2018	2017
	<u>\$</u>	<u>\$</u>
FINANCIAL ASSETS		
Cash and short term deposits	45,943,289	44,992,593
Taxes receivable (Note 2)	3,498,296	3,681,483
Accounts receivable (Note 15)	9,711,362	8,964,804
Land held for resale	3,556,058	206,351
Investment in Ascent Group Inc. (Note 12)	-	9,641,376
Investment in Entegrus Inc. (Note 13)	<u>33,025,804</u>	<u>-</u>
Total financial assets	<u>95,734,809</u>	<u>67,486,607</u>
LIABILITIES		
Deferred revenue (Note 11)	19,497,743	17,609,631
Accounts payable and accrued liabilities	12,522,873	14,141,112
Employee benefits payable (Note 7)	12,990,689	11,785,067
Allowance for tax reassessments	1,967,427	1,500,000
Net long-term liabilities (Note 5)	<u>38,907,631</u>	<u>33,681,728</u>
Total liabilities	<u>85,886,363</u>	<u>78,717,538</u>
NET FINANCIAL ASSETS (DEBT)	<u>9,848,446</u>	<u>(11,230,931)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 4)	389,603,217	366,830,079
Inventories of supplies	735,998	564,426
Prepaid expenses	<u>1,011,363</u>	<u>1,307,609</u>
Total non-financial assets	<u>391,350,578</u>	<u>368,702,114</u>
ACCUMULATED SURPLUS (NOTE 6)	<u>401,199,024</u>	<u>357,471,183</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, 2018

	Budget (Note 17) \$	Actual 2018 \$	Actual 2017 \$
REVENUES			
Property taxation	51,342,985	51,618,337	49,526,106
Taxation from other governments	867,506	867,506	715,300
User charges and other revenues	33,116,530	34,504,716	33,282,207
Government transfers:			
Federal	5,755,674	5,756,176	5,181,891
Provincial	51,171,759	50,844,307	46,311,713
Municipalities	3,990,341	4,023,282	4,184,459
Development charges earned	2,986,252	2,986,252	6,860,704
Investment interest and dividends	925,000	618,459	880,055
Penalties and interest on taxes	545,000	513,423	592,138
Developer contributions of tangible capital assets	-	11,060,638	2,797,335
Gain (loss) on write off of tangible capital assets	-	2,378,156	(447,276)
Income from government business enterprise - Ascent Group Inc. and St. Thomas Energy Inc. (Note 12)	-	19,609,203	188,274
Income from government business enterprise - Entegrus Inc. (Note 13)	-	1,031,381	-
Total Revenues	<u>150,701,047</u>	<u>185,811,836</u>	<u>150,072,906</u>
EXPENSES			
General government	6,241,194	7,767,548	8,355,764
Protection to persons and property	24,281,359	25,106,501	23,939,354
Transportation services	11,038,559	11,263,329	10,671,272
Environmental services	25,349,290	26,408,144	24,944,002
Health service	7,124,903	7,062,050	6,212,564
Social and family services	40,973,014	42,510,050	39,131,734
Social housing	12,614,480	10,500,050	12,354,796
Recreation and cultural services	8,819,799	9,091,803	8,399,016
Planning and development	2,000,149	2,374,520	2,286,247
Total Expenses (Note 16)	<u>138,442,747</u>	<u>142,083,995</u>	<u>136,294,749</u>
ANNUAL SURPLUS	<u>12,258,300</u>	<u>43,727,841</u>	<u>13,778,157</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>357,471,183</u>	<u>357,471,183</u>	<u>343,693,026</u>
ACCUMULATED SURPLUS, END OF YEAR (NOTE 6)	<u>369,729,483</u>	<u>401,199,024</u>	<u>357,471,183</u>

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, 2018**

	Budget (Note 17) \$	Actual 2018 \$	Actual 2017 \$
ANNUAL SURPLUS	12,258,300	43,727,841	13,778,157
Amortization of tangible capital assets	13,479,589	13,479,589	12,551,868
Acquisition of tangible capital assets	(27,272,441)	(27,272,441)	(40,223,768)
Proceeds on disposal of tangible capital assets	-	2,674,567	159,826
Change in inventories of supplies and prepaid expenses	-	124,674	(142,126)
Transfer of capital assets upon merger of Health Unit (Note 3)	-	1,783,941	-
Loss (gain) on disposal of tangible capital assets	-	(2,378,156)	447,276
Developer contributions of tangible capital assets	-	(11,060,638)	(2,797,335)
CHANGE IN NET FINANCIAL ASSETS (DEBT)	(1,534,552)	21,079,377	(16,226,102)
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	<u>(11,230,931)</u>	<u>(11,230,931)</u>	<u>4,995,171</u>
NET FINANCIAL ASSETS (DEBT), END OF YEAR	<u><u>(12,765,483)</u></u>	<u><u>9,848,446</u></u>	<u><u>(11,230,931)</u></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, 2018**

	2018	2017
	<u>\$</u>	<u>\$</u>
OPERATING ACTIVITIES		
Annual surplus	43,727,841	13,778,157
Items not involving cash:		
Amortization of tangible capital assets	13,479,589	12,551,868
Loss (gain) on disposal of tangible capital assets	(2,378,156)	447,276
Loss on merger of Health Unit (Note 3)	63,201	-
Developer contributions of tangible capital assets	(11,060,638)	(2,797,335)
Change in employee benefits	1,205,622	1,862,351
Equity (income) from St. Thomas Energy Inc. and Ascent Group Inc.	(19,609,203)	(188,274)
Equity (income) from Entegrus Inc.	<u>(1,031,381)</u>	<u>-</u>
	24,396,875	25,654,043
Change in non-cash assets and liabilities (Note 16[a])	<u>(3,051,104)</u>	<u>(4,547,208)</u>
	<u>21,345,771</u>	<u>21,106,835</u>
CAPITAL ACTIVITIES		
Tangible capital asset and assets under construction additions	(27,272,441)	(40,223,768)
Proceeds on sale of tangible capital assets	<u>2,674,567</u>	<u>159,826</u>
	<u>(24,597,874)</u>	<u>(40,063,942)</u>
INVESTING ACTIVITIES		
Loan repayments from Ascent Group Inc. (Note 12)	-	8,214,448
Dividends from Entegrus Inc. (Note 13)	1,256,156	-
Purchase of common shares of Ascent Group Inc. (Note 12)	<u>(4,000,000)</u>	<u>(7,714,426)</u>
	<u>(2,743,844)</u>	<u>500,022</u>
FINANCING ACTIVITIES		
Long-term debt principal repayment	(2,453,357)	(1,752,880)
Proceeds from issue of long-term debt	<u>9,400,000</u>	<u>17,209,371</u>
	<u>6,946,643</u>	<u>15,456,491</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	950,696	(3,000,594)
OPENING CASH AND CASH EQUIVALENTS	<u>44,992,593</u>	<u>47,993,187</u>
CLOSING CASH AND CASH EQUIVALENTS	<u><u>45,943,289</u></u>	<u><u>44,992,593</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, 2018

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 Area Primary Water Board and Elgin Area Secondary Water Board are proportionately consolidated based upon the water flow used by our City in proportion to the entire flows provided by the joint boards. This amounts to 31% and 54% respectively. The Elgin-St. Thomas Health Unit was proportionately consolidated based on the municipality share of contributions which amounted to 41%. In 2018, the Elgin-St. Thomas Health Unit was amalgamated to form the Southwestern Public Health. Based on member municipality contributions, the City proportion was reduced to 20%.

The Corporation of the City of St. Thomas

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Accounting

The City reports its investment in government business enterprises 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 the government business enterprise in its consolidated statement of operations with corresponding increase or decrease in its investment asset account. Any dividends that the City may receive 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.

The Corporation of the City of St. Thomas

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2018

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, 2018

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, 2018

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 2018 the City received \$52,485,843 (2017 - \$50,241,406) 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, 2018

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, 2018 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:

	2018	2017
	<u>\$</u>	<u>\$</u>
Current year	1,233,003	1,899,517
Prior years	1,585,774	1,245,501
Penalties and interest	<u>679,519</u>	<u>536,465</u>
	<u><u>3,498,296</u></u>	<u><u>3,681,483</u></u>

3. HEALTH UNIT MERGER

A merger between the Elgin St. Thomas Health Unit and the Oxford County Health Unit was effective May 1, 2018, and was given formal approval on March 29, 2018 under the Health Protection and Promotion Act R.R.O. 1990, Regulation 553, Areas Comprising Health Units, Schedule 7.

Due to this merger, the City's proportionate share of the Health Unit decreased from 41% to 20%. This decrease resulted in a transfer of equity invested in tangible capital assets with a net book value of \$1,783,941 and debt of \$1,720,740, for a loss on the asset transfer of \$63,201.

The Corporation of the City of St. Thomas

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2018

4. TANGIBLE CAPITAL ASSETS

December 31, 2018

Cost	Opening	Additions	Disposals & Adjustments	Ending
<u>General</u>				
Land	19,405,429	-	(120,311)	19,285,118
Land Improvements	31,218,547	1,115,392	(33,879)	32,300,060
Building/Building Improvements	88,777,029	1,232,325	(2,125,467)	87,883,887
Machinery and Equipment	5,052,833	1,016,475	223,345	6,292,653
Vehicles	6,479,155	195,001	-	6,674,156
General Total	150,932,993	3,559,193	(2,056,312)	152,435,874
<u>Infrastructure</u>				
Land	442,592	-	-	442,592
Buildings/Building Improvements	94,958,393	11,998,544	(10,811)	106,946,126
Machinery and Equipment	16,590,210	1,336,746	(506,275)	17,420,681
Linear - Roadways	96,404,461	8,425,854	(45,703)	104,784,612
Linear - Sewer and Water Services	270,478,084	16,918,957	(514,535)	286,882,506
Infrastructure Total	478,873,740	38,680,101	(1,077,324)	516,476,517
Assets under construction	18,154,964	93,385	(3,999,600)	14,248,749
Total Cost	647,961,697	42,332,679	(7,133,236)	683,161,140
Disposals &				
Accumulated Amortization				
	Opening	Amortization	Adjustments	Ending
<u>General</u>				
Land Improvements	19,697,691	1,035,073	(5,647)	20,727,117
Building/Building Improvements	23,936,729	2,279,806	(190,346)	26,026,189
Machinery and Equipment	1,930,986	541,016	520	2,472,522
Vehicles	3,369,314	513,661	-	3,882,975
General Total	48,934,720	4,369,556	(195,473)	53,108,803
<u>Infrastructure</u>				
Buildings/Building Improvements	83,949,914	730,359	(10,811)	84,669,462
Machinery and Equipment	6,919,027	1,090,253	(506,275)	7,503,005
Linear - Roadways	53,264,017	2,823,907	(28,944)	56,058,980
Linear - Sewer and Water Services	88,063,940	4,465,514	(311,781)	92,217,673
Infrastructure Total	232,196,898	9,110,033	(857,811)	240,449,120
Total Accumulated Amortization	281,131,618	13,479,589	(1,053,284)	293,557,923
Net Book Value				
	Opening			Ending
<u>General</u>				
Land	19,405,429			19,285,118
Land Improvements	11,520,856			11,572,943
Building/Building Improvements	64,840,300			61,857,698
Machinery and Equipment	3,121,847			3,820,131
Vehicles	3,109,841			2,791,181
	101,998,273			99,327,071
<u>Infrastructure</u>				
Land	442,592			442,592
Building/Building Improvements	11,008,479			22,276,664
Machinery and Equipment	9,671,183			9,917,676
Linear - Roadways	43,140,444			48,725,632
Linear - Sewer and Water Services	182,414,144			194,664,833
	246,676,842			276,027,397
Assets under construction	18,154,964			14,248,749
Total Net Book Value	366,830,079			389,603,217

The Corporation of the City of St. Thomas

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2018

4. TANGIBLE CAPITAL ASSETS (CONTINUED)

December 31, 2017

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

During the year roads and underground networks contributed to the City totaled \$10,791,278 (2017 - \$2,797,335) 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, 2018

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>2018</u>	<u>2017</u>
	<u>\$</u>	<u>\$</u>
Long-term liabilities incurred by the City and outstanding at the end of the year	32,884,472	24,956,705
Long-term liabilities assumed through consolidation by the City	<u>6,023,159</u>	<u>8,725,023</u>
Total long-term liabilities at the end of the year	<u>38,907,631</u>	<u>33,681,728</u>

Principal repayments are summarized as follows:

	2019	2020	2021	2022	2023	Beyond	Total
Recoverable From	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
General taxation	1,865,068	1,941,696	2,021,571	2,054,893	2,191,630	22,809,614	32,884,472
User charges	<u>715,427</u>	<u>731,188</u>	<u>747,793</u>	<u>764,652</u>	<u>411,823</u>	<u>2,652,276</u>	<u>6,023,159</u>
	<u>2,580,495</u>	<u>2,672,884</u>	<u>2,769,364</u>	<u>2,819,545</u>	<u>2,603,453</u>	<u>25,461,890</u>	<u>38,907,631</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, terms are as follows:

- i] \$8,289,300 repayable in semi-annual instalments of \$663,602, due January 2026, bearing interest at 4.8%;
- ii] \$13,495,569 repayable in semi-annual instalments of \$480,458, due December 2037, bearing interest at 3.29%;
- iii] \$1,699,603 repayable in semi-annual instalments of \$60,498, due June 2037, bearing interest at 3.06%; and
- iv] \$9,400,000 repayable in semi-annual instalments of \$329,326, due December 2038, bearing interest at 3.52%.

- c) Interest expense on long-term liabilities in 2018 amounted to \$1,116,709 (2017 - \$782,229).

The Corporation of the City of St. Thomas

**Notes to the Consolidated Financial Statements
For The Year Ended December 31, 2018**

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.

	2018	2017
	<u>\$</u>	<u>\$</u>
Operating fund:		
General Operations	-	-
Southwestern Public Health	212,143	251,426
Downtown Development Board (BIA)	<u>40,707</u>	<u>61,231</u>
	252,850	312,657
Invested in tangible capital assets	389,603,217	366,830,079
Capital fund	9,663,598	4,642,370
Equity in government business enterprise	33,025,804	9,641,376
Reserves	11,737,737	10,066,576
Reserve funds	<u>17,327,070</u>	<u>16,502,849</u>
	461,610,276	407,995,907
UNFUNDED		
Recoverable from future distributions of Entegrus Inc.	(8,512,932)	(5,057,929)
Employee benefits payable	(12,990,689)	(11,785,067)
Net long-term debt	<u>(38,907,631)</u>	<u>(33,681,728)</u>
ACCUMULATED SURPLUS	<u>401,199,024</u>	<u>357,471,183</u>
Reserves and reserve funds consist of the following:		
Reserves set aside for specific purposes by Council:		
- for working capital and contingencies	6,920,262	5,628,230
- for human resource issues	1,999,999	1,974,999
- for social and family services	1,253,082	1,063,398
- for general operations	1,347,847	1,189,806
- for sewer operations	<u>216,547</u>	<u>210,143</u>
Total reserves	<u>11,737,737</u>	<u>10,066,576</u>
Reserve funds set aside for specific purposes by Council and Joint Boards:		
- general operations	402,768	516,948
- water operations	11,569,793	11,501,780
- sewer operations	<u>5,354,509</u>	<u>4,484,121</u>
Total reserve funds	<u>17,327,070</u>	<u>16,502,849</u>

The Corporation of the City of St. Thomas

**Notes to the Consolidated Financial Statements
For The Year Ended December 31, 2018**

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, 2018. Details are as follows:

	2018	2017
	<u>\$</u>	<u>\$</u>
a) Future payments required to WSIB	4,049,909	3,807,465
b) Accumulated sick leave benefit plan entitlements	1,589,620	1,587,159
c) Post employment and retirement benefits	<u>7,351,160</u>	<u>6,390,443</u>
	<u>12,990,689</u>	<u>11,785,067</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:

	2018	2017
	<u>\$</u>	<u>\$</u>
Accrued benefit obligation, January 1	3,807,465	2,424,873
Expense	588,912	1,771,061
Payment	<u>(447,468)</u>	<u>(477,037)</u>
Actual accrued benefit obligation	3,948,909	3,718,897
Add: Amortization of actuarial loss over service life (Unamortized balance - 2018 - \$1,105,408, 2017 - \$1,206,408)	<u>101,000</u>	<u>88,568</u>
Accrued benefit obligation, December 31	<u>4,049,909</u>	<u>3,807,465</u>

The Corporation of the City of St. Thomas

**Notes to the Consolidated Financial Statements
For The Year Ended December 31, 2018**

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 \$1,589,620 (2017 - \$1,587,159) at the end of the year. An amount of \$111,624 (2017 - \$179,877) was paid to employees who left the City's employment during the current year. An unamortized actuarial loss of \$290,840 (2017 - gain of \$374,705) was determined for the sick leave liability in the June 2019 actuarial review and is being amortized at \$19,812 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 June 2019 and covers the period from December 31, 2018 to December 31, 2021.

Significant assumptions are as follows:

- General inflation rate - 1.75% (2017 - 2.0%)
- Discount rate - 4.00% (2017 - 4.50%)
- Rate of compensation increase - 2.75% (2017 - 3.0%)
- Healthcare cost increase - 3.75% to 6.4167% (2017 - 4.0% to 6.33%)
- Dental cost increase - 3.75% (2017 - 4.0%)

The benefit obligation continuity is as follows:

	2018	2017
	<u>\$</u>	<u>\$</u>
Accrued benefit obligation, January 1	7,454,921	7,163,840
Expense	632,046	600,311
Increase due to plan amendments	524,710	-
Unrealized actuarial loss on plan valuation due to changes in discount rates, claim cost factors and member data	908,717	-
Payments	<u>(315,348)</u>	<u>(309,230)</u>
Actual accrued benefit obligation	9,205,046	7,454,921
Less: unamortized actuarial gain/(loss), (straight-line)	<u>(1,853,886)</u>	<u>(1,064,478)</u>
Unfunded benefit obligation, December 31	<u>7,351,160</u>	<u>6,390,443</u>

The Corporation of the City of St. Thomas

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2018

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, 2018, and the results of this valuation disclosed actuarial liabilities of \$100.1 billion in respect of benefits accrued for service with actuarial assets at that date of \$95.9 billion leaving an actuarial deficit of \$4.2 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 2018 was \$3,725,459 (2017 - \$3,616,856).

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, 2018 the outstanding debentures totaled \$1,982,747 (2017 - \$2,541,821). The Ministry funding of \$495,305 pays for the annual debenture payment incurred by the City.

10. TRUST FUNDS

Trust funds and donations administered by the City amounting to \$1,265,204 (2017 - \$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, 2018

11. 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:

	2018	2017
	<u>\$</u>	<u>\$</u>
Development charges	11,277,156	11,098,179
Parkland	55,546	44,118
Building	893,809	584,667
Federal and Provincial gas taxes	739,523	1,192,689
Prepayment of property taxes	2,546,360	2,410,014
Government transfers	3,264,156	1,792,160
Other - donations, user fees, etc.	<u>721,193</u>	<u>487,804</u>
	<u>19,497,743</u>	<u>17,609,631</u>

12. INVESTMENT IN ASCENT GROUP INC.

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

On April 1, 2018, the City as the sole shareholder of Ascent Group Inc. merged with St. Thomas Energy Inc. who then was acquired by and merged with Entegrus Inc. to create a new regional utility (Note 13). The City received 679 common shares with a value of \$33,250,579 of Entegrus Inc. and as such reported a gain of \$19,233,724 on the sale of St. Thomas Energy Inc.

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 2017 year and another 118 common shares for \$4,000,000 before March 31, 2018. The \$12,772,355 was satisfied by the transfer of a \$5,059,929 promissory note and the redemption of a promissory note for investment of cash equal to \$7,714,426. In 2017, the City received \$515,796 of interest on the two promissory notes. No interest was received in 2018. The \$4,000,000 in 2018 was paid with cash.

The Corporation of the City of St. Thomas

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2018

12. INVESTMENT IN ASCENT GROUP INC. (CONTINUED)

The City also owns 100% of Ascent Energy Services Inc., which in turn owns 100% of Ascent Solutions Inc., Ascent Utility Services Inc. and Ascent Renewables Inc. In 2017 with no further assets or employees the Corporations filed for bankruptcy or ceased operations. City management and the sole Board of Director are working with regulators to finalize the bankruptcy and wind down of the Corporations. As such, there are no further assets or liabilities reported in these financial statements related to Ascent Energy Services Inc. and it's subsidiaries.

The following table provides condensed supplementary financial information of St. Thomas Energy Inc. for the year ended December 31:

	2018	2017
	<u>\$</u>	<u>\$</u>
Financial Position:		
Current assets	-	8,077,175
Capital and other non-current assets	-	30,552,130
Regulatory assets	-	<u>946,389</u>
Total assets	<u>-</u>	<u>39,575,694</u>
Current liabilities		23,866,162
Regulatory liabilities	-	2,536,241
Other long-term liabilities	-	<u>3,531,915</u>
Total liabilities	<u>-</u>	<u>29,934,318</u>
Net assets (liabilities)	<u>-</u>	<u>9,641,376</u>
Results of operations:		
Revenues	10,306,732	42,371,790
Operating expenses	<u>9,931,253</u>	<u>42,183,516</u>
Net income prior purchase of share capital, dividends and sale	375,479	188,274
Purchase of 118 (2017 - 227) common shares	4,000,000	7,714,426
Note receivable converted to nil (2017 - 149) common shares	-	5,057,929
Value of merger with Entegrus Inc.	(33,250,579)	-
Gain reported on merger with Entegrus Inc.	<u>19,233,724</u>	<u>-</u>
Net change in equity	(9,641,376)	12,960,629
Opening investment in Ascent Group Inc.	<u>9,641,376</u>	<u>(3,319,253)</u>
Ending investment in St. Thomas Energy Inc.	<u><u>-</u></u>	<u><u>9,641,376</u></u>

The Corporation of the City of St. Thomas

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2018

13. INVESTMENT IN ENTEGRUS INC.

The City acquired and now owns 20.57% of Entegrus Inc. As a business enterprise of the City, Entegrus Inc. is accounted for on a Modified Equity basis in these financial statements. This Corporation is involved in the electricity distribution for the residential, commercial and industrial customers.

The following table provides condensed supplementary financial information of Entegrus Inc. for the year ended December 31:

	2018	2017
	<u>\$</u>	<u>\$</u>
Financial Position:		
Current assets	34,636,403	-
Capital and other non-current assets	165,270,604	-
Regulatory assets	<u>2,482,501</u>	-
Total assets	<u>202,389,508</u>	-
Current liabilities	38,676,066	-
Other long-term liabilities	66,219,413	-
Regulatory liabilities	<u>840,345</u>	-
Total liabilities	<u>105,735,824</u>	-
Net assets	<u>96,653,684</u>	-
Results of operations:		
Revenues	162,108,334	-
Operating expenses	<u>156,615,771</u>	-
Net income	5,492,563	-
Net income earned in Entegrus Inc. prior to merger	<u>(478,555)</u>	-
Adjusted net income of Entegrus Inc.	<u>5,014,008</u>	-
Income earned by City based on ownership - 20.57%	1,031,381	-
Purchase of 679 (2017 - nil) common shares	33,250,579	-
Dividends paid	<u>(1,256,156)</u>	-
Net change in equity	33,025,804	-
Opening investment in Entegrus Inc.	-	-
Ending investment in Entegrus Inc.	<u>33,025,804</u>	-

The Corporation of the City of St. Thomas

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2018

14. CONTINGENT LIABILITIES

As at December 31, 2018 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.

15. RELATED PARTY TRANSACTIONS

During the year, the City had business transactions with St. Thomas Energy Inc. and Entegrus Inc. (the City's government business enterprises). The City has contracted St. Thomas Energy Inc. and Entegrus 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:

	2018	2017
	<u>\$</u>	<u>\$</u>
Transactions during the year:		
Purchase of services and management fee - St. Thomas Energy Inc.	<u>79,503</u>	<u>329,021</u>
Purchase of services and management fee - Entegrus Inc.	<u>238,510</u>	<u>-</u>
Balances at end of year:		
Amounts due from Ascent Group Inc. (St. Thomas Energy Inc.)	<u>-</u>	<u>3,816,673</u>
Amounts due from Entegrus Inc.	<u>4,111,156</u>	<u>-</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, 2018**

16. SUPPLEMENTARY INFORMATION:

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

	<u>2018</u>	<u>2017</u>
	<u>\$</u>	<u>\$</u>
Taxes receivable	183,187	280,020
Accounts receivable	(746,558)	(745,311)
Land held for resale	(3,349,707)	70,000
Prepaid expenses and inventories of supplies	124,674	(142,126)
Accounts payable and accrued liabilities	(1,618,239)	1,054,417
Allowance for tax reassessments	467,427	(1,000,000)
Deferred revenue - obligatory reserve funds	<u>1,888,112</u>	<u>(4,064,208)</u>
	<u>(3,051,104)</u>	<u>(4,547,208)</u>

[b] Supplementary cash flow information:

Cash interest received	<u>618,459</u>	<u>880,055</u>
Cash interest paid	<u>1,127,001</u>	<u>759,784</u>

[c] Expenditures by object:

Salaries, wages and employees benefits	53,837,735	52,350,204
Long-term debt interest	1,116,709	782,229
Materials	21,814,468	20,553,670
Contracted services	33,037,441	30,167,642
Rents and financial	135,938	20,673
Amortization	13,479,589	12,551,868
External transfers	<u>18,662,115</u>	<u>19,868,463</u>
	<u>142,083,995</u>	<u>136,294,749</u>

The Corporation of the City of St. Thomas

**Notes to the Consolidated Financial Statements
For The Year Ended December 31, 2018**

17. BUDGETED AMOUNTS

The operating budget approved by the council of the City for 2018 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 \$
REVENUES			
Property taxation	51,342,985	-	51,342,985
Taxation from other governments	867,506	-	867,506
User charges and other revenues	28,299,710	4,816,820	33,116,530
Transfer payments			
Federal	897,778	4,857,896	5,755,674
Provincial	43,425,224	7,746,535	51,171,759
Other municipalities	3,990,341	-	3,990,341
Development charges	50,000	2,936,252	2,986,252
Investment income	925,000	-	925,000
Penalties and interest on taxes	<u>545,000</u>	<u>-</u>	<u>545,000</u>
 Total Revenues	 <u>130,343,544</u>	 <u>20,357,503</u>	 <u>150,701,047</u>
EXPENSES			
General government	12,359,184	(6,117,990)	6,241,194
Protection to persons and property	23,516,819	764,540	24,281,359
Transportation services	7,204,844	3,833,715	11,038,559
Environmental services	22,375,863	2,973,427	25,349,290
Health services	3,330,700	3,794,203	7,124,903
Social and family services	39,938,354	1,034,660	40,973,014
Social housing	12,378,601	235,879	12,614,480
Recreation and cultural services	7,311,610	1,508,189	8,819,799
Planning and development	<u>1,927,569</u>	<u>72,580</u>	<u>2,000,149</u>
 Total Expenses	 <u>130,343,544</u>	 <u>8,099,203</u>	 <u>138,442,747</u>
 BUDGETED ANNUAL SURPLUS	 <u><u>-</u></u>	 <u><u>12,258,300</u></u>	 <u><u>12,258,300</u></u>

The Corporation of the City of St. Thomas

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2018

18. 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, 2018

18. 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.

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the 2018 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, 2018**

	Government Business Enterprise	Social & Family Services	Planning	Public Works	Finance & Administration	Protection	Water and Waste Funds	Community Services	Other	Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES										
Taxation	-	6,433,203	1,314,295	5,324,551	4,848,762	20,653,636	-	5,822,862	8,088,534	52,485,843
Sales of services and regulatory fees	-	5,388,361	1,043,952	623,709	283,738	257,393	21,035,683	1,334,340	4,537,540	34,504,716
Government transfers	-	39,666,141	474,588	6,329,378	481,914	1,170,293	1,322,024	54,533	11,124,894	60,623,765
Other	20,640,584	-	-	-	853,436	-	56,378	-	13,660,862	35,211,260
Development charges earned	-	-	-	938,216	24,799	80,344	1,142,187	632,470	168,236	2,986,252
	<u>20,640,584</u>	<u>51,487,705</u>	<u>2,832,835</u>	<u>13,215,854</u>	<u>6,492,649</u>	<u>22,161,666</u>	<u>23,556,272</u>	<u>7,844,205</u>	<u>37,580,066</u>	<u>185,811,836</u>
EXPENSES										
Salaries, wages and employees benefits	-	13,291,189	1,751,097	2,375,899	4,665,209	20,528,202	3,601,001	4,683,028	2,942,110	53,837,735
Long-term debt interest	-	458,799	-	-	-	455,102	134,948	12,691	55,169	1,116,709
Materials	-	3,102,810	611,548	1,775,372	151,015	2,142,413	10,472,856	1,123,928	2,434,526	21,814,468
Contracted services	-	19,778,998	580,498	2,202,357	1,688,742	34,475	2,898,494	1,586,588	4,267,289	33,037,441
Rents, financial and other	-	15,506,565	116,000	-	112,969	-	17,697	130,556	2,914,266	18,798,053
Amortization	-	871,740	-	3,833,715	468,702	602,200	6,049,735	1,555,012	98,485	13,479,589
	<u>-</u>	<u>53,010,101</u>	<u>3,059,143</u>	<u>10,187,343</u>	<u>7,086,637</u>	<u>23,762,392</u>	<u>23,174,731</u>	<u>9,091,803</u>	<u>12,711,845</u>	<u>142,083,995</u>
ANNUAL SURPLUS (DEFICIT)	<u>20,640,584</u>	<u>(1,522,396)</u>	<u>(226,308)</u>	<u>3,028,511</u>	<u>(593,988)</u>	<u>(1,600,726)</u>	<u>381,541</u>	<u>(1,247,598)</u>	<u>24,868,221</u>	<u>43,727,841</u>

The Corporation of the City of St. Thomas

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

	Government Business Enterprises	Social & Family Services	Planning	Public Works	Finance & Administration	Protection	Water and Waste Funds	Community Services	Other	Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES										
Taxation	-	6,170,610	1,232,673	5,043,628	4,657,487	19,902,873	-	5,481,900	7,752,235	50,241,406
Sales of services and regulatory fees	-	5,365,159	1,265,319	681,727	294,879	284,184	19,535,552	1,365,091	4,490,296	33,282,207
Government transfers	-	38,108,727	275,694	6,105,747	-	1,002,197	1,320,766	58,990	8,805,942	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>6,340,612</u>	<u>21,189,254</u>	<u>24,280,316</u>	<u>7,704,334</u>	<u>21,064,605</u>	<u>150,072,906</u>
EXPENSES										
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>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>
ANNUAL SURPLUS (DEFICIT)	<u>188,274</u>	<u>857,947</u>	<u>(524,967)</u>	<u>4,436,546</u>	<u>(358,178)</u>	<u>(899,929)</u>	<u>2,325,644</u>	<u>(694,682)</u>	<u>8,447,502</u>	<u>13,778,157</u>

The Corporation of the City of St. Thomas

**Schedule of Segment Disclosure- Operating Revenues and Expenses
For The Year Ended December 31, 2018**

	Actual 2018	Actual 2017
	<u>\$</u>	<u>\$</u>
PROTECTION		
Revenue		
Taxation	20,653,636	19,902,873
Sales of services and regulatory fees	257,393	284,184
Government transfers	1,170,293	1,002,197
Development charges earned	<u>80,344</u>	<u>-</u>
Total Revenues	<u>22,161,666</u>	<u>21,189,254</u>
Expenditures		
Salaries, wages and employees benefits	20,528,202	19,656,007
Long-term debt interest expense	455,102	38,383
Materials	2,142,413	1,071,049
Contracted services	34,475	902,970
Amortization	<u>602,200</u>	<u>420,774</u>
Total Expenditures	<u>23,762,392</u>	<u>22,089,183</u>
Net Surplus (Deficit)	<u>(1,600,726)</u>	<u>(899,929)</u>
 COMMUNITY SERVICES		
Revenue		
Taxation	5,822,862	5,481,900
Sales of services and regulatory fees	1,334,340	1,365,091
Government transfers	54,533	58,990
Development charges earned	<u>632,470</u>	<u>798,353</u>
Total Revenues	<u>7,844,205</u>	<u>7,704,334</u>
Expenditures		
Salaries, wages and employees benefits	4,683,028	4,361,640
Long-term debt interest expense	12,691	-
Materials	1,123,928	1,077,631
Contracted services	1,586,588	1,429,538
Rents and financial expenses	10,556	11,177
Transfer to others	120,000	171,000
Amortization	<u>1,555,012</u>	<u>1,348,030</u>
Total Expenditures	<u>9,091,803</u>	<u>8,399,016</u>
Net Surplus (Deficit)	<u>(1,247,598)</u>	<u>(694,682)</u>

The Corporation of the City of St. Thomas

**Schedule of Segment Disclosure- Operating Revenues and Expenses
For The Year Ended December 31, 2018**

	Actual 2018	Actual 2017
	<u>\$</u>	<u>\$</u>
PLANNING		
Revenue		
Taxation	1,314,295	1,232,673
Sales of services and regulatory fees	1,043,952	1,265,319
Government transfers	<u>474,588</u>	<u>275,694</u>
Total Revenues	<u>2,832,835</u>	<u>2,773,686</u>
Expenditures		
Salaries, wages and employees benefits	1,751,097	1,685,211
Materials	611,548	383,382
Contracted services	580,498	1,114,060
Transfer to others	<u>116,000</u>	<u>116,000</u>
Total Expenditures	<u>3,059,143</u>	<u>3,298,653</u>
Net Surplus (Deficit)	<u>(226,308)</u>	<u>(524,967)</u>
 PUBLIC WORKS		
Revenue		
Taxation	5,324,551	5,043,628
Sales of services and regulatory fees	623,709	681,727
Government transfers	6,329,378	6,105,747
Development charges earned	<u>938,216</u>	<u>2,356,245</u>
Total Revenues	<u>13,215,854</u>	<u>14,187,347</u>
Expenditures		
Salaries, wages and employees benefits	2,375,899	2,384,404
Materials	1,775,372	1,592,191
Contracted services	2,202,357	2,225,929
Rents and financial expenses	-	75
Amortization	<u>3,833,715</u>	<u>3,548,202</u>
Total Expenditures	<u>10,187,343</u>	<u>9,750,801</u>
Net Surplus (Deficit)	<u>3,028,511</u>	<u>4,436,546</u>

The Corporation of the City of St. Thomas

**Schedule of Segment Disclosure- Operating Revenues and Expenses
For The Year Ended December 31, 2018**

	Actual 2018	Actual 2017
	<u>\$</u>	<u>\$</u>
FINANCE AND ADMINISTRATION		
Revenue		
Taxation	4,848,762	4,657,487
Sales of services and regulatory fees	283,738	294,879
Government transfers	481,914	-
Other	853,436	1,388,246
Development charges earned	<u>24,799</u>	<u>-</u>
Total Revenues	<u>6,492,649</u>	<u>6,340,612</u>
Expenditures		
Salaries, wages and employees benefits	4,665,209	3,944,198
Materials	151,015	136,713
Contracted services	1,688,742	2,071,660
Rents and financial expenses	102,130	103,011
Transfer to others	10,839	15,264
Amortization	<u>468,702</u>	<u>427,944</u>
Total Expenditures	<u>7,086,637</u>	<u>6,698,790</u>
Net Surplus (Deficit)	<u>(593,988)</u>	<u>(358,178)</u>
 SOCIAL AND FAMILY SERVICES		
Revenue		
Taxation	6,433,203	6,170,610
Sales of services and regulatory fees	5,388,361	5,365,159
Government transfers	39,666,141	38,108,727
Other	<u>-</u>	<u>2,699,982</u>
Total Revenues	<u>51,487,705</u>	<u>52,344,478</u>
Expenditures		
Salaries, wages and employees benefits	13,291,189	13,235,186
Long-term debt interest expense	458,799	479,816
Materials	3,102,810	2,476,637
Contracted services	19,778,998	18,567,362
Rents and financial expenses	22,381	32,854
Transfer to others	15,484,184	15,835,504
Amortization	<u>871,740</u>	<u>859,172</u>
Total Expenditures	<u>53,010,101</u>	<u>51,486,531</u>
Net Surplus (Deficit)	<u>(1,522,396)</u>	<u>857,947</u>