

CORPORATION OF THE CITY OF ST. THOMAS
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

**CORPORATION OF THE CITY OF ST. THOMAS
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Corporation of the City of St. Thomas (the "City"), which comprise the Consolidated Statement of Financial Position as at December 31, 2019, and Consolidated Statements of Operations and Accumulated Surplus, Cash Flows and Change in Net Financial Assets (Debt) for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Corporation of the City of St. Thomas as at December 31, 2019 and its financial performance and its cash flows and change in net financial assets for the year then ended in accordance with Canadian public sector accounting standards.

Basis of Opinion

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 financial statements, including the disclosures, and whether the 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.

November 2, 2020
London, Canada

Scrimgeour & Company
LICENSED PUBLIC ACCOUNTANT

**CORPORATION OF THE CITY OF ST. THOMAS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019**

	2019	2018
FINANCIAL ASSETS		
Cash and short-term investments (note 1.i)	\$ 38,549,596	\$ 44,473,069
Taxes receivable	2,732,212	3,498,296
Accounts receivable	11,668,040	12,757,499
Land held for resale	3,556,058	3,556,058
Investment in Entegrus Inc. (note 11)	33,017,986	33,025,804
	89,523,892	97,310,726
LIABILITIES		
Accounts payable and accrued liabilities	14,990,974	12,522,873
Deferred revenue (notes 7 and 18)	24,012,133	21,073,660
Accrual for future tax reassessments	1,967,424	1,967,427
Employee benefits payable (note 6)	13,744,506	12,990,689
Net long-term liabilities (note 8)	35,779,674	38,907,631
	90,494,711	87,462,280
NET FINANCIAL ASSETS	(970,819)	9,848,446
NON FINANCIAL ASSETS (note 1.g)		
Tangible capital assets (Schedule 1)	418,391,481	375,354,468
Capital work in progress	2,016,237	14,248,749
Inventories	666,650	735,998
Prepaid expenditures	1,334,638	1,011,363
	422,409,006	391,350,578
ACCUMULATED SURPLUS (note 9)	\$421,438,187	\$401,199,024

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

**CORPORATION OF THE CITY OF ST. THOMAS
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budget 2019	Actual 2019	Actual 2018
REVENUE			
Taxation revenue	\$ 54,834,991	\$ 54,869,879	\$ 52,485,843
User charges	28,116,763	30,199,099	27,893,387
Government grants	48,937,437	50,822,848	52,763,114
Investment income	1,479,000	1,067,950	1,042,908
Penalty and interest on taxes	545,000	438,657	513,423
Other	7,850	553,487	490,812
	133,921,041	137,951,920	135,189,487
EXPENDITURES			
General government	6,607,488	7,997,203	8,231,689
Protection to persons and property	24,118,015	25,388,424	24,743,439
Transportation services	8,403,799	13,280,128	12,327,013
Environmental services	15,487,615	20,993,704	20,145,816
Health services	3,308,000	6,537,137	6,677,557
Social and family services	41,662,003	42,431,897	42,421,982
Social housing	12,559,242	10,553,510	11,519,320
Recreation and cultural services	7,649,693	9,611,874	9,037,532
Planning and development	1,949,142	2,098,194	2,169,321
	121,744,997	138,892,071	137,273,669
REVENUE OVER EXPENDITURES BEFORE OTHER REVENUE			
	12,176,044	(940,151)	(2,084,182)
OTHER REVENUE (EXPENDITURES)			
Gain (loss) on sale of tangible capital assets	-	2,455,399	2,376,392
Government transfers related to capital	-	2,987,577	8,651,894
Government business enterprise (note 10)	-	-	20,640,584
Decrease in EAPWSS (note 1.c)	-	(2,741,237)	-
Developer and other contributions related to capital	-	18,477,575	14,143,153
	-	21,179,314	45,812,023
EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR			
	12,176,044	20,239,163	43,727,841
ACCUMULATED SURPLUS, BEGINNING OF YEAR	401,199,024	401,199,024	357,471,183
ACCUMULATED SURPLUS, END OF YEAR	\$ 413,375,068	\$ 421,438,187	\$ 401,199,024

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

**CORPORATION OF THE CITY OF ST. THOMAS
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019	2018
OPERATIONS		
Excess of revenue over expenditures (page 4)	\$ 20,239,163	\$ 43,727,841
Non-cash changes to operations		
Amortization of tangible capital assets	14,415,996	13,479,589
Changes in non-cash operating balances (A)	8,015,931	(3,440,376)
Net change in cash from operations	42,671,090	53,767,054
CAPITAL		
Acquisition of tangible capital assets	(63,091,777)	(31,178,656)
Decrease (increase) in work in progress	12,232,512	3,906,215
Net change on disposal of tangible capital assets	5,638,768	(8,980,286)
Net change in other non-financial assets	(253,927)	124,674
Net change in cash from capital activities	(45,474,424)	(36,128,053)
INVESTING		
Net change in investment in Entegrus Inc.	7,818	(33,025,804)
Net change in investment in Ascent Group Inc.	-	9,641,376
Net change in cash from investing activities	7,818	(23,384,428)
FINANCING		
Proceeds from issuance of long-term debt	-	9,400,000
Repayments of long-term debt	(3,127,957)	(4,174,097)
Net change in cash from financing activities	(3,127,957)	5,225,903
Net change in cash and cash equivalents during the year	(5,923,473)	(519,524)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	44,473,069	44,992,593
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 38,549,596	\$ 44,473,069

(A) Net change in non-cash operating balances includes taxes and accounts receivable, land held for resale, accounts payable and accrued liabilities, deferred revenue, accrual for future tax reassessments and employee benefits payable.

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

**CORPORATION OF THE CITY OF ST. THOMAS
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)
FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019	2018
Excess of revenue over expenditures (page 4)	\$ 20,239,163	\$ 43,727,841
Amortization of tangible capital assets	14,415,996	13,479,589
Acquisition of tangible capital assets	(63,091,777)	(31,178,656)
Net change on disposal of tangible capital assets	5,638,768	(8,980,286)
Decrease (increase) in work in progress	12,232,512	3,906,215
Disposal (acquisition) of supplies inventory	69,348	(171,572)
Disposal (acquisition) of prepaid expenditures	(323,275)	296,246
Increase in net financial assets (debt)	(10,819,265)	21,079,377
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	9,848,446	(11,230,931)
NET FINANCIAL ASSETS (DEBT), END OF YEAR	\$ (970,819)	\$ 9,848,446

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

**CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

1. Significant accounting policies

The consolidated financial statements of the City are prepared by management in accordance with Canadian public sector accounting standards for municipalities as recommended by the Public Sector Accounting Board (PSAB) of the CPA Canada.

The focus of PSAB financial statements is on the financial position of the City and changes thereto. The Consolidated Statement of Financial Position reports financial assets and liabilities. Financial assets are available to provide resources to discharge existing liabilities or finance future operations. Net financial assets represents the financial position of the City and is the difference between financial assets and liabilities. This information explains the City's overall future revenue requirements and its ability to finance activities and meet its obligations.

a. Reporting Entity

These consolidated financial statements reflect the financial assets, liabilities, revenue and expenditures, and accumulated surplus and changes in investment in tangible capital assets of the City.

b. Basis of Consolidation

These consolidated financial statements reflect the assets, liabilities, revenue, expenditures and accumulated surplus of all committees of Council and the following boards, municipal enterprises and utilities which are under the control of Council:

St. Thomas Public Library Board
St. Thomas Economic Development Corporation
St. Thomas Downtown Development Board
Elgin Area Secondary Water Board

All interfund assets, liabilities, revenue and expenditures have been eliminated.

c. Proportionately consolidated entities

The City reports its share of assets, liabilities and resulting operations of any government partnerships in which it participates. The Oxford Elgin St. Thomas Health Unit (OESTHU), Elgin Area Primary Water Supply System (EAPWSS) and Entegrus Inc. have been consolidated on a proportionate basis.

In May 2018, Elgin St. Thomas Public Health and Oxford County Public Health, merged to form OESTHU. The City participates in the OESTHU to the extent of 19.47% (2018 - 20%) based on population.

**CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

1. Significant accounting policies continued

c. Proportionately consolidated entities continued

EAPWSS is proportionately consolidated based upon the water flow used by the City in proportion to the entire flows as provided by the System. This amounts to 26.7% (2018 - 31%). The reduction in the percentage of consolidation has been reflected on the Consolidated Statement of Operations and Accumulated Surplus.

During 2018, the City acquired 20.57% of the common shares of Entegrus Inc. As a government business enterprise of the City, it is accounted for on a Modified Equity basis in these consolidated financial statements. Entegrus Inc. prepares their financial statements in accordance with International Financial Reporting Standards.

d. Non-consolidated entities

There are no non-consolidated entities.

e. Trust funds

Trust funds and their related operations administered by the City are not consolidated, but are reported separately on the Trust Funds Statements of Operations and Financial Position.

f. Accrual accounting

The accrual basis of accounting recognizes revenue as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

g. Non-financial assets

i. Tangible capital assets

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

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

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

**CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

1. Significant accounting policies continued

g. Non-financial assets continued

i. Tangible capital assets continued

Amortization is charged at half the annual rate in the year of acquisition and in the year of disposal. Amortization is not taken on work in progress until the asset is available for productive use. The City has a capitalization threshold of \$25,000 to \$50,000 depending on the nature of the asset, so that individual assets of lesser value are expensed unless they are pooled because collectively they have a significant value.

ii. Leases

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 expense as incurred.

iii. Inventories

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

iv. Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt. The fair value is also recorded as contributed revenue.

h. Land held for resale

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

i. Short-term investments

Portfolio investments are recorded at cost, unless there has been a decline in the market value, which is other than temporary in nature, in which case the investments are written down to market value. At December 31, 2019, the market value approximates cost.

j. Deferred revenue

Grants, 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, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenditures are incurred, services performed, or the tangible capital assets are acquired.

**CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

1. Significant accounting policies continued

k. Employee benefit plans

The costs of retirement benefits are actuarially determined using the projected benefit method prorated on services and management's best estimate of retirement ages of employees and salary escalation.

l. Financial instruments

Financial instruments of the City consist mainly of cash, accounts and taxes receivable. The carrying values of these financial assets approximate their fair values unless otherwise disclosed.

m. Revenue recognition

Government grants and transfers are recognized in the consolidated financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

n. Use of estimates

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards 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 consolidated financial statements, and the reported amounts of revenue and expenditures during the period. Actual results could differ from these estimates.

o. Budgets

The City's Council completes separate budget reviews for its operating and capital budgets each year. The approved operating budget for 2019 is reflected on the Consolidated Statement of Operations and Accumulated Surplus. For capital spending, budgets are set for individual projects and funding for these activities is determined annually and made by transfers from the accumulated surplus and by application of applicable grants and other funds available to apply to capital projects. The budget is unaudited.

p. Investment Income

Investment income is reported as revenue in the period earned.

q. Cash equivalents

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

**CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

2. Trust funds

Trust funds administered by the City amounting to \$44,392, (2018 - \$44,279) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations and Accumulated Surplus. (Note 18)

3. Tax revenue

Property tax billings are prepared by the City based on an assessment roll prepared by the Municipal Property Assessment Corporation. All assessed property values in the City were reviewed and new values established based on a common valuation date which was used by the City in computing the 2019 property tax bills. Property tax revenue and tax receivables are subject to appeals which may not have been heard yet. Any supplementary billing adjustments made necessary by the determination of such appeals will be recognized in the fiscal year they are determined and the effect shared with the appropriate school boards.

4. Operations of School Boards

The City is required to bill, collect and remit taxation revenue on behalf of the School Boards pursuant to provincial legislation. The City has no jurisdiction or control over the operations of these entities or the setting of their tax rates. Therefore, the taxation, other revenue, expenditures, assets and liabilities with respect to the operations of the School Boards are not reflected in these consolidated financial statements.

Taxation revenue billed and requisitions paid on behalf of the School Boards of \$9,598,690 are not reflected in the Consolidated Statement of Operations and Accumulated Surplus.

**CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

5. Pension agreements

The City makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 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 services and rates of pay.

The amount contributed to OMERS for 2019 was \$3,905,863 (2018 - \$3,725,459) for current service and is included as an expenditure on the Consolidated Statement of Operations and Accumulated Surplus.

The City had no obligation, as at December 31, 2019, under the past service provisions. The OMERS funding ratio for 2019 is 97.0% (2018 - 96.0%), with the goal of being fully funded by 2025.

6. Employee benefits payable

The City provides certain employee benefits which have been funded as noted below:

	2019	2018
Workplace Safety and Insurance Board	\$ 4,291,367	\$ 4,049,909
Vested sick leave benefits	1,595,944	1,589,620
Post retirement benefits	7,857,195	7,351,160
Total employee benefits payable	\$ 13,744,506	\$ 12,990,689

Workplace Safety and Insurance Board

The City is a Schedule 2 employer under the Workplace Safety and Insurance Act. As a Schedule 2 employer, the City assumes liability for any awards made under the Act. A comprehensive actuarial valuation of the future liability for WSIB benefits was conducted in 2017 which covers the period from December 31, 2017 to December 31, 2019. Subsequent to year end, the City received a draft update to the 2017 actuarial report based on Province wide assumptions which indicated an accrued obligation of \$8,022,975. The City will evaluate this draft report and record their estimated change in 2020.

Vested sick leave benefits

The City has a sick leave benefit plan which allows certain employees to accumulate unused sick leave. The employees may be entitled to a cash payment when they leave the City's employment. The liability reflects these accumulated days, to the extent that they have vested and could be taken in cash by an employee on termination, death or retirement.

**CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

6. Employee benefits payable continued

Post retirement benefits

Employee post-retirement benefits represents the City's share of the cost to provide employees with extended benefits on retirement to eligible employees and retirees. This liability will require funding in future periods. The accrued benefit obligation and the net periodic benefit cost were determined by an actuarial valuation completed in 2019 in accordance with the financial reporting guideline of PSAB 3250 established by the Public Sector Accounting Board of the CPA Canada.

Significant assumptions are as follows:

General inflation	1.75%
Discount rate	4.00%
Rate of compensation increase	2.75%
Healthcare cost increase	3.75 to 6.42%
Dental cost increase	3.75%

7. Deferred revenue

Deferred revenue is comprised of the following:

	2019	2018
Development charges	\$ 10,231,945	\$ 11,277,156
Recreational land	56,848	55,546
Building department	1,360,884	893,809
Federal gas tax	2,685,085	85,155
Provincial gas tax	798,004	654,369
Other deferred revenue	8,879,367	8,107,625
	\$ 24,012,133	\$ 21,073,660

**CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

8. Net Long-term liabilities

- a. The long-term liabilities reported on the Consolidated Statement of Financial Position is comprised of the following:

	2019	2018
Total long-term liabilities incurred by the City at various rates of interest ranging from 3.06% to 4.76%, with maturity dates ranging from 2026 to 2038.	\$ 31,019,403	\$ 32,884,472
Long-term liabilities assumed through consolidation of OESTHU, interest at 2.85% fixed through swap transaction, plus a stamping fee .40% for a total of 3.25% maturing in 2044	1,527,616	1,611,400
Long-term liabilities assumed through consolidation of EAPWSS at various rates ranging from 1.3% to 3.20%, with maturity dates ranging from 2022 to 2027	3,232,655	4,411,759
	\$ 35,779,674	\$ 38,907,631

- b. Of the net long-term liabilities reported in (a) of this note, the minimum principal repayments required are estimated as follows:

	Recovered from Taxation	Recovered from User Charges
2020	\$ 1,941,698	636,247
2021	2,021,572	650,763
2022	2,104,834	665,455
2023	2,191,630	360,948
2024	2,282,116	367,654
2025 and beyond	20,477,553	2,079,204
	\$ 31,019,403	\$ 4,760,271

- c. The long-term liabilities issued in the name of the municipality 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.
- d. The City paid interest on its long-term liabilities of \$1,318,040 (2018 - \$1,116,709).
- e. The City shares contingent liability for long-term liabilities of OESTHU and EAPWSS. The proportionate amount outstanding as at December 31, 2019 was \$4,760,271 (2018 - \$6,023,159).

**CORPORATION OF THE CITY OF ST. THOMAS
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2019**

9. Accumulated surplus

The accumulated surplus is comprised of the following:

	2019	2018
Surplus		
City	\$ -	\$ -
OESTHU	-	212,143
St. Thomas Downtown Development Board	26,991	40,707
Investment in Tangible Capital Assets	380,005,940	360,359,184
Investment in Entegrus Inc.	33,017,986	33,025,804
Unfunded employee benefits	(13,744,506)	(12,990,689)
Unfunded investment in Entegrus Inc. (note 11)	(7,890,469)	(8,512,932)
Reserves	14,260,053	11,737,737
Reserve funds set aside for specific purpose by legislation, regulation or agreement	15,762,192	17,327,070
Total accumulated surplus	\$421,438,187	\$ 401,199,024

10. Investment in Ascent Group Inc.

The City formerly owned 100% of Ascent Group Inc. which in turn owned 100% of St. Thomas Energy Inc. 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 11) 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. in 2018 which is included in the consolidated statement of operations and accumulated surplus.

**CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

11. Investment in Entegrus Inc.

As at December 31, 2019, the City owns 20.57% of Entegrus Inc., a government business enterprise of the City that is primarily engaged in electricity distribution for its residential, commercial and industrial customers. The investment is accounted for on a Modified Equity basis in these consolidated financial statements. The following information has been extracted from their audited financial statements which are prepared in accordance with International Financial Reporting Standards:

	2019	2018
Statement of Financial Position		
Assets	\$218,432,766	\$ 202,389,508
Liabilities	121,817,219	105,735,824
Net assets	\$ 96,615,547	\$ 96,653,684
Statement of Operations		
Revenues	\$178,254,653	\$ 162,766,262
Expenditures	172,592,790	157,273,699
Net income	\$ 5,661,863	\$ 5,492,563

Entegrus Inc. declared and paid a dividend of \$5,700,000 (2018 - \$5,673,000) of which the City's share was \$1,172,463 (2018 - \$1,256,156). The investment in Entegrus Inc., after the dividend distribution, decreased \$7,818 (2018 - \$224,775). The City has an unfunded internal debt of \$7,890,469 (2018 - \$8,512,932) to finance the share purchase of Entegrus Inc. Any dividend income received from Entegrus Inc. in excess of \$550,000 is applied to this unfunded internal debt.

During the year, the City purchased energy at commercial rates of \$2,209,719 (2018 - \$1,569,820) and billing and collection services of \$324,055 (2018 - \$238,510) from Entegrus Inc. These services were in the normal course of operations of the City.

12. Commitment

The City has committed \$3,500,000 to the St. Thomas Elgin General Hospital payable over a ten year period. As of December 31, 2019, \$2,450,000 has been paid against this commitment. The balance is payable in annual installments of \$ 350,000 until 2022.

13. Public sector salary disclosure

In 2019, one hundred and thirty three employees were paid a salary, as defined in the Public Sector Disclosure Act, 1996 of \$100,000 or more by the Corporation of the City of St. Thomas.

**CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

14. Liability for contaminated sites

The City has reviewed their land inventory in accordance with PSAB 3260 for possible contamination. 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, 2019, the City has not recognized a liability for contaminated sites as the City does not expect that future economic benefits will be given up for remediation of any properties.

15. Segmented information

Segmented information is presented on Schedule 2. The City is a diversified municipality and provides a wide range of services to its citizens including protection, which includes police, fire and protective services, transportation including roads, airport, public transit and parking, environmental, which includes water, wastewater and waste, health, social services, social housing and community services, including parks, recreation, library and cultural, and planning, including economic development. The general government segment includes such functions as finance, information services, council and administrative offices.

16. Social housing debt obligations

The Province of Ontario transferred ownership of housing units to the City on January 1, 2001 and the related debentures outstanding on these units. The debt obligation for these debentures remains with the Province and the repayments are funded by the Province. As at December 31, 2019, \$1,701,634 was outstanding and is not reflected in these financial statements. The City received Provincial funding of \$402,834 towards the repayment of these debentures.

17. Contingent liabilities

As at December 31, 2019, there are certain legal actions 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.

**CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

18. Comparative balances

During 2019, management reviewed the St. Thomas Library Board's trust funds and a prior period adjustment was recorded retroactively to the balances at January 1, 2018 to record a portion of those funds in the Library's operations as designated deferred revenue. The effect of this adjustment was to increase deferred revenue and assets of these consolidated financial statements at December 31, 2018 by \$1,575,917.

Certain of the comparative balances have been reclassified to conform with the current year's financial statement presentation. The comparative balances were audited by the City's former auditor.

19. Subsequent event

In March 2020, the Province of Ontario declared a state of emergency in response to the COVID-19 virus. The City has followed the Provincial orders regarding essential services and as a result, has closed some of its services. It is unclear the total financial impact the COVID-19 virus will have on the City. Council and management continue to monitor the situation.

**CORPORATION OF THE CITY OF ST. THOMAS
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Land and Land Improvements	Buildings	Vehicles	Machinery and Equipment	Infrastructure Roads	Infrastructure Environmental	2019 Total	2018 Total
COST								
Balance, beginning of year	\$ 52,027,770	\$ 194,830,013	\$ 6,674,156	\$ 23,713,334	\$ 104,972,247	\$ 286,694,871	\$ 668,912,391	\$ 629,806,733
Add:								
Additions during the year	11,091,402	12,591,485	1,353,543	2,344,583	14,596,183	21,114,581	63,091,777	42,239,294
Less:								
Disposals during the year	(412,217)	(415,995)	(763,562)	(3,286,144)	(111,268)	(6,173,997)	(11,163,183)	(3,133,636)
Balance, end of year	62,706,955	207,005,503	7,264,137	22,771,773	119,457,162	301,635,455	720,840,985	668,912,391
ACCUMULATED AMORTIZATION								
Balance, beginning of year	19,532,628	111,989,816	3,882,975	9,975,527	55,959,304	92,217,673	293,557,923	281,131,618
Add:								
Amortization during the year	1,339,046	3,330,030	481,145	1,637,882	3,046,397	4,581,496	14,415,996	13,479,589
Less:								
Disposals during the year	(78,400)	(329,469)	(763,562)	(1,357,768)	(10,303)	(2,984,913)	(5,524,415)	(1,053,284)
Balance, end of year	20,793,274	114,990,377	3,600,558	10,255,641	58,995,398	93,814,256	302,449,504	293,557,923
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 41,913,681	\$ 92,015,126	\$ 3,663,579	\$ 12,516,132	\$ 60,461,764	\$ 207,821,199	\$ 418,391,481	\$ 375,354,468

This schedule is provided for information purposes only.

**CORPORATION OF THE CITY OF ST. THOMAS
CONSOLIDATED SCHEDULE OF SEGMENTED INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General Government	Protective Services	Transportation	Environmental	Health	Social and Family Services	Social Housing	Recreation and Culture	Planning and Development	Total
REVENUE										
Taxation	\$ 7,604,849	\$ 21,798,893	\$ 5,549,405	\$ 2,488,000	\$ 3,363,000	\$ 4,054,023	\$ 2,555,473	\$ 6,174,031	\$ 1,282,205	\$ 54,869,879
User fees	561,717	1,546,406	2,741,184	19,683,304	437,641	3,397,759	35,692	1,568,888	226,508	30,199,099
Government grants	4,518,446	1,362,388	1,958,413	95,340	3,188,231	34,499,121	7,533,188	58,990	596,308	53,810,425
Investment income	983,379	-	-	68,514	15,972	-	-	85	-	1,067,950
Penalty and interest	438,657	-	-	-	-	-	-	-	-	438,657
Other	2,577,651	291,878	9,817,619	4,151,952	-	-	-	1,906,124	-	18,745,224
	16,684,699	24,999,565	20,066,621	26,487,110	7,004,844	41,950,903	10,124,353	9,708,118	2,105,021	159,131,234
EXPENDITURES										
Salaries and benefits	5,226,130	21,709,510	2,814,821	3,869,286	1,813,365	12,857,335	600,171	4,735,708	1,365,481	54,991,807
Goods and services	2,287,548	2,604,456	6,393,925	10,790,302	4,567,066	28,465,298	9,681,349	2,643,571	732,713	68,166,228
Interest	-	438,324	-	89,940	49,912	412,315	-	327,549	-	1,318,040
Amortization	483,525	636,134	4,071,382	6,244,176	106,794	696,949	271,990	1,905,046	-	14,415,996
	7,997,203	25,388,424	13,280,128	20,993,704	6,537,137	42,431,897	10,553,510	9,611,874	2,098,194	138,892,071
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE)	\$ 8,687,496	\$ (388,859)	\$ 6,786,493	\$ 5,493,406	\$ 467,707	\$ (480,994)	(429,157)	\$ 96,244	\$ 6,827	\$ 20,239,163

This schedule is provided for information purposes only.