

CORPORATION OF THE CITY OF ST. THOMAS
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

**CORPORATION OF THE CITY OF ST. THOMAS
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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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 consolidated financial statements of Corporation of the City of St. Thomas (the "City"), which comprise the Consolidated Statement of Financial Position as at December 31, 2021, and Consolidated Statements of Operations and Accumulated Surplus, Cash Flows and Change in Net Financial Assets for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Corporation of the City of St. Thomas as at December 31, 2021 and its financial performance and its cash flows and change in net 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 consolidated 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 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 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 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.

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.

November 7, 2022
London, Canada

Scrimgeour & Company
LICENSED PUBLIC ACCOUNTANT

**CORPORATION OF THE CITY OF ST. THOMAS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021**

| | 2021 | 2020 |
|--|-----------------------|-----------------------|
| FINANCIAL ASSETS | | |
| Cash and short-term investments (note 1.j) | \$ 73,178,954 | \$ 67,466,128 |
| Taxes receivable | 382,249 | 2,431,336 |
| Accounts receivable | 12,628,826 | 12,550,176 |
| Land held for resale | 3,556,058 | 3,556,058 |
| Investment in Entegrus Inc. (note 11) | 33,333,787 | 32,659,826 |
| | 123,079,874 | 118,663,524 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | 24,859,880 | 18,726,967 |
| Deferred revenue - obligatory reserve funds (note 7) | 31,034,364 | 32,708,241 |
| Employee benefits payable (note 6) | 16,739,454 | 14,924,987 |
| Net long-term liabilities (note 8.a) | 38,790,668 | 41,611,953 |
| | 111,424,366 | 107,972,148 |
| NET FINANCIAL ASSETS | 11,655,508 | 10,691,376 |
| NON-FINANCIAL ASSETS (NOTE 1.G) | | |
| Tangible capital assets - Schedule 1 | 439,552,855 | 418,881,241 |
| Capital work in progress | 5,434,655 | 2,530,384 |
| Inventories | 659,459 | 657,378 |
| Prepaid expenditures | 1,426,845 | 1,506,888 |
| | 447,073,814 | 423,575,891 |
| ACCUMULATED SURPLUS (NOTE 9) | \$ 458,729,322 | \$ 434,267,267 |

The accompanying notes are an integral part of the financial statements

**CORPORATION OF THE CITY OF ST. THOMAS
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2021**

| | Budget 2021 | Actual 2021 | Actual 2020 |
|---|-----------------------|-----------------------|-----------------------|
| REVENUE | | | |
| Taxation revenue | \$ 59,462,699 | \$ 57,916,310 | \$ 57,713,432 |
| User charges | 32,500,359 | 33,357,511 | 30,960,447 |
| Government grants | 49,047,631 | 55,688,058 | 49,228,096 |
| Investment income | 1,479,000 | 1,564,140 | 1,124,410 |
| Penalty and interest on taxes | 460,000 | 389,280 | 492,390 |
| Other revenue | 2,500 | 135,460 | 119,806 |
| | 142,952,189 | 149,050,759 | 139,638,581 |
| EXPENDITURES | | | |
| General government | 7,799,487 | 10,169,155 | 9,187,340 |
| Protection to persons and property | 26,434,267 | 28,359,083 | 27,217,908 |
| Transportation services | 8,630,038 | 13,502,507 | 12,678,012 |
| Environmental services | 16,879,815 | 23,042,488 | 22,625,156 |
| Health services | 3,839,963 | 9,443,676 | 6,611,559 |
| Social and family services | 41,932,852 | 39,741,140 | 38,648,075 |
| Social housing | 13,206,483 | 14,397,247 | 11,193,661 |
| Recreation and cultural development | 7,921,980 | 10,295,712 | 9,642,520 |
| Planning and development | 1,883,229 | 2,132,183 | 2,291,530 |
| | 128,528,114 | 151,083,191 | 140,095,761 |
| EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE) BEFORE OTHER | | | |
| | 14,424,075 | (2,032,432) | (457,180) |
| OTHER REVENUE (EXPENDITURES) | | | |
| Gain (loss) on sale of tangible capital assets | - | 2,072,503 | 19,231 |
| Government transfers related to capital | - | 9,614,409 | 2,292,010 |
| Government business enterprise (note 10) | - | 673,961 | (358,160) |
| Increase (decrease) in EAPWSS (note 1.c) | - | 753,337 | 1,610,867 |
| Developer and other contributions related to capital | - | 13,380,277 | 9,722,312 |
| | - | 26,494,487 | 13,286,260 |
| EXCESS OF REVENUE OVER EXPENDITURES | 14,424,075 | 24,462,055 | 12,829,080 |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR | | | |
| | 434,267,267 | 434,267,267 | 421,438,187 |
| ACCUMULATED SURPLUS, END OF YEAR | \$ 448,691,342 | \$ 458,729,322 | \$ 434,267,267 |

The accompanying notes are an integral part of the financial statements

**CORPORATION OF THE CITY OF ST. THOMAS
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021**

| | 2021 | 2020 |
|--|----------------------|----------------------|
| NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES: | | |
| OPERATING ACTIVITIES | | |
| Excess of revenue over expenditures (page 4) | \$ 24,462,055 | \$ 12,829,080 |
| Non-cash changes to operations | | |
| Amortization | 15,933,028 | 15,530,622 |
| Net change in working capital other than cash (A) | 8,243,940 | 11,063,898 |
| | 48,639,023 | 39,423,600 |
| INVESTING ACTIVITIES | | |
| Acquisition of tangible capital assets | (37,177,126) | (23,989,386) |
| Decrease (increase) in capital work in progress | (2,904,271) | (514,147) |
| Net change on disposal of tangible capital assets | 572,484 | 7,969,004 |
| Net change in other non-financial assets | 77,962 | (162,978) |
| Net change in investment in Entegrus Inc. | (673,961) | 358,160 |
| | (40,104,912) | (16,339,347) |
| FINANCING ACTIVITIES | | |
| Net proceeds (repayments) in long-term debt and bank loan | (2,821,285) | 5,832,279 |
| | (2,821,285) | 5,832,279 |
| Net change in cash and cash during the year | 5,712,826 | 28,916,532 |
| Cash and cash equivalents, beginning of year | 67,466,128 | 38,549,596 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 73,178,954 | \$ 67,466,128 |

(A) Net change in working capital other than cash includes the net change in taxes receivable, accounts receivable, land held for resale, accounts payable and accrued liabilities, other current liabilities and deferred revenue.

The accompanying notes are an integral part of the financial statements

**CORPORATION OF THE CITY OF ST. THOMAS
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021**

| | 2021 | 2020 |
|--|----------------------|----------------------|
| Excess of revenue over expenditures (page 4) | \$ 24,462,055 | \$ 12,829,080 |
| Amortization of tangible capital assets | 15,933,028 | 15,530,622 |
| Investment in capital works in progress | (2,904,271) | (514,147) |
| Change in inventory | 572,484 | 7,969,004 |
| Change in prepaid supplies | 77,962 | (162,978) |
| Acquisition of tangible capital assets | (37,177,126) | (23,989,386) |
| Increase in net financial assets | 964,132 | 11,662,195 |
| NET FINANCIAL ASSETS (LIABILITIES), BEGINNING OF YEAR | 10,691,376 | (970,819) |
| NET FINANCIAL ASSETS, END OF YEAR | \$ 11,655,508 | \$ 10,691,376 |

The accompanying notes are an integral part of the financial statements

**CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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 Corporation of the City of St. Thomas 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. Significant aspects of the accounting policies adopted by the City are as follows:

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.

**CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

1. Significant accounting policies continued

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% (2020 - 19.47%) based on population.

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 30.22% (2020 - 29.16%). The increase 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. Revenue recognition

Revenue is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. 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 determined.

f. 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.

**CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

1. Significant accounting policies continued

g. 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 revenue over expenditures, provides the Consolidated Change in Financial Assets for the year.

i. Tangible capital assets

The City's non-financial assets consist of 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 is amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|--------------------------------|----------------|
| Land Improvements | 10 to 50 years |
| Buildings and components | 40 years |
| Vehicles | 8 to 20 years |
| Machinery and equipment | 5 to 10 years |
| Roads and paved areas | 20 to 40 years |
| Bridges and other structures | 30 to 75 years |
| Plants and facilities | 20 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 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 to 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.

**CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

1. Significant accounting policies continued

h. 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, liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

i. Financial instruments

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

j. Cash equivalents

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

k. 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, 2021, the market value approximates cost.

l. 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.

m. Deferred revenue

Government transfers, 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.

n. 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.

**CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

1. Significant accounting policies continued

o. Budget figures

The City's Council completes separate budget reviews for its operating and capital budgets each year. The approved operating budget for 2021 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.

2. Trust funds

Trust funds administered by the City amounting to \$48,840 (2020 - \$43,480) have not been included in these consolidated financial statements.

3. Tax revenue

Property tax billings are prepared by the City based on an assessment roll prepared by the Ontario 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 2021 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.

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 2021 was \$3,947,766 (2020 - \$3,819,415) for current service and is included as an expenditure on the Consolidated Statement of Operations and Accumulated Surplus.

The City has no obligation, as of December 31, 2021, under the past service provisions. The OMERS funding ratio for 2021 is 97.0% (2020 - 97.0%), with the goal of being fully funded by 2025.

**CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

6. Employee benefits payable

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

| | 2021 | 2020 |
|--------------------------------------|----------------------|----------------------|
| Workplace Safety and Insurance Board | \$ 5,476,777 | \$ 4,865,942 |
| Vested sick leave benefits | 1,736,444 | 1,675,385 |
| Post retirement benefits | 9,526,233 | 8,383,660 |
| | \$ 16,739,454 | \$ 14,924,987 |

i. 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 2019, which covers the period from December 31, 2020 to December 31, 2022. WSIB administration and physician fees are set at 28%.

Significant assumptions are as follows:

- General inflation 1.75%
- Discount rate 3.50%
- Expected Average Remaining Service Life (EARSL) 11.31 years

ii. 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, 2021**

6. Employee benefits payable continued

iii. 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 subsequent to year end with new valuations for 2021 to 2024 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 3.250%
- Rate of compensation increase 2.75%
- Healthcare cost increase 5.42 to 6.42%
- Dental cost increase 3.75%

7. Deferred revenue - obligatory reserve funds

A requirement of the public sector accounting standards 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 as follows:

| | 2021 | 2020 |
|------------------------|----------------------|----------------------|
| Building department | \$ 2,381,320 | \$ 1,897,940 |
| Development charges | 7,597,107 | 11,251,628 |
| Federal gas tax | 4,311,180 | 2,777,781 |
| Provincial gas tax | 1,097,746 | 942,081 |
| Recreational land | 136,486 | 79,818 |
| Safe restart | 1,050,036 | 811,652 |
| Other deferred revenue | 14,460,489 | 14,947,341 |
| | \$ 31,034,364 | \$ 32,708,241 |

**CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

8. Long-term liabilities

a. Composition of long-term liabilities

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

| | 2021 | 2020 |
|--|----------------------|----------------------|
| Total long-term liabilities incurred by the City at various rates of interest ranging from 2.89% to 4.76%, with maturity date ranging from 2026 to 2050 | \$ 35,040,332 | \$ 37,240,373 |
| Long-term liabilities assumed through consolidation of OESTHU, interest at 2.85% fixed through swap transaction, plus a stamping fee 0.40% for a total of 3.25% maturing in 2044 | 1,441,169 | 1,485,172 |
| Long-term liabilities assumed through consolidation of EAPWSS at various rates ranging from 1.7% to 3.20%, with maturity dates ranging from 2022 to 2027 | 2,309,167 | 2,886,408 |
| | \$ 38,790,668 | \$ 41,611,953 |

b. Debt retirement

Debt to be retired over the next five years:

| | Recovered from Taxation | Recovered from Consolidated Entities |
|---------------------|----------------------------|---|
| 2022 | \$ 2,288,498 | \$ 747,230 |
| 2023 | \$ 2,380,641 | \$ 402,348 |
| 2024 | \$ 2,476,628 | \$ 411,300 |
| 2025 | \$ 2,576,626 | \$ 421,023 |
| 2026 | \$ 2,017,205 | \$ 430,966 |
| 2027 and thereafter | \$ 23,300,734 | \$ 1,337,469 |

**CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

8. Long-term liabilities continued

c. Approval

The long-term liabilities issued in the name of the City have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the debt repayment limit prescribed by the Ministry of Municipal Affairs.

d. Interest charges

The City paid interest on the long-term liabilities of \$1,372,568 (2020 - \$1,400,919).

e. Contingent liability

The City shares contingent liability for long-term liabilities of OESTHU and EAPWSS. The proportionate amount outstanding as at December 31, 2021, there is \$3,750,336 (2020 - \$4,371,580).

9. Accumulated Surplus

The accumulated surplus on the Consolidated Statement of Financial Position at the end of the year is comprised of the following:

| | 2021 | 2020 |
|---|-----------------------|-----------------------|
| Investment in tangible capital assets | \$ 406,659,977 | \$ 380,975,015 |
| Surplus: | | |
| Investment in Entegrus Inc. | 33,333,787 | 32,659,826 |
| St. Thomas Downtown Development Board | 86,873 | 68,118 |
| Unfunded employee benefits | (16,739,454) | (14,924,987) |
| Unfunded investment in Entegrus Inc. | (6,604,403) | (7,247,436) |
| Total Surplus | 10,076,803 | 10,555,521 |
| Reserves | 17,994,208 | 24,898,625 |
| Reserve funds aside for specific purpose by legislation, regulation or agreement | 23,998,334 | 17,838,106 |
| Total reserve and reserve funds | 41,992,542 | 42,736,731 |
| ACCUMULATED SURPLUS | \$ 458,729,322 | \$ 434,267,267 |

**CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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.

11. Investment in Entegrus Inc.

As at December 31, 2021, 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:

| | 2021 | 2020 |
|--|----------------------|----------------------|
| Statement of Financial Position | | |
| Assets | \$ 234,373,639 | \$ 226,568,649 |
| Liabilities | 136,223,103 | 131,694,408 |
| Net Assets | \$ 98,150,536 | \$ 94,874,241 |
| Statement of Operations | | |
| Revenue | \$ 184,256,560 | \$ 196,501,820 |
| Expenditures | 175,180,265 | 192,443,126 |
| Net Income | \$ 9,076,295 | \$ 4,058,694 |

Entegrus Inc. declared and paid a dividend of \$5,800,000 (2020 - \$5,800,000) of which the City's share was \$1,193,033 (2020 - \$1,193,033). The investment in Entegrus Inc., after the dividend distribution, increased (decreased) \$673,961 (2020 - \$(358,160)). The City has an unfunded internal debt of \$6,604,403 (2020 - \$7,247,436) 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 \$1,917,249 (2020 - \$1,872,759) and billing and collection services of \$337,808 (2020 - \$330,860) from Entegrus Inc. These services were in the normal course of operations of the City.

**CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

12. Commitments

The City has committed \$3,500,000 to the St. Thomas Elgin General Hospital payable over a ten year period. As of December 31, 2021, \$3,150,000 has been paid against this commitment. The balance is payable in annual installments of \$350,000 until 2022.

The City has committed land and funding of \$3,700,000 towards the construction of an Affordable Housing project that will be built over the next two years. The Province will fund \$3,000,000 of this \$3,700,000 monetary commitment.

In addition, the City has committed \$4,000,000 to build a day care centre that will be commenced in the year ended December 31, 2022. The City has received \$2,600,000 from the Province of Ontario towards this centre, which has been included in deferred revenue as at December 31, 2021.

13. Public sector salary disclosure

In 2021, there are one hundred and thirty one employees 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.

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, 2021, 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, 2021, \$1,162,469 was outstanding and is not reflected in these financial statements. The City received Provincial funding of \$326,370 towards the repayment of these debentures.

**CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

17. Contingent liabilities

As at December 31, 2021, 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.

18. Comparative balances

Certain of the comparative balances have been reclassified to conform with the current year's financial statement presentation.

19. Significant 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 as required under these orders in 2021 and 2020. It is unclear the total financial impact the COVID-19 virus will have on the City. Council and staff continue to monitor the situation.

20. Subsequent event

Subsequent to December 31, 2021, the City purchased a significant parcel of land. It is anticipated this land will be developed and sold in the future years. The financial impact of this project can not be determined as of the date of these financial statements.

**CORPORATION OF THE CITY OF ST. THOMAS
SCHEDULE 1 - CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021**

| | Land and Land Improvements | Buildings | Vehicles | Machinery and Equipment | Infrastructure Roads | Infrastructure Environmental | 2021 Total | 2020 Total |
|--|-------------------------------|----------------------|---------------------|----------------------------|-------------------------|---------------------------------|-----------------------|-----------------------|
| COST | | | | | | | | |
| Balance, beginning of year (note 18) | \$ 63,333,458 | \$ 209,928,032 | \$ 10,701,217 | \$ 22,405,778 | \$ 126,288,182 | \$ 304,507,226 | \$ 737,163,893 | \$ 720,840,985 |
| Add: | | | | | | | | |
| Additions during the year | 2,410,379 | 6,187,761 | 525,957 | 1,394,358 | 8,245,528 | 18,413,143 | 37,177,126 | 23,989,386 |
| Less: | | | | | | | | |
| Disposals during the year | (207,034) | (1,307,163) | (326,015) | (731,238) | (2,580,730) | (57,988) | (5,210,168) | (7,666,478) |
| Balance, end of year | 65,536,803 | 214,808,630 | 10,901,159 | 23,068,898 | 131,952,980 | 322,862,381 | 769,130,851 | 737,163,893 |
| ACCUMULATED AMORTIZATION | | | | | | | | |
| Balance, beginning of year (note 18) | 22,678,583 | 118,995,676 | 6,087,929 | 9,119,105 | 63,734,534 | 97,666,825 | 318,282,652 | 302,449,504 |
| Add: | | | | | | | | |
| Amortization during the year | 1,663,726 | 3,691,166 | 759,822 | 1,630,188 | 3,396,426 | 4,791,700 | 15,933,028 | 15,530,622 |
| Less: | | | | | | | | |
| Disposals during the year | (507,796) | (1,320,917) | (346,961) | (715,592) | (1,688,430) | (57,988) | (4,637,684) | 302,526 |
| Balance, end of year | 23,834,513 | 121,365,925 | 6,500,790 | 10,033,701 | 65,442,530 | 102,400,537 | 329,577,996 | 318,282,652 |
| NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS | \$ 41,702,290 | \$ 93,442,705 | \$ 4,400,369 | \$ 13,035,197 | \$ 66,510,450 | \$ 220,461,844 | \$ 439,552,855 | \$ 418,881,241 |

This schedule is provided for information purposes only.

**CORPORATION OF THE CITY OF ST. THOMAS
SCHEDULE 2 - CONSOLIDATED SCHEDULE OF SEGMENTED INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021**

| | General Government | Protective Services | Transportation | Environmental | Health | Social and Family Services | Social Housing | Recreation and Culture | Planning and Agriculture | Total |
|--|-----------------------|------------------------|---------------------|---------------------|---------------------|-------------------------------|---------------------|---------------------------|-----------------------------|----------------------|
| REVENUE | | | | | | | | | | |
| Taxation | \$ 10,651,280 | \$ 21,798,893 | \$ 5,549,405 | \$ 2,488,000 | \$ 3,363,000 | \$ 4,054,023 | \$ 2,555,473 | \$ 6,174,031 | \$ 1,282,205 | \$ 57,916,310 |
| User fees | 680,062 | 1,490,879 | 2,696,680 | 23,098,540 | 44,096 | 4,111,371 | - | 1,007,075 | 228,808 | 33,357,511 |
| Government grants | 8,914,720 | 1,483,909 | 5,757,148 | 98,412 | 5,643,279 | 31,060,376 | 11,727,361 | 66,724 | 550,538 | 65,302,467 |
| Investment income | 1,478,252 | - | - | 83,664 | 1,851 | - | - | 373 | - | 1,564,140 |
| Penalty and interest on taxes | 389,280 | - | - | - | - | - | - | - | - | 389,280 |
| Other | 10,066,161 | 5,229 | 1,116,566 | 4,866,387 | - | - | - | 916,795 | 44,400 | 17,015,538 |
| | 32,179,755 | 24,778,910 | 15,119,799 | 30,635,003 | 9,052,226 | 39,225,770 | 14,282,834 | 8,164,998 | 2,105,951 | 175,545,246 |
| EXPENDITURES | | | | | | | | | | |
| Salaries and benefits | 7,484,177 | 24,092,556 | 3,086,471 | 4,305,687 | 3,402,288 | 14,037,985 | 569,974 | 4,731,403 | 1,416,688 | 63,127,229 |
| Goods and services | 2,157,149 | 3,140,919 | 5,831,509 | 12,055,321 | 5,858,711 | 24,276,654 | 13,566,124 | 3,048,484 | 715,495 | 70,650,366 |
| Interest | - | 403,079 | - | 72,094 | 47,613 | 546,165 | - | 303,617 | - | 1,372,568 |
| Amortization | 527,829 | 722,529 | 4,584,527 | 6,609,386 | 135,064 | 880,336 | 261,149 | 2,212,208 | - | 15,933,028 |
| | 10,169,155 | 28,359,083 | 13,502,507 | 23,042,488 | 9,443,676 | 39,741,140 | 14,397,247 | 10,295,712 | 2,132,183 | 151,083,191 |
| EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE) | | | | | | | | | | |
| | \$ 22,010,600 | \$ (3,580,173) | \$ 1,617,292 | \$ 7,592,515 | \$ (391,450) | \$ (515,370) | \$ (114,413) | \$ (2,130,714) | \$ (26,232) | \$ 24,462,055 |

This schedule is provided for information purposes only.