

CORPORATION OF THE CITY OF ST. THOMAS
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

**CORPORATION OF THE CITY OF ST. THOMAS
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

-1-	Independent Auditor's Report
-3-	Consolidated Statement of Financial Position
-4-	Consolidated Statement of Operations and Accumulated Surplus
-5-	Consolidated Statement of Remeasurement Gains and Losses
-6-	Consolidated Statement of Cash Flows
-7-	Consolidated Statement of Change in Net Financial Assets
-8-	Notes to the Consolidated Financial Statements
-21-	Schedule 1 - Consolidated Schedule of Tangible Capital Assets
-22-	Schedule 2 - Consolidated Schedule of Segmented Information



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, 2025, and Consolidated Statements of Operations and Accumulated Surplus, Remeasurement Gains and Losses, 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, 2025 and its financial performance and its cash flows and change in net assets, including remeasurement gains and losses, 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.

August 10, 2026
London, Canada

Scrimgeour & Company
LICENSED PUBLIC ACCOUNTANT

CORPORATION OF THE CITY OF ST. THOMAS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2025

	2025	2024
FINANCIAL ASSETS		
Cash and short-term investments (note 1.j), (note 1.k)	\$ 69,267,577	\$ 81,411,689
Taxes receivable	3,806,596	4,914,200
Accounts receivable	91,317,616	43,506,027
Land held for resale (note 1.l)	3,556,058	3,556,058
Investment in Entegrus Inc. (note 13)	34,311,848	33,762,247
	202,259,695	167,150,221
LIABILITIES		
Accounts payable and accrued liabilities	59,636,275	42,087,284
Deferred revenue - obligatory reserve funds (note 8)	40,218,918	44,259,805
Employee benefits payable (note 7)	23,461,778	21,472,399
Asset retirement obligation (note 15)	17,745,477	17,751,883
Net long-term liabilities (note 9.a)	36,949,029	40,070,716
Derivatives (note 10)	68,843	52,108
	178,080,320	165,694,195
NET FINANCIAL ASSETS	24,179,375	1,456,026
NON-FINANCIAL ASSETS (NOTE 1.G)		
Tangible capital assets - Schedule 1	522,221,424	518,078,792
Capital work in progress (note 20)	394,530,850	288,424,915
Inventories	689,748	649,224
Prepaid expenditures	3,512,649	1,883,608
	920,954,671	809,036,539
ACCUMULATED SURPLUS	\$945,134,046	\$810,492,565
ACCUMULATED SURPLUS IS COMPRISED OF:		
Accumulated operating surplus (note 11)	\$945,202,889	\$810,544,673
Accumulated remeasurement losses (note 10)	(68,843)	(52,108)
	\$945,134,046	\$810,492,565

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, 2025

	Budget 2025	Actual 2025	Actual 2024
REVENUE			
Taxation revenue	\$ 73,725,325	\$ 74,505,101	\$ 69,639,506
User charges	42,010,616	60,048,191	42,988,020
Government grants	68,501,297	77,146,985	67,405,345
Investment income	2,105,900	2,395,151	2,503,950
Penalty and interest on taxes	420,000	712,816	615,616
Other revenue	114,500	154,536	110,500
	186,877,638	214,962,780	183,262,937
EXPENDITURES			
General government	10,853,764	14,270,011	10,960,901
Protection to persons and property	37,616,011	40,249,829	37,903,485
Transportation services	10,206,383	19,998,842	17,006,122
Environmental services	19,883,738	26,711,405	25,068,776
Health services	4,684,025	8,255,515	7,759,150
Social and family services	57,308,332	62,450,059	54,792,991
Social housing	19,859,454	17,774,211	15,480,809
Recreation and cultural development	10,061,830	13,318,941	12,235,538
Planning and development	5,298,767	4,660,736	4,280,870
	175,772,304	207,689,549	185,488,642
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE)			
BEFORE OTHER	11,105,334	7,273,231	(2,225,705)
OTHER REVENUE (EXPENDITURES)			
Gain (loss) on disposal of tangible capital assets and land	1,320,000	(334)	(26,587,210)
Government transfers related to capital	174,748,968	113,467,967	82,469,486
Government business enterprise (note 12)	-	549,599	(1,228,623)
Increase (decrease) in EAPWSS (note 1.c)	-	1,026,502	2,602,047
Developer and other contributions related to capital	56,859,229	12,341,251	16,304,242
	232,928,197	127,384,985	73,559,942
EXCESS OF REVENUE OVER EXPENDITURES	244,033,531	134,658,216	71,334,237
ACCUMULATED SURPLUS, BEGINNING OF YEAR			
	810,544,673	810,544,673	739,210,436
ACCUMULATED SURPLUS, END OF YEAR (NOTE 11)			
	\$1,054,578,204	\$ 945,202,889	\$ 810,544,673

The accompanying notes are an integral part of the financial statements

CORPORATION OF THE CITY OF ST. THOMAS
CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2025

	2025	2024
ACCUMULATED REMEASUREMENT LOSSES, BEGINNING OF YEAR	\$ (52,108)	\$ (73,423)
Unrealized gain (loss) attributable to derivatives	(16,735)	21,315
ACCUMULATED REMEASUREMENT LOSSES, END OF YEAR	\$ (68,843)	\$ (52,108)

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, 2025**

	2025	2024
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING ACTIVITIES		
Excess of revenue over expenditures (page 4)	\$ 134,658,216	\$ 71,334,237
Non-cash changes to operations		
Amortization	20,413,977	18,725,905
Unrealized gain (loss) attributable to derivatives	(16,735)	21,315
Net change in working capital other than cash (A)	(31,196,175)	29,208,679
	123,859,283	119,290,136
INVESTING ACTIVITIES		
Acquisition of tangible capital assets	(26,729,050)	(63,007,130)
Decrease (increase) in capital work in progress	(106,105,935)	(52,154,796)
Net change on disposal of tangible capital assets	2,172,441	2,653,034
Net change in other non-financial assets	(1,669,565)	978,549
Net change in investment in Entegrus Inc.	(549,599)	1,228,623
	(132,881,708)	(110,301,720)
FINANCING ACTIVITIES		
Net proceeds (repayments) in long-term debt and bank loan	(3,121,687)	7,258,174
	(3,121,687)	7,258,174
Net change in cash and cash during the year	(12,144,112)	16,246,590
Cash and cash equivalents, beginning of year	81,411,689	65,165,099
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 69,267,577	\$ 81,411,689

(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, deferred revenue, employee benefits payable, asset retirement obligation and derivatives.

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, 2025

	Budget 2025	Actual 2025	Actual 2024
Excess of revenue over expenditures (page 4)	\$ 244,033,531	\$ 134,658,216	\$ 71,334,237
Amortization of tangible capital assets	-	20,413,977	18,725,905
Investment in capital works in progress	102,542,460	(106,105,935)	(52,154,796)
Change in inventory	-	(40,524)	18,201
Change in prepaid supplies	-	(1,629,041)	960,348
Net disposal of tangible capital assets	-	2,172,441	2,653,034
Acquisition of tangible capital assets	(319,606,520)	(26,729,050)	(63,007,130)
Unrealized gain attributable to derivatives	-	(16,735)	21,315
Change in net financial assets	26,969,471	22,723,349	(21,448,886)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	1,456,026	1,456,026	22,904,912
NET FINANCIAL ASSETS, END OF YEAR	\$ 28,425,497	\$ 24,179,375	\$ 1,456,026

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, 2025**

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 (PS) 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 represent 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, 2025**

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 19.78% (2024 - 19.78%) 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 29.87% (2024 - 28.62%). The increase (2024 - 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, 2025

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, 2025**

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, 2025, the short-term investments, included in cash and short-term investments on the Statement of Financial Position of \$NIL (2024 - \$6,200,888). The short-term investment matured in 2025.

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, 2025**

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 2025 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. Asset retirement obligations

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

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

Retirement obligations related to City-owned land, buildings and underground pipes containing asbestos, are estimated and recognized as a liability and an increase in the cost of the asset at the time of acquisition. The liability is discounted annually over the same useful life as the asset's annual amortization expense, calculated in accordance with the City's amortization policies. The liability is increased due to the passage of time and is recorded as accretion expense on Schedule 2 under Rents and Financial Expenses.

2. Public Sector Accounting Standards (PSAS)

There are two new PSAS that will be implemented for the year ended December 31, 2027.

PS 1100 will replace PS 1000. This standard provides a new Conceptual Framework providing guidance for the application of accounting policies where no standard exists and will guide future new standards.

PS 1202 will result in a new Financial Statement Presentation Model. The changes will result in the following:

- a. Restructured Statement of Financial Position with liabilities classified as financial or non-financial.
- b. New statements disclosing the change in net assets and net debt as well as debt indicators.
- c. Isolated financing transactions in the Statement of Cash Flows.

Management is currently assessing the impact of these new standards on future financial statements.

3. Trust funds

Trust funds administered by the City amounting to \$22,774 (2024 - \$28,506) have not been included in these consolidated financial statements.

CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

4. 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 2025 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.

5. 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.

6. 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 2025 was \$5,734,718 (2024 - \$4,240,218) 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, 2025, under the past service provisions. The OMERS funding ratio for 2025 is 99.0% (2024 - 98.0%).

7. Employee benefits payable

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

	2025	2024
Workplace Safety and Insurance Board	\$ 9,451,146	\$ 8,329,969
Vested sick leave benefits	2,088,252	1,920,270
Post retirement benefits	11,922,380	11,222,160
	\$ 23,461,778	\$ 21,472,399

**CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

7. Employee benefits payable continued

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 2023, which covers the period from December 31, 2023 to December 31, 2025. WSIB administration and physician fees are set at 23%.

Significant assumptions are as follows:

- Interest rate 5.00%
- General inflation 2.00%
- Discount rate 5.00%
- Expected Average Remaining Service Life (EARSL) 10.48 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 the 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.

iii. Post retirement benefits

Employee post-retirement benefits represent 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 with valuations for 2025 to 2027 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 2.00%
- Discount rate 4.25%
- Rate of compensation increase 3.00%
- Healthcare cost increase 5.67% for 2025 to 2026
- Dental cost increase 4.00%

CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

8. 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:

	2025	2024
Building department	\$ 4,189,807	\$ 4,134,135
Development charges	14,365,339	17,658,511
Canada Community Building Fund	782,272	100,000
OCIF	3,427,250	1,944,587
Other deferred revenue	15,489,992	18,674,556
Provincial gas tax	1,636,150	1,431,880
Recreational land	328,108	316,136
	\$ 40,218,918	\$ 44,259,805

9. 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:

	2025	2024
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 2054.	\$ 35,155,143	\$ 37,894,565
Long-term liabilities assumed through consolidation of OESTHU, interest at 2.56% fixed through swap transaction, plus a stamping fee 0.69% for a total of 3.25% maturing in 2044.	1,270,667	1,321,502
Long-term liabilities assumed through consolidation of EAPWSS at various rates ranging from 2.20% to 2.85%, with maturity dates ranging from 2026 to 2027.	523,219	854,649
	\$ 36,949,029	\$ 40,070,716

CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

9. Long-term liabilities continued

b. Debt retirement

Debt to be retired over the next five years and thereafter:

	Recovered from Taxation	Recovered from Consolidated Entities
2026	\$ 2,187,394	\$ 425,811
2027	\$ 1,592,307	\$ 200,659
2028	\$ 1,647,256	\$ 54,197
2029	\$ 1,704,131	\$ 55,977
2030	\$ 1,763,001	\$ 57,758
2030 and thereafter	\$ 26,261,054	\$ 999,484

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 \$1,315,869 (2024 - \$1,103,302).

e. Contingent liability

The City shares contingent liability for long-term liabilities of OESTHU and EAPWSS. The proportionate amount outstanding as at December 31, 2025, is \$1,793,886 (2024 - \$2,176,151).

10. Derivatives

The Oxford Elgin St. Thomas Health Unit entered into an interest swap agreement as a result of the debt disclosed in note 9.a. As a result, if the organization were to repay the long-term debt at December 31, 2025 an additional cost of \$68,843 would be incurred. The organization intends to carry the long-term debt to full maturity thereby eliminating the loss. Derivatives are classified as a Level 3 Financial Instrument.

	2025	2024
Fair value of Financial Derivatives beginning year	\$ 52,108	\$ 73,423
Unrealized (gain) loss	16,735	(21,315)
Fair value of Financial Derivatives	\$ 68,843	\$ 52,108

CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

11. Accumulated Surplus

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

	2025	2024
Investment in tangible capital assets	\$880,319,913	\$766,928,050
Surplus:		
Investment in Entegrus Inc.	34,311,848	33,762,247
St. Thomas Downtown Development Board	51,449	36,138
Unfunded asset retirement obligation	(17,745,477)	(17,751,883)
Unfunded employee benefits	(23,461,778)	(21,472,399)
Unfunded investment in Entegrus Inc.	(3,996,511)	(3,996,511)
Total Surplus (Deficit)	(10,840,469)	(9,422,408)
Reserves and reserve funds - consolidated entities	7,871,550	6,559,819
Reserves	41,107,779	17,885,325
Reserve funds aside for specific purpose by legislation, regulation or agreement	26,744,116	28,593,887
Total reserve and reserve funds	75,723,445	53,039,031
ACCUMULATED SURPLUS	\$945,202,889	\$810,544,673

12. 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 13). The City received 679 common shares with a value of \$33,250,579 of Entegrus Inc.

**CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

13. Investment in Entegrus Inc.

As at December 31, 2025, 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:

	2025	2024
Statement of Financial Position		
Assets	\$294,304,891	\$277,832,948
Liabilities	191,400,176	177,599,951
Net Assets	\$102,904,715	\$100,232,997
Statement of Operations		
Revenue	\$209,527,271	\$196,111,863
Expenditures	201,055,553	196,284,882
Net Income (Loss)	\$ 8,471,718	\$ (173,019)

Entegrus Inc. declared and paid a dividend of \$5,800,000 (2024 - \$5,800,000) of which the City's share was \$1,193,060 (2024 - \$1,193,033). The investment in Entegrus Inc., after the dividend distribution, increased (decreased) \$549,599 (2024 - \$(1,228,623)). The City has an unfunded internal debt of \$3,996,511 (2024 - \$3,996,511) to finance the share purchase of Entegrus Inc. It is at Council's discretion if 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 \$2,043,326 (2024 - \$1,917,239) and billing and collection services of \$387,099 (2024 - \$378,027) from Entegrus Inc. These services were in the normal course of operations of the City.

14. Public sector salary disclosure

In 2025, there are two hundred and twenty-two 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.

CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

15. Asset retirement obligation

The Township's asset retirement obligation consists of the following:

a. Land remediation obligation

The City owns parcels of land that will require remedial action for possible contamination has been recognized under PS 3280 - Asset Retirement Obligations. The costs are based on presently known obligations that exist to remove the contamination and were discounted to December 31, 2025 using a discount rate of 2.5% per annum.

b. Asbestos obligation

The City owns and operates buildings and underground pipes that are known to have asbestos, which is subject to health and safety regulatory requirements if disturbed or removed. In addition, In accordance with the adoption of PS 3280 - Asset Retirement Obligations, the City recognized an obligation related to the removal of asbestos. Remaining useful lives are determined on an individual asset basis. the related asset retirement costs were discounted to December 31, 2025 using a discount rate of 2.5% per annum. The balance at December 31, 2025, includes the City's proportionate share of the EAPWSS of \$202,416.

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

	Land Remediation	Asbestos Removal	2025	2024
Beginning of year	\$ 11,014,257	\$ 6,737,626	\$ 17,751,883	\$ 7,570,229
Acquisitions	-	-	-	10,040,239
Obligations retired	-	(479,724)	(479,724)	(86,606)
Accretion expense	314,063	159,255	473,318	228,021
END OF YEAR	\$ 11,328,320	\$ 6,417,157	\$ 17,745,477	\$ 17,751,883

16. 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.

**CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

17. 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, 2025, \$133,072 was outstanding and is not reflected in these financial statements. The City received Provincial funding in 2025 of \$244,835 towards the repayment of these debentures. The debenture will be retired in 2026.

18. Contingent liabilities

As at December 31, 2025, 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.

19. Comparative balances

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

20. Significant event

As at December 31, 2025, the City has purchased lands and incurred costs for construction of servicing requirements for a new development area. In addition, the City agreed to compensate a neighbouring municipality \$15,000,000 for land assumed to facilitate this development. \$10,000,000 of this amount was paid during the year ended December 31, 2024 and new debt was issued to finance this payment. The remaining \$5,000,000 will be paid out in subsequent years. These land purchases and construction costs are included in capital work in progress on the Consolidated Statement of Financial Position, net of land costs conveyed or sold as of December 31, 2025 of \$379,000,000.

At present, the future commitment to complete the servicing of this development is anticipated to cost approximately \$440,000,000 for the Dalewood Water Reclamation Facility which is scheduled to be completed by 2030. The financing of this Facility will include development revenues, external transfer payments, industrial site servicing agreements and land sales. In addition, it is anticipated the City will incur an estimated \$167,000,000 in long-term financing upon completion of the Facility. The City continues to monitor these servicing costs and the financing of such costs.

CORPORATION OF THE CITY OF ST. THOMAS
SCHEDULE 1 - CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Land and Land Improvements	Buildings	Vehicles	Machinery and Equipment	Infrastructure Roads	Infrastructure Environmental	2025 Total	2024 Total
COST								
Balance, beginning of year	\$ 81,927,799	\$233,404,294	\$ 16,522,409	\$ 27,002,602	\$158,847,917	\$377,508,400	\$895,213,421	\$836,528,773
Add:								
Additions during the year	1,370,182	4,204,859	3,787,360	2,911,720	6,844,387	7,610,542	26,729,050	63,007,130
Less:								
Disposals during the year	(61,754)	(2,221,545)	(1,152,545)	(1,340,837)	(933,808)	(1,752,352)	(7,462,841)	(4,322,482)
Balance, end of year	83,236,227	235,387,608	19,157,224	28,573,485	164,758,496	383,366,590	914,479,630	895,213,421
ACCUMULATED AMORTIZATION								
Balance, beginning of year	29,558,570	134,095,583	7,232,010	13,226,803	75,953,221	117,068,442	377,134,629	360,078,172
Add:								
Amortization during the year	1,864,294	4,159,520	1,421,425	2,046,696	5,496,279	5,425,763	20,413,977	18,725,905
Less:								
Disposals during the year	(61,754)	(663,501)	(1,152,545)	(726,440)	(933,808)	(1,752,352)	(5,290,400)	(1,669,448)
Balance, end of year	31,361,110	137,591,602	7,500,890	14,547,059	80,515,692	120,741,853	392,258,206	377,134,629
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 51,875,117	\$ 97,796,006	\$ 11,656,334	\$ 14,026,426	\$ 84,242,804	\$262,624,737	\$522,221,424	\$518,078,792

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, 2025

	General Government	Protective Services	Transportation	Environmental	Health	Social and Family Services	Social Housing	Recreation and Culture	Planning and Agriculture	Total
REVENUE										
Taxation	\$ 9,860,437	\$ 30,282,813	\$ 6,672,264	\$ 2,941,278	\$ 4,684,025	\$ 6,010,981	\$ 3,481,600	\$ 8,030,004	\$ 2,541,699	\$ 74,505,101
User fees	1,506,657	3,427,510	4,810,962	27,401,934	35,105	3,881,348	2,963,658	2,215,344	13,805,673	60,048,191
Government grants	115,712,410	2,850,333	3,526,188	125,615	3,496,210	52,624,195	10,484,467	66,634	1,728,900	190,614,952
Investment income	1,764,670	-	-	598,147	31,207	-	-	1,127	-	2,395,151
Penalty and interest on taxes	712,816	-	-	-	-	-	-	-	-	712,816
Other	3,369,101	1,383,201	7,089,233	616,139	-	-	(127,219)	1,643,577	97,522	14,071,554
	132,926,091	37,943,857	22,098,647	31,683,113	8,246,547	62,516,524	16,802,506	11,956,686	18,173,794	342,347,765
EXPENDITURES										
Salaries and benefits	8,912,603	32,713,523	4,260,403	5,180,756	3,214,182	19,333,688	1,235,411	6,595,935	3,040,643	84,487,144
Goods and services	4,059,872	5,856,326	8,594,535	13,978,595	4,898,257	41,400,438	16,206,856	3,963,427	1,605,123	100,563,429
Rents and financial expenses	701,189	328,290	34,959	58,754	41,468	715,248	-	331,121	13,970	2,224,999
Amortization	596,347	1,351,690	7,108,945	7,493,300	101,608	1,000,685	331,944	2,428,458	1,000	20,413,977
	14,270,011	40,249,829	19,998,842	26,711,405	8,255,515	62,450,059	17,774,211	13,318,941	4,660,736	207,689,549
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE)										
	\$118,656,080	\$ (2,305,972)	\$ 2,099,805	\$ 4,971,708	\$ (8,968)	\$ 66,465	\$ (971,705)	\$ (1,362,255)	\$ 13,513,058	\$134,658,216

This schedule is provided for information purposes only.