

CORPORATION OF THE CITY OF ST. THOMAS
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

**CORPORATION OF THE CITY OF ST. THOMAS
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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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, 2022, 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, 2022 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.

October 2, 2023
London, Canada

Scrimgeour & Company
LICENSED PUBLIC ACCOUNTANT

CORPORATION OF THE CITY OF ST. THOMAS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

	2022	2021
FINANCIAL ASSETS		
Cash and short-term investments (note 1.j)	\$ 70,217,049	\$ 73,178,954
Taxes receivable	1,750,981	382,249
Accounts receivable	19,144,393	12,628,826
Land held for resale	4,508,646	3,556,058
Investment in Entegrus Inc. (note 11)	35,837,213	33,333,787
	131,458,282	123,079,874
LIABILITIES		
Accounts payable and accrued liabilities	25,749,869	24,859,880
Deferred revenue - obligatory reserve funds (note 7)	29,651,117	31,034,364
Employee benefits payable (note 6)	17,954,479	16,739,454
Net long-term liabilities (note 8.a)	35,618,197	38,790,668
	108,973,662	111,424,366
NET FINANCIAL ASSETS	22,484,620	11,655,508
NON-FINANCIAL ASSETS (NOTE 1.G)		
Tangible capital assets - Schedule 1	452,456,877	439,552,855
Capital work in progress	104,351,889	5,434,655
Inventories	581,560	659,459
Prepaid expenditures	1,966,252	1,426,845
	559,356,578	447,073,814
ACCUMULATED SURPLUS (NOTE 9)	\$ 581,841,198	\$ 458,729,322

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, 2022

	Budget 2022	Actual 2022	Actual 2021
REVENUE			
Taxation revenue	\$ 62,435,533	\$ 62,901,143	\$ 57,916,310
User charges	36,558,354	37,893,883	35,670,027
Government grants	46,270,994	55,606,004	53,375,542
Investment income	1,354,000	2,367,367	1,564,140
Penalty and interest on taxes	460,000	367,308	389,280
Other revenue	6,000	213,766	135,460
	147,084,881	159,349,471	149,050,759
EXPENDITURES			
General government	8,403,880	9,249,789	10,169,155
Protection to persons and property	27,454,540	29,763,025	28,359,083
Transportation services	9,001,047	16,163,028	13,502,507
Environmental services	17,476,323	23,401,776	23,042,488
Health services	3,802,303	8,033,378	9,443,676
Social and family services	41,797,502	43,215,441	39,741,140
Social housing	13,337,326	15,924,284	14,397,247
Recreation and cultural development	8,227,238	10,625,096	10,295,712
Planning and development	2,284,084	3,002,381	2,132,183
	131,784,243	159,378,198	151,083,191
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE) BEFORE OTHER			
	15,300,638	(28,727)	(2,032,432)
OTHER REVENUE (EXPENDITURES)			
Gain (loss) on sale of tangible capital assets	-	652,321	2,072,503
Government transfers related to capital	4,688,800	92,431,839	9,614,409
Government business enterprise (note 10)	-	2,503,426	673,961
Increase (decrease) in EAPWSS (note 1.c)	-	(1,862,321)	753,337
Developer and other contributions related to capital	28,101,328	29,415,338	13,380,277
	32,790,128	123,140,603	26,494,487
EXCESS OF REVENUE OVER EXPENDITURES	48,090,766	123,111,876	24,462,055
ACCUMULATED SURPLUS, BEGINNING OF YEAR	458,729,322	458,729,322	434,267,267
ACCUMULATED SURPLUS, END OF YEAR	\$ 506,820,088	\$ 581,841,198	\$ 458,729,322

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, 2022**

	2022	2021
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING ACTIVITIES		
Excess of revenue over expenditures (page 4)	\$ 123,111,876	\$ 24,462,055
Non-cash changes to operations		
Amortization	17,731,263	15,933,028
Net change in working capital other than cash (A)	(8,115,120)	8,243,940
	132,728,019	48,639,023
INVESTING ACTIVITIES		
Acquisition of tangible capital assets	(32,244,157)	(37,177,126)
Decrease (increase) in capital work in progress	(98,917,234)	(2,904,271)
Net change on disposal of tangible capital assets	1,608,872	572,484
Net change in other non-financial assets	(461,508)	77,962
Net change in investment in Entegrus Inc.	(2,503,426)	(673,961)
	(132,517,453)	(40,104,912)
FINANCING ACTIVITIES		
Net proceeds (repayments) in long-term debt and bank loan	(3,172,471)	(2,821,285)
	(3,172,471)	(2,821,285)
Net change in cash and cash during the year	(2,961,905)	5,712,826
Cash and cash equivalents, beginning of year	73,178,954	67,466,128
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 70,217,049	\$ 73,178,954

(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, 2022

	Budget 2022	Actual 2022	Actual 2021
Excess of revenue over expenditures (page 4)	\$ 48,090,766	\$ 123,111,876	\$ 24,462,055
Amortization of tangible capital assets	-	17,731,263	15,933,028
Investment in capital works in progress	-	(98,917,234)	(2,904,271)
Change in inventory	-	1,608,872	572,484
Change in prepaid supplies	-	(461,508)	77,962
Acquisition of tangible capital assets	(45,646,000)	(32,244,157)	(37,177,126)
Increase in net financial assets	2,444,766	10,829,112	964,132
NET FINANCIAL ASSETS, BEGINNING OF YEAR	11,655,508	11,655,508	10,691,376
NET FINANCIAL ASSETS, END OF YEAR	\$ 14,100,274	\$ 22,484,620	\$ 11,655,508

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, 2022**

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, 2022**

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% (2021 - 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 27.57% (2021 - 30.22%). 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, 2022

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, 2022**

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, 2022, 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, 2022**

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 2022 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 \$49,169 (2021 - \$48,840) 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 2022 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 2022 was \$4,084,818 (2021 - \$3,947,766) 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, 2022, under the past service provisions. The OMERS funding ratio for 2022 is 95.0% (2021 - 97.0%).

**CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

6. Employee benefits payable

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

	2022	2021
Workplace Safety and Insurance Board	\$ 6,101,777	\$ 5,476,777
Vested sick leave benefits	1,788,078	1,736,444
Post retirement benefits	10,064,624	9,526,233
	\$ 17,954,479	\$ 16,739,454

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, 2022

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 with 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:

	2022	2021
Building department	\$ 2,265,277	\$ 2,381,320
Development charges	10,025,515	7,597,107
Federal gas tax	2,366,226	4,311,180
OCIF	389,234	-
Other deferred revenue	13,173,359	14,460,489
Provincial gas tax	1,274,233	1,097,746
Recreational land	157,273	136,486
Safe restart	-	1,050,036
	\$ 29,651,117	\$ 31,034,364

CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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:

	2022	2021
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	\$ 32,751,834	\$ 35,040,332
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	1,395,999	1,441,169
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	1,470,364	2,309,167
	\$ 35,618,197	\$ 38,790,668

b. Debt retirement

Debt to be retired over the next five years:

	Recovered from Taxation	Recovered from Consolidated Entities
2023	\$ 2,380,641	\$ 371,180
2024	\$ 2,476,628	\$ 379,468
2025	\$ 2,576,626	\$ 388,491
2026	\$ 2,017,205	\$ 397,699
2027	\$ 1,414,392	\$ 183,715
2027 and thereafter	\$ 21,886,342	\$ 1,145,810

CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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 \$1,264,109 (2021 - \$1,372,568).

e. Contingent liability

The City shares contingent liability for long-term liabilities of OESTHU and EAPWSS. The proportionate amount outstanding as at December 31, 2022, there is \$2,866,363 (2021 - \$3,750,336).

9. Accumulated Surplus

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

	2022	2021
Investment in tangible capital assets	\$ 521,412,930	\$ 406,659,977
Surplus:		
Investment in Entegrus Inc.	35,837,213	33,333,787
St. Thomas Downtown Development Board	64,855	86,873
Unfunded employee benefits	(17,954,479)	(16,739,454)
Unfunded investment in Entegrus Inc.	(5,899,662)	(6,604,403)
Total Surplus	12,047,927	10,076,803
Reserves	19,542,147	17,994,208
Reserve funds aside for specific purpose by legislation, regulation or agreement	28,838,194	23,998,334
Total reserve and reserve funds	48,380,341	41,992,542
ACCUMULATED SURPLUS	\$ 581,841,198	\$ 458,729,322

CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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, 2022, 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:

	2022	2021
Statement of Financial Position		
Assets	\$ 262,659,439	\$ 234,373,639
Liabilities	152,338,766	136,223,103
Net Assets	\$ 110,320,673	\$ 98,150,536
Statement of Operations		
Revenue	\$ 199,825,294	\$ 184,256,560
Expenditures	181,555,157	175,180,265
Net Income	\$ 18,270,137	\$ 9,076,295

Entegrus Inc. declared and paid a dividend of \$6,100,000 (2021 - \$5,800,000) of which the City's share was \$1,254,741 (2021 - \$1,193,033). The investment in Entegrus Inc., after the dividend distribution, increased (decreased) \$2,503,426 (2021 - \$673,961). The City has an unfunded internal debt of \$5,899,662 (2021 - \$6,604,403) 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 \$1,902,736 (2021 - \$1,917,249) and billing and collection services of \$334,902 (2021 - \$337,808) 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, 2022**

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, 2022, this commitment has been fulfilled.

13. Public sector salary disclosure

In 2022, there are one hundred and thirty 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.

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, 2022, 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, 2022, \$908,265 was outstanding and is not reflected in these financial statements. The City received Provincial funding of \$326,370 towards the repayment of these debentures.

17. Contingent liabilities

As at December 31, 2022, 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, 2022**

18. Significant event

In March 2020, the Province of Ontario declared a state of emergency in response to the COVID-19 virus. It is unclear the total financial impact the COVID-19 virus will have on the City. Council and staff continue to monitor the situation.

During the year ended December 31, 2022, the City purchased a significant parcel of land for \$86,000,000. It is anticipated this land will be developed and sold in the future years. This land purchase is included capital work in progress on the Consolidated Statement of Financial Position. The City is committed to construction of servicing requirements for this land, the cost of which, is not determinable as of the date of the financial statements. Subsequent to December 31, 2022, an additional \$115,000,000 was spent on this project.

CORPORATION OF THE CITY OF ST. THOMAS
SCHEDULE 1 - CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Land and Land Improvements	Buildings	Vehicles	Machinery and Equipment	Infrastructure Roads	Infrastructure Environmental	2022 Total	2021 Total
COST								
Balance, beginning 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
Add:								
Additions during the year	3,853,455	922,444	-	1,316,564	6,952,375	19,199,319	32,244,157	37,177,126
Less:								
Disposals during the year	(176,782)	(874,116)	(170,108)	(1,038,520)	(183,655)	(1,183,455)	(3,626,636)	(5,210,168)
Balance, end of year	69,213,476	214,856,958	10,731,051	23,346,942	138,721,700	340,878,245	797,748,372	769,130,851
ACCUMULATED AMORTIZATION								
Balance, beginning 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
Add:								
Amortization during the year	2,998,435	3,765,369	702,093	1,593,037	3,576,478	5,095,851	17,731,263	15,933,028
Less:								
Disposals during the year	(152,001)	(203,876)	(149,011)	(543,586)	(181,661)	(787,629)	(2,017,764)	(4,637,684)
Balance, end of year	26,680,947	124,927,418	7,053,872	11,083,152	68,837,347	106,708,759	345,291,495	329,577,996
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 42,532,529	\$ 89,929,540	\$ 3,677,179	\$ 12,263,790	\$ 69,884,353	\$ 234,169,486	\$ 452,456,877	\$ 439,552,855

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, 2022

	General Government	Protective Services	Transportation	Environmental	Health	Social and Family Services	Social Housing	Recreation and Culture	Planning and Agriculture	Total
REVENUE										
Taxation	\$ 9,801,740	\$ 25,108,575	\$ 6,571,500	\$ 2,758,082	\$ 3,896,459	\$ 4,065,396	\$ 2,795,958	\$ 6,327,790	\$ 1,575,643	\$ 62,901,143
User fees	1,291,403	1,840,949	3,107,906	23,902,544	75,438	3,326,498	2,544,430	1,495,128	309,587	37,893,883
Government grants	91,611,559	1,538,611	4,787,815	103,410	4,769,788	34,781,544	9,613,048	67,990	764,078	148,037,843
Investment income	2,221,770	-	-	119,603	25,105	-	-	889	-	2,367,367
Penalty and interest on taxes	367,308	-	-	-	-	-	-	-	-	367,308
Other	3,256,770	192	8,817,993	10,759,929	-	-	-	8,003,075	84,571	30,922,530
	108,550,550	28,488,327	23,285,214	37,643,568	8,766,790	42,173,438	14,953,436	15,894,872	2,733,879	282,490,074
EXPENDITURES										
Salaries and benefits	6,587,132	25,151,774	3,196,204	4,279,608	3,169,254	14,663,035	711,297	5,020,078	1,540,780	64,319,162
Goods and services	2,226,732	3,499,946	7,086,320	12,147,172	4,666,114	27,108,596	14,877,561	2,989,622	1,461,601	76,063,664
Interest	-	384,576	-	49,868	51,129	487,526	-	291,010	-	1,264,109
Amortization	435,925	726,729	5,880,504	6,925,128	146,881	956,284	335,426	2,324,386	-	17,731,263
	9,249,789	29,763,025	16,163,028	23,401,776	8,033,378	43,215,441	15,924,284	10,625,096	3,002,381	159,378,198
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE)										
	\$ 99,300,761	\$ (1,274,698)	\$ 7,122,186	\$ 14,241,792	\$ 733,412	\$ (1,042,003)	\$ (970,848)	\$ 5,269,776	\$ (268,502)	\$123,111,876

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