

CORPORATION OF THE CITY OF ST. THOMAS
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

**CORPORATION OF THE CITY OF ST. THOMAS
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

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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, 2023, 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, 2023 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.

October 21, 2024
London, Canada

Scrimgeour & Company
LICENSED PUBLIC ACCOUNTANT

CORPORATION OF THE CITY OF ST. THOMAS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

	2023	2022
		Note 2
FINANCIAL ASSETS		
Cash and short-term investments (note 1.j)	\$ 65,165,099	\$ 70,217,049
Taxes receivable	2,675,147	1,976,495
Accounts receivable	35,855,765	19,144,393
Land held for resale	3,556,058	4,508,646
Investment in Entegrus Inc. (note 13)	34,990,870	35,837,213
	142,242,939	131,683,796
LIABILITIES		
Accounts payable and accrued liabilities	28,717,129	25,749,869
Deferred revenue - obligatory reserve funds (note 8)	30,429,954	29,876,631
Employee benefits payable (note 7)	19,695,805	17,954,479
Asset retirement obligation (note 2.b)	7,570,229	7,376,239
Net long-term liabilities (note 9.a)	32,812,542	35,618,197
Derivatives (note 10)	73,423	127,057
	119,299,082	116,702,472
NET FINANCIAL ASSETS	22,943,857	14,981,324
NON-FINANCIAL ASSETS (NOTE 1.G)		
Tangible capital assets - Schedule 1	475,775,100	454,784,203
Capital work in progress	236,270,119	104,351,889
Inventories	667,425	581,560
Prepaid expenditures	2,843,956	1,966,252
	715,556,600	561,683,904
ACCUMULATED SURPLUS	\$738,500,457	\$576,665,228
ACCUMULATED SURPLUS IS COMPRISED OF:		
Accumulated operating surplus (note 11)	\$738,573,880	\$576,792,285
Accumulated remeasurement losses (note 10)	(73,423)	(127,057)
	\$738,500,457	\$576,665,228

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, 2023

	Budget 2023	Actual 2023	Actual 2022 Note 2
REVENUE			
Taxation revenue	\$ 65,446,464	\$ 66,334,178	\$ 62,901,143
User charges	40,730,584	39,162,721	37,893,883
Government grants	50,605,395	61,659,734	55,606,004
Investment income	1,379,000	3,136,987	2,367,367
Penalty and interest on taxes	390,000	392,413	367,308
Other revenue	6,000	266,672	213,766
	158,557,443	170,952,705	159,349,471
EXPENDITURES			
General government	7,828,446	9,959,631	9,249,789
Protection to persons and property	29,962,881	32,423,218	29,764,653
Transportation services	9,396,665	15,025,921	16,203,579
Environmental services	18,343,290	23,664,551	23,408,803
Health services	3,654,919	7,379,108	8,033,378
Social and family services	46,313,548	51,545,509	43,261,843
Social housing	17,673,635	13,467,559	16,045,432
Recreation and cultural development	8,524,753	11,332,016	10,680,521
Planning and development	3,883,634	3,852,462	3,002,381
	145,581,771	168,649,975	159,650,379
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE)			
BEFORE OTHER	12,975,672	2,302,730	(300,908)
OTHER REVENUE (EXPENDITURES)			
Gain (loss) on sale of tangible capital assets	-	(1,070,150)	652,321
Government transfers related to capital	4,688,800	127,784,316	88,429,890
Government business enterprise (note 12)	-	(846,343)	2,503,426
Increase (decrease) in EAPWSS (note 1.c)	-	(1,307,139)	(1,862,321)
Developer and other contributions related to capital	28,101,328	34,918,181	33,417,287
	32,790,128	159,478,865	123,140,603
EXCESS OF REVENUE OVER EXPENDITURES	45,765,800	161,781,595	122,839,695
ACCUMULATED SURPLUS, BEGINNING OF YEAR			
	576,792,285	576,792,285	458,729,322
Adjustment on adoption of the asset retirement obligation standard (note 2)	-	-	(4,776,732)
ACCUMULATED SURPLUS, BEGINNING OF YEAR, AS RESTATED (NOTE 2)	576,792,285	576,792,285	453,952,590
ACCUMULATED SURPLUS, END OF YEAR (NOTE 2), (NOTE 11)			
	\$ 622,558,085	\$ 738,573,880	\$ 576,792,285

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, 2023

	2023	2022
		Note 2
ACCUMULATED REMEASUREMENT LOSSES,		
BEGINNING OF YEAR	\$ (127,057)	\$ -
Adjustment on adoption of the financial instruments standard	-	(130,208)
ACCUMULATED REMEASUREMENT LOSSES,		
BEGINNING OF YEAR AS RESTATED	(127,057)	(130,208)
Unrealized gain attributable to derivatives	53,634	3,151
NET CHANGE IN REMEASUREMENT GAIN FOR THE YEAR	53,634	3,151
ACCUMULATED REMEASUREMENT LOSSES,		
END OF YEAR	\$ (73,423)	\$ (127,057)

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, 2023**

	2023	2022
		Note 2
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING ACTIVITIES		
Excess of revenue over expenditures (page 4)	\$ 161,781,595	\$ 122,839,695
Non-cash changes to operations		
Amortization	17,201,634	17,823,082
Unrealized gain attributable to derivatives	53,634	3,151
Net change in working capital other than cash (A)	(11,055,171)	(7,937,909)
	167,981,692	132,728,019
INVESTING ACTIVITIES		
Acquisition of tangible capital assets	(41,192,514)	(32,244,157)
Decrease (increase) in capital work in progress	(131,918,230)	(98,917,234)
Net change on disposal of tangible capital assets	2,999,983	1,608,872
Net change in other non-financial assets	(963,569)	(461,508)
Net change in investment in Entegrus Inc.	846,343	(2,503,426)
	(170,227,987)	(132,517,453)
FINANCING ACTIVITIES		
Net proceeds (repayments) in long-term debt and bank loan	(2,805,655)	(3,172,471)
	(2,805,655)	(3,172,471)
Net change in cash and cash during the year	(5,051,950)	(2,961,905)
Cash and cash equivalents, beginning of year	70,217,049	73,178,954
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 65,165,099	\$ 70,217,049

(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, 2023

	Budget 2023	Actual 2023	Actual 2022 Note 2
Excess of revenue over expenditures (page 4)	\$ 45,765,800	\$ 161,781,595	\$ 122,839,695
Amortization of tangible capital assets	-	17,201,634	17,823,082
Investment in capital works in progress	-	(131,918,230)	(98,917,234)
Change in inventory	-	(85,865)	77,899
Change in prepaid supplies	-	(877,704)	(539,407)
Net disposal of tangible capital assets	-	2,999,983	1,608,871
Acquisition of tangible capital assets	(24,328,469)	(41,192,514)	(32,244,157)
Unrealized gain attributable to derivatives	-	53,634	3,151
Change in net financial assets	21,437,331	7,962,533	10,651,900
NET FINANCIAL ASSETS, BEGINNING OF YEAR	14,981,324	14,981,324	11,655,508
Adjustment on adoption of the financial instrument standard (note 2)	-	-	(130,208)
Adjustment on adoption of the asset retirement obligation standard (note 2)	-	-	(7,195,876)
NET FINANCIAL ASSETS, BEGINNING OF YEAR, AS RESTATED	14,981,324	14,981,324	4,329,424
NET FINANCIAL ASSETS, END OF YEAR	\$ 36,418,655	\$ 22,943,857	\$ 14,981,324

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, 2023**

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, 2023**

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% (2022 - 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 25.71% (2022 - 27.57%). The decrease (2022 - 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, 2023**

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, 2023**

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, 2023, the short-term investments, included in cash and short-term investments on the Statement of Financial Position of \$5,903,881 (2022 - \$5,618,895) consist of a GIC maturing December 2, 2024 at 5.19%. The short-term investment includes accrued interest to December 31, 2023.

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, 2023**

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 2023 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. Change in accounting policies

On January 1, 2023, the Corporation of the City of St. Thomas adopted accounting policies to conform to new standards issued under Canadian public accounting standards as follows:

a. PS 3450 - Financial instruments

Under PS 3450, all financial instruments are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the Corporation of the City of St. Thomas's accounting policy choices (see Note 1 - Significant accounting policies).

CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

2. Change in accounting policies continued

b. PS 3280 - Asset retirement obligations (ARO)

This accounting standard addresses reporting legal obligations associated with retirement of certain tangible capital assets such as asbestos removal in buildings when retired. A modified retrospective basis has been used to record this standard with a cumulative adjustment for previous fiscal years' obligations reflected in the new accumulative surplus balance on January 1, 2022.

Statement of Financial Position	2022 beginning of year, as restated	2022 end of year, as restated
Liabilities		
Derivatives	\$ 130,208	\$ 127,057
Asset retirement obligations	7,195,876	7,376,239
Net financial assets	7,326,084	7,503,296
Non-financial assets		
Tangible capital asset cost	4,016,636	4,016,636
Tangible capital assets accumulated	(1,597,492)	(1,689,310)
Tangible capital assets (net)	2,419,144	2,327,326
NET CHANGE IN ACCUMULATED SURPLUS	\$ 4,906,940	\$ 5,175,970
Net change in accumulated surplus consists of:		
Change in accumulated operating surplus	\$ (4,776,732)	\$ (5,048,913)
Change in remeasurement (losses)	(130,208)	(127,057)
NET CHANGE IN ACCUMULATED SURPLUS	\$ (4,906,940)	\$ (5,175,970)

CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

2. Change in accounting policies continued

Statement of Operations

	2022 end of year, as restated
Expenses	
Rent and financial expense	\$ 180,363
Amortization	91,818
NET DECREASE TO EXCESS OF REVENUE OVER EXPENDITURES	\$ 272,181

3. Trust funds

Trust funds administered by the City amounting to \$31,871 (2022 - \$49,169) have not been included in these consolidated financial statements.

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 2023 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.

CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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 2023 was \$4,528,243 (2022 - \$4,084,818) 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, 2023, under the past service provisions. The OMERS funding ratio for 2023 is 97.0% (2022 - 95.0%).

7. Employee benefits payable

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

	2023	2022
Workplace Safety and Insurance Board	\$ 7,218,669	\$ 6,101,777
Vested sick leave benefits	1,839,923	1,788,078
Post retirement benefits	10,637,213	10,064,624
	\$ 19,695,805	\$ 17,954,479

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.

CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

7. Employee benefits payable continued

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 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 3.25%
- Rate of compensation increase 2.75%
- Healthcare cost increase 5.42% to 6.42%
- Dental cost increase 3.75%

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:

	2023	2022
Building department	\$ 3,147,490	\$ 2,265,277
Development charges	13,968,984	10,025,515
Canada Community Building Fund	238,270	2,366,226
OCIF	1,068,555	389,234
Other deferred revenue	10,597,601	13,398,873
Provincial gas tax	1,217,461	1,274,233
Recreational land	191,593	157,273
	\$ 30,429,954	\$ 29,876,631

CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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:

	2023	2022
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.	\$ 30,371,193	\$ 32,751,834
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.	1,370,556	1,395,999
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.	1,070,793	1,470,364
	\$ 32,812,542	\$ 35,618,197

b. Debt retirement

Debt to be retired over the next five years:

	Recovered from Taxation	Recovered from Consolidated Entities
2024	\$ 2,476,628	\$ 357,893
2025	\$ 2,576,626	\$ 366,455
2026	\$ 2,017,205	\$ 375,171
2027	\$ 1,414,392	\$ 183,575
2028	\$ 1,461,262	\$ 55,977
2029 and thereafter	\$ 20,425,080	\$ 1,102,278

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.

CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

9. Long-term liabilities continued

d. Interest charges

The City paid interest on the long-term liabilities of \$1,068,235 (2022 - \$1,264,109).

e. Contingent liability

The City shares contingent liability for long-term liabilities of OESTHU and EAPWSS. The proportionate amount outstanding as at December 31, 2023, there is \$2,441,349 (2022 - \$2,866,363).

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, 2023 an additional cost of \$73,423 would be incurred. The organization intends to carry the long-term debt to full maturity thereby eliminating the loss. Derivatives are classified as Level 3 Financial Instrument.

	2023	2022
Fair value of Financial Derivatives beginning year	\$ 127,057	\$ 130,208
Unrealized (gains) loss	(53,634)	(3,151)
Fair value of Financial Derivatives	\$ 73,423	\$ 127,057

CORPORATION OF THE CITY OF ST. THOMAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

11. Accumulated Surplus

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

	2023	2022
		Note 2
Investment in tangible capital assets	\$679,746,176	\$523,740,255
Surplus:		
Investment in Entegrus Inc.	34,990,870	35,837,213
St. Thomas Downtown Development Board	56,138	64,855
Unfunded asset retirement obligation	(7,570,229)	(7,376,238)
Unfunded employee benefits	(19,695,805)	(17,954,479)
Unfunded investment in Entegrus Inc.	(4,639,544)	(5,899,662)
Total Surplus	3,141,430	4,671,689
Reserves	23,203,238	19,542,147
Reserve funds aside for specific purpose by legislation, regulation or agreement	32,483,036	28,838,194
Total reserve and reserve funds	55,686,274	48,380,341
ACCUMULATED SURPLUS	\$738,573,880	\$576,792,285

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, 2023

13. Investment in Entegrus Inc.

As at December 31, 2023, 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:

	2023	2022
Statement of Financial Position		
Assets	\$270,218,111	\$262,659,439
Liabilities	164,012,095	152,338,766
Net Assets	\$106,206,016	\$110,320,673
Statement of Operations		
Revenue	\$181,095,285	\$199,825,294
Expenditures	176,409,942	181,555,157
Net Income	\$ 4,685,343	\$ 18,270,137

Entegrus Inc. declared and paid a dividend of \$8,800,000 (2022 - \$6,100,000) of which the City's share was \$1,810,118 (2022 - \$1,254,741). The investment in Entegrus Inc., after the dividend distribution, increased (decreased) \$(846,343) (2022 - \$2,503,426). The City has an unfunded internal debt of \$4,639,544 (2022 - \$5,899,662) 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 \$1,792,139 (2022 - \$1,902,736) and billing and collection services of \$365,597 (2022 - \$334,902) from Entegrus Inc. These services were in the normal course of operations of the City.

14. Commitments

The City has committed \$3,500,000 to the St. Thomas Elgin General Hospital payable over a ten year period. The commitment was fulfilled as of December 31, 2022.

15. Public sector salary disclosure

In 2023, there are one hundred and forty-five 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, 2023**

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.

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, 2023, \$638,281 was outstanding and is not reflected in these financial statements. The City received Provincial funding of \$326,370 towards the repayment of these debentures.

18. Contingent liabilities

As at December 31, 2023, 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

In addition to the prior period adjustments per note 2, certain of the comparative balances have been reclassified to conform with the current year's financial statement presentation.

20. Significant event

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. During the year ended December 31, 2023, the City purchased an additional parcel of land for \$115,000,000 and incurred approximately \$20,000,000 of costs for the construction of the servicing requirements for these lands. These land purchases and construction costs are included in capital work in progress on the Consolidated Statement of Financial Position. In addition, the City has agreed to compensate a neighbouring municipality \$15,000,000 for land assumed to facilitate this development. \$10,000,000 of this amount was paid subsequently to December 31, 2023. The remaining \$5,000,000 will be paid out in subsequent years. The financing for this project will include government grants, land sales, reserves and long-term debt. The total cost to service these lands is not determinable as of the date these financial statements.

CORPORATION OF THE CITY OF ST. THOMAS
SCHEDULE 1 - CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Land and Land Improvements	Buildings	Vehicles	Machinery and Equipment	Infrastructure Roads	Infrastructure Environmental	2023 Total	2022 Total
COST								
Balance, beginning of year (note 2)	\$ 70,090,487	\$217,898,390	\$ 10,731,051	\$ 23,379,080	\$138,721,700	\$340,944,300	\$801,765,008	\$769,130,851
Prior year adjustment (note 2)	-	-	-	-	-	-	-	4,016,636
Add:								
Additions during the year	984,562	7,821,313	2,045,116	1,232,195	13,278,442	15,830,886	41,192,514	32,244,157
Less:								
Disposals during the year	(2,800,132)	(371,703)	(1,162,897)	(561,884)	(1,325,442)	(1,949,726)	(8,171,784)	(3,626,636)
Balance, end of year	68,274,917	225,348,000	11,613,270	24,049,391	150,674,700	354,825,460	834,785,738	801,765,008
ACCUMULATED AMORTIZATION								
Balance, beginning of year (note 2)	26,934,845	126,327,444	7,053,872	11,104,843	68,837,347	106,722,454	346,980,805	329,577,996
Prior year adjustment (note 2)	-	-	-	-	-	-	-	1,597,492
Add:								
Amortization during the year	1,818,203	4,053,468	779,857	1,577,364	3,844,023	5,128,719	17,201,634	17,823,082
Less:								
Disposals during the year	(1,084,508)	(244,166)	(1,157,754)	(636,415)	(1,045,821)	(1,003,137)	(5,171,801)	(2,017,765)
Balance, end of year	27,668,540	130,136,746	6,675,975	12,045,792	71,635,549	110,848,036	359,010,638	346,980,805
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 40,606,377	\$ 95,211,254	\$ 4,937,295	\$ 12,003,599	\$ 79,039,151	\$243,977,424	\$475,775,100	\$454,784,203

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, 2023

	General Government	Protective Services	Transportation	Environmental	Health	Social and Family Services	Social Housing	Recreation and Culture	Planning and Agriculture	Total
REVENUE										
Taxation	\$ 11,519,918	\$ 25,774,640	\$ 5,999,101	\$ 2,874,730	\$ 3,654,919	\$ 4,892,566	\$ 3,061,785	\$ 6,832,386	\$ 1,724,133	\$ 66,334,178
User fees	960,633	2,372,413	3,334,867	24,270,878	65,964	3,499,145	2,511,522	1,861,175	286,124	39,162,721
Government grants	130,867,102	2,552,481	-	173,914	4,298,206	42,050,775	7,533,747	569,841	1,397,984	189,444,050
Investment income	2,698,911	-	-	391,849	43,755	-	-	2,472	-	3,136,987
Penalty and interest on taxes	392,413	-	-	-	-	-	-	-	-	392,413
Other	(1,369,891)	1,000	22,015,727	10,499,767	-	-	-	758,439	56,179	31,961,221
	145,069,086	30,700,534	31,349,695	38,211,138	8,062,844	50,442,486	13,107,054	10,024,313	3,464,420	330,431,570
EXPENDITURES										
Salaries and benefits	7,300,364	26,720,387	3,343,621	4,486,122	2,914,180	16,499,476	671,367	5,480,343	2,103,881	69,519,741
Goods and services	2,200,905	4,437,023	6,530,969	12,205,909	4,299,718	33,292,707	12,346,063	3,138,801	1,728,560	80,180,655
Rents and financial expenses	3,549	366,342	54,471	65,359	45,594	767,771	77,559	347,279	20,021	1,747,945
Amortization	454,813	899,466	5,096,860	6,907,161	119,616	985,555	372,570	2,365,593	-	17,201,634
	9,959,631	32,423,218	15,025,921	23,664,551	7,379,108	51,545,509	13,467,559	11,332,016	3,852,462	168,649,975
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE)										
	\$135,109,455	\$ (1,722,684)	\$ 16,323,774	\$ 14,546,587	\$ 683,736	\$ (1,103,023)	\$ (360,505)	\$ (1,307,703)	\$ (388,042)	\$161,781,595

This schedule is provided for information purposes only.