

**THE CORPORATION OF THE CITY OF THUNDER BAY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2012**

GENERAL

The Corporation of the City of Thunder Bay (the "City") is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act and related legislation.

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the City are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as established by the Public Sector Accounting Board [PSAB] of the Canadian Institute of Chartered Accountants [CICA]. Significant accounting policies adopted by the City are as follows:

Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenses and accumulated surplus of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the City and which are owned or controlled by the City. These financial statements include:

Thunder Bay Public Library Board
Parking Authority
Simpson Street Business Improvement Area
Victoria Avenue Business Improvement Area
Waterfront District Business Improvement Area
Victoriaville Centre Board of Management
Thunder Bay Community Auditorium Inc.
Tbaytel (A Municipal Service Board established by the Corporation of the City of Thunder Bay)
Thunder Bay Community Economic Development Commission Inc.
Thunder Bay Police Services Board

Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

The financial activities of certain entities associated with the City are not consolidated. The City's contributions to these entities are recorded in the Consolidated Statement of Operations and Accumulated Surplus. The entities that are not consolidated are as follows:

Lakehead Region Conservation Authority
Thunder Bay District Health Unit
The District of Thunder Bay Social Services Administration Board

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1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government Business Enterprise

Thunder Bay Hydro Corporation is accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises [note 6]. Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform to those of the City's, and inter-organizational transactions and balances are not eliminated.

Accounting for School Board Transactions

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards, are not reflected in these consolidated financial statements [note 3].

Trust Funds

Trust funds and their related operations administered by the City are not included in the consolidated financial statements but are reported separately in the Trust Fund Financial Statements [note 4].

Basis of Accounting

The City follows the accrual basis of accounting. Under the accrual method of accounting, revenues are recognized in the period in which the transactions or events that give rise to the revenues occurred. Expenses are recognized in the period in which the goods or services are acquired, whether or not payment has been made or invoices received.

Employment Benefits

The City has adopted the following policies with respect to employment benefit plans:

The costs of vacation entitlements are charged as expenses when earned;

The costs of post-employment benefits, sick leave entitlements and WSIB entitlements are recognized when the event that obligates the City occurs; costs include projected future income payments, health care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis;

The costs of post-employment benefits, sick leave entitlements and WSIB entitlements are actuarially determined using the projected benefits method prorated on service and management's best estimate of retirement ages of employees, salary escalation, expected health care costs and plan investment performance;

Accrued obligations and related costs of funded benefits are net of plan assets;

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1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employment Benefits (continued)

Past service costs from plan amendments are amortized on a straight-line basis over the expected average remaining service period of employees active at the date of amendment.

The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligations and the fair value of plan assets are amortized on a straight-line basis over the average remaining service period for active employees.

The contributions to a defined benefit pension plan are expensed when contributions are due.

Government Transfers

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

Investments

The City accounts for its investments at cost plus accrued earnings. The carrying value of an investment is written down to its net recoverable amount if a decline in value is judged to be other than temporary.

Investment Income

Investment income earned on surplus funds is reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the deferred revenue balance.

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.

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1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-financial Assets (continued)

[i] Tangible Capital Assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

General capital

Land improvements	5 to 50 years
Buildings	30 to 60 years
Machinery and equipment	2 to 30 years
Vehicles	3 to 20 years

Infrastructure

Land improvements	5 to 50 years
Buildings	30 to 60 years
Linear assets	10 to 50 years
Machinery and equipment	2 to 30 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate they no longer contribute to the City's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets are less than their book value. The net write-downs are accounted for as expenses in the statement of operations.

[ii] Contributions of Tangible Capital Assets

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

[iii] 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 charge to expenses as incurred.

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1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-financial Assets (continued)

[iv] Inventories

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

Deferred Revenue

Certain amounts are received 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. These amounts are recorded as deferred revenue and are recognized as revenue in the year the related expenses are incurred or services are performed.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for uncollectible accounts, employee benefit liabilities, property tax assessment appeals, landfill closure and post-closure liabilities, amortization of tangible capital assets and other accrued liabilities. These estimates are based on management's best information and judgment. Actual amounts, which are accounted for as they become known, may differ significantly from these estimates.

2. PRIOR PERIOD ADJUSTMENT

The City has restated the comparative figures to include tangible capital asset costs and a loan receivable that were incorrectly recorded at December 31, 2011. The impact of the retroactive adjustments has been reported as follows:

	2011
	\$
<u>Statement of Financial Position</u>	
Increase in financial assets	561,569
Increase in non-financial assets	<u>1,179,963</u>
Increase in accumulated surplus	<u>1,741,532</u>

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2. PRIOR PERIOD ADJUSTMENT (continued)

<u>Statement of Operations and Accumulated Surplus</u>	
Decrease in revenues	(85,126)
Decrease (increase) in expenses:	
Environmental services	(21,833)
Recreation and cultural services	<u>44,636</u>
Decrease in annual surplus, 2011	(62,323)
Increase in opening accumulated surplus, 2011	<u>1,803,855</u>
Increase in ending accumulated surplus, 2011	<u>1,741,532</u>

3. OPERATIONS OF SCHOOL BOARDS

Taxation, other revenues and requisitions for the school boards amounting to **\$28,004,171** [2011 - \$28,542,998] are not reflected in these consolidated financial statements.

4. TRUST FUNDS

Trust funds administered by the City amounting to **\$15,121,830** [2011 - \$14,885,831] have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations and Accumulated Surplus.

Trust fund balances as at December 31 are as follows:

	2012	2011
	\$	\$
Older Adults Centre	8,760	2,904
Cemetery	994,636	977,106
Cemetery Marker Maintenance	317,318	299,819
Dawson Court Home for Aged	33,870	48,399
Grandview Lodge Home for Aged	45,643	43,312
Pioneer Ridge Home for Aged	21,083	24,308
Lake Superior Regiment Memorial Hillcrest Park	26,503	35,233
Employee Disability	13,568,699	13,405,761
Civic Employees Pension Trust Committee	1,998	1,998
Community Auditorium Repairs	646	622
Art in Public Places	7,384	5,537
Provincial Land Tax	95,290	40,832
	<u>15,121,830</u>	<u>14,885,831</u>

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5. INVESTMENTS

Investments are recorded at cost. The total market value of the City's investments at December 31, 2012 was approximately **\$113,946,274** [2011-\$105,019,718]. The City's investments are comprised of federal, provincial, corporate and municipal bonds, the ONE Equity Fund, money market funds, and treasury bills. The bonds have varying maturities and interest rates.

	2012		2011	
	Cost	\$ Market Value	Cost	\$ Market Value
Federal Government	17,069,126	18,012,073	17,205,936	18,325,786
Provincial Government	23,995,523	25,362,871	20,773,440	22,633,111
Corporate	38,457,347	39,124,675	37,411,219	37,967,946
Municipal	1,061,370	1,167,583	1,038,699	1,139,812
Equity	8,278,268	9,532,450	7,501,375	7,560,724
Other	21,162,186	20,746,622	17,538,450	17,392,339
	110,023,820	113,946,274	101,469,119	105,019,718

The weighted average yield on the cost of the investment portfolio during the year was **3.9%** (2011 5.9%). Maturity dates on investments in the portfolio range from January 2013 to June 2042.

6. INVESTMENT IN THUNDER BAY HYDRO CORPORATION

Thunder Bay Hydro Corporation

The Thunder Bay Hydro Corporation is wholly owned by the City and provides regulated and unregulated electric utility services and complementary commercial services. The following table provides condensed supplementary financial information for the Thunder Bay Hydro Corporation, and its wholly-owned subsidiaries; Thunder Bay Hydro Electricity Distribution Inc.; Thunder Bay Hydro Utility Services; and Thunder Bay Hydro Renewable Power Incorporated, prepared in accordance with Canadian generally accepted accounting principles as per Part V of the Canadian Institute of Chartered Accountants Handbook.

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6. INVESTMENT IN THUNDER BAY HYDRO CORPORATION (continued)

	2012 \$	2011 \$
Financial position		
Current assets	36,725,880	37,418,882
Capital assets	85,729,719	75,247,179
Long-term assets	9,495,787	16,559,755
Total assets	131,951,386	129,255,816
Current liabilities	18,448,397	16,591,749
Long-term liabilities	24,443,580	25,743,102
Total liabilities	42,891,977	42,334,851
Net assets	89,059,409	86,890,965
Results of operations		
Revenues	111,674,732	108,646,446
Operating expenses	(109,506,288)	(105,986,023)
Earnings for the year	2,168,444	2,660,423

The City's investment in Thunder Bay Hydro Corporation is comprised of the following:

	2012 \$	2011 \$
1,000 common shares	34,931,625	34,931,625
Promissory note	34,931,625	34,931,625
Accumulated earnings from date of transfer	19,196,159	17,027,715
	89,059,409	86,890,965

The promissory note is receivable from Thunder Bay Hydro Corporation and is a non-interest bearing, unsecured note, due on demand.

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6. INVESTMENT IN THUNDER BAY HYDRO CORPORATION (continued)

Related Party Transactions

Thunder Bay Hydro Corporation provides certain services to the City in the normal course of business at commercial rates.

Thunder Bay Hydro Corporation billed the City for electricity in the amount of **\$8,205,307** [2011-\$8,060,667]. At December 31, 2012, included in accounts payable and accrued liabilities is **\$655,585** [2011 - \$614,298] payable to Thunder Bay Hydro Corporation related to this expense. Pole rental from Thunder Bay Hydro Corporation in the amount of **\$312,185** [2011 - \$316,961] and other sundry expenses in the amount of **\$38,839** [2011 - \$48,312] were also recorded. The City also contributed towards capital construction by Thunder Bay Hydro Corporation during the year in the amount of **\$311,255** [2011 - \$452,797]. Included in accounts payable is **\$50,662** [2011 - \$213,659] due to Thunder Bay Hydro Corporation related to these other activities.

The City provides certain services to Thunder Bay Hydro Corporation in the normal course of business at commercial rates.

The following revenues were recorded:

Rent of **\$310,900** [2011-\$310,900]
Telecommunication costs of **\$313,030** [2010-\$331,352]
Water billings of **\$8,801** [2011-\$7,612]
Property taxes of **\$133,408** [2011-\$127,753]
Lease costs of **\$1,845** [2011-\$1,823]
Royalties of **\$130,010** [2011-\$122,297]
Landfill gas charges of **\$184,385** [2011-\$204,808].

7. BANK INDEBTEDNESS

The City has an unsecured demand revolving credit facility in the amount of **\$15,000,000** [2011 - \$15,000,000], of which **\$nil** [2011 - \$nil] was used at year-end, bearing interest at the bank's prime rate less 0.75%.

Tbaytel's available revolving credit facilities amount to:

1) **\$1,500,000 US** [2011-\$1,500,000] at a floating rate of US bank prime or 3.25%, of which **\$65,000 US** [2011 - \$215,000 US] was used at year-end.

2) **\$5,500,000 CDN** [2011-\$5,500,000] at a floating rate of bank prime less 0.5%, or 2.5%, of which **\$4,810,000 CDN** [2011-\$nil] was used at year-end.

The remainder of the bank indebtedness of **\$6,412,000** as at December 31, 2012 is comprised of net outstanding cheques.

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8. TBAYTEL LONG TERM PAYABLE

In 2010, Tbaytel entered into a Strategic Business Relationship. As part of the Agreement, a long-term payable arrangement with a term of ten years for a total principal amount of \$46,903,000 was entered into. The amount relates to a commercial acquisition of subscribers and subsequent payments are to be funded through the future operating results of Tbaytel. The balance outstanding as at December 31, 2012 is **\$37,991,000** [2011 - \$42,232,000]. Interest is accrued with an effective rate of 4%.

Principal repayments of the long term payable are due as follows:

	\$
2013	4,425,000
2014	4,606,000
2015	4,741,000
2016	4,872,000
2017	4,949,000
2018 and thereafter	14,398,000
Total	37,991,000

Total payments for the year for the long term payable are as follows:

	2012	2011
	\$	\$
Principal payments	4,241,000	4,014,000
Interest payments	1,612,000	1,777,000
Total	5,853,000	5,791,000

9. DEFERRED REVENUE

The continuity of deferred revenue is as follows:

	2012	2011
	\$	\$
Balance, beginning of year	6,601,901	7,148,394
Net contributions from developers and property owners	173,178	111,875
Investment income	12,515	6,243
Net contributions to capital operations	(96,906)	(15,752)
<u>Net contributions from (to) current operations</u>	<u>819,205</u>	<u>(648,859)</u>
Balance, end of year	7,509,893	6,601,901

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10. PENSION AGREEMENTS

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

During the year ended December 31, 2012, the City contributed approximately **\$14,363,000** [2011 - \$13,386,000] for current service, which is included as an expense on the Consolidated Statement of Operations and Accumulated Surplus.

Because OMERS is a multi-employer plan, the City does not recognize any share of pension plan deficit of **\$9,924,000** [2011-\$9,627,000] based on fair market value of the Plan's assets, as this is a joint responsibility of all Ontario municipalities and their employees.

11. EMPLOYEE FUTURE BENEFITS

The City provides certain employee benefits which will require funding in future periods.

	2012	2011
	\$	\$
Sick leave benefits	5,776,300	5,770,000
Vacation pay	4,462,509	4,375,205
Post-employment benefits	39,667,000	38,759,000
WSIB	38,834,973	38,074,022
	88,740,782	86,978,227

[a] Under the sick leave benefit plan, unused sick leave can accumulate and certain employees may become entitled to a cash payment when they retire or leave the City's employment. The City recognizes these costs in the period in which the employees rendered the services. The accrued benefit liability at December 31, 2012 of **\$5,776,300** [2011-\$5,770,000] was determined by an extrapolation for 2012 by professional actuaries of an actuarial valuation prepared for the year ended December 31, 2010. An amount of **\$3,380,866** [2011- \$3,252,951] has been set aside in sick pay liability reserve funds to offset this liability.

The main actuarial assumptions employed for the valuation of vested sick leave benefits are as follows:

General Inflation

Future general inflation levels, as measured by changes in the Consumer Price Index (CPI), were assumed at 2% per annum.

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11. EMPLOYEE FUTURE BENEFITS (continued)

Interest (discount) rate

The obligation as at December 31, 2012 of the present value of future liabilities and the expense for the year then ended was determined using an annual discount rate of 4.75%. This rate reflects the assumed long-term yield on high quality bonds as at January 1, 2010.

Salary levels

Future general salary and wage levels were assumed to increase at 3.3% and 4.3% per annum for various employee groups, reflecting the expected Consumer Price Index adjusted for productivity, merit and promotion.

- [b] Vacation entitlements earned by the employees are converted to a cash payment when they retire or leave the City's employment.
- [c] The City pays certain post-retirement benefits on behalf of its retired employees and recognizes these post retirement costs in the period in which the employees rendered the services. The accrued benefit obligation at December 31, 2012 of **\$36,707,000** [2011-\$35,376,000] was determined by an extrapolation for 2012 by professional actuaries of an actuarial valuation prepared for the year ended December 31, 2010. An amount of **\$7,474,579** [2011- \$6,212,780] has been set aside in a post-retirement benefits reserve fund to offset this liability.

Information about the City's post-retirement non-pension benefit plan is as follows:

	2011 \$	2011 \$
Accrued benefit liability recognized in the financial statements	39,667,000	38,759,000
Expense for the year	3,091,000	2,969,000
Benefits paid for the year	(2,183,000)	(2,119,000)

The main actuarial assumptions employed for the valuation are as follows:

General Inflation

Future general inflation levels, as measured by changes in the Consumer Price Index (CPI), were assumed at 2% per annum.

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11. EMPLOYEE FUTURE BENEFITS (continued)

Interest (discount) rate

The obligation as at December 31, 2012 of the present value of future liabilities and the expense for the year then ended was determined using an annual discount rate of 4.75% to 5%. This rate reflects the assumed long-term yield on high quality bonds as at January 1, 2010.

Medical and dental costs

Medical costs were assumed to increase 7.25% in 2012, with further annual increases gradually declining from 7.25% to 5% in 2018 and each year thereafter. Dental costs were assumed to increase at 5% in 2012 and each year thereafter.

- [d] The City elected to be under Schedule 2 of the Workplace Safety and Insurance Act and hence, effectively self-insures its workers' compensation claims. The estimated future benefit costs (including administration costs) were determined by an extrapolation for 2012 by professional actuaries of an actuarial valuation as at December 31, 2010.

12. MUNICIPAL DEBENTURE DEBT

- [a] The balance of municipal debenture debt reported on the Consolidated Statement of Financial Position totaling **\$177,572,046** [2011 - \$169,215,646] is comprised of debenture debt outstanding at year-end incurred by the City. The breakdown of the balance owing is as follows:

	2012	2011
	\$	\$
Tax-supported	76,305,297	68,073,966
Rate-supported	89,956,749	87,301,680
Tbaytel	11,310,000	13,840,000
Total	177,572,046	169,215,646

- [b] Principal repayments of long-term liabilities are due as follows:

	\$
2013	19,682,009
2014	17,506,055
2015	17,769,425
2016	16,971,396
2017	13,114,856
2018 and thereafter	92,528,305
Total	177,572,046

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12. MUNICIPAL DEBENTURE DEBT (continued)

[c] The long-term liabilities in [a] issued in the name of the City have received approval of the Ontario Municipal Board for those approved on or before December 31, 1992. Those approved after January 1, 1993 have been approved by by-law. The 2013 annual principal and interest payments required to service these liabilities are within the 2013 annual debt repayment limit prescribed by the Ministry of Municipal Affairs of \$81,463,944. The City has available \$56,692,252, based on this annual debt repayment limit.

[d] Total payments for the year for municipal debenture debt are as follows:

	2012 \$	2011 \$
Principal payments	17,792,604	16,276,042
Interest payments	6,979,088	7,250,324
Total	24,771,692	23,526,366

13. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

The Ontario Environmental Protection Act (the "Act") sets out the regulatory requirements for the closure and maintenance of landfill sites. Under the Act, the City is required to provide for closure and post-closure care of its solid waste landfill site.

The John Street municipal landfill is operated by the City to accept all municipal solid waste from the City. The landfill includes the closed and capped West Cell, and the active East Cell with a remaining life of approximately 50 years. Closure activities include final cover and vegetation, drainage control features, monitoring of leachate, water quality and recovery of gas. Post-closure activities include acquisition of additional land for buffer zone, treatment and monitoring of leachate, monitoring groundwater, surface water and gas, and recovery and ongoing maintenance of various control systems, drainage systems and final cover.

The estimated liability of **\$7,447,000** [2011 - \$7,230,000] is the present value of future closure and post-closure costs discounted at a rate of 3%, based on a 2006 Consultant's Report.

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14. TANGIBLE CAPITAL ASSETS

Schedule 1 provides information on the tangible capital assets of the City of Thunder Bay by major asset class, including cost, accumulated amortization and the net book value of the assets.

During the year no interest was capitalized [2011 – \$nil], there were write-downs of tangible capital assets of **\$1,127,823** [2011-\$nil] and contributed tangible capital assets of **\$3,882,328** [2011-\$1,359,823]. Write-downs consist of general capital buildings and infrastructure buildings. Contributed capital assets consist of general capital buildings.

Certain assets have been recorded at a nominal value due to the difficulty in determining an appropriate value. These assets include road allowances relating to the roads network, certain land segments acquired through land swaps and some parkland segments.

Works of art, artifacts, cultural and historic assets are not recorded as assets in the financial statements.

15. CONTINGENCIES

[a] There were numerous claims and litigation in dispute at December 31, 2012 for which the amount of settlement, if any, is indeterminable at this time. The settlements, if any, will be expensed in the Consolidated Statement of Operations and Accumulated Surplus in the year in which judgments are rendered. No provision has been made in these consolidated financial statements in respect of the above claims and litigation.

[b] In the normal course of business, appeals are made by taxpayers against property assessments, the resolution of which is not known as at the date of issuance of these financial statements. It is the practice of the Municipality to provide for any claims only when the decisions are rendered by the appropriate authorities.

16. COMMITMENTS

[a] The City has various operating leases pertaining to certain premises and equipment and service agreements. The future minimum lease payments over the next five years are as follows:

	\$
2012	9,672,826
2013	8,720,936
2014	7,097,780
2015	5,143,300
2016	4,096,000

[b] The City has a letter of credit issued by the Royal Bank of Canada for \$500,000, which expires on December 31, 2013.

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17. PUBLIC LIABILITY INSURANCE

The City is self-insured for public liability claims up to \$1,000,000 for any number of claims arising out of a single occurrence. Outside coverage is in place for claims in excess of these limits.

The City has provided for self-insurance in a reserve fund reported in the Consolidated Statement of Financial Position amounting to **\$1,366,748** [2011-\$1,555,052].

Self-insured claims settled and accrued during the year amounting to **\$3,140,335** [2011 - \$2,395,046] are reported as an expense in the Consolidated Statement of Operations.

18. NON-CONSOLIDATED ENTITIES

Thunder Bay District Health Unit

The Thunder Bay District Health Unit is established under the Health Protection and Promotion Act, and provides programs and services in accordance with the legislative mandate for Boards of Health in Ontario and delivers a wide range of services to citizens of the District of Thunder Bay.

The following table provides condensed supplementary financial information for the Thunder Bay District Health Unit prepared in accordance with Canadian public sector accounting standards.

	2012	2011
	\$	\$
Financial position		
Financial assets	4,678,662	4,177,887
Liabilities	(3,817,547)	(3,505,102)
Net financial assets	861,115	672,785
Non-financial assets	2,210,743	2,397,804
Accumulated surplus	3,071,858	3,070,589
	2012	2011
	\$	\$
Results of operations		
Revenues other than municipal levies	15,278,148	15,284,379
Municipal levies	2,749,722	2,749,722
Expenses	(18,026,601)	(17,912,007)
Annual surplus	1,269	122,094

The City's share of the municipal levies was **\$ 2,153,325** [2011 - \$2,153,325].

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18. NON-CONSOLIDATED ENTITIES (continued)

The District of Thunder Bay Social Services Administration Board

Effective April 1, 1999, pursuant to provincial legislation, The District of Thunder Bay Social Services Administration Board was formed to accommodate the provincial government's requirement to consolidate the delivery of Social Services. The Board delivers provincially mandated services on behalf of the citizens of the District of Thunder Bay.

The following table provides condensed supplementary financial information for The District of Thunder Bay Social Services Administration Board, including its wholly-owned subsidiary, Thunder Bay District Housing Corporation, prepared in accordance with Canadian public sector accounting standards.

	2012	2011
	\$	\$
Financial position		
Financial assets	32,509,176	33,568,250
Long-term debt	(36,260,977)	(38,656,183)
Other liabilities	(7,199,762)	(9,527,303)
Net debt	(10,951,563)	(14,615,236)
Non-financial assets	54,328,861	54,312,639
Accumulated surplus	43,377,298	39,697,403
Results of operations		
Revenues other than municipal levies	58,997,550	60,166,166
Municipal levies	24,799,714	24,523,431
Other income	356,735	453,190
Expenses	(79,488,462)	(83,488,069)
Distribution to municipalities	(985,642)	-
Annual surplus	3,679,895	1,654,718

The City's share of the municipal levies was \$18,396,850 [2011 - \$18,198,766].

19. SEGMENTED INFORMATION

The City is a diversified municipal government institution that provides a wide range of services to its citizens. Segmented information has been prepared by major functional classification of activities provided, consistent with the consolidated statement of operations and accumulated surplus and provincially legislated requirements. For each reported segment, revenues and expenses represent both amounts attributable to the segment and amounts that are allocated on a reasonable basis.

The segmented information is provided in Schedule 3 to the consolidated financial statements and includes the following segments:

**THE CORPORATION OF THE CITY OF THUNDER BAY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2012**

19. SEGMENTED INFORMATION (continued)

General Government

General Government comprises various administrative services, including the Finance & Corporate Services Department, Legal Services, City Manager's Department, Facilities, Fleet and Transit Department and Mayor and Council.

Protection to Persons and Property

Protection to persons and property is comprised of Police Services, Fire Services, Protective Inspection and Control and Thunder Bay Court Service. The mandate of Police Services is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law. The Fire Services department is responsible for fire suppression; fire prevention programs; training and education related to prevention, detection or extinguishment of fires. Protective Inspection and Control ensures an acceptable quality of building construction and maintenance of properties through enforcement of construction codes, building standards and by-laws for the protection of occupants. Thunder Bay Court Service administers prosecutions and the collection of related fines and fees under the authority of the Provincial Offences Act.

Transportation Services

Transportation services include Roadways, Winter Control, Transit, Parking and Street Lighting. Roadways covers the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, culverts, sidewalks, crossing guards and traffic lights. Winter control includes snowplowing, sanding and salting, snow removal and flood control. The Transit division is responsible for providing local public transportation service. The Parking Authority is responsible for the planning, development and maintenance of parking lots, meters and parkades, including enforcement of parking regulations. Street lighting plans, develops and maintains the street lighting system.

Environmental Services

Environmental services consist of Waterworks, Sanitary Sewer, Waste Collection and Disposal and Recycling. Waterworks provides drinking water to the citizens of Thunder Bay. Sanitary Sewer collects and treats wastewater. Waste Collection, Disposal and Recycling include the collection of solid waste, landfill site operations and waste minimization programs.

**THE CORPORATION OF THE CITY OF THUNDER BAY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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19. SEGMENTED INFORMATION (continued)

Health Services

Health Services include Hospital debt repayment and Ambulance Services.

Social and Family Services

Social and Family Services include Assistance to Aged Persons, Child Care and Assistance to Disabled. Under Assistance to Aged Persons, the City operates three Homes for the Aged, the 55+ Centre, and provides services to seniors, including meals on wheels, friendly visiting program and Jasper Apartments. Child Care includes the operating and maintenance of childcare centers in the City of Thunder Bay. Assistance to Disabled represents the contribution by the City of Thunder Bay to Handicapped Action Group Incorporated (HAGI) Transit to provide public transportation services to the disabled.

Recreation and Cultural Services

Recreation and Cultural Services include Parks, Recreation Programs and Facilities, Thunder Bay Public Library and Contributions to Cultural Organizations. The Community Services Department provides public services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure services such as fitness and aquatic programs, the development and maintenance of various recreational facilities; and the maintenance of parks and open spaces. The Thunder Bay Public Library is dedicated to providing community access to local and global information resources that support lifelong learning, research and leisure activities. The City of Thunder Bay contributes to various cultural organizations under specific funding programs.

Planning and Development

The Development Services Department manages urban development for business interest, environmental concerns, heritage matters, local neighbourhoods and the downtown through city planning and community development and approval of all land development plans. Also included in Planning and Development are the activities of the Thunder Bay Community Economic Development Commission Inc., three Business Improvement Areas (BIA's), and Victoriaville Centre.

Tbaytel

Tbaytel was established as a Municipal Service Board to govern, control, maintain, operate and manage the City's provision of telecommunication services.

**THE CORPORATION OF THE CITY OF THUNDER BAY
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20. BUDGET INFORMATION

Budgets are established to set tax rates or to finance projects which may be carried out over one or more years. Although they are not directly comparable with current year actual amounts, they have been translated into Public Sector Accounting Board standards on the consolidated statement of operations and accumulated surplus.

21. FLOOD DISASTER

On May 28, 2012, the City of Thunder Bay experienced a severe rainfall event, which resulted in the flooding of the Atlantic Avenue Secondary Sewage Treatment Plant (the "Plant") and basement flooding in certain areas of the City. On June 8, 2012, the Province of Ontario declared the City of Thunder Bay a disaster area for the purposes of the Ontario Disaster Relief Assistance Program ("ODRAP").

Actual flood-related costs incurred by the City as of December 31, 2012 amounted to approximately \$18.5 million, of which approximately \$6.8 million related to the damage to the Plant. This resulted in a write-down of the tangible capital asset in the amount of \$1,127,823 [see note 14].

On May 27, 2013, Corporate Report No. 2013.047, "Flood Event – Costs to Date" was presented to City Council. Total flood related costs to the City from May 29, 2012 to April 30, 2013 were \$22.9 million of which \$21.6 million is funded by the City's insurer and the Province of Ontario. The remaining \$1.3 million consists of the insurance deductible of \$1 million [see note 17] and \$0.3 million of ineligible costs and has been expensed in the City's consolidated financial statements for the year ended December 31, 2012.

All costs incurred and all revenues received or receivable for the year ended December 31, 2012 have been recorded in the functional expense classifications on the consolidated statement of operations and accumulated surplus.

See note 15 regarding the treatment of claims and litigation in dispute as at December 31, 2012 for which the amount of settlement, if any, is indeterminable at this time. For further clarification, any claims or litigation with respect to the flood disaster, will receive the same treatment as outlined in that note.

The City's consultant provided a cost estimate for the damages associated with the flooding of the Plant in the amount of \$36 million, with the work expected to be completed in 2015. The amount unspent as of April 30, 2013 is estimated at \$21 million. The total estimated cost of the Flood Disaster event, including Plant capital costs, emergency response costs, and extraordinary operating costs is projected to be \$43.9 million.

To date there has been no impact on property taxes and any future impact will be minimized as a result of the City's insurance coverage and ODRAP funding.