



Treasurer's Report

For the year ended
December 31, 2020

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Linda Evans

*General Manager, Corporate
Services & Long Term Care
& City Treasurer*

Message from the General Manager, Corporate Services & Long Term Care & City Treasurer

It is my pleasure to present the 2020 Treasurer's Report which highlights key financial information contained in the audited consolidated financial statements for the year ended December 31, 2020 and financial results for the year.

This report identifies key financial policies, the annual budget process and provides a review of financial indicators that evaluate the City's financial outlook and performance through the elements of sustainability, flexibility and vulnerability. Together with the accompanying financial statements, the information provided allows the reader to assess the City of Thunder Bay's financial activities and available resources.



The City of Thunder Bay has again received a S&P Global Ratings AA credit rating with a stable outlook. This positive rating reflects the City's successful management of the financial impacts of the COVID-19 pandemic. This rating influences the interest rate paid on any debt the City takes on. The City continues to focus on service excellence, continuous improvement and risk management.

I would like to thank City Council, City Department and Outside Board teams for their support and cooperation throughout 2020. Personal thanks goes to the Financial Services Division of the Corporate Services and Long Term Care Department for their high degree of professionalism and dedication. 2020 was a year like no other due to the COVID-19 pandemic and state of emergency declared in March 2020. Financial staff throughout the Corporation adjusted quickly to ensure accurate tracking and reporting of the impacts of the COVID-19 pandemic. Together we are committed to providing high standards of fiscal excellence at the City of Thunder Bay and to providing accurate and timely information to City Council, Committees, departments and community stakeholders.

Financial Reporting

Consolidated Financial Statements

Management is responsible for the preparation of the financial statements and for the integrity and objectivity of the financial information contained in those statements. The financial statements contained in this report have been prepared in accordance with generally accepted accounting principles for local governments as established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants Canada.

The City Treasurer is responsible for the overall financial management of the City and must ensure that all corporate accounting records and financial reports conform to Council budgetary requirements, by-laws, policies, procedures, accounting principles and financial reporting requirements.

The Consolidated Financial Statements include all organizations that are owned or controlled by the City, which means the financial statements reflect the assets, liabilities, revenues, expenses and accumulated surplus of the reporting entity.

Fully consolidated entities include:

- Thunder Bay Public Library Board
- Parking Authority
- Victoria Avenue Business Improvement Area
- Waterfront District Business Improvement Area
- Victoriaville Centre Board of Management
- Tbaytel
- Thunder Bay Community Economic Development Commission Inc.
- Thunder Bay Police Services Board

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

Thunder Bay Hydro Corporation is accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises. 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.

The budget figures presented in the 2020 audited Consolidated Financial Statements have been reclassified to comply with Public Sector Accounting Standard reporting requirements. The standards require that all interfund transfers, capital expenditures, and debt principal repayments be removed, and amortization, employee future benefits, landfill closure and post closure costs, and consolidated board budgets be included. The budget note in the financial statements reconciles the approved budget with the budget figures as presented in the consolidated financial statements.

External Auditors

The Municipal Act requires the City to engage independent auditors to express an opinion as to whether the consolidated financial statements present fairly, in all material respects, the City's financial position and results from operations and cash flows in accordance with public sector accounting standards. The City's independent auditors, BDO Canada LLP, have issued an unqualified Auditor's Report on the financial statements attached to this report.

Audit Committee

The mandate of the City's Audit Committee includes:

- ensuring the external audit function has been effectively carried out and that any matter which the independent auditors have brought to the attention of the Audit Committee has been addressed;
- reviewing and discussing with management their responsibility for assessing the City's internal control systems and monitoring compliance with laws, regulations and policy;
- reviewing the annual financial statements and considering whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles;
- reviewing significant accounting and reporting issues, including complex or unusual transactions, highly judgmental areas, recent professional/regulatory pronouncements, and understanding their impact on the financial statements; and
- recommending to City Council approval of the annual audited financial statements.

The Audit Committee met with Administration and the external Auditors on July 13, 2021 and recommended approval of the audited financial statements.

Performance Measurement and Benchmarking

Benchmarking assists in establishing baselines, defining best practices and identifying improvement opportunities. By comparing the City's own experience and data with that of other municipalities, decision makers are able to monitor selected indicators over time and evaluate and prioritize improvement opportunities.

In addition to participating in Municipal Benchmarking Network Canada (MBNCanada), the City of Thunder Bay also participates in a municipal comparative study conducted by BMA Management Consulting Inc. on behalf of 110 participating Ontario municipalities.

Since 2000, BMA Management Consulting Inc. has annually completed a municipal comparative study on behalf of participating Ontario municipalities. This report brings together a group of indicators to give an overall snapshot for each municipality. The analysis was completed using the most recent information available as provided by the participating municipalities including:

- 2020 current value assessment
- 2020 tax policies
- 2020 levy by-laws
- 2020 development charges
- 2020 water/sewer rates
- 2019 Financial Information Returns
- 2020 user fees
- Economic development programs

The results of both these studies are available on the City's website at:

<https://www.thunderbay.ca/en/city-hall/performance-and-credit-rating.aspx>

Financial Management and Control

The financial management and control of the City of Thunder Bay is largely governed through by-laws that prescribe budget, purchasing, accounting, investment, risk management and debt policies. City Council has sole authority to allocate funds through the approval of operating and capital budgets.

The City's management maintains a system of internal controls designed to safeguard assets and ensure transactions are properly authorized and recorded in compliance with legislative and regulatory requirements. The integrity of financial management and control is ensured through an annual independent audit. City Council is assured of this integrity through an appointed Audit Committee, as well as mandated financial reporting to the Province through the annual Financial Information Return.

The City has embraced various corporate measurement and benchmarking programs as tools for continuous improvement and quality control. The City of Thunder Bay is committed to continually monitoring its performance in key areas and to comparing Thunder Bay's activities to other municipalities to identify improved and innovative methods of program and service delivery.

The City also participates in various Provincial initiatives, including providing input on the development of financial policy, consultation on property taxation and assessment, and financial reporting.



Long Term Financial Overview

The Long Term Financial Overview is presented to City Council annually prior to budget review. It provides important information about the City's economic and fiscal environment to assist during budget deliberations. Key elements of the financial overview include the economic environment, performance indicators on taxation and affordability, current year proposed budget overview, information about the City's infrastructure, debt and reserve funds, and financial projections.

Key outcomes of the Long Term Financial Overview include demonstrating the City's continued attention to cost control and debt management, identifying gaps in funding from other levels of government, providing the basis for ongoing financial support for infrastructure and reserve funding, and providing the basis for credit rating agencies to give a positive review.

Reserve and Reserve Funds

Reserve funds are an important component of a long term financial plan, providing financial flexibility and the ability to adapt to fiscal challenges and unexpected events, as well as a means of planning for future requirements, both capital and operating. There are two types of reserve funds. Discretionary reserve funds are set by Council for specific purposes and obligatory reserve funds are legally restricted by federal or provincial legislation or agreement and can only be used for its intended purpose. Obligatory reserve funds are included in deferred revenue.

Reserve funds also provide:

- Financing for one time or short term requirements without permanently impacting tax and utility rates;
- A source of financing to leverage funding from other levels of government;
- For ensuring adequate cash flows;
- For avoiding spikes in funding requirements of the capital budget by reducing reliance on long-term debt borrowings.



**Discretionary Reserve and Reserve
Fund balances increased by**
\$24.5
million
in 2020

Asset Management Plan

The City completed an Asset Management Plan that was presented to Council in January 2017. It highlights the state of the City's infrastructure for roads, sidewalks, bridges & culverts, water distribution, sanitary sewers, storm sewers, facilities, fleet, land improvements and machinery & equipment, along with a proposed financial strategy to maintain the infrastructure.

In 2019 Council adopted a Strategic Asset Management Policy. The policy will provide leadership in and commitment to the development and implementation of the City's asset management program. It is intended to guide the consistent use of asset management across the organization, to facilitate logical and evidence-based decision-making for the management of municipal infrastructure assets and to support the delivery of sustainable community services now and in the future. The Executive Management Team has endorsed an Asset Management Steering Committee which will guide the City in meeting the regulated changes and timelines outlined in Ontario Regulation 588/17, and as below. Administration will work on incorporating the following items in future Asset Management Plans:

- Clearly defined levels of services
- Master plans
- Condition assessments
- Long term financial strategy

July 1, 2022 - Core assets and current service levels



July 1, 2024 - Remaining assets and current service levels



July 1, 2025 - Council approved proposed service levels, financial strategy



Credit Rating

In 2021, the City received its credit rating from S&P Global Ratings, which has provided credit rating services to the City of Thunder Bay since 1998:

“On June 23, 2021, S&P Global Ratings (S&P) affirmed its issuer credit rating on the City of Thunder Bay, at AA with a stable outlook. The rating reflected S&P’s view of Thunder Bay’s positive budgetary performance, robust liquidity position, and declining debt burden. Efforts to increase reserve balances to fund the City’s capital program were also recognized.

The stable outlook reflected S&P’s expectation that over the next two years Thunder Bay will maintain overall sound financial results, generating modest after-capital surpluses, supported by prudent financial management practices and despite elevated capital spending, a low debt burden and an excellent liquidity position”.

The City’s Long Term Financial Overview, which includes projected capital expenditures and debt issuance, also contributed to the continued positive rating.

Budget Process

Operating and capital budgets are prepared annually, with the capital budget providing a three year detailed outlook and a ten-plus year forecast.

Budget development begins with the base budget which provides for maintenance of existing services and provincially-mandated programs and contracts, annualized impact of previous Council decisions and commitments, capital driven operating costs, and growth pressures on existing services. Next, service level change decisions are considered and include one-time items, expansions, reductions, and user fee changes.

Opportunities for engagement and transparency continue to be a focus of the budget process. A public consultation session and an online survey are held each year to receive feedback on how the budget is allocated and what services are important. The 2020 and 2021 surveys included gathering input on how to finance the impact of COVID-19. A citizen satisfaction survey is completed every two years, which results in

statistically valid feedback on city services. Once the proposed budget is published additional opportunities for feedback are provided in the form of public deputation sessions before and after Committee of the Whole has reviewed the budget documents.

The annually approved budget represents how City Council has assigned resources to services to ensure that its goals and objectives are being met. The annual operating budget includes estimated operating expenditures and revenues required to allow the City to deliver services approved by Council.

The City faces significant pressures in some areas such as:

- Continuing financial impact of COVID-19 pandemic
- Low levels of assessment growth
- Financing new infrastructure needs
- Financing the annual infrastructure deficit
- Increasing insurance premiums
- Increasing costs within emergency services

Financial Indicators

BMA Management Consulting Inc. (“BMA”) completed a comparative municipal study with 110 participating Ontario municipalities, including the City of Thunder Bay (the 2020 study reports financial data from 2019 and prior). The study includes financial indicators that help evaluate a municipality’s financial outlook and performance. The three elements of financial indicators include sustainability, flexibility and vulnerability.

Sustainability

Sustainability is the ability to provide and maintain service and infrastructure levels without resorting to unplanned increases in rates or cuts to services.

Financial Position per Capita

The financial position per capita indicator measures the City’s net financial position relative to the population and includes all of the City’s financial assets and liabilities. Negative results indicate that liabilities exceed financial assets and future revenues will be required to pay for past transactions and events.

The following data shows that over the past five years the City’s liabilities have exceeded financial assets whereas, the average municipality’s financial assets exceed liabilities. The City’s net debt is primarily resulting from municipal debenture debt related to tax-supported and rate-supported capital projects as well as capital projects for Tbaytel.

	2019	2018	2017	2016	2015
Thunder Bay (\$)	(1,010)	(1,089)	(1,301)	(1,572)	(1,447)
Average (\$)	687	532	446	401	287

Asset Consumption Ratio

The asset consumption ratio provides an estimate of the useful life remaining in the City’s capital assets and shows the value of the tangible capital assets that have been consumed. It is the total accumulated amortization of the tangible capital assets relative to their total gross costs.

The following summary compares the City’s asset consumption ratio to the average in the Study and shows in each of the years the City’s ratio is higher than the average. This ratio seeks to highlight the aged condition of the assets and the potential asset replacement needs. To guide and facilitate the management, renewal, and replacement of municipal infrastructure, the City has approved a Strategic Asset Management Policy and will continue to work on improvements to the Asset Management Plan and keep informed of the age and condition of its capital assets to ensure timely and appropriate investments are made.

	2019	2018	2017	2016	2015
Thunder Bay (%)	59.2	58.2	56.6	55.2	55.0
Average (%)	42.4	41.9	41.9	40.5	40.0

Flexibility

Flexibility is the ability to issue debt responsibly without impacting the credit rating as well as the ability to generate required revenues.

Total Debt Outstanding Per Capita

Total debt outstanding per capita measures total debt outstanding divided by the population.

Over the past five years, the City's debt per capita has increased and is significantly higher than average primarily due to long term borrowing by the City on behalf of Tbaytel and high levels of rate supported debt for major facility upgrades to the wastewater treatment plant and water treatment plant in 2004 to 2007. The City has approved financial plans for its rate supported operations that incorporates both debt reduction and reserve fund growth to sustainable levels.

	2019	2018	2017	2016	2015
Thunder Bay (\$)	1,888	1,839	1,777	1,786	1,618
Average (\$)	732	758	731	769	699

Debt to Reserve Ratio

The debt to reserve ratio measures debt outstanding to discretionary reserves and reserve funds. BMA recommends a debt to reserve ratio of 1.0 so that for every \$1 in debt, there is \$1 in reserves.

The following data indicates in 2019, the City reported a ratio of 1.6 meaning that for every \$1.60 in debt, there is \$1.0 in reserve funds. The City's ratio performance is below the survey average; however, the ratio has been improving since 2016 mainly due to the increase in reserve fund balances as a result of year-end favourable variances.

	2019	2018	2017	2016	2015
Thunder Bay	1.6	1.7	1.8	2.0	1.8
Average	0.8	0.9	1.0	1.0	1.0

Debt Outstanding per 100,000 of Unweighted Assessment

The debt outstanding per 100,000 of unweighted assessment measures total debt outstanding divided by the unweighted assessment.

The following data shows that the City's measure has been relatively consistent over the last five years and has been higher than average also reflecting higher than average debt levels.

	2019	2018	2017	2016	2015
Thunder Bay (\$)	1,845	1,889	1,926	1,979	1,941
Average (\$)	529	568	610	622	603

Vulnerability

Vulnerability addresses a municipality's vulnerability to external sources of funding that it cannot control and its exposure to risks.

Rates Coverage Ratio

The rates coverage ratio measures the municipality's ability to cover its costs through its own source revenues. The Ministry of Municipal Affairs and Housing recommends a target of 90% or greater.

The following data demonstrates that over the last five years, the City's ratio is very comparable to the average and in 2017 and 2018 reached the target of greater than 90%.

	2019	2018	2017	2016	2015
Thunder Bay (%)	87.7	90.7	91.2	85.9	88.0
Average (%)	91.6	91.8	92.1	90.8	90.1

Government Transfers as a Percentage of Total Revenue

Government transfers as a percentage of total revenue measures the proportion of revenues that the City receives from federal and provincial levels of government. The percentage shows the City's degree of dependency on these revenues (note this indicator is not part of the BMA Study).

Over the past five years, the City has maintained consistent levels of government transfers to total revenues; noting that the 2020 ratio is higher due to Federal-Provincial Safe Restart funding and various program specific COVID-19 funding. Overall, the City demonstrates some level of vulnerability because it does not have direct control or influence over the availability, timing, and amount of funding from other levels of government.

	2020	2019	2018	2017	2016
Thunder Bay (%)	16	11	13	13	12

Summary

Challenges the City faces include balancing increasing costs of programs and services, a debt to reserve fund ratio that is higher than the industry average, exposure to reduced funding from senior levels of government, low levels of assessment growth, addressing the infrastructure deficit, and prioritizing capital projects. However, the City's numerous corporate principles, policies, strategies, plans and budget process assist with financial management and control to provide a sustainable and stable long term financial plan.

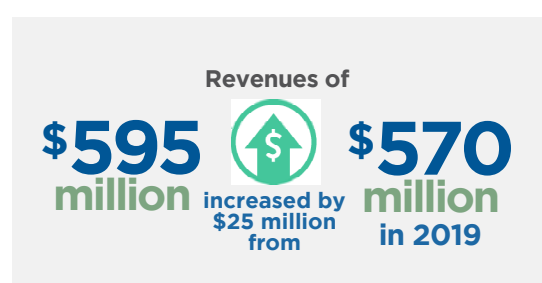
2020 Financial Results

The Consolidated Financial Statements of the Corporation of the City of Thunder Bay for the year ended December 31, 2020 are included in this Report. The financial statements have been prepared in accordance with generally accepted accounting principles for local governments as established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants Canada (CPAC) and have been audited by external auditors, BDO Canada LLP. The Independent Auditor's Report reflects an unqualified opinion.

Financial Highlights

Financial highlights for 2020 are as follows:

- The Consolidated Statement of Financial Position details a net debt position of \$69.6 million, a decrease of \$43.8 million from 2019;
- The City's accumulated surplus increased from \$943.1 million in 2019 to \$1.0 billion in 2020. The accumulated surplus is mainly comprised of equity in tangible capital assets, the investment in Thunder Bay Hydro Corporation, reserve and reserve fund balances, offset by municipal debenture debt and unfunded liabilities;
- The Consolidated Statement of Operations and Accumulated Surplus discloses an annual surplus of \$57.1 million in 2020 compared to an annual surplus of \$5.9 million in 2019;
- Revenues of \$595.2 million increased by \$25.4 million over 2019 mainly due to a net increase in federal and provincial grants of \$28.8 million, increase in taxation of \$4.5 million, Tbaytel fees and service charges of \$3.0 million, offset with decreases in user fees of \$8.6 million, and other revenue of \$2.6 million;
- Expenses totaling \$540.3 million decreased by \$19.5 million over 2019 primarily due to changes in total unfunded liabilities of \$8.9 million; decrease in Tbaytel expenses \$6.7 million, decrease in non-tangible capital asset expenses \$5.1 million, decrease in net expenditures due to COVID-19 \$5.4 million (\$6.1 in additional costs and \$11.5 million in avoided costs), offset by increased expenses related to Police Services \$3.5 million, and increased emergency evacuation expenses \$2.1 million;
- Reserves and reserve funds increased by \$24.5 million to \$161.9 million, with the most significant items being: increase in capital reserve funds of \$9.9 million; increase in the Stabilization reserve fund \$7.1 million; increase in Renew Thunder Bay reserve fund \$2.8 million; and increase in capital reserves \$1.1 million.



Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position reports the City's financial and non-financial assets, liabilities and accumulated surplus as at December 31, 2020. This statement is used to evaluate the City's ability to finance its activities and to meet its liabilities and commitments.

Financial Assets

The following chart shows the City's financial assets for 2020 and 2019, which are primarily made up of cash, investments, accounts receivable and investment in Thunder Bay Hydro Corporation. Financial assets total \$346.2 million in 2020, an increase of \$35.6 million (2019 - \$310.6 million), primarily resulting from an increase in cash and investments (\$19.5 million) related to an increase in reserve funds and an increase in accounts receivable (\$11.9 million) related to the timing of grants receivable from senior levels of government and Tbaytel's receivables.

The Thunder Bay Hydro Corporation is wholly owned by the City; the Government Business Enterprise (GBE) is accounted for on a modified equity basis, and the City's investment includes common shares, a promissory note receivable and accumulated earnings of the Corporation. The City's investment in Thunder Bay Hydro Corporation increased \$3.0 million in 2020 to \$106.3 million (2019 - \$103.3 million).

	2020 (000s)	2019 (000s)
Cash	35,805	22,574
Investments	121,555	115,301
Taxes receivable	12,844	10,381
Accounts receivable	47,473	35,539
User charges receivable	14,003	13,449
Other assets	6,407	8,100
Long term receivable	1,873	1,963
Investment in Thunder Bay Hydro Corporation	<u>106,294</u>	<u>103,338</u>
Total	<u>346,254</u>	<u>310,645</u>

Liabilities

The following chart shows the City's liabilities for 2020 and 2019, which are mostly made up of accounts payable and accrued liabilities, deferred revenue, employee future benefits, and debenture debt. Liabilities total \$415.8 million in 2020, a decrease of \$8.3 million (2019 - \$424.1 million).

Accounts payable and accrued liabilities of \$70.5 million decreased \$0.8 million in 2020 (2019 - \$71.3 million), reflecting the timing of payments year over year.

The decrease in Tbaytel other payable of \$8.0 million represents payments made in the year.

Employee future benefits are obligations for post-employment benefits, WSIB, sick leave benefits, and vacation pay. The balance represents a future liability for services provided by employees in the current or prior years. The actuarial valuation prepared for the year ended December 31, 2019 and updated for 2020 was used to calculate the future liability. Employee future benefits of \$96.8 million in 2020 increased \$2.3 million (2019 - \$94.5 million).

	2020 (000s)	2019 (000s)
Accounts payable and accrued liabilities	70,479	71,303
Tbaytel other payable	3,665	11,648
Deferred revenue	27,187	29,130
Employee future benefits	96,855	94,547
Municipal debenture debt	212,183	212,111
Landfill closure and post-closure liability	<u>5,466</u>	<u>5,346</u>
Total	<u>415,835</u>	<u>424,085</u>

Municipal Debenture Debt

Total outstanding municipal debenture debt at December 31, 2020 amounted to \$212.2 million, representing an increase of \$0.1 million over 2019. The increase was the net result of the issuance of \$24.1 million in new debentures less the retirement of \$24.0 million of outstanding debentures. Included in the new debentures for 2020 were the following:

1. Construction advance for tax supported capital projects in progress in the amount of \$4.5 million;
2. Construction advance for waterworks capital projects in progress in the amount of \$4.4 million;
3. Construction advance for wastewater capital projects in progress in the amount of \$1.8 million;
4. Borrowing for tax supported capital projects in the amount of \$0.5 million;
5. Borrowing for waterworks capital projects in the amount of \$0.7 million;
6. Borrowing for wastewater capital projects in the amount of \$0.2 million;
7. Borrowing on behalf of Tbaytel in the amount of \$12.0 million.

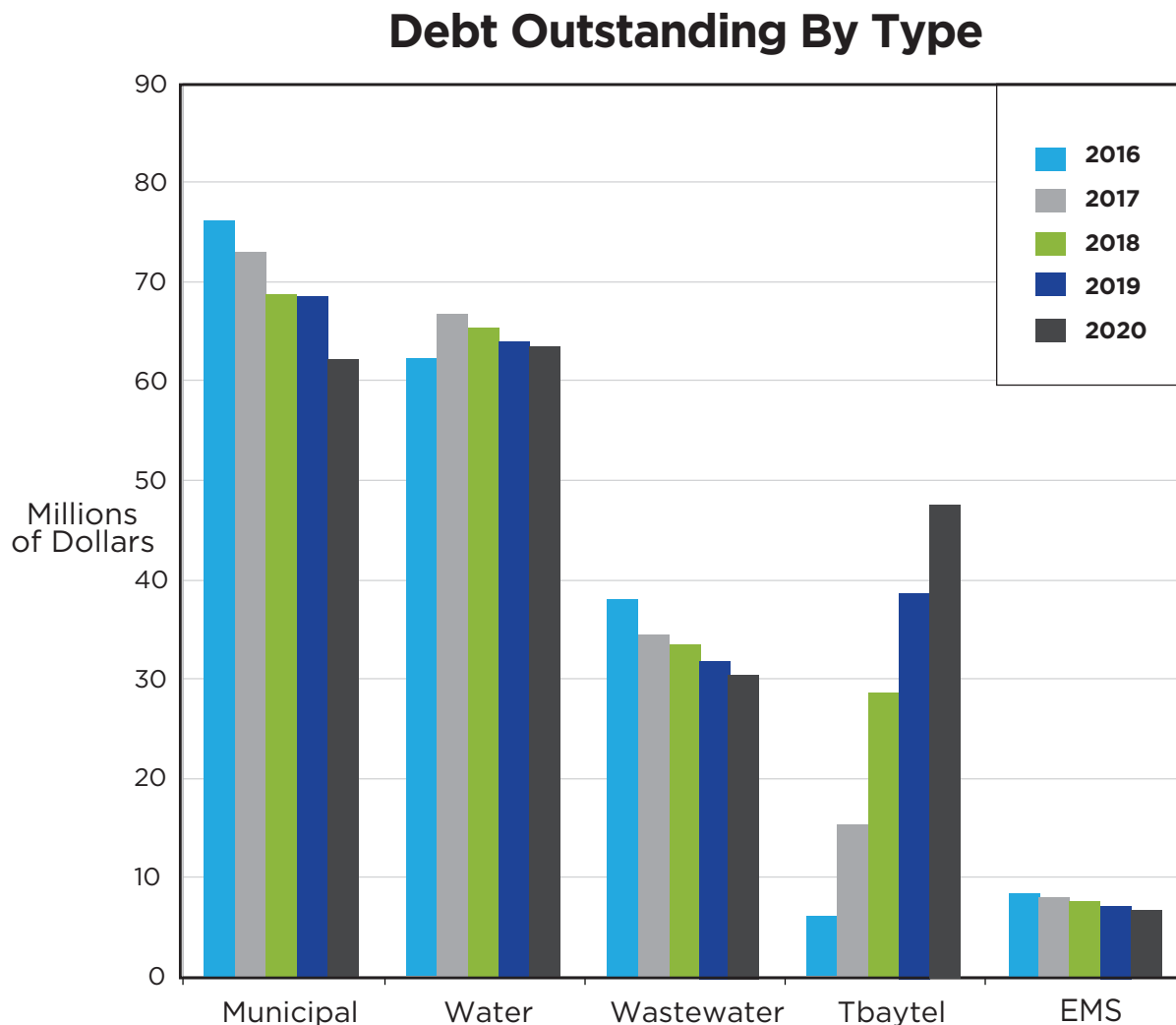
Based on current projections the municipal debenture debt outstanding is expected to decrease by \$3.5 million in 2021, primarily due to repayment of debt being greater than additional debenture borrowing.

Principal and interest payments on municipal debenture debt in 2020 were \$24.0 million (2019 - \$22.2 million) and \$6.7 million (2019 - \$6.6 million) respectively for a total of \$30.7 million (2019 - \$28.8 million). Total principal and interest payments in 2021 to 2030 are projected to be within the range of \$25 million to \$34 million under the approved Debt Management Strategy.

The City's municipal debenture debt practices are governed by provincial legislation, the City's capital financing and debt policy and the Debt Management Strategy. The Ministry of Municipal Affairs and Housing sets an annual repayment limit for municipalities related to debt. The maximum repayment of principal and interest is calculated at 25% of net own source revenues. The City's Debt Management Strategy established an overall limit such that principal and interest payments are not to exceed 10% of net own source revenues. The principal and interest payments for 2020 represented approximately 6% of net own source revenues (consistent with 2019), well within the respective limits set by the Ministry and the City.

The municipal debenture debt outstanding (which relates to the acquisition of municipal capital assets) represented 20% of the net book value of the City's tangible capital assets as at December 31, 2020 and at December 31, 2019.

The following chart shows the components of the outstanding debt as at December 31, 2020, with comparatives for 2016 to 2019:



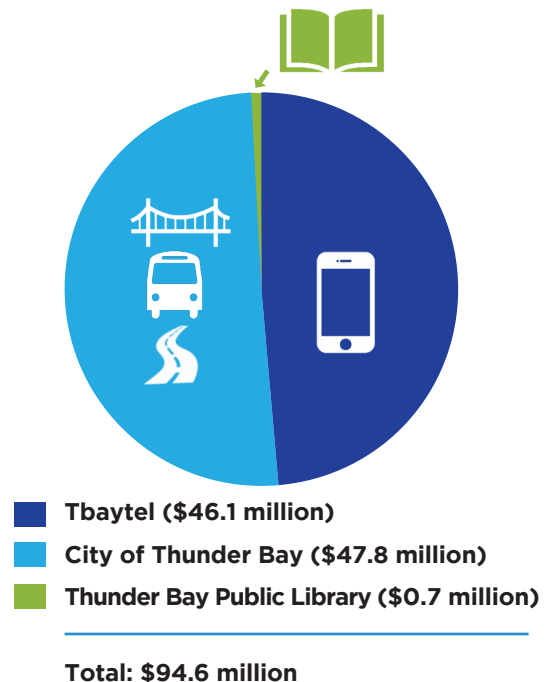
Non-Financial Assets

Tangible capital assets make up the majority of the balance of non-financial assets and are recorded at cost, which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the assets. The cost, less estimated residual value, of the tangible capital assets is amortized on a straight-line basis over the assets' estimated useful lives, ranging from 2 to 80 years. Assets under construction are not amortized until the asset is available for productive use.

The City of Thunder Bay builds, maintains and/or manages a variety of assets required to deliver programs and services. Following is a chart of the tangible capital assets included in the Consolidated Statement of Financial Position and on Schedule 1 to the financial statements for the past two years.

	Net Book Value 2020 (000s)	Net Book Value 2019 (000s)
Land	28,792	28,745
Land improvements	38,812	40,140
Buildings	291,889	299,582
Machinery & equipment	42,762	39,305
Vehicles	36,502	37,633
Network assets (Tbaytel)	194,117	185,979
Library collection	1,021	1,145
Linear assets	382,769	377,950
Assets under construction	42,032	34,075
Net book value of tangible capital assets	<u>1,058,696</u>	<u>1,044,554</u>

During 2020, the City spent \$94.6 million on tangible capital assets, which included \$46.1 million for Tbaytel capital projects, \$0.7 million for Thunder Bay Public Library capital projects and \$47.8 million for City of Thunder Bay Departmental capital projects. The \$47.8 million includes \$17.0 million for roads, bridges, sidewalks and traffic and streetlights, \$8.2 million for water and wastewater, \$5.7 million for the Boulevard Lake dam, \$4.2 million for storm sewers, \$2.7 million on vehicle renewal, \$1.5 million for police services capital, \$1.0 million for Superior North EMS capital, \$0.9 million for Transit, \$0.9 million for landfill improvements, \$0.9 million for recreation trails, \$0.8 million for the Multi-Use Indoor Sports Facility, and \$0.7 million for Waterfront development.



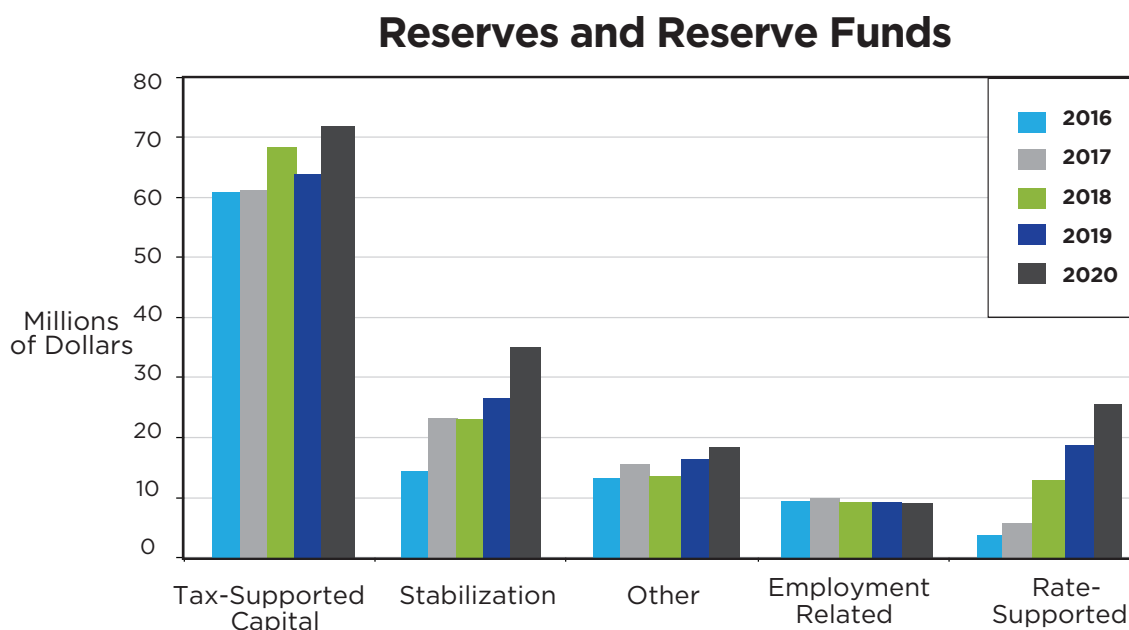
Reserves and Reserve Funds

The establishment, maintenance and prudent management of reserves and reserve funds are important components of the City's financial strategy. Reserve funds support a significant portion of the cost of capital infrastructure and play an instrumental role in offsetting unforeseen cost increases during uncertain economic times. Maintaining reserve fund balances provides financial flexibility to manage future debt levels and protect the City's financial position.

In 2020, the City's reserves and reserve funds increased by \$24.5 million to \$161.9 million, with the most significant items being:

- Increase in Capital reserve funds of \$9.9 million, primarily due to the following:
 - Waterworks reserve fund in accordance with the Water Authority Financial Plan and the 2020 favourable variance (\$3.2 million);
 - Increase in the Transit Capital reserve fund primarily related to the 2020 favourable variance and excess Federal-Provincial Safe Restart Transit funding received but carried forward to be used in 2021 (\$2.6 million);
 - Wastewater reserve fund in accordance with the Wastewater Financial Plan and the 2020 favourable variance (\$2.0 million);
 - Landfill reserve fund in accordance with the Solid Waste Financial Plan and the impact of COVID-19 funded by Federal-Provincial Safe Restart municipal funding (\$1.1 million);
- Increase of \$7.1 million in the Stabilization reserve fund related to the 2020 tax supported favourable variance and excess Federal-Provincial Safe Restart municipal funding received but carried forward to be used in 2021;
- Increase in Renew Thunder Bay reserve fund of \$2.8 million primarily related to Tbaytel performance dividends for 2020 and 2019;
- Increase in capital reserves of \$1.1 million due to timing of spend.

The following chart provides year-end balances by type of reserves and reserve funds as at December 31, 2020 with comparatives for 2016 to 2019:



Consolidated Statement of Operations and Accumulated Surplus

The Consolidated Statement of Operations and Accumulated Surplus summarizes the revenues and expenses for the year. The City of Thunder Bay reported net revenues of \$54.9 million in 2020, compared to net revenues of \$9.9 million in 2019 and an annual surplus of \$57.1 million in 2020, compared to an annual surplus of \$5.9 million in 2019.

Revenues

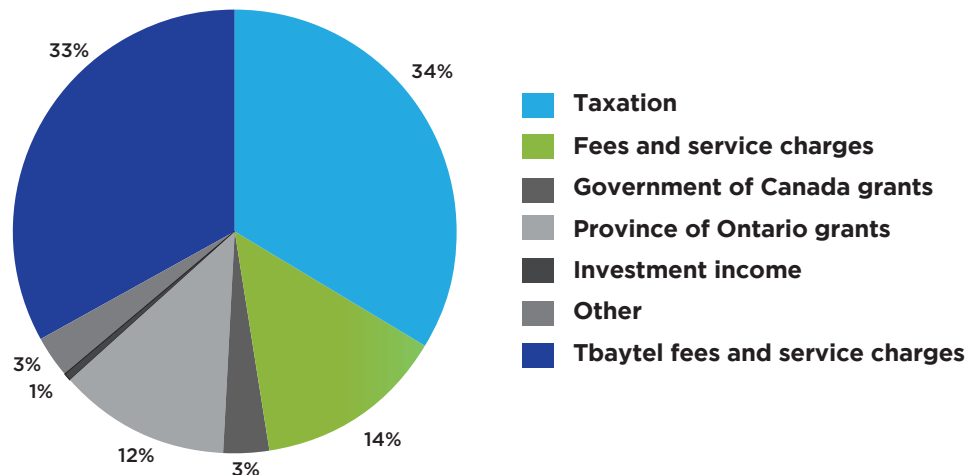
The City's revenue sources include taxation and user charges, government grants, Tbaytel revenues, investment income, penalties and interest on taxes and other sources.

In 2020, the City's operating revenues of \$595.2 million increased by \$25.4 million over the 2019 operating revenues of \$569.8 million. The most significant components of this increase include:

- Net increase in Federal and Provincial grants of \$28.8 million;
- Increase in taxation of \$4.5 million;
- Increase in Tbaytel fees and service charges of \$3.0 million;
- Decrease in fees and service charges of \$8.6 million;
- Decrease in other revenue of \$2.6 million.

	2020 (000s)	2019 (000s)
Taxation	201,077	196,574
Fees and service charges	83,113	91,685
Government of Canada grants	18,577	11,744
Province of Ontario grants	74,912	52,985
Contributed tangible capital assets	157	99
Investment income	3,336	3,051
Other	18,411	21,035
Tbaytel fees and service charges	<u>195,606</u>	<u>192,604</u>
Total	<u>595,189</u>	<u>569,777</u>

Revenues By Type 2020



Consolidated Statement of Operations and Accumulated Surplus

Expenses

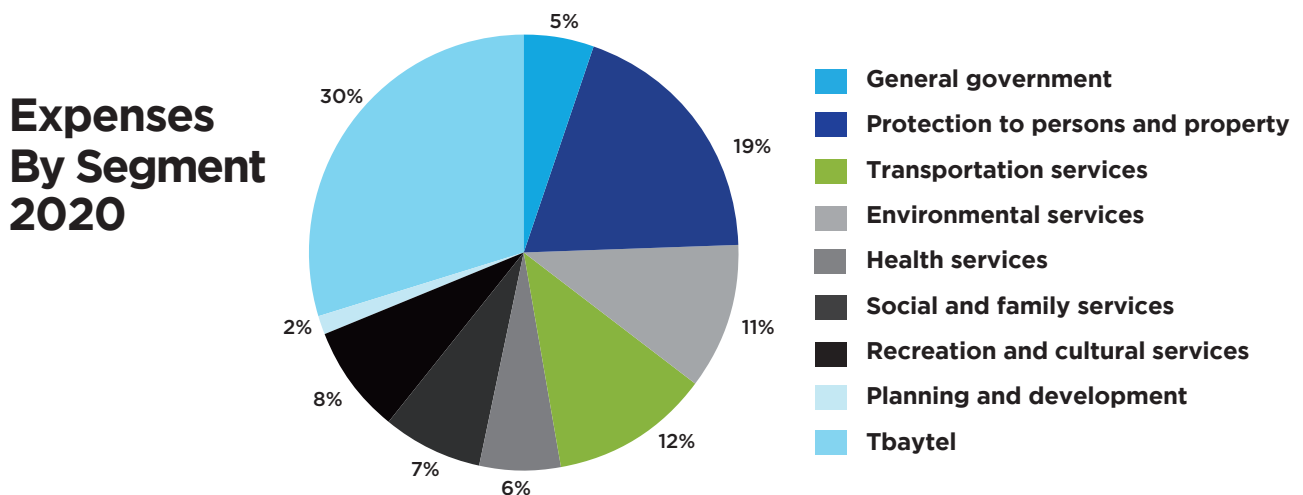
In 2020 the City's operating expenses totaled \$540.3 million, representing a decrease over 2019 of \$19.5 million. The most significant components of this decrease include:

- Decrease in expenses of \$8.9 million due to the change in total unfunded liabilities;
- Decrease in Tbaytel expenses of \$6.7 million;
- Decrease in non-tangible capital asset expenses of \$5.1 million;
- Decrease in net expenditures due to COVID-19 \$5.4 million (\$6.1 in additional costs and \$11.5 million in avoided costs);
- Increase in expenses relating to the provision of Police Services of \$3.5 million;
- Increase in emergency evacuation expenses of \$2.1 million.

Expenses by segment for the last two years are:

	2020 (000s)	2019 (000s)
General government	29,054	27,241
Protection to persons and property	103,774	101,240
Transportation services	59,098	65,783
Environmental services	64,119	67,417
Health services	33,666	34,779
Social and family services	39,199	40,219
Recreation and cultural services	44,089	47,985
Planning and development	7,998	9,119
Tbaytel	159,311	166,060
Total	<u>540,308</u>	<u>559,843</u>

Components of the total operating expenditures for 2020 are:



Consolidated Statement of Changes in Net Debt

The Consolidated Statement of Changes in Net Debt summarizes the change in net debt as a result of annual operations, tangible capital asset transactions, and change in other non-financial assets. The City's net debt balance decreased by \$43.8 million in 2020 to \$69.6 million resulting primarily from the annual surplus. Details of the change in net debt are:

	2020 (000s)	2019 (000s)
Annual surplus	57,084	5,874
Acquisition of tangible capital assets	(94,613)	(90,220)
Amortization of tangible capital assets	79,476	78,957
Other	<u>1,913</u>	<u>5,167</u>
Change in net debt	<u>43,860</u>	<u>(222)</u>

Accumulated Surplus

The accumulated surplus increased from \$943.1 million in 2019 to \$1.0 billion and is mainly comprised of equity in tangible capital assets, the investment in Thunder Bay Hydro Corporation, reserve and reserve fund balances, offset by municipal debenture debt and unfunded liabilities.

Details of the accumulated surplus are provided in Schedule 2 – Consolidated Schedule of Accumulated Surplus:

	2020 (000s)	2019 (000s)
Investment in tangible capital assets	1,058,696	1,044,554
Municipal debenture debt	(212,183)	(212,111)
Tbaytel other payable	(3,665)	(11,648)
Reserves and reserve funds	161,917	137,403
Investment in Thunder Bay Hydro Corporation	106,294	103,338
Other surpluses (deficits)	14,389	4,400
Derecognition of receivable	(22,947)	(22,947)
Unfunded liabilities	<u>(102,321)</u>	<u>(99,893)</u>
Total	<u>1,000,180</u>	<u>943,096</u>
Other surpluses (deficits) include:		
Tbaytel	20,790	12,358
City of Thunder Bay	(9,397)	(10,100)
Thunder Bay Public Library	1,393	667
Community Economic Development Corporation	<u>1,603</u>	<u>1,475</u>
Total	<u>14,389</u>	<u>4,400</u>

Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows reports the City's cash balance and details the cash provided by or used in operating, capital, financing and investing activities.

The statement enables the user to assess the capacity of the City to generate cash and how the City met its cash requirements.

The City's primary uses of cash include acquiring tangible capital assets, repayment of municipal debenture debt and purchasing investments with cash provided from operating activities.

Construction Financing Debentures

The following disclosure with respect to Construction Financing Debentures is required annually in accordance with Ontario Regulation 278/02 of the Municipal Act, 2001 and the City of Thunder Bay's Capital Financing Policy.

1. The City of Thunder Bay obtained \$45 million of Construction Financing Debentures in August 2003. As of December 31, 2020, these debentures comprised 5.1% (2019 – 6.6%) of the total long-term debt of the City.
2. In the opinion of the General Manager-Corporate Services and Long Term Care & City Treasurer, all construction financing debentures were made in accordance with the statement of policies and goals relating to construction financing adopted by the City.
3. For the year ended December 31, 2020, interest payments of \$764,276 and principal payments of \$3,182,800 were required under the terms of the debentures.
4. The following provides a statement of the outstanding installments of principal and interest that will be due and payable in each year:

Year	Interest (\$)	Principal (\$)	Total (\$)
2021	576,179	3,370,897	3,947,076
2022	376,964	3,570,112	3,947,076
2023	165,977	3,781,099	3,947,076

The Corporation of the City of Thunder Bay

Consolidated Financial Statements



December 31, 2020



Statement of Administrative Responsibility

The management of The Corporation of the City of Thunder Bay have prepared the accompanying financial statements and are responsible for their accuracy and integrity. The financial statements have been prepared by management in accordance with the accounting principles generally accepted for the public sector as prescribed by the Public Sector Accounting Board [PSAB] of the Chartered Professional Accountants Canada.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the administration has developed and maintains a system of internal control designed to provide reasonable assurance that the Corporation's assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of the financial statements.

The City Manager and General Manager – Corporate Services & Long Term Care review the financial statements before such statements are submitted to Council and published for the residents of Thunder Bay. The external auditors have access to, and meet with Administration and Council to discuss their audit and the results of their examination.

The 2020 Financial Statements have been reported on by The Corporation of the City of Thunder Bay's external auditors, BDO Canada LLP, the auditors appointed by Council. The auditor's report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.

Linda Evans, CPA, CA
General Manager - Corporate Services &
Long Term Care & City Treasurer

Norm Gale, CD, MBA, CMMIII
City Manager

July 26, 2021

Independent Auditor's Report

To the Members of Council of The Corporation of the City of Thunder Bay

Opinion

We have audited the consolidated financial statements of The Corporation of the City of Thunder Bay and its subsidiaries ("the City"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of operations and accumulated surplus, changes in net debt, and cash flows 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 consolidated financial position of the City as at December 31, 2020, and its consolidated results of operations, its consolidated change in net debt, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for 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 Consolidated 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 consolidated 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.

Other Information

Management is responsible for the other information. The other information comprises:

- The information, other than the consolidated financial statements and our auditor's report thereon, included in the Treasurer's Report for the year ended December 31, 2020.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Treasurer's Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Independent Auditor's Report (cont'd)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 related 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 Consolidated 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.

Independent Auditor's Report (cont'd)

- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the City to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Thunder Bay, Ontario
July 26, 2021

THE CORPORATION OF THE CITY OF THUNDER BAY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2020	2019
As at December 31,		
	\$	\$
Financial assets		
Cash	35,804,979	22,574,461
Investments (note 4)	121,555,739	115,301,478
Taxes receivable	12,843,706	10,380,574
Accounts receivable	47,472,783	35,538,989
User charges receivable	14,002,923	13,449,003
Other assets	6,407,004	8,100,004
Long term receivable	1,872,944	1,962,943
Investment in Thunder Bay Hydro Corporation (note 5)	106,294,249	103,338,065
	346,254,327	310,645,517
Liabilities		
Accounts payable and accrued liabilities	70,478,713	71,302,969
Tbaytel other payable (note 7)	3,665,000	11,648,000
Deferred revenue (note 8)	27,186,974	29,130,611
Employee future benefits (notes 9, 10)	96,854,672	94,546,719
Municipal debenture debt (note 11)	212,182,816	212,110,658
Landfill closure and post-closure liability (note 12)	5,466,242	5,346,591
	415,834,417	424,085,548
Net debt	(69,580,090)	(113,440,031)
Non-financial assets		
Tangible capital assets (Schedule 1), (note 14)	1,058,695,803	1,044,553,944
Supplies inventory	7,129,708	6,829,742
Prepaid expenses	3,934,724	5,152,684
	1,069,760,235	1,056,536,370
Accumulated Surplus	1,000,180,145	943,096,339

The accompanying notes are an integral part of these financial statements.

THE CORPORATION OF THE CITY OF THUNDER BAY
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

	Budget 2020 (Note 21)	2020	2019
For the year ended December 31,	\$	\$	\$
Revenues			
Taxation, net (note 2)	201,437,500	201,076,904	196,573,532
Fees and service charges	93,022,300	83,113,157	91,684,504
Government of Canada grants (note 15)	5,518,748	18,576,688	11,744,051
Province of Ontario grants (note 15)	51,367,945	74,912,400	52,984,902
Contributed tangible capital assets	157,391	157,391	98,750
Investment income	4,633,263	3,335,548	3,051,483
Other	22,707,805	18,410,632	21,035,310
Tbaytel fees and service charges	197,310,000	195,606,000	192,604,000
	576,154,952	595,188,720	569,776,532
Expenses (note 20)			
General government	25,547,405	29,054,448	27,240,813
Protection to persons and property	100,006,269	103,774,262	101,240,171
Transportation services	64,428,440	59,097,901	65,782,543
Environmental services	67,068,853	64,118,842	67,416,958
Health services	33,652,437	33,665,607	34,779,220
Social and family services	40,790,311	39,198,620	40,218,819
Recreation and cultural services	49,315,131	44,088,978	47,984,720
Planning and development	8,742,575	7,997,774	9,119,331
Tbaytel	172,137,000	159,311,495	166,060,000
	561,688,421	540,307,927	559,842,575
Net revenues before the following	14,466,531	54,880,793	9,933,957
Loss on disposal of tangible capital assets	(187,000)	(653,943)	(2,584,611)
Write-down of tangible capital assets (note 14)	-	(99,228)	(2,741,225)
Earnings from Thunder Bay Hydro Corporation (note 5)	-	2,956,184	1,265,645
Annual surplus	14,279,531	57,083,806	5,873,766
Accumulated surplus, beginning of year	943,096,339	943,096,339	937,222,573
Accumulated surplus, end of year (Schedule 2)	957,375,870	1,000,180,145	943,096,339

The accompanying notes are an integral part of these financial statements.

THE CORPORATION OF THE CITY OF THUNDER BAY
CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT

As at December 31,	Budget 2020 (Note 21)	2020	2019
	\$	\$	\$
Annual surplus	14,279,531	57,083,806	5,873,766
Acquisition of tangible capital assets	(94,962,162)	(94,613,088)	(90,220,169)
Amortization of tangible capital assets	80,446,967	79,476,357	78,956,945
Contributed tangible capital assets	(157,391)	(157,391)	(98,750)
Proceeds on disposal of tangible capital assets	-	399,092	304,346
Loss on disposal of tangible capital assets	187,000	653,943	2,584,611
Write-down of tangible capital assets	-	99,228	2,741,225
	(14,485,586)	(14,141,859)	(5,731,792)
Net decrease (increase) in prepaid expenses	-	1,217,960	(308,149)
Net increase in inventories	-	(299,966)	(55,936)
	-	917,994	(364,085)
Change in net debt	(206,055)	43,859,941	(222,111)
Net debt, beginning of year	(113,440,031)	(113,440,031)	(113,217,920)
Net debt, end of year	(113,646,086)	(69,580,090)	(113,440,031)

The accompanying notes are an integral part of these financial statements.

THE CORPORATION OF THE CITY OF THUNDER BAY

CONSOLIDATED STATEMENT OF CASH FLOWS

	2020	2019
For the Year Ended December 31,		
	\$	\$
Operating Activities		
Annual surplus	57,083,806	5,873,766
Non-cash charges to operations:		
Earnings from Thunder Bay Hydro Corporation (note 5)	(2,956,184)	(1,265,645)
Amortization of tangible capital assets	79,476,357	78,956,945
Contributed tangible capital assets	(157,391)	(98,750)
Loss on disposal of tangible capital assets	653,943	2,584,611
Write-down of tangible capital assets	99,228	2,741,225
Landfill closure and post closure liability	119,651	1,668,826
Employment future benefits	2,307,953	9,677,121
Change in non-cash working capital balances		
Taxes receivable	(2,463,132)	146,161
Accounts receivable	(11,933,794)	376,759
User charges receivable	(553,920)	(937,182)
Other assets	1,693,000	(2,123,000)
Accounts payable and accrued liabilities	(824,256)	1,058,290
Deferred revenue	(1,943,637)	17,358,604
Supplies inventory	(299,966)	(55,936)
Prepaid expenses	1,217,960	(308,149)
Cash provided by operating activities	121,519,618	115,653,646
Capital Activities		
Acquisition of tangible capital assets	(94,613,088)	(90,220,169)
Proceeds on disposal of tangible capital assets	399,092	304,346
Cash used in capital activities	(94,213,996)	(89,915,823)
Financing Activities		
Decrease in Tbaytel other payable	(7,983,000)	(8,500,000)
Proceeds from municipal debenture debt	24,040,778	28,377,526
Repayment of municipal debenture debt	(23,968,620)	(22,172,554)
Cash used for financing activities	(7,910,842)	(2,295,028)
Investing Activities		
Net increase in investments	(6,254,261)	(30,385,297)
Decrease in long term receivable	89,999	196,189
Cash used in investing activities	(6,164,262)	(30,189,108)
Increase (decrease) in cash	13,230,518	(6,746,313)
Cash, beginning of year	22,574,461	29,320,774
Cash, end of year	35,804,979	22,574,461

The accompanying notes are an integral part of these financial statements.

THE CORPORATION OF THE CITY OF THUNDER BAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020

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 Chartered Professional Accountants Canada [CPAC]. 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
Victoria Avenue Business Improvement Area
Waterfront District Business Improvement Area
Victoriaville Centre Board of Management
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

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 5]. 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 2].

THE CORPORATION OF THE CITY OF THUNDER BAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 3].

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;

The City amortizes the amount of any actuarial gains or losses over the expected average remaining service lifetime of the active members of the group and prior service costs are recognized in the period of the plan changes.

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

Government Transfers

Government transfers which include legislative grants, are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount 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.

THE CORPORATION OF THE CITY OF THUNDER BAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

[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	10 to 60 years
Machinery and equipment	2 to 30 years
Vehicles	3 to 20 years
Network assets	6 to 45 years
Library collection	10 years

Infrastructure

Land improvements	5 to 50 years
Buildings	30 to 60 years
Linear assets	10 to 80 years
Machinery and equipment	2 to 30 years

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 charged to expenses as incurred.

[iv] Inventories

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

THE CORPORATION OF THE CITY OF THUNDER BAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation Revenue

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.

Annually, the City bills and collects property tax revenues for municipal purposes as well as provincial education taxes on behalf of the Province of Ontario (the "Province") for education purposes. The authority to levy and collect property taxes is established under the *Municipal Act*, the *Assessment Act*, the *Education Act*, and other legislation.

The amount of the total annual property tax levy is determined each year through Council's approval of the annual operating budget. Municipal tax rates are set annually by Council for each class or type of property, in accordance with legislation and Council-approved policies, in order to raise the revenues required to meet operating budget requirements. Education tax rates are established by the Province each year to fund the cost of education on a Province-wide basis.

Property assessments, on which property taxes are based, are established by the Municipal Property Assessment Corporation ("MPAC"), a not-for-profit corporation funded by all of Ontario's municipalities. The current value assessment ("CVA") of a property represents an estimated market value of a property as of a fixed date. Assessed values for all properties within the municipality are provided to the City in the returned assessment roll in December of each year.

The amount of property tax levied on an individual property is the product of the CVA of the property (assessed by MPAC) and the tax rate for the class (approved by Council), together with any adjustments that reflect Council-approved mitigation or other tax policy measures.

Property taxes are billed by the City twice annually. The interim billing, issued in January, is based on 50% of the total property's taxes in the previous year, and provides for the cash requirements of the City for the initial part of the year prior to Council's approval of the final operating budget and the approved property tax levy for the year. Final bills are issued in June, following Council's approval of the capital and operating budget for the year, the total property tax levy, and the property tax rates needed to fund the City's operations.

Taxation revenues are recorded at the time tax billings are issued. Additional property tax revenue can be added throughout the year, related to new properties that become occupied, or that become subject to property tax, after the return of the annual assessment roll used for billing purposes. The City may receive supplementary assessment rolls over the course of the year from MPAC, identifying new or omitted assessments. Property taxes for these supplementary and/or omitted amounts are then billed according to the approved tax rate for the property class.

Taxation revenues in any year may also be reduced by reduction in assessment values resulting from assessment and/or property tax appeals. Each year, an amount is identified within the annual operating budget to cover the estimated amount of revenue loss attributable to assessment appeals, tax appeals or other deficiencies in tax revenues (e.g. uncollectible amounts, write-offs, etc.).

User Charges

User charges relate to telecommunication, transit fees, utility charges (water, wastewater and solid waste), licensing fees, fees for use of various programs, and fees imposed based on specific activities. Revenue is recognized when the activity is performed or when the services are rendered.

THE CORPORATION OF THE CITY OF THUNDER BAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Revenue

Other revenues are recognized in the year that the events giving rise to the revenues occur and the revenues are earned. Amounts received which relate to revenues that will be earned in a subsequent year, are deferred and reported as liabilities.

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.

Landfill Closure and Post-Closure Liabilities

The costs to close existing landfill sites and to maintain closed solid waste landfill sites are based on estimated future expenditures in perpetuity in current dollars, adjusted for estimated inflation. These costs are reported as a liability on the Consolidated Statement of Financial Position.

Contaminated Sites Liability

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the organization is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries.

Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards 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, contaminated sites liability, amortization of tangible capital assets, contingencies 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. OPERATIONS OF SCHOOL BOARDS

Taxation, other revenues and requisitions for the school boards amounting to **\$31,363,766** [2019 - \$31,326,941] are not reflected in these consolidated financial statements.

THE CORPORATION OF THE CITY OF THUNDER BAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020

3. TRUST FUNDS

Trust funds administered by the City amounting to **\$13,506,518** [2019 - \$12,762,590] 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 at December 31 are as follows:

	2020 \$	2019 \$
Older Adults Centre	133,265	112,378
Cemetery	1,155,950	1,137,439
Cemetery Marker Maintenance	459,364	445,264
Dawson Court Home for Aged	2,020	2,020
Grandview Lodge Home for Aged	4,945	4,945
Pioneer Ridge Home for Aged	17,544	20,590
Lake Superior Regiment Memorial Hillcrest Park	33,636	32,944
Employee Disability	11,366,687	10,831,891
Civic Employees Pension Trust Committee	1,998	1,998
Community Auditorium Repairs	821	804
Art in Public Places	9,371	9,178
Provincial Land Tax	320,917	163,139
	13,506,518	12,762,590

4. INVESTMENTS

Investments are recorded at cost. The total market value of the City's investments at December 31, 2020 was **\$131,785,223** [2019 - \$120,258,881]. The City's investments are comprised of federal, provincial, municipal and corporate bonds, the ONE Equity Fund, money market funds, high interest savings account and treasury bills. The bonds have varying maturities and interest rates.

	2020 \$		2019 \$	
	Cost	Market Value	Cost	Market Value
Federal Government	22,430,065	24,065,637	22,059,812	21,988,099
Provincial Government	31,742,543	34,596,222	32,382,861	32,913,590
Municipal	372,166	399,464	371,625	372,984
Corporate	17,215,490	17,899,598	15,656,766	15,753,443
Equity	12,475,532	17,650,371	10,040,204	14,673,540
Other	37,319,943	37,173,931	34,790,210	34,557,225
	121,555,739	131,785,223	115,301,478	120,258,881

The weighted average yield on the cost of the investment portfolio during the year was **2.10%** (2019 - 2.10%). Maturity dates on investments in the portfolio range from January 2021 to December 2051.

THE CORPORATION OF THE CITY OF THUNDER BAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020

5. 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 majority-owned subsidiary SYNERGY NORTH Corporation and its wholly-owned subsidiaries Thunder Bay Hydro Utility Services Inc. and Thunder Bay Hydro Renewable Power Incorporated, prepared in accordance with Canadian generally accepted accounting principles as per Part I of the Chartered Professional Accountants Canada Handbook.

	2020 \$	2019 \$
Financial position		
Current assets	43,996,951	41,479,908
Capital assets	148,299,314	142,289,904
Long-term assets	11,993,189	11,854,494
Other assets	1,864,443	1,510,999
Total assets	206,153,897	197,135,305
Current liabilities	19,744,062	22,827,378
Long-term liabilities	65,764,312	57,531,742
Other liabilities	2,168,029	1,532,307
Total liabilities	87,676,403	81,891,427
Net assets	118,477,494	115,243,878
Proportionate share of other investor	(12,183,245)	(11,905,813)
City of Thunder Bay proportionate share	106,294,249	103,338,065
Results of operations		
Revenues	162,825,939	152,126,703
Operating expenses	(159,592,323)	(150,486,738)
Comprehensive income for the year	3,233,616	1,639,965
Less: Proportionate share of other investor	(277,432)	(266,813)
Less: Dividend to City of Thunder Bay	-	(75,000)
Less: IFRS adjustment	-	(32,507)
City of Thunder Bay proportionate share of income	2,956,184	1,265,645

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

	2020 \$	2019 \$
1,061 common shares	41,931,625	41,931,625
Promissory note	26,490,500	26,490,500
Accumulated other comprehensive income	86,765	153,970
Accumulated earnings from date of transfer	37,785,359	34,761,970
	106,294,249	103,338,065

The promissory note is receivable from Thunder Bay Hydro Corporation and is non-interest bearing, unsecured and due on demand, subject to a Subordination Agreement providing for no acceleration rights.

THE CORPORATION OF THE CITY OF THUNDER BAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020

5. INVESTMENT IN THUNDER BAY HYDRO CORPORATION (continued)

Related Party Transaction

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 **\$7,305,169** [2019-\$8,156,685]. At December 31, 2020, included in accounts payable and accrued liabilities is **\$1,745,964** [2019 - \$646,613] payable to Thunder Bay Hydro Corporation related to this expense. Also recorded was pole rental from Thunder Bay Hydro Corporation in the amount of **\$855,557** [2019 - \$731,064]. The City also contributed towards capital construction by Thunder Bay Hydro Corporation during the year in the amount of **\$1,064,110** [2019 - \$97,722]. The City received dividends of **\$nil** in 2020 [2019 - \$75,000].

6. BANK INDEBTEDNESS

The City has an unsecured demand revolving credit facility in the amount of **\$15,000,000** [2019 - \$15,000,000], of which **\$nil** [2019 - \$nil] was used at year-end, bearing interest at the bank's prime rate less 0.88%.

Tbaytel's available revolving credit facilities amount to:

- 1) **\$1,500,000** US [2019-\$1,500,000 US] at a floating rate of US bank prime or 3.25%, of which **\$nil** US [2019 - \$nil US] was used at year-end.
- 2) **\$5,500,000** CDN [2019-\$5,500,000] at a floating rate of bank prime less 0.50%, or 1.95%, of which **\$nil** CDN [2019 - \$nil] was used at year-end.

7. TBAYTEL OTHER PAYABLE

In 2015, the Strategic Business Relationship Agreement was amended to provide Tbaytel with Core Access Licensing (CAL). The CAL has a term of seven years, expiring December 31, 2021. Interest is 2.47% and minimum payments are \$3,714,000 annually including interest. The cost of the Core Access License is \$23,852,000. The balance outstanding as at December 31, 2020 is **\$3,665,000** [2019 - \$11,648,000].

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

	2020 \$	2019 \$
Principal payments	7,983,000	8,500,000
Interest payments	224,000	512,000
Total	8,207,000	9,012,000

THE CORPORATION OF THE CITY OF THUNDER BAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020

8. DEFERRED REVENUE

Deferred revenue is as follows:

	2020 \$	2019 \$
Obligatory reserve funds		
Subdivision Deposits	406,305	330,354
Federal Gas Tax	9,237,253	9,509,168
Dedicated Gas Tax	2,848,885	1,682,910
Ontario Community Infrastructure Fund	1,309,343	4,038,919
Ontario Municipal Commuter Cycling	108,410	768,803
MTO Transit Capital	151,302	148,190
Other	13,125,476	12,652,267
	27,186,974	29,130,611

The continuity of deferred revenue is as follows:

	2020 \$	2019 \$
Balance, beginning of year	29,130,611	11,772,007
Developers and property owners contributions	68,296	95,686
Federal Gas Tax	6,547,105	13,578,339
Dedicated Gas Tax	1,536,807	1,443,991
Ontario Community Infrastructure Fund	5,816,059	5,490,018
Opening balances obligatory reserve funds	-	7,824,607
Net contributions from current operations	473,209	1,258,597
Interest earned	296,099	251,116
	14,737,575	29,942,354
Less:		
Developer and property owner contributions to capital	-	151,033
Federal Gas Tax contributions to capital	7,013,812	9,716,881
Dedicated Gas Tax contributions to capital	396,684	-
Ontario Community Infrastructure Fund contributions to capital	8,601,208	2,411,751
Ontario Municipal Commuter Cycling contributions to capital	669,508	124,213
MTO Transit Capital contributions to capital	-	179,872
Balance, end of year	27,186,974	29,130,611

THE CORPORATION OF THE CITY OF THUNDER BAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020

9. 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, 2020, the City contributed **\$18,192,023** [2019 - \$17,217,219] 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 **\$3.2 billion** [2019-\$3.4 billion] based on fair market value of the plan's assets, as this is a joint responsibility of all Ontario municipalities and their employees.

10. EMPLOYMENT FUTURE BENEFITS

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

	2020 \$	2019 \$
Sick leave benefits	7,641,870	7,754,764
Vacation pay	4,513,504	4,453,373
Post-employment benefits	38,382,435	38,511,006
WSIB	46,316,863	43,827,576
	96,854,672	94,546,719

[a] Under the sick leave benefit plan, unused sick leave can accumulate and certain employees may be entitled to a cash payment when they retire or leave the City's employment or pay for sick leave in excess of the current year entitlement. The City recognizes these costs in the period in which the employees rendered the services. The accrued benefit liability at December 31, 2020 of **\$7,641,870** [2019-\$7,754,764] was determined by an actuarial valuation prepared for the year ended December 31, 2019 and updated for 2020. An amount of **\$1,984,695** [2019- \$2,165,867] has been set aside in a sick pay liability reserve fund to offset this liability.

The main actuarial assumptions employed for the valuation of vested and non-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.

Interest (discount) rate

The obligation as at December 31, 2020 of the present value of future liabilities and the expense for the year then ended was determined using an annual discount rate of 2.40%.

Salary levels

Future general salary and wage levels were assumed to increase at 3.00% per annum, reflecting the expected Consumer Price Index adjusted for productivity, merit and promotion.

THE CORPORATION OF THE CITY OF THUNDER BAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020

10. EMPLOYMENT FUTURE BENEFITS (continued)

- [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, 2020 of **\$38,048,741** [2019-\$37,740,085] was determined by an actuarial valuation prepared for the year ended December 31, 2019 and updated for 2020. An amount of **\$5,209,482** [2019- \$5,201,305] 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:

	2020 \$	2019 \$
Accrued benefit liability recognized in the financial statements	38,382,435	38,511,006
Expense for the year	2,148,260	1,986,460
Benefits paid for the year	(2,276,831)	(2,357,466)

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.

Interest (discount) rate

The obligation as at December 31, 2020 of the present value of future liabilities and the expense for the year then ended was determined using an annual discount rate of 2.40% to 2.70%.

Medical and dental costs

Medical costs were assumed to increase by 4.70% to 5.35% in 2020, with further annual increases gradually declining to 4.50% to 4.70% in 2024 and each year thereafter. Dental costs were assumed to increase at 4.50% to 4.80% in 2020 to 2024 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) at December 31, 2020 of **\$46,316,863** [2019 - \$43,827,576] were determined by an actuarial valuation prepared for the year ended December 31, 2019 and updated for 2020. An amount of **\$2,629,469** [2019 - \$2,713,847] has been set aside in a WSIB reserve fund to offset this liability.

THE CORPORATION OF THE CITY OF THUNDER BAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020

11. MUNICIPAL DEBENTURE DEBT

- [a] The balance of municipal debt reported on the Consolidated Statement of Financial Position totaling **\$212,182,816** [2019 - \$212,110,658] is comprised of debenture debt and construction financing outstanding at year-end incurred by the City.

The balance of municipal debenture debt is **\$204,598,534** [2019 - \$202,123,582].

The balance of construction financing is **\$7,584,282** [2019 - \$9,987,076] and is comprised of short-term advancements on a debenture based on incurred costs. All construction financing will be converted to a long-term debenture when project costs are complete.

The breakdown of the balance owing is as follows:

	2020 \$	2019 \$
Debenture debt		
Tax supported	67,042,722	71,625,559
Rate supported	89,630,812	91,623,023
Tbaytel	47,925,000	38,875,000
Total debenture debt	204,598,534	202,123,582
Construction financing		
Tax supported	2,430,629	4,751,356
Rate supported	5,153,653	5,235,720
Total construction financing	7,584,282	9,987,076
Total debt	212,182,816	212,110,658

- [b] Principal repayments of municipal debenture debt are due as follows:

	\$
2021	24,901,202
2022	24,437,200
2023	23,989,392
2024	19,536,184
2025	17,066,530
2026 and thereafter	94,668,026
Total	204,598,534

- [c] The long-term liabilities in [a] issued in the name of the City have been approved by by-law. The 2021 annual principal and interest payments required to service these liabilities are within the 2021 annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing of \$122,934,503. The City has available \$94,146,422, based on this annual debt repayment limit.

THE CORPORATION OF THE CITY OF THUNDER BAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020

11. MUNICIPAL DEBENTURE DEBT (continued)

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

	2020 \$	2019 \$
Principal payments	23,968,620	22,172,554
Interest payments	6,713,696	6,615,527
Total	30,682,316	28,788,081

12. 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 21 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 **\$5,466,242** [2019 - \$5,346,591] is the present value of future closure and post-closure costs discounted at a rate of 2.4%.

13. CONTAMINATED SITES LIABILITY

The City recorded an estimated liability of **\$nil** [2019 - \$nil].

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 [2019 – \$nil], there were write-downs of tangible capital assets of **\$99,228** [2019-\$2,741,225] and contributed tangible capital assets of **\$157,391** [2019- \$98,750].

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, natural resources, cultural and historic assets are not recorded as assets in the financial statements as a reasonable estimate of the future economic benefits associated with such property cannot be made.

THE CORPORATION OF THE CITY OF THUNDER BAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020

15. GOVERNMENT TRANSFERS

	2020 \$	2019 \$
Revenues		
Government of Canada grants	18,576,688	11,744,051
Province of Ontario grants	74,912,400	52,984,902
Total Revenues	93,489,088	64,728,953
Expenses		
External transfers to others	23,936,517	23,063,955
Total Expenses	23,936,517	23,063,955

16. CONTINGENCIES

- [a] There were numerous claims and litigation in dispute at December 31, 2020 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] The Ontario Mining Act (the "Act") sets out the regulatory requirements for the closure plan and maintenance of mine sites. Under the Act, the City is required to provide for closure and post-closure maintenance of the Shuniah Mine site, located on City property. The solution and cost for the post-closure maintenance, if any, is uncertain and indeterminable at the date of issue of the consolidated financial statements and no provision has been made.
- [c] Tbaytel filed claim against a vendor engaged to build their Integrated Customer Relationship Management (ICRM) system and in 2020 was awarded aggregate damages of \$6,227,000 by an independent arbitrator. The settlement has not yet been received as the vendor has appealed the judgement and contingent assets are not recorded in these consolidated financial statements.

17. 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:

	\$
2021	6,244,169
2022	4,780,317
2023	3,420,985
2024	1,026,486
2025	554,173

- [b] Tbaytel has provided a letter of guarantee from the Royal Bank to WSIB in the amount of \$504,000 [2019-\$504,000].
- [c] The Thunder Bay Community Economic Development Commission Inc. has committed a total of \$1,041,164 to various organizations. Scheduled payments are made at the time these organizations meet previously agreed upon criteria.

THE CORPORATION OF THE CITY OF THUNDER BAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020

18. 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.

Self-insured claims settled and accrued during the year amounting to **\$976,122** [2019 - \$930,558] are reported as an expense in the Consolidated Statement of Operations.

19. 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.

	2020	2019
	\$	\$
Financial position		
Financial assets	5,171,597	5,096,648
Financial liabilities	(3,895,494)	(3,445,775)
Net financial assets	1,276,103	1,650,873
Non-financial assets	2,272,719	1,962,841
Accumulated surplus	3,548,822	3,613,714
	2020	2019
	\$	\$
Results of operations		
Revenues other than municipal levies	16,551,615	16,025,045
Municipal levies	3,213,544	2,921,404
Expenses	(19,830,051)	(18,770,757)
Annual surplus (deficit)	(64,892)	175,692

The City's share of the municipal levies was **\$2,552,643** [2019 - \$2,320,585].

THE CORPORATION OF THE CITY OF THUNDER BAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020

19. 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.

	2020 \$	2019 \$
Financial position		
Financial assets	48,815,218	42,011,622
Long-term debt	(16,223,927)	(18,833,934)
Other liabilities	(21,811,411)	(17,365,699)
Net debt	10,779,880	5,811,989
Non-financial assets	44,785,192	45,578,695
Accumulated surplus	55,565,072	51,390,684

	2020 \$	2019 \$
Results of operations		
Revenues other than municipal levies	76,452,342	76,568,550
Municipal levies	22,512,500	22,281,500
Other income	1,482,840	1,018,041
Expenses	(96,014,194)	(96,931,136)
Distribution to municipalities	(206,004)	-
Annual surplus	4,227,484	2,936,955

The City's share of the municipal levies was \$15,921,537 [2019 - \$15,995,175].

20. 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

For the Year Ended December 31, 2020

20. SEGMENTED INFORMATION (continued)

General Government

General Government comprises various administrative services, including Finance & Corporate Services, Legal Services, Realty Services, City Manager's Department, Facilities & Fleet Services, Mayor and Council, and Emergency Planning including emergency evacuations.

Protection to Persons and Property

Protection to persons and property is comprised of Police Services, Fire Services, Protective Inspection and Control, Thunder Bay Court Services and Emergency Measures. 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 Services administers prosecutions and the collection of related fines and fees under the authority of the Provincial Offences Act. Emergency Measures includes COVID-19 pandemic expenses. Also included in Protection to Persons and Property is the City's contribution to the Lakehead Region Conservation Authority.

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, bridges, 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 including specialized public transportation. 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, Storm Sewer, Waste Collection and Disposal and Recycling. Waterworks provides drinking water to the citizens of Thunder Bay. Sanitary Sewer collects and treats wastewater. Storm Sewer provides surface water management. Waste Collection, Disposal and Recycling includes the collection of solid waste, landfill site operations and waste minimization programs.

Health Services

Health Services includes Cemeteries, Health Care Recruitment and Ambulance Services.

Social and Family Services

Social and Family Services include General Assistance, Assistance to Aged Persons and Child Care. Under Assistance to Aged Persons, the City operates a Home 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.

THE CORPORATION OF THE CITY OF THUNDER BAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020

20. SEGMENTED INFORMATION (continued)

Recreation and Cultural Services

Recreation and Cultural Services include Parks, Recreation Programs and Facilities, Thunder Bay Public Library and Contributions to Cultural Organizations. The City 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 (including golf courses and the marina), 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 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., two 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020

21. BUDGET INFORMATION

Budgets are established to set tax rates or to finance projects which may be carried out over one or more years. Budget figures have been reclassified for purposes of these consolidated financial statements to comply with PSAB reporting requirements and are not audited. The chart below reconciles the approved budget with the budget figures as presented in these consolidated financial statements.

	\$
Revenues	
Approved Budget	
Operating	396,846,200
Capital	68,990,600
Consolidated Boards	185,775,300
	651,612,100
Adjustments	
Transfer from reserves to operating	(2,123,200)
Obligatory Reserve Funds	(14,029,600)
In year budget adjustments - capital	8,538,298
Financial statement presentation adjustments	1,244,963
Reduction due to tangible capital asset accounting	(68,990,600)
Contributed tangible assets	157,391
Reclassification of taxation	(254,400)
Total Revenues	576,154,952
Expenses	
Approved Budget	
Operating	396,846,200
Capital	68,990,600
Consolidated Boards	172,782,300
	638,619,100
Adjustments	
Amortization of tangible capital assets	46,031,967
Transfer to reserves	(32,009,500)
Reduction due to tangible capital asset accounting	(68,990,600)
Capital out of revenue	(15,211,600)
Post employment benefit expense	2,330,953
Landfill closure and post closure expense	119,651
Financial statement presentation adjustments	(4,342,300)
Reclassification of taxation	(254,400)
Debt principal payments	(20,588,400)
Operating expenses budgeted in capital expensed in current year	15,983,550
Total Expenses	561,688,421
Loss on disposal of tangible capital assets	(187,000)
Annual Surplus	14,279,531

(A) Amortization of tangible capital assets does not include the amortization of the Consolidated Boards (\$34,415,000) and acquisitions of tangible capital assets (\$47,133,000), these amounts are included in their approved budget.

THE CORPORATION OF THE CITY OF THUNDER BAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020

22. 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").

The City is currently in a dispute with its insurer, which has denied the claim based upon a disagreement over the proper allocation of repair costs for purposes of coverage under the insurance policy. The City believes that the basis for the denial of the claim is invalid and has initiated legal action against its insurers and the claims adjusters. As this amount is in dispute and the outcome of the action is indeterminable, in accordance with PSAB standards the City has derecognized the balance in dispute and will record the amount of any recovery when received.

23. COMPARATIVE AMOUNTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the current year financial statements.

24. FUTURE ACCOUNTING CHANGES

Financial Instruments, PS 3450, Foreign Currency Translation, PS 2601, and Financial Statement Presentation, PS 1201 are effective for fiscal years beginning on or after April 1, 2022. While early adoption is permitted, all three of the standards must be adopted in the same year. PS 3450 provides guidance on the recognition, measurement, presentation and disclosure of financial instruments including derivative instruments. PS 2601, Foreign Currency Translation includes guidance of deferral and amortization of unrealized gains and losses, hedge accounting and separation of realized and unrealized foreign exchange gains and losses. PS 1201 Financial Statement Presentation includes the addition of a new statement outlining re-measurement gains and losses. The City has not yet adopted these standards or determined the effect on the consolidated financial statements.

Asset Retirement Obligations, PS 3280 is effective for fiscal years beginning on or after April 1, 2022. PS 3280 provides guidance on how to account for and report a liability for asset retirement obligations. The City has not yet adopted this standard or determined the effect on the consolidated financial statements.

25. COVID-19 PANDEMIC

On March 11, 2020 the World Health Organization declared a global pandemic with respect to the outbreak of the COVID-19 coronavirus. The COVID-19 pandemic has had a significant impact on Canada, the global economy and the City. Throughout the year, following Provincial regulations and province-wide restrictions, the City closed some facilities and ceased non-essential services where required or opened in a limited capacity when appropriate. These closures impacted the ability of the City to deliver programs and services and resulted in a decline in revenues.

The City received funding from other levels of government that assisted with the impact on operations. The 2021 budget included estimated one-time financial impacts due to COVID-19, but given the dynamic nature of these circumstances and the unknown duration of the disruption, the full financial impact cannot be reasonably estimated at this time. The City will continue to focus on managing expenses and revenue streams, and leveraging existing reserve funds to ensure it is able to continue providing services to its citizens.

THE CORPORATION OF THE CITY OF THUNDER BAY
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

Schedule 1

	General Capital							Infrastructure						Total	
As at December 31,	Land	Land Improvements	Buildings	Machinery & Equipment	Vehicles	Network Assets	Library Collection	Land	Improvements	Building	Linear Assets	Machinery & Equipment	Assets Under Construction (AUC)	2020	2019
Cost	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		\$	\$
Balance, beginning of year	27,550,062	73,735,266	231,126,774	98,187,175	79,998,550	543,803,000	5,252,437	1,195,122	7,789,157	262,815,473	1,127,101,345	16,008,973	34,074,844	2,508,638,178	2,439,245,005
Add: Additions	49,255	1,375,207	3,125,006	8,312,851	4,432,141	20,365,000	193,711	-	-	-	26,544,134	2,069,791	28,303,383	94,770,479	90,318,919
Add: Transfers from AUC	-	319,191	1,711,339	1,837,925	-	15,724,000	-	-	-	-	654,483	-	(20,246,938)	-	-
Less: Disposals	2,407	126,134	200,000	1,453,215	2,713,684	2,205,000	538,507	-	-	-	3,689,460	-	-	10,928,407	18,184,521
Less: Write-downs	-	-	-	-	-	-	-	-	-	-	-	-	99,228	99,228	2,741,225
Balance, end of year	27,596,910	75,303,530	235,763,119	106,884,736	81,717,007	577,687,000	4,907,641	1,195,122	7,789,157	262,815,473	1,150,610,502	18,078,764	42,032,061	2,592,381,022	2,508,638,178
Accumulated Amortization															
Balance, beginning of year	-	35,562,390	97,556,863	69,923,734	42,365,511	357,824,000	4,107,847	-	5,821,737	96,803,805	749,150,929	4,967,418	-	1,464,084,234	1,400,422,853
Add: Amortization	-	2,472,389	6,704,011	7,596,484	5,502,247	26,067,000	317,451	-	550,374	7,434,078	21,915,974	916,349	-	79,476,357	78,956,945
Less: Accumulated Amortization on disposals	-	126,134	117,000	1,406,348	2,653,163	1,809,000	538,507	-	-	-	3,225,220	-	-	9,875,372	15,295,564
Balance, end of year	-	37,908,645	104,143,874	76,113,870	45,214,595	382,082,000	3,886,791	-	6,372,111	104,237,883	767,841,683	5,883,767	-	1,533,685,219	1,464,084,234
Net Book Value of Tangible Capital Assets	27,596,910	37,394,885	131,619,245	30,770,866	36,502,412	195,605,000	1,020,850	1,195,122	1,417,046	158,577,590	382,768,819	12,194,997	42,032,061	1,058,695,803	1,044,553,944

The accompanying notes are an integral part of these financial statements.

THE CORPORATION OF THE CITY OF THUNDER BAY
CONSOLIDATED SCHEDULE OF ACCUMULATED SURPLUS

Schedule 2

	2020	2019
As at December 31,		
	\$	\$
Surplus		
Investment in tangible capital assets	1,058,695,803	1,044,553,944
Municipal debenture debt	(212,182,816)	(212,110,658)
Tbaytel other payable	(3,665,000)	(11,648,000)
Investment in Thunder Bay Hydro Corporation	106,294,249	103,338,065
General fund	14,388,861	4,400,023
Employee future benefits	(96,854,672)	(94,546,719)
Landfill closure and post-closure liability	(5,466,242)	(5,346,591)
Derecognition of receivable	(22,946,728)	(22,946,728)
	838,263,455	805,693,336
Reserves		
Capital reserves	17,982,690	16,893,534
Working capital	4,300,000	4,300,000
	22,282,690	21,193,534
Reserve funds		
Capital reserve funds	38,955,430	29,062,763
Renew Thunder Bay	24,229,356	21,379,431
Indoor Turf	8,143,372	7,714,814
EMS	2,338,556	2,344,149
Recreation	2,594,707	2,616,211
Post-employment benefits	5,209,482	5,201,305
Vested sick leave	1,984,695	2,165,867
WSIB	2,629,469	2,713,847
Insurance	2,518,959	2,024,204
Tax Assessment appeals	8,830,187	8,648,567
Vested property rehabilitation	5,830,948	5,711,017
Stabilization	22,428,168	15,311,654
Economic development	2,994,617	2,234,967
Winter roads maintenance	1,776,056	1,135,645
Other	9,169,998	7,945,028
	139,634,000	116,209,469
Total reserves and reserve funds	161,916,690	137,403,003
Accumulated Surplus	1,000,180,145	943,096,339

The accompanying notes are an integral part of these financial statements.

THE CORPORATION OF THE CITY OF THUNDER BAY

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

Schedule 3

For the year ended December 31,	General Government		Protection to Persons and Property		Transportation Services		Environmental Services		Health Services	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenues										
Taxation, net	201,076,904	196,573,532	-	-	-	-	-	-	-	-
Government of Canada grants	12,977,907	8,084,563	704,037	463,628	3,876,059	63,409	(253,338)	2,407,216	-	-
Province of Ontario grants	28,988,889	22,263,498	15,825,388	3,661,796	2,266,166	(221,987)	960,573	1,303,739	16,293,881	15,828,341
Contributed tangible capital assets	157,391	-	-	-	-	-	-	-	-	-
Fees and service charges	2,443,856	4,475,834	1,857,731	1,390,835	4,826,676	8,052,297	59,276,070	58,970,006	159,711	242,921
Other	3,012,951	4,062,683	4,117,899	4,958,789	1,475,865	1,715,525	498,224	614,867	2,630,374	2,459,756
Investment income	1,830,109	1,747,229	38,462	78,155	135,886	93,145	472,021	338,102	72,736	73,445
Tbaytel fees and service charges	-	-	-	-	-	-	-	-	-	-
Total Revenues	250,488,007	237,207,339	22,543,517	10,553,203	12,580,652	9,702,389	60,953,550	63,633,930	19,156,702	18,604,463
Expenses										
Salary, wages and employee benefits	28,142,267	29,258,614	86,005,601	80,036,352	17,573,094	19,144,538	14,327,543	15,152,076	24,459,339	23,707,192
Long term debt interest	36,544	36,294	131,312	36,128	934,211	1,008,546	3,209,910	3,418,788	253,776	267,967
Materials	32,598,045	32,395,209	5,728,916	4,577,014	4,121,461	6,238,455	9,788,668	10,973,990	1,899,332	1,869,240
Contracted services	6,328,969	5,738,944	1,274,267	666,681	2,339,645	3,585,264	8,603,994	7,531,095	377,118	267,352
Rents & financials	1,493,852	1,391,434	336,184	255,745	1,077,326	1,876,458	1,930,275	2,109,627	350,039	333,758
External transfers to others	-	-	1,865,177	1,636,494	-	-	-	-	2,552,643	2,320,585
Interfunctional and program support	(40,102,367)	(41,523,221)	2,921,728	2,781,800	13,694,982	14,876,350	9,660,718	9,816,931	1,517,327	1,432,505
Unfunded liabilities	(262,532)	(813,648)	2,949,255	9,135,895	(14,863)	(272,620)	(5,261)	1,800,256	772,757	3,033,814
Amortization of tangible capital assets	819,670	757,187	2,561,822	2,114,062	19,372,045	19,325,552	16,602,995	16,614,195	1,483,276	1,546,807
Total expenses	29,054,448	27,240,813	103,774,262	101,240,171	59,097,901	65,782,543	64,118,842	67,416,958	33,665,607	34,779,220
Net revenues (expenses)	221,433,559	209,966,526	(81,230,745)	(90,686,968)	(46,517,249)	(56,080,154)	(3,165,292)	(3,783,028)	(14,508,905)	(16,174,757)

THE CORPORATION OF THE CITY OF THUNDER BAY

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

Schedule 3

	Social and Family Services		Recreation and Cultural Services		Planning and Development		Tbaytel		Total	
For the year ended December 31,	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenues										
Taxation, net	-	-	-	-	-	-	-	-	201,076,904	196,573,532
Government of Canada grants	-	-	1,168,441	581,806	103,582	143,429	-	-	18,576,688	11,744,051
Province of Ontario grants	9,649,187	9,457,277	390,276	509,357	538,040	182,881	-	-	74,912,400	52,984,902
Contributed tangible capital assets	-	-	-	98,750	-	-	-	-	157,391	98,750
Fees and service charges	7,554,525	8,684,155	5,061,826	7,898,561	1,932,762	1,969,895	-	-	83,113,157	91,684,504
Other	-	16,104	407,693	433,901	1,212,626	1,196,685	5,055,000	5,577,000	18,410,632	21,035,310
Investment income	37,562	37,577	260,410	191,857	78,362	69,973	410,000	422,000	3,335,548	3,051,483
Tbaytel fees and service charges	-	-	-	-	-	-	195,606,000	192,604,000	195,606,000	192,604,000
Total Revenues	17,241,274	18,195,113	7,288,646	9,714,232	3,865,372	3,562,863	201,071,000	198,603,000	595,188,720	569,776,532
Expenses										
Salary, wages and employee benefits	17,098,078	17,834,250	17,660,909	20,250,170	3,103,931	2,984,056	34,493,000	34,318,000	242,863,762	242,685,248
Long term debt interest	694,753	876,237	104,401	80,112	-	-	1,348,789	891,455	6,713,696	6,615,527
Materials	2,821,880	3,790,249	7,409,724	7,783,961	1,676,972	2,356,929	90,315,495	97,274,000	156,360,493	167,259,047
Contracted services	540,904	819,063	2,244,493	1,948,279	806,458	1,950,424	-	-	22,515,848	22,507,102
Rents & financials	60,256	87,367	294,603	447,785	200,904	231,086	247,211	695,545	5,990,650	7,428,805
External transfers to others	16,421,537	15,995,175	2,810,154	2,828,700	287,006	283,001	-	-	23,936,517	23,063,955
Interfunctional and program support	1,796,410	1,650,270	8,833,952	9,639,097	1,677,250	1,326,268	-	-	-	-
Unfunded liabilities	(676,280)	(1,268,532)	(279,434)	1,505	(33,038)	(290,724)	-	-	2,450,604	11,325,946
Amortization of tangible capital assets	441,082	434,740	5,010,176	5,005,111	278,291	278,291	32,907,000	32,881,000	79,476,357	78,956,945
Total expenses	39,198,620	40,218,819	44,088,978	47,984,720	7,997,774	9,119,331	159,311,495	166,060,000	540,307,927	559,842,575
Net revenues (expenses)	(21,957,346)	(22,023,706)	(36,800,332)	(38,270,488)	(4,132,402)	(5,556,468)	41,759,505	32,543,000	54,880,793	9,933,957

The Corporation of the City of Thunder Bay

Trust Funds Financial Statements

For the year ended December 31, 2020

Independent Auditor's Report

To The Corporation of the City of Thunder Bay

Qualified Opinion

We have audited the statement of financial position of The Corporation of the City of Thunder Bay Trust Funds (the Trust Funds) as at December 31, 2020 and the statement of continuity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements, present fairly, in all material respects, the financial position of the Trust Funds as at December 31, 2020, and its results of operations for the year then ended in accordance with the basis of accounting as described in Note 1.

Basis for Qualified Opinion

The trust funds of The Corporation of the City of Thunder Bay derive receipts from donations and deposits (withdrawals) for residents of the homes for the aged, as well as, donations for other purposes, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these receipts was limited to the amounts recorded in the records of the trust funds. Therefore, we were unable to determine whether any adjustments might be necessary to donation receipts and surplus for the year, assets, liabilities and accumulated surplus. The audit opinion on the statements for the year ended December 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

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 Statement* section of our report. We are independent of the Trust Funds in accordance with the ethical requirements that are relevant to our audit of the financial statement 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 qualified opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 to the financial statement, which describes the basis of accounting. The financial statements are prepared to assist The Corporation of the City of Thunder Bay in assessing the Trust Funds' financial information. As a result, the statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for preparation and fair presentation of the financial statements in accordance with the basis of accounting as described in Note 1. This includes determining that the basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances, and for such internal control as management determines is necessary to enable the

Independent Auditor's Report (cont'd)

preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the statements, management is responsible for assessing the Trust Funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust Funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust Funds' financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Trust Funds' 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 Trust Funds' 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 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 Trust Funds to cease to continue as a going concern.



Independent Auditor's Report (cont'd)

Evaluate the overall presentation, structure and content of the statements, including the disclosures, and whether the 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Thunder Bay, Ontario
June 28, 2021

THE CORPORATION OF THE CITY OF THUNDER BAY
TRUST FUNDS
STATEMENT OF FINANCIAL POSITION
Year ended December 31, 2020

	<u>Total</u>	<u>Older Adults Centre</u>	<u>Cemeteries</u>	<u>Cemetery Marker Mtce.</u>	<u>Dawson Court Home for Aged</u>	<u>Grandview Lodge Home for Aged</u>	<u>Pioneer Ridge Home for Aged</u>	<u>Lake Superior Memorial Hillcrest Pk</u>	<u>Employee Disability</u>	<u>Civic Employees Pension Trust Committee</u>	<u>Community Auditorium Repairs</u>	<u>Art In Public Places</u>	<u>Provincial Land Tax</u>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<u>Assets</u>													
Cash	347,041	-	107	-	2,020	4,945	17,544	-	1,508	-	-	-	320,917
Investments (note 2)	13,159,474	133,265	1,155,843	459,364	-	-	-	33,636	11,365,176	1,998	821	9,371	-
Accrued interest	3	-	-	-	-	-	-	-	3	-	-	-	-
	<u>13,506,518</u>	<u>133,265</u>	<u>1,155,950</u>	<u>459,364</u>	<u>2,020</u>	<u>4,945</u>	<u>17,544</u>	<u>33,636</u>	<u>11,366,687</u>	<u>1,998</u>	<u>821</u>	<u>9,371</u>	<u>320,917</u>
<u>Liabilities and accumulated surplus</u>													
Due to revenue fund	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated surplus	<u>13,506,518</u>	<u>133,265</u>	<u>1,155,950</u>	<u>459,364</u>	<u>2,020</u>	<u>4,945</u>	<u>17,544</u>	<u>33,636</u>	<u>11,366,687</u>	<u>1,998</u>	<u>821</u>	<u>9,371</u>	<u>320,917</u>
	<u>13,506,518</u>	<u>133,265</u>	<u>1,155,950</u>	<u>459,364</u>	<u>2,020</u>	<u>4,945</u>	<u>17,544</u>	<u>33,636</u>	<u>11,366,687</u>	<u>1,998</u>	<u>821</u>	<u>9,371</u>	<u>320,917</u>

The accompanying notes are an integral part of these financial statements.

THE CORPORATION OF THE CITY OF THUNDER BAY
TRUST FUNDS
STATEMENT OF CONTINUITY
Year ended December 31, 2020

	<u>Total</u>	Older Adults Centre	Cemetery	Cemetery Marker Mtce.	Dawson Court Home for Aged	Grandview Lodge Home for Aged	Pioneer Ridge Home for Aged	Lake Superior Regiment Memorial Hillcrest Pk	Employee Disability	Civic Employees Pension Trust Committee	Community Auditorium Repairs	Art In Public Places	Provincial Land Tax
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Accumulated surplus, beginning of year	12,762,590	112,378	1,137,439	445,264	2,020	4,945	20,590	32,944	10,831,891	1,998	804	9,178	163,139
<u>Receipts</u>													
Contribution from premiums	5,044,623	-	-	-	-	-	-	-	5,044,623	-	-	-	-
PLT deposits	66,632,515	-	-	-	-	-	-	-	-	-	-	-	66,632,515
Deposit	30,386	-	-	-	-	-	30,386	-	-	-	-	-	-
Donations	18,335	18,335	-	-	-	-	-	-	-	-	-	-	-
Sale of plots	18,511	-	18,511	-	-	-	-	-	-	-	-	-	-
Marker fees	4,700	-	-	4,700	-	-	-	-	-	-	-	-	-
Earned interest	274,219	2,552	24,078	9,400	-	-	-	692	230,650	-	17	193	6,637
	<u>72,023,289</u>	<u>20,887</u>	<u>42,589</u>	<u>14,100</u>	<u>-</u>	<u>-</u>	<u>30,386</u>	<u>692</u>	<u>5,275,273</u>	<u>-</u>	<u>17</u>	<u>193</u>	<u>66,639,152</u>
<u>Expenditures</u>													
Residents' withdrawals, net	33,432	-	-	-	-	-	33,432	-	-	-	-	-	-
PLT Transfers to Ministry	66,307,203	-	-	-	-	-	-	-	-	-	-	-	66,307,203
Disability claims	4,584,916	-	-	-	-	-	-	-	4,584,916	-	-	-	-
Capital contribution	-	-	-	-	-	-	-	-	-	-	-	-	-
Net investment earnings	24,078	-	24,078	-	-	-	-	-	-	-	-	-	-
General Operating costs	329,732	-	-	-	-	-	-	-	155,561	-	-	-	174,171
	<u>71,279,361</u>	<u>-</u>	<u>24,078</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,432</u>	<u>-</u>	<u>4,740,477</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,481,374</u>
Accumulated surplus, end of year	13,506,518	133,265	1,155,950	459,364	2,020	4,945	17,544	33,636	11,366,687	1,998	821	9,371	320,917

The accompanying notes are an integral part of these financial statements.

THE CORPORATION OF THE CITY OF THUNDER BAY
TRUST FUNDS
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020

1. Significant Accounting Policies

Basis of Accounting

These financial statements have been prepared by management using the recognition and measurement principles of Canadian public sector accounting standards. Receipts and disbursements are reported the accrual basis of accounting which recognizes revenues as they become available and measurable, and disbursements as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

Investments

Investments are accounted for 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 earned is reported as revenue in the period earned.

2. Investments

The total for investments by the trust funds of \$13,159,474 (2019 - \$12,570,290) reported on the balance sheet at carrying value, have a market value of \$14,254,192 (2019 - \$13,080,382). The investments are comprised of federal, provincial, municipal, and corporate bonds the ONE Equity Fund, money market funds and treasury bills. The bonds have varying maturities and interest rates.

	Cost	2020 Market Value	Cost	2019 Market Value
Federal Government	\$2,608,724	\$2,798,949	\$2,601,510	\$2,593,053
Provincial Government	3,691,810	4,023,706	3,818,905	3,881,494
Municipal	43,285	46,460	43,826	43,986
Corporate	1,625,765	1,676,603	1,458,058	1,452,122
Equity	1,295,697	1,814,282	1,041,698	1,503,434
Other	3,894,193	3,894,193	3,606,294	3,606,294
	\$13,159,474	\$14,254,192	\$12,570,290	\$13,080,382