

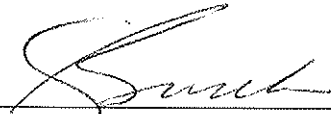
Statement of Administrative Responsibility

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 Canadian Institute of Chartered Accountants [CICA].


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 – Finance & Corporate Services 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 2012 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 auditors' report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.



Carol A. Busch, CGA, CMMIII
City Treasurer and General Manager
- Finance & Corporate Services



Tim Commisso, City Manager

June 24, 2013



Tel: 807 625 4444
Fax: 807 623 8460
www.bdo.ca

BDO Canada LLP
1095 Barton Street
Thunder Bay ON P7B 5N3 Canada

Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the City of Thunder Bay

We have audited the accompanying consolidated financial statements of The Corporation of the City of Thunder Bay, which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2012 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Thunder Bay, Ontario
June 24, 2013

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

As at December 31	2012	2011
	\$	\$
		[restated - note 2]
Financial assets		
Cash	6,742,474	13,230,776
Investments (note 5)	110,023,820	101,469,119
Taxes receivable	6,277,040	6,891,772
Accounts receivable	74,926,427	55,140,658
User charges receivable	10,625,015	10,318,607
Other assets	1,891,895	2,517,523
Long term receivable	400,000	570,272
Investment in bonds and own debentures	28,603	47,030
Investment in Thunder Bay Hydro Corporation (note 6)	89,059,409	86,890,965
	299,974,683	277,076,722
Financial liabilities		
Bank indebtedness (note 7)	6,412,000	-
Accounts payable and accrued liabilities	54,907,178	58,348,785
Tbaytel long term payable (note 8)	37,991,000	42,232,000
Deferred revenue (note 9)	7,509,893	6,601,901
Employee future benefits (notes 10 and 11)	88,740,782	86,978,227
Municipal debenture debt (note 12)	177,572,046	169,215,646
Landfill closure and post-closure liability (note 13)	7,447,000	7,230,000
	380,579,899	370,606,559
Net debt	(80,605,216)	(93,529,837)
Non-financial assets		
Tangible capital assets (note 14, Schedule 1)	958,906,469	952,917,437
Supplies inventory	4,040,811	3,779,034
Prepaid expenses	3,933,088	3,694,640
	966,880,368	960,391,111
Accumulated surplus (note 2, Schedule 2)	886,275,152	866,861,274

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**

For the year ended December 31	Budget		
	2012	2012	2011
	\$	\$	\$
			[restated - note 2]
Revenues (Schedule 3)			
Taxation, net (note 3)	154,783,000	157,237,901	151,102,299
Fees and service charges	82,845,493	87,272,230	82,638,804
Government of Canada and Province of Ontario grants	80,784,204	84,818,202	93,918,010
Contributed tangible capital assets	-	3,882,328	1,359,823
Investment income	1,670,600	6,182,368	7,723,913
Other	10,943,077	22,668,467	18,694,760
Telephone	164,785,000	165,057,000	162,202,000
	495,811,374	527,118,496	517,639,609
Expenses (note 19, Schedule 3)			
General government	20,660,967	27,370,790	24,464,510
Protection to persons and property	70,677,520	72,124,687	74,603,599
Transportation services	45,277,795	61,926,965	57,156,292
Environmental services	53,636,634	61,812,167	56,561,901
Health services	22,163,654	23,892,585	22,669,331
Social and family services	66,860,323	64,431,204	62,242,403
Recreation and cultural services	40,345,998	43,376,570	41,628,192
Planning and development	8,679,089	9,209,159	10,016,589
Telephone	130,291,000	141,283,000	133,220,000
	458,592,980	505,427,127	482,562,817
Net revenues before the following	37,218,394	21,691,369	35,076,792
Loss on disposal of tangible capital assets	(191,000)	(3,318,112)	(1,881,999)
Loss on write-down of tangible capital assets (notes 14, 21)	-	(1,127,823)	-
Earnings from Thunder Bay Hydro Corporation (note 6)	-	2,168,444	2,660,423
Annual surplus	37,027,394	19,413,878	35,855,216
Accumulated surplus, beginning of year, as previously reported	829,202,203	865,119,742	829,202,203
Prior period adjustment (note 2)	-	1,741,532	1,803,855
Accumulated surplus, beginning of year, as restated.	829,202,203	866,861,274	831,006,058
Accumulated surplus, end of year	866,229,597	886,275,152	866,861,274

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

**THE CORPORATION OF THE CITY OF THUNDER BAY
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT**

As at December 31	2012	2011
	\$	\$
		[restated - note 2]
Annual surplus	19,413,878	35,855,216
Acquisition of tangible capital assets	(73,239,834)	(94,620,770)
Amortization of tangible capital assets	65,087,344	62,957,881
Contributed tangible capital assets	(3,882,328)	(1,359,823)
Proceeds on disposal of tangible capital assets	1,599,851	652,704
Loss on disposal of tangible capital assets	3,318,112	1,881,999
Write-down of tangible capital assets	1,127,823	-
	(5,989,032)	(30,488,009)
Net increase in prepaid expenses	(238,448)	(2,101,615)
Net decrease in inventories	(261,777)	(33,065)
	(500,225)	(2,134,680)
Change in net debt	12,924,621	3,232,527
Net debt, beginning of year	(93,529,837)	(96,762,364)
Net debt, end of year	(80,605,216)	(93,529,837)

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

**THE CORPORATION OF THE CITY OF THUNDER BAY
CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended December 31	2012	2011
	\$	\$
		[restated - note 2]
Operating Activities		
Annual surplus (deficit)	19,413,878	35,855,216
Non-cash charges to operations:		
Earnings from Thunder Bay Hydro Corporation (note 6)	(2,168,444)	(2,660,423)
Amortization of tangible capital assets	65,087,344	62,957,881
Contributed tangible capital assets	(3,882,328)	(1,359,823)
Loss on disposal of tangible capital assets	3,318,112	1,881,999
Write-down of tangible capital assets	1,127,823	-
Landfill closure and post closure liability	217,000	210,000
Employee future benefit:	1,762,555	1,199,403
Change in non-cash working capital balances		
Taxes receivable	614,732	1,588,429
Accounts receivable	(19,785,769)	(11,582,179)
User charges receivable	(306,408)	(576,032)
Other assets	625,628	1,244,416
Accounts payable and accrued liabilities	(3,441,607)	5,121,931
Deferred revenue	907,992	(546,493)
Supplies inventory	(261,777)	(33,065)
Prepaid expenses	(238,448)	(2,101,615)
Cash provided by operating transactions	62,990,283	91,199,645
Capital		
Acquisition of tangible capital assets	(73,239,834)	(94,620,770)
Proceeds on disposal of tangible capital assets	1,599,851	652,704
Cash used in capital transactions	(71,639,983)	(93,968,066)
Financing Activities		
Increase (decrease) in bank indebtedness	6,412,000	(8,905,000)
Decrease in Tbaytel long term payable	(4,241,000)	(4,014,000)
Proceeds from municipal debenture deb	26,149,099	15,515,083
Repayment of municipal debenture debt	(17,792,699)	(16,276,132)
Cash provided by (used in) financing transaction:	10,527,400	(13,680,049)
Investing Activities		
Reduction of investment in own debenture:	18,427	17,466
Net decrease (increase) in investments	(8,554,701)	1,862,618
Decrease in long term receivable	170,272	-
Cash provided by (used in) investing activities:	(8,366,002)	1,880,084
Decrease in cash	(6,488,302)	(14,568,386)
Cash, beginning of year	13,230,776	27,799,162
Cash, end of year	6,742,474	13,230,776

The accompanying notes are an integral part of these financial statements

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

GENERAL

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

1. SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government Business Enterprise

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

Accounting for School Board Transactions

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

Trust Funds

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

Basis of Accounting

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

Employment Benefits

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

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employment Benefits (continued)

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

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

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

Government Transfers

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

Investments

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

Investment Income

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

Non-financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-financial Assets (continued)

[i] Tangible Capital Assets

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

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

General capital

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

Infrastructure

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

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

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

[ii] Contributions of Tangible Capital Assets

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

[iii] Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charge to expenses as incurred.

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-financial Assets (continued)

[iv] Inventories

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

Deferred Revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs, in the completion of specific work or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recorded as deferred revenue and are recognized as revenue in the year the related expenses are incurred or services are performed.

Use of Estimates

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

2. PRIOR PERIOD ADJUSTMENT

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

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

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

2. PRIOR PERIOD ADJUSTMENT (continued)

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

3. OPERATIONS OF SCHOOL BOARDS

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

4. TRUST FUNDS

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

Trust fund balances as at December 31 are as follows:

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

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

5. INVESTMENTS

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

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

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

6. INVESTMENT IN THUNDER BAY HYDRO CORPORATION

Thunder Bay Hydro Corporation

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

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

6. INVESTMENT IN THUNDER BAY HYDRO CORPORATION (continued)

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

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

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

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

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

6. INVESTMENT IN THUNDER BAY HYDRO CORPORATION (continued)

Related Party Transactions

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

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

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

The following revenues were recorded:

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

7. BANK INDEBTEDNESS

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

Tbaytel's available revolving credit facilities amount to:

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

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

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

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

8. TBAYTEL LONG TERM PAYABLE

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

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

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

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

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

9. DEFERRED REVENUE

The continuity of deferred revenue is as follows:

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

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

10. PENSION AGREEMENTS

The City makes contributions to the Ontario Municipal Employees Retirement System Fund (OMERS), which is a multi-employer plan, on behalf of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employee contributions are matched by the City.

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

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

11. EMPLOYEE FUTURE BENEFITS

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

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

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

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

General Inflation

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

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

11. EMPLOYEE FUTURE BENEFITS (continued)

Interest (discount) rate

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

Salary levels

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

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

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

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

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

General Inflation

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

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

11. EMPLOYEE FUTURE BENEFITS (continued)

Interest (discount) rate

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

Medical and dental costs

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

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

12. MUNICIPAL DEBENTURE DEBT

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

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

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

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

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

12. MUNICIPAL DEBENTURE DEBT (continued)

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

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

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

13. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

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

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

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

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

14. TANGIBLE CAPITAL ASSETS

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

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

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

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

15. CONTINGENCIES

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

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

16. COMMITMENTS

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

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

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

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

17. PUBLIC LIABILITY INSURANCE

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

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

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

18. NON-CONSOLIDATED ENTITIES

Thunder Bay District Health Unit

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

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

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

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

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

18. NON-CONSOLIDATED ENTITIES (continued)

The District of Thunder Bay Social Services Administration Board

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

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

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

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

19. SEGMENTED INFORMATION

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

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

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

19. SEGMENTED INFORMATION (continued)

General Government

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

Protection to Persons and Property

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

Transportation Services

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

Environmental Services

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

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

19. SEGMENTED INFORMATION (continued)

Health Services

Health Services include Hospital debt repayment and Ambulance Services.

Social and Family Services

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

Recreation and Cultural Services

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

Planning and Development

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

Tbaytel

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

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

20. BUDGET INFORMATION

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

21. FLOOD DISASTER

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

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

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

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

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

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

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

The Corporation of the City of Thunder Bay
 Consolidated Schedule of Tangible Capital Assets
 As at December 31, 2012
 Schedule f

	General Capital										Infrastructure		Total		
	Land \$	Land Improvements \$	Buildings \$	Machinery & Equip \$	Vehicles \$	Network Assets \$	Library Collection \$	Land \$	Land Improvements \$	Buildings \$	Linear Assets \$	Machinery & Equip \$	Assets Under Construction (AUC) \$	2012 \$	2011 [restated - note 2] \$
Cost															
Balance, beginning of year	27,226,374	62,737,473	161,644,332	71,766,384	61,763,379	377,249,848	6,831,708	759,849	7,789,137	198,424,607	966,087,131	12,614,813	22,859,885	1,878,244,352	1,892,692,454
Add: Additions (net change in AUC)	229,467	1,694,851	22,432,672	5,932,099	6,324,374	26,611,869	419,792	83,892	-	-	16,031,005	545,199	12,165,827	77,458,425	95,980,193
Less: Disposals	6,702	2,999,195	166,919	5,937,084	5,211,145	5,520,089	956,811	-	-	-	3,774,636	77,180	-	246,40,012	20,207,695
Less: Write-downs	-	-	24,881	-	-	-	-	-	-	1,102,942	-	-	-	1,437,833	-
Less: Adjustments	-	145,220	172,485	-	-	-	-	-	-	17,963	1,555	-	-	336,263	-
Balance, end of year	27,449,139	61,296,999	183,712,719	70,861,479	63,076,808	398,880,688	6,314,749	843,741	7,789,137	197,304,662	978,542,525	13,082,733	20,694,938	2,029,698,679	1,978,375,352
Accumulated Amortization															
Balance, beginning of year	-	19,271,591	57,190,692	59,840,697	31,419,876	228,687,980	5,073,759	-	1,418,747	48,666,048	576,649,164	6,119,361	-	1,025,336,915	980,175,626
Add: Amortization	-	2,031,784	4,312,526	4,904,648	4,307,574	18,164,089	336,739	-	550,374	4,328,205	25,513,372	416,131	-	66,087,244	62,957,881
Less: Accumulated amortization on disposals	-	162,616	164,919	5,635,125	4,547,549	5,426,089	956,811	-	-	-	2,771,850	77,179	-	19,722,049	17,672,962
Balance, end of year	-	21,140,759	61,338,299	59,110,220	31,379,881	241,455,680	4,403,688	-	1,969,121	53,994,253	599,921,686	6,458,313	-	1,071,702,210	1,025,457,915
Net Book Value of Tangible Capital Assets	27,449,139	40,156,150	122,374,420	20,751,259	31,696,927	157,415,008	1,821,091	843,741	5,820,016	144,310,409	378,649,839	6,624,429	20,694,938	958,996,469	952,917,437

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

As at December 31	2012	2011
	\$	\$
		[restated - note 2]
Surplus		
Investment in tangible capital assets	958,906,469	952,917,437
Municipal debenture debt	(177,572,046)	(169,215,646)
Tbaytel long term payable	(37,991,000)	(42,232,000)
Investment in Thunder Bay Hydro Corporation (note 6)	89,059,409	86,890,965
General fund	12,641,472	4,478,256
Employee future benefits (note 11)	(88,740,782)	(86,978,227)
Solid waste landfill closure and post-closure (note 13)	(7,447,000)	(7,230,000)
Total surplus	748,856,522	738,630,785
Reserves		
Capital reserves	13,751,201	13,068,965
Working capital	4,300,000	4,300,000
	18,051,201	17,368,965
Reserve funds		
Capital reserve funds	18,685,164	18,941,297
Federal Gas Tax	945,279	878,938
Provincial Dedicated Gas Tax	1,802,543	883,936
MTO Transit Capital	1,454,222	1,399,636
Renew Thunder Bay	28,604,041	25,286,106
EMS	4,730,187	5,114,699
TBayTel Dividend	4,448,427	4,594,251
Recreation	2,545,000	2,333,345
Post-employment benefits	7,474,579	6,212,781
Vested sick leave	3,380,866	3,252,951
Insurance	1,366,748	1,555,051
Tax assessment appeals	11,500,196	11,068,523
Vested property rehabilitation	8,154,968	6,654,609
Stabilization	15,807,322	15,468,701
Economic development	1,476,572	1,271,866
Winter roads maintenance	2,294,657	2,208,525
Other	4,696,658	3,736,309
	119,367,429	110,861,524
Total reserves and reserve funds	137,418,630	128,230,489
Accumulated surplus	886,275,152	866,861,274

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	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Revenues										
Taxation	157,237,901	151,102,299	-	-	-	-	-	-	-	-
Government of Canada grants	7,386,928	7,511,297	248,169	284,866	-	-	341,751	-	-	-
Province of Ontario grants	32,067,973	27,743,177	1,321,010	838,557	-	-	664,621	664,621	10,946,147	10,461,000
Contributed tangible capital assets	-	-	3,892,328	-	-	-	629,715	-	-	-
User fees and service charges	4,585,727	4,508,020	1,504,777	4,316,916	6,675,135	6,597,263	47,921,726	40,968,969	233,109	231,529
Other revenues	1,109,634	4,104,043	5,187,977	3,486,580	977,106	1,935,761	7,681,847	2,354,015	1,669,792	1,511,618
Investment income	2,538,108	3,166,275	86,804	107,237	305,151	421,410	1,700,068	1,590,862	226,752	345,811
Total revenues	204,926,271	198,135,111	12,231,065	9,034,166	11,833,596	12,114,519	59,500,620	46,549,933	13,075,800	12,549,958
Expenses										
Salaries, wages and employee benefits	24,926,126	23,840,068	62,250,807	61,028,446	16,346,929	15,494,884	13,661,963	12,862,520	17,405,115	16,391,285
Long term debt interest	59,654	58,343	22,783	17,599	1,003,133	1,089,890	3,281,179	3,273,856	15,997	-
Materials	28,351,304	24,047,409	3,889,596	3,932,260	3,982,995	4,598,483	6,617,174	6,617,174	1,580,503	1,818,235
Contracted services	6,109,854	5,052,937	393,952	495,373	3,285,174	1,435,634	8,037,051	5,254,730	194,725	208,791
Rents and financials	3,477,345	5,673,911	863,838	263,430	1,110,000	1,185,948	4,777,482	4,826,436	812,138	486,264
External transfers to others	-	500,000	1,597,530	2,457,935	1,577,400	1,509,000	-	-	2,153,325	2,153,325
Interfunctional and program support	(36,648,662)	(35,514,483)	2,269,535	2,176,222	13,155,257	12,114,215	9,037,396	9,559,042	657,304	691,346
Unfunded liabilities	236,798	42,765	(381,696)	3,086,455	9,626	(1,474,385)	602,867	472,019	221,627	278,190
Amortization	858,371	763,058	1,218,342	1,145,856	21,456,751	21,204,612	13,147,358	13,696,124	851,851	640,896
Total expenses	27,370,790	24,464,510	72,124,687	74,603,589	61,926,965	57,156,292	61,812,167	56,561,901	23,892,585	22,669,331
Net revenues (expenses)	177,555,482	173,670,602	(59,893,622)	(65,569,423)	(50,093,369)	(45,041,773)	(2,311,547)	(10,011,968)	(10,816,785)	(10,119,373)

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	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
For the year ended December 31										
Revenues										
Taxation	-	-	-	-	-	-	-	-	157,237,901	151,102,299
Government of Canada grants	-	5,000	27,886	7,729,314	150,993	-	-	-	7,787,979	15,872,228
Province of Ontario grants	24,761,460	23,507,243	825,476	10,503,873	1,008,977	1,635,782	-	-	77,030,223	78,046,782
Contributed tangible capital assets	-	-	-	261,542	-	-	-	-	3,882,328	1,359,823
User fees and service charges	13,480,570	13,521,171	10,864,849	10,521,953	1,906,337	1,972,982	165,057,000	162,202,000	252,329,230	244,840,804
Other revenues	729,207	1,338	676,593	985,370	2,369,312	931,885	2,267,000	3,384,149	22,668,467	18,694,760
Investment income	358,891	652,350	149,355	189,656	155,239	182,312	662,000	1,068,000	6,182,368	7,723,913
Total revenues	39,330,128	37,687,102	12,644,158	30,191,707	5,590,857	4,722,960	167,986,000	166,654,149	527,118,496	517,639,609
Expenses										
Salaries, wages and employee benefits	33,192,614	15,854,313	20,645,180	19,569,906	3,363,521	3,249,507	33,565,000	30,904,000	225,377,255	199,194,929
Long term debt interest	1,892,587	2,007,229	71,730	65,511	-	-	632,025	737,295	6,379,088	7,250,324
Materials	5,759,833	5,451,318	6,150,864	7,171,739	2,672,759	2,635,025	83,168,000	78,814,000	144,882,725	135,083,673
Contracted services	19,094,356	19,048,078	3,174,684	3,746,632	690,172	1,617,138	-	-	40,979,968	36,860,313
Rents and financials	110,257	103,416	253,965	231,815	242,789	304,551	1,597,975	1,752,705	13,185,789	14,828,379
External transfers to others	-	457,800	1,649,233	1,445,498	337,215	360,722	-	-	7,314,403	8,884,279
Interfunctional and program support	3,028,627	3,057,988	6,786,034	6,203,665	1,714,509	1,712,005	-	-	-	-
Unfunded liabilities	911,114	15,848,032	(43,400)	(763,104)	63,619	13,067	-	-	1,620,555	17,503,039
Amortization	441,816	414,229	4,688,280	3,958,530	124,575	124,575	22,300,000	21,012,000	65,087,344	62,957,881
Total expenses	64,431,204	62,242,403	43,376,570	41,628,192	9,209,159	10,016,589	141,283,000	133,220,000	505,427,127	482,562,817
Net revenues (expenses)	(25,101,076)	(24,555,301)	(30,732,411)	(11,436,484)	(3,618,302)	(5,293,629)	26,703,000	33,434,149	21,691,369	35,076,792