
**FINANCE & CORPORATE
SERVICES DEPARTMENT**

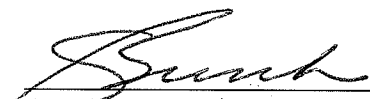
Statement of Administrative Responsibility

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 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 2011 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 25, 2012



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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, 2011, 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, 2011 and the results of its operations, changes in 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 25, 2012

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

As at December 31,	2011	2010
	\$	\$
		[restated - note 2]
Financial assets		
Cash	13,239,479	27,799,162
Investments (note 5)	101,469,119	103,331,737
Taxes receivable	6,891,772	8,480,201
Accounts receivable	55,140,658	43,558,479
User charges receivable	10,318,607	9,742,575
Other assets	2,517,523	3,761,939
Investment in bonds and own debentures	47,030	64,496
Investment in Thunder Bay Hydro Corporation (note 6)	86,890,965	84,230,542
	276,515,153	280,969,131
Financial liabilities		
Bank indebtedness (note 7)	-	8,905,000
Accounts payable and accrued liabilities	58,348,785	53,226,854
Tbaytel long term payable (note 8)	42,232,000	46,246,000
Deferred revenue (note 9)	6,601,901	7,148,394
Employment benefits (notes 10 and 11)	86,978,227	85,778,824
Municipal debenture debt (note 12)	169,215,646	169,976,695
Landfill closure and post-closure liability (note 13)	7,230,000	7,020,000
	370,606,559	378,301,767
Net debt	(94,091,406)	(97,332,636)
Non-financial assets		
Tangible capital assets (note 14, Schedule 1)	951,705,687	921,195,845
Supplies inventory	3,779,034	3,745,969
Prepaid expenses	3,726,427	1,593,025
	959,211,148	926,534,839
Accumulated Surplus (note 2, Schedule 2)	865,119,742	829,202,203

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		2010 \$ [restated - note 2]
	2011 \$	2011 \$	
Revenues (Schedule 3)			
Taxation, net (note 3)	148,841,400	151,102,299	145,825,721
Fees and service charges	81,106,700	82,723,930	77,747,596
Government of Canada and Province of Ontario grants	71,988,300	93,918,010	93,617,441
Contributed tangible capital assets	-	1,359,823	-
Investment income	1,898,600	7,723,913	5,402,215
Other	15,267,811	15,310,760	11,197,195
Telephone	151,336,000	165,586,000	133,715,000
	470,438,811	517,724,735	467,505,168
Expenses (note 19, Schedule 3)			
General government	22,202,604	24,464,510	19,823,254
Protection to persons and property	68,721,926	74,603,599	66,404,001
Transportation services	41,836,284	57,156,292	56,256,375
Environmental services	50,793,418	56,540,068	54,526,107
Health services	20,309,784	22,669,331	22,867,068
Social and family services	63,618,068	62,242,403	65,336,352
Recreation and cultural services	38,263,698	41,672,828	43,737,009
Planning and development	7,313,659	10,016,589	7,522,606
Telephone	127,734,000	133,220,000	148,403,000
	440,793,441	482,585,620	484,875,772
Net revenues (expenses) before the following	29,645,370	35,139,115	(17,370,604)
Gain (loss) on disposal of tangible capital assets	60,000	(1,881,999)	(2,723,343)
Earnings from Thunder Bay Hydro Corporation (note 6)	-	2,660,423	1,233,044
Annual surplus (deficit)	29,705,370	35,917,539	(18,860,903)
Accumulated surplus, beginning of year, as previously reported	829,152,203	814,185,078	833,673,144
Prior period adjustment (note 2)	-	15,017,125	14,389,962
Accumulated surplus, beginning of year, as restated.	829,152,203	829,202,203	848,063,106
Accumulated surplus, end of year	858,857,573	865,119,742	829,202,203

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,	2011	2010
	\$	\$
		[restated - note 2]
Annual surplus (deficit)	35,917,539	(18,860,903)
Acquisition of tangible capital assets	(94,620,770)	(103,601,571)
Amortization of tangible capital assets	62,936,048	60,074,422
Contributed tangible capital assets	(1,359,823)	-
Proceeds on disposal of tangible capital assets	652,704	428,753
Loss on disposal of tangible capital assets	1,881,999	2,723,343
	(30,509,842)	(40,375,053)
Net increase in prepaid expenses	(2,133,402)	164,955
Net decrease in inventories	(33,065)	(368,106)
	(2,166,467)	(203,151)
Change in net debt	3,241,230	(59,439,107)
Net debt, beginning of year	(97,332,636)	(37,893,529)
Net debt, end of year	(94,091,406)	(97,332,636)

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,	2011	2010
	\$	\$ [restated - note 2]
Operating Activities		
Annual surplus (deficit)	35,917,539	(18,860,903)
Non-cash charges to operations:		
Earnings from Thunder Bay Hydro Corporation (note 6)	(2,660,423)	(1,233,044)
Amortization of tangible capital assets	62,936,048	60,074,422
Contributed tangible capital assets	(1,359,823)	-
Loss on disposal of tangible capital assets	1,881,999	2,723,343
Landfill closure and post closure liability	210,000	205,000
Employment benefits	1,199,403	10,676,349
Change in non-cash working capital balances		
Taxes receivable	1,588,429	4,919,689
Accounts receivable	(11,582,179)	(5,443,778)
User charges receivable	(576,032)	(1,815,356)
Other assets	1,244,416	(597,269)
Accounts payable and accrued liabilities	5,121,931	3,983,089
Deferred revenue	(546,493)	394,768
Supplies inventory	(33,065)	(368,106)
Prepaid expenses	(2,133,402)	164,955
Cash provided by operating transactions	91,208,348	54,823,159
Capital		
Acquisition of tangible capital assets	(94,620,770)	(103,601,571)
Proceeds on disposal of tangible capital assets	652,704	428,753
Cash used in capital transactions	(93,968,066)	(103,172,818)
Financing Activities		
Increase (decrease) in bank indebtedness	(8,905,000)	8,905,000
Increase (decrease) in Tbaytel long term payable	(4,014,000)	46,246,000
Proceeds from municipal debenture debt	15,515,083	6,398,738
Repayment of municipal debenture debt	(16,276,132)	(18,576,407)
Cash provided by (used in) financing transactions	(13,680,049)	42,973,331
Investing Activities		
Reduction of investment in own debentures	17,466	16,555
Net decrease (increase) in investments	1,862,618	(18,509,570)
Cash provided by (used in) investing activities	1,880,084	(18,493,015)
Decrease in cash	(14,559,683)	(23,869,343)
Cash, beginning of year	27,799,162	51,668,505
Cash, end of year	13,239,479	27,799,162

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, 2011**

GENERAL

The Corporation of the City of Thunder Bay 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 Corporation of the City of Thunder Bay are prepared by management in accordance with accounting policies generally accepted for the local government sector as prescribed by the Public Sector Accounting Board [PSAB] of the Canadian Institute of Chartered Accountants [CICA]. Significant accounting policies adopted by the City of Thunder Bay are as follows:

Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses 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 of Thunder Bay and which are owned or controlled by the City. These financial statements include:

Thunder Bay Public Library Board
Waterworks
Transit
Parking Authority
Mountain View and St. Patrick's Cemeteries
Dawson Court Home for the Aged
Grandview Lodge Home for the Aged
Pioneer Ridge Home for the Aged
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 Court Services Area
Superior North Emergency Medical Services
Thunder Bay Community Economic Development Commission Inc.

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

**THE CORPORATION OF THE CITY OF THUNDER BAY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2011**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Reporting Entity (continued)

The financial activities of certain entities associated with the City of Thunder Bay are not consolidated. The City's contributions to these entities are recorded in the Consolidated Statement of Operations. 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 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.

Trust Funds

Trust funds administered by the City 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. They are reported separately on the Trust Fund Statement of Operations and Accumulated Surplus and Statement of Financial Position.

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.

Accrual Accounting

The City uses the accrual basis of accounting and recognizes revenues as they are levied or earned and become measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

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 CORPORATION OF THE CITY OF THUNDER BAY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2011**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employment Benefits (continued)

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;

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; and

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 change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial debt for the year.

**THE CORPORATION OF THE CITY OF THUNDER BAY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2011**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-financial Assets (continued)

[i] Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

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 use, at which time they are capitalized.

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, 2011**

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

The City often receives contributions that are restricted under specific agreements or the terms of relevant legislation. Such contributions, together with any income earned thereon by the City, are reported as a deferred revenue liability until the resources are used for the purpose or purposes specified, at which time the resources are recognized as revenue.

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 accounts receivables, accrued liabilities, landfill liabilities and in performing actuarial valuations of employee benefits. Amounts recorded for amortization of tangible capital assets are based on estimates of useful service life. Actual results could differ from these estimates.

2. PRIOR PERIOD ADJUSTMENT

- a) The City has restated the comparative figures to include tangible capital asset costs that were incorrectly recorded at December 31, 2009 and December 31, 2010. The City also determined that there were errors in the calculation of amortization which resulted in errors in the accumulated amortization and the amortization expense balances for the year ending December 31, 2009 and December 31, 2010.
- b) Commencing with the 2011 fiscal year, Tbaytel adopted Public Sector Accounting Standards (PSA) with retroactive restatement for the 2010 fiscal year. Errors in the prior year consolidations were discovered during Tbaytel's conversion to PSA and have been corrected.

**THE CORPORATION OF THE CITY OF THUNDER BAY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2011**

2. PRIOR PERIOD ADJUSTMENT (continued)

The impact of the retroactive adjustments has been reported as follows:

	<u>City of Thunder Bay</u> 2010 \$	<u>Tbaytel</u> 2010 \$	<u>Total</u> 2010 \$
<u>Statement of Financial Position</u>			
Decrease in net debt		5,724,225	5,724,225
Increase in non-financial assets	5,166,900	4,126,000	9,292,900
Increase in accumulated surplus	5,166,900	9,850,225	15,017,125
 <u>Statement of Operations and Accumulated Surplus</u>			
Increase in revenues	-	2,454,229	2,454,229
Increase (decrease) in expenses:			
General government	(263,832)		(263,832)
Protection to persons and property	325,528		325,528
Transportation services	(465,320)		(465,320)
Environmental services	1,505,177		1,505,177
Health services	58,417		58,417
Social and family services	151,519		151,519
Recreation and cultural services	(1,908,188)		(1,908,188)
Planning and development	380,822		380,822
Telephone	-	(141,927)	(141,927)
	(215,877)	(141,927)	(357,804)
Increase in loss on disposal of tangible capital assets	1,825,870	359,000	2,184,870
Decrease in annual surplus, 2010	(1,609,993)	2,237,156	627,163
Increase in opening surplus, 2010	6,776,893	7,613,069	14,389,962
	5,166,900	9,850,225	15,017,125

3. OPERATIONS OF SCHOOL BOARDS

Taxation, other revenues and requisitions for the school boards amounting to \$28,542,998 [2010 - \$29,360,908] are not reflected in these consolidated financial statements.

THE CORPORATION OF THE CITY OF THUNDER BAY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2011

4. TRUST FUNDS

Trust funds administered by the City amounting to \$14,885,831 [2010 - \$14,774,517] have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Financial Activities.

Trust fund balances as at December 31 are as follows:

	2011	2010
	\$	\$
Older Adults Centre	2,904	632
Cemetery	977,106	958,824
Cemetery Marker Maintenance	299,819	279,363
Dawson Court Home for Aged	48,399	71,449
Grandview Lodge Home for Aged	43,312	38,168
Pioneer Ridge Home for Aged	24,308	19,744
Lake Superior Regiment Memorial Hillcrest Park Library	35,233	33,270
	-	2,144
Employee Disability	13,405,761	12,944,619
Civic Employees Pension Trust Committee	1,998	1,998
Community Auditorium Repairs	622	587
Art in Public Places	5,537	5,229
Provincial Land Tax	40,832	418,490
	14,885,831	14,774,517

5. INVESTMENTS

Investments are recorded at cost. The total market value of the City's investments at December 31, 2011 was approximately **\$105,019,718** [2010 - \$105,623,031]. 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.

	2011		2010	
	Cost	\$ Market Value	Cost	\$ Market Value
Federal Government	17,205,936	18,325,786	19,406,035	20,394,309
Provincial Government	20,773,440	22,633,111	17,089,327	17,777,385
Corporate	37,991,219	37,967,946	44,177,060	44,261,107
Municipal	1,038,699	1,139,812	1,060,649	1,101,184
Equity	7,555,375	7,560,724	5,871,414	6,356,464
Other	16,904,450	17,392,339	15,727,253	15,732,582
	101,469,119	105,019,718	103,331,737	105,623,031

**THE CORPORATION OF THE CITY OF THUNDER BAY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2011**

5. INVESTMENTS (continued)

The weighted average yield on the cost of the investment portfolio during the year was **5.9%** (2010 3.9%). Maturity dates on investments in the portfolio range from January 2014 to June 2037.

6. INVESTMENT IN THUNDER BAY HYDRO CORPORATION

Thunder Bay Hydro Corporation

The Thunder Bay Hydro Corporation is wholly owned by The City of Thunder Bay 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 subsidiary, Thunder Bay Hydro Electricity Distribution Inc. prepared in accordance with accounting principles generally accepted for Hydro utilities.

	2011 \$	2010 \$
Financial position		
Current assets	38,354,600	36,999,478
Capital assets	75,247,179	72,627,194
Long-term assets	16,559,755	16,093,205
Total assets	130,161,534	125,719,877
Current liabilities	17,527,467	17,591,539
Long-term debt	25,743,102	23,897,796
Total liabilities	43,270,569	41,489,335
Net assets	86,890,965	84,230,542
Results of operations		
Revenues	108,646,446	98,571,605
Operating expenses	(105,986,023)	(97,541,649)
Other	--	203,088
Earnings for the year	2,660,423	1,233,044

**THE CORPORATION OF THE CITY OF THUNDER BAY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2011**

6. INVESTMENT IN THUNDER BAY HYDRO CORPORATION (continued)

Thunder Bay Hydro Corporation (continued)

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

	2011 \$	2010 \$
1,000 common shares	34,931,625	34,931,625
Promissory note	34,931,625	34,931,625
Accumulated earnings from date of transfer	17,027,715	14,367,292
	86,890,965	84,230,542

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

Related Party Transactions

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

Thunder Bay Hydro Corporation billed The Corporation for electricity in the amount of **\$8,060,667** [2010 - \$9,191,485]. At December 31, 2011, included in accounts payable and accrued liabilities is **\$614,298** [2010 - \$299,644] payable to Thunder Bay Hydro Corporation related to this expense. Pole rental from Thunder Bay Hydro Corporation in the amount of **\$316,961** [2010 - \$310,263] and other sundry expenses in the amount of **\$48,312** [2010 - \$36,543] were also recorded. The Corporation also contributed towards capital construction by Thunder Bay Hydro Corporation during the year in the amount of **\$452,797** [2010 - \$335,889]. Included in accounts payable is **\$213,659** [2010 - \$10,625] due to Thunder Bay Hydro Corporation related to these other activities.

The Corporation 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** [2010 - \$302,036]
 Telecommunication costs of **\$331,352** [2010 - \$361,792]
 Water billings of **\$7,612** [2010 - \$8,133]
 Property taxes of **\$127,753** [2010 - \$126,987]
 Lease costs of **\$2,060** [2010 - \$1,760]
 Royalties of **\$122,297** [2010 - \$37,610]
 Landfill gas charges of **\$204,808** [2010 - \$53,883].

Included in accounts receivable is **\$13,858** [2010 - \$nil] related to landfill gas charges.

THE CORPORATION OF THE CITY OF THUNDER BAY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2011

7. BANK INDEBTEDNESS

The City has an unsecured demand revolving credit facility in the amount of **\$15,000,000** [2010 - \$15,000,000], of which **\$nil** [2010 - \$8,905,000] remains outstanding at year-end, bearing interest at the bank's prime rate less 0.75%.

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, 2011 is **\$42,232,000** [2010 - \$46,246,000]. Interest is accrued with an effective rate of 4%.

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

	\$
2012	4,241,000
2013	4,425,000
2014	4,606,000
2015	4,741,000
2016	4,872,000
2017 and thereafter	19,347,000
Total	42,232,000

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

	2011 \$	2010 \$
Principal payments	4,014,000	657,000
Interest payments	1,777,000	82,000
Total	5,791,000	739,000

**THE CORPORATION OF THE CITY OF THUNDER BAY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2011**

9. DEFERRED REVENUE

The continuity of deferred revenue is as follows: 2011 2010
\$ \$

Balance, beginning of year	7,148,394	6,753,626
Net contributions from developers and property owners	111,875	121,867
Investment income	6,243	6,243
Net contributions to capital operations	(15,752)	(118,157)
<u>Net contributions from (to) current operations</u>	<u>(648,859)</u>	<u>384,815</u>
Balance, end of year	6,601,901	7,148,394

10. PENSION AGREEMENTS

The City makes contributions to the Ontario Municipal Employees Retirement System Fund (OMERS), which is a multi-employer plan.

All employees are eligible to be members of the Ontario Municipal Employees Retirement System (OMERS). 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. The Board of Trustees representing plan members and employers is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. OMERS provide pension services to more than 419,000 active and retired members and approximately 947 employers.

Each year an independent actuary determines the funding status of the OMERS Primary Pension Plan (the Plan) by comparing the actuarial value to invested assets of the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2011. The results of this valuation disclosed total actuarial liabilities of \$64,548 million (2010 - \$60,035 million) in respect of benefits accrued for service with actuarial assets at that date of \$57,258 million (2010 - \$55,568 million) indicating an actuarial deficit of \$7,290 million (2010 - \$4,467 million). Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of the Ontario municipal organizations and their employees. During the year ended December 31, 2011, the City contributed approximately **\$13,386,000** [2010 - \$11,097,000] for current service which is included as an expense on the Consolidated Statement of Operations and Accumulated Surplus.

**THE CORPORATION OF THE CITY OF THUNDER BAY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2011**

11. EMPLOYMENT BENEFITS

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

	2011 \$	2010 \$
Sick leave benefits	5,770,000	5,957,000
Vacation pay	4,375,205	4,208,507
Post-employment benefits	38,759,000	37,909,000
WSIB	38,074,022	37,704,317
	86,978,227	85,778,824

[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 of Thunder Bay recognizes these costs in the period in which the employees rendered the services. The accrued benefit liability at December 31, 2011 of **\$5,770,000** [2010 -\$5,957,000] was determined by an extrapolation for 2011 by professional actuaries of an actuarial valuation prepared for the year ended December 31, 2010. An amount of **\$3,252,951** [2010 - \$3,071,327] 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.

Interest (discount) rate

The obligation as at December 31, 2011 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.

**THE CORPORATION OF THE CITY OF THUNDER BAY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2011**

11. EMPLOYMENT BENEFITS (continued)

[c] The City of Thunder Bay pays certain post retirement benefits on behalf of its retired employees. The City of Thunder Bay recognizes these post retirement costs in the period in which the employees rendered the services. The accrued benefit obligation at December 31, 2011 of **\$35,376,000** [2010 -\$34,104,000] was determined by an extrapolation for 2011 by professional actuaries of an actuarial valuation prepared for the year ended December 31, 2010. An amount of **\$6,212,780** [2010 - \$4,894,505] has been set aside in a post-retirement benefits reserve fund to offset this liability.

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

	2011 \$	2010 \$
Accrued benefit liability recognized in the financial statements	38,759,000	37,909,000
Expense for the year	2,969,000	2,825,000
Benefits paid for the year	(2,119,000)	(1,306,000)

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.

Interest (discount) rate

The obligation as at December 31, 2011 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 7.63% in 2011, with further annual increases gradually declining from 7.63% to 5% in 2018 and each year thereafter. Dental costs were assumed to increase at 5% in 2011 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 2011 by professional actuaries of an actuarial valuation as at December 31, 2010.

THE CORPORATION OF THE CITY OF THUNDER BAY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2011

12. MUNICIPAL DEBENTURE DEBT

[a] The balance of municipal debenture debt reported on the Consolidated Statement of Financial Position totaling **\$169,215,646** [2010 - \$169,976,695] is comprised of debenture debt outstanding at year-end incurred by the City. The breakdown of the balance owing is as follows:

	2011	2010
	\$	\$
Tax-supported	68,073,966	69,018,040
Rate-supported	87,301,680	84,698,655
Tbaytel	13,840,000	16,260,000
Total	169,215,646	169,976,695

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

	\$
2012	17,792,605
2013	18,145,439
2014	15,969,485
2015	16,232,855
2016	15,434,826
2017 and thereafter	85,640,436
Total	169,215,646

[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 2012 annual principal and interest payments required to service these liabilities are within the 2012 annual debt repayment limit prescribed by the Ministry of Municipal Affairs of \$65,973,115. The City has available \$42,446,749, based on this annual debt repayment limit.

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

	2011	2010
	\$	\$
Principal payments	16,276,042	18,576,413
Interest payments	7,250,324	7,706,574
Total	23,526,366	26,282,987

**THE CORPORATION OF THE CITY OF THUNDER BAY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2011**

13. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

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 **\$7,230,000** [2010 - \$7,020,000] is the present value of future closure and post-closure costs discounted at a rate of 3%, based on a 2006 Consultant's Report.

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 there were no write-downs, no interest capitalized and contributed tangible capital assets of **\$1,359,823** [2010 – none]. Contributed capital assets consist of general capital land improvements and machinery and equipment and infrastructure machinery and equipment and linear assets.

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, 2011 for which the amount of settlement, if any, is indeterminable at this time. No opinion is expressed as to whether the settlements, if any, would have a material effect on the Municipality's current year consolidated financial statements. The settlements, if any, will be expensed in the Consolidated Statement of Financial Activities 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.

**THE CORPORATION OF THE CITY OF THUNDER BAY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2011**

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

The City leases multi-function photocopiers which are charged at varying rates on a per-copy basis, with leases expiring in April 2012. The amount of the commitment cannot reasonably be estimated.

[b] The City has a letter of credit issued by the Royal Bank of Canada for \$500,000, which expires on 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 **\$1,555,052** [2010 - \$1,867,267].

Self-insured claims settled and accrued during the year amounting to **\$2,395,046** [2010 - \$2,059,937] are reported as an expense in the Consolidated Statement of Operations.

**THE CORPORATION OF THE CITY OF THUNDER BAY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2011**

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.

	2011 \$	2010 \$
Financial position		
Financial assets	4,177,887	3,026,425
<u>Liabilities</u>	<u>(3,505,102)</u>	<u>(2,524,032)</u>
Net financial assets	672,785	502,393
Non-financial assets	2,397,804	2,446,102
Accumulated surplus	3,070,589	2,948,495
	2011 \$	2010 \$
Results of operations		
Revenues other than municipal levies	15,284,379	15,741,797
Municipal levies	2,749,722	2,678,214
<u>Expenses</u>	<u>(17,912,007)</u>	<u>(18,295,246)</u>
Annual surplus	122,094	124,765

The City's share of the municipal levies was \$ 2,153,325 [2010 - \$2,086,584].

**THE CORPORATION OF THE CITY OF THUNDER BAY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2011**

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.

	2011	2010
	\$	\$
Financial position		
Financial assets	33,568,250	35,279,508
Long-term debt	(32,656,183)	(34,626,441)
Other liabilities	(15,527,303)	(8,046,352)
Net debt	(14,615,236)	(7,393,285)
Non-financial assets	54,312,639	45,435,970
Accumulated surplus	39,697,403	38,042,685
Results of operations		
Revenues other than municipal levies	60,166,166	65,106,463
Municipal levies	24,523,431	29,913,639
Other income	453,190	915,463
Expenses	(83,488,069)	(93,593,562)
Annual surplus	1,654,718	2,342,003

The City's share of the municipal levies was \$18,198,766 [2010 - \$22,204,774].

19. SEGMENTED INFORMATION

The City of Thunder Bay is a diversified municipal government institution that provides a wide range of services to its citizens, including police, fire, ambulance, public transit and water. For management reporting purposes, the City's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

**THE CORPORATION OF THE CITY OF THUNDER BAY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2011**

19. SEGMENTED INFORMATION (continued)

City services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

General Government

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

Health Services

Health Services include Hospital debt repayment and Ambulance Services.

**THE CORPORATION OF THE CITY OF THUNDER BAY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2011**

19. SEGMENTED INFORMATION (continued)

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 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 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.

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. Budget figures have not been audited.

**THE CORPORATION OF THE CITY OF THUNDER BAY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2011**

21. SUBSEQUENT EVENT

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 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. The Province made a preliminary commitment of up to \$3.2 million to assist private property owners in Thunder Bay and area and up to \$10 million to assist with the cost of returning the City's infrastructure to pre-flood conditions. On June 11, 2012, The City of Thunder Bay appointed 8 members to the Thunder Bay Disaster Relief Committee, which is charged with the responsibilities of fundraising and adjudicating claims for flood relief. An estimate of the financial impact on the Corporation of The City of Thunder Bay cannot be made at this time.

The Corporation of the City of Thunder Bay
 Consolidated Schedule of Tangible Capital Assets
 As at December 31
 Schedule 1

	General Capital						Infrastructure					Total			
	Land \$	Land Improvements \$	Buildings \$	Machinery & Equip \$	Vehicles \$		Land Improvements \$	Buildings \$	Linear Assets \$	Machinery & Equip \$	Assets Under Construction (AUC) \$	TBayTel \$	Thunder Bay Public Library \$	2011 \$	2010 [restated - note 2] \$
Cost															
Balance, beginning of year	26,443,074	32,585,917	91,719,497	35,897,014	60,012,309	759,849	7,789,157	194,913,340	942,522,377	12,126,516	39,699,769	446,659,000	10,164,635	1,901,292,454	1,814,709,856
Add: Additions (net change in AUC)	342,414	35,446,309	21,694,078	2,016,939	4,323,628	-	-	2,305,610	25,467,411	690,563	(26,133,884)	28,930,000	897,524	95,980,592	103,601,571
Less: Disposals	171,704	5,316,452	29,006	300,060	2,629,869	-	-	104,343	1,902,657	202,266	-	8,861,000	690,337	20,207,694	17,018,973
Balance, end of year	26,613,784	62,715,774	113,384,569	37,613,893	61,706,068	759,849	7,789,157	197,114,607	966,087,131	12,614,813	13,565,885	466,728,000	10,371,822	1,977,065,332	1,901,292,454
Accumulated Amortization															
Balance, beginning of year	-	22,348,316	42,137,906	24,246,309	29,311,846	-	868,373	43,823,926	552,665,317	5,917,152	-	251,265,000	7,512,464	980,096,609	933,890,065
Add: Amortization	-	1,546,465	1,864,784	2,393,856	4,363,256	-	550,374	4,848,215	25,391,673	404,475	-	21,012,000	560,350	62,936,048	60,074,422
Less: Accumulated amortization on disposals	-	4,623,732	29,006	285,699	2,307,323	-	-	104,343	1,407,826	202,266	-	8,032,000	680,797	17,672,992	13,867,878
Balance, end of year	-	19,271,049	43,973,684	26,354,466	31,367,779	-	1,418,747	48,567,798	376,649,164	6,119,361	-	264,245,000	7,392,617	1,023,359,665	980,096,609
Net Book Value of Tangible Capital Assets	26,613,784	43,444,725	69,410,885	11,259,427	30,338,289	759,849	6,370,410	148,546,809	389,437,967	6,495,452	13,565,885	202,483,000	2,979,205	951,705,687	921,195,845

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,	2011	2010
	\$	\$
		[restated - note 2]
Surplus		
Investment in tangible capital assets	951,705,687	921,195,845
Municipal debenture debt	(169,215,646)	(169,976,695)
Tbaytel long term payable	(42,232,000)	(46,246,000)
Investment in Thunder Bay Hydro Corporation (note 6)	86,890,965	84,230,542
General fund	3,948,474	23,969,247
Employment benefits (note 11)	(86,978,227)	(85,778,824)
Solid waste landfill closure and post-closure	(7,230,000)	(7,020,000)
Total surplus	736,889,253	720,374,115
Reserves		
Capital reserves	13,068,965	9,420,286
Working capital	4,300,000	4,300,000
	17,368,965	13,720,286
Reserve funds		
Capital reserve funds	18,941,297	12,396,215
Federal Gas Tax	878,938	708,613
Provincial Dedicated Gas Tax	883,936	2,039,519
MTO Transit Capital	1,399,636	1,321,658
Renew Thunder Bay	25,286,106	21,529,197
EMS	5,114,699	4,859,192
TBayTel Dividend	4,594,251	3,941,414
Recreation	2,333,345	2,160,212
Post-employment benefits	6,212,781	4,894,505
Vested sick leave	3,252,951	3,071,327
Insurance	1,555,051	1,867,267
Tax assessment appeals	11,068,523	10,451,864
Vested property rehabilitation	6,654,609	5,835,027
Stabilization	15,468,701	14,128,110
Economic development	1,271,866	1,679,598
Winter roads maintenance	2,208,525	2,085,482
Other	3,736,309	2,138,602
	110,861,524	95,107,802
Total reserves and reserve funds	128,230,489	108,828,088
Accumulated surplus	865,119,742	829,202,203

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**

	General Government				Protection to Persons and Property		Transportation Services		Environmental Services		Health Services	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenues												
Taxation	151,102,299	145,825,721	-	-	-	-	-	-	-	-	-	-
Government of Canada grants	7,511,297	6,718,465	284,866	(57,897)	-	-	-	-	341,751	17,621	-	-
Province of Ontario grants	27,743,177	30,548,320	838,567	15,569	2,691,519	2,221,153	2,691,519	2,221,153	664,621	403,552	10,461,000	9,996,238
Contributed tangible capital assets	-	-	-	-	468,566	-	468,566	-	629,715	-	-	-
User fees and service charges	4,508,020	3,859,205	4,316,916	3,741,216	6,597,263	6,260,627	6,597,263	6,260,627	40,966,969	37,274,210	231,529	263,088
Other revenues	4,104,043	2,927,204	3,486,580	2,641,029	1,935,761	1,280,747	1,935,761	1,280,747	2,354,015	1,837,961	1,511,618	1,472,537
Investment income	3,166,275	2,665,945	107,237	95,440	421,410	204,889	421,410	204,889	1,590,862	430,590	345,811	243,972
TBayTel operating revenues	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	198,135,111	192,544,860	9,034,166	6,435,357	12,114,519	9,967,416	12,114,519	9,967,416	46,549,933	39,963,934	12,549,958	11,975,835
Expenditures												
Salaries, wages and employee benefits	23,840,068	24,168,321	61,028,449	55,827,877	15,494,885	14,863,964	15,494,885	14,863,964	12,862,521	12,032,583	16,391,283	15,089,517
Long term debt interest	58,944	69,125	17,599	12,987	1,089,890	1,039,244	1,089,890	1,039,244	3,273,856	3,455,592	-	111,465
Materials	24,047,409	20,181,970	3,932,280	3,535,808	4,596,493	5,103,828	4,596,493	5,103,828	6,617,174	8,763,293	1,818,235	2,017,716
Contracted services	5,052,937	4,495,897	495,373	192,965	1,435,634	609,109	1,435,634	609,109	5,254,730	2,170,220	209,791	106,480
Rents and financials	5,673,811	737,034	263,430	292,773	1,185,948	834,480	1,185,948	834,480	4,826,436	2,985,428	486,264	419,528
External transfers to others	500,000	-	2,457,935	1,075,191	1,509,000	1,465,900	1,509,000	1,465,900	-	-	2,153,325	2,086,584
Interfunctional and program support	(35,514,483)	(31,252,346)	2,176,222	1,819,318	12,114,215	10,684,988	12,114,215	10,684,988	9,559,041	8,823,175	691,347	611,335
Unfunded liabilities	42,765	633,678	3,086,455	2,438,454	(1,474,385)	793,151	(1,474,385)	793,151	472,019	2,536,175	278,190	1,800,925
Amortization	763,059	789,575	1,145,856	1,208,628	21,204,612	20,861,711	21,204,612	20,861,711	13,674,291	13,759,642	640,896	623,518
TBayTel operating expenditures	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	24,464,510	19,823,254	74,603,599	66,404,001	57,156,292	56,256,375	57,156,292	56,256,375	56,540,068	54,526,107	22,669,331	22,867,068
Excess (deficiency) of revenue over expenditures for the year	173,670,601	172,721,605	(65,569,433)	(59,968,644)	(45,041,773)	(46,288,958)	(45,041,773)	(46,288,958)	(9,990,135)	(14,562,174)	(10,119,373)	(10,891,234)

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

	Social and Family Services		Recreation and Cultural Services		Planning and Development		TBayTel		Total
	2011	2010	2011	2010	2011	2010	2011	2010	
Revenues									
Taxation	-	-	-	-	-	-	-	-	151,102,299
Government of Canada grants	5,000	-	7,729,314	10,396,232	-	-	-	-	15,872,228
Province of Ontario grants	23,507,243	22,740,107	10,630,970	9,892,260	-	-	-	-	78,045,782
Contributed tangible capital assets	-	-	261,542	-	1,508,685	725,822	-	-	1,359,823
User fees and service charges	13,521,171	13,462,358	10,607,079	11,051,204	1,972,982	1,835,688	-	-	82,723,930
Other revenues	1,338	86,584	985,370	1,354,428	931,885	(402,539)	149	(756)	15,310,760
Investment income	652,350	657,829	189,656	100,009	182,312	92,542	1,068,000	911,000	7,723,913
TBayTel operating revenues	-	-	-	-	-	-	165,586,000	133,715,000	165,586,000
Total revenues	37,687,102	36,946,878	30,403,931	32,794,133	4,595,864	2,251,513	166,654,149	134,625,244	517,724,735
Expenditures									
Salaries, wages and employee benefits	15,854,313	31,183,116	19,569,905	19,393,315	3,249,506	3,131,665	-	-	168,290,930
Long term debt interest	2,007,229	2,115,475	65,511	64,471	-	-	737,295	838,215	7,250,324
Materials	5,451,318	6,030,805	7,131,249	5,093,602	2,635,025	2,098,257	-	-	56,229,183
Contracted services	19,048,078	22,981,537	3,831,758	3,714,934	1,617,138	610,059	-	-	36,945,439
Rents and financials	103,416	112,905	231,815	251,424	304,551	118,665	-	-	13,075,671
External transfers to others	457,800	-	1,445,498	4,337,943	360,722	108,950	-	-	8,884,280
Interfunctional and program support	3,057,988	2,448,379	6,203,665	5,303,221	1,712,005	1,561,931	-	-	-
Unfunded liabilities	15,848,032	66,426	(763,103)	2,471,578	13,067	(226,039)	-	-	17,503,040
Amortization	414,229	397,709	3,956,530	3,106,521	124,575	119,118	21,012,000	19,208,000	62,936,048
TBayTel operating expenditures	-	-	-	-	-	-	111,470,705	128,356,785	111,470,705
Total expenditures	62,242,403	65,336,352	41,672,828	43,737,009	10,016,589	7,522,606	133,220,000	148,403,000	482,585,620
Excess (deficiency) of revenue over expenditures for the year	(24,555,301)	(28,389,473)	(11,268,897)	(10,942,876)	(5,420,725)	(5,271,094)	33,434,149	(13,777,756)	35,159,115

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