

Standing Committee Report

REPORT NUMBER 327-2025-Corporate Services-Finance

DATE

PREPARED

November 14, 2025

FILE

STANDING

COMMITTEE

November 25, 2025

MEETING DATE

SUBJECT

2024 Audited Consolidated Financial Statements

PURPOSE - The purpose of this report is to seek endorsement from the Finance and Administration Standing Committee for the draft Audited Consolidated Financial Statements and the Trust Fund Statements.

WITH RESPECT to Report 327-2025-Corporate Services-Finance, we request endorsement of the Standing Committee to forward the following recommendations to City Council:

WE RECOMMEND THAT the draft Audited Consolidated Financial Statements and the Trust Fund Statements of The Corporation of the City of Thunder Bay, for the year ended December 31, 2024, be approved;

AND THAT any necessary by-laws be presented to City Council for ratification.

EXECUTIVE SUMMARY

This report presents the draft Annual Financial Report 2024 which includes the draft Audited Consolidated Financial Statements and the Trust Fund Statements of the Corporation of the City of Thunder Bay, for the year ended December 31, 2024, for the Committee's review and due diligence as part of its financial oversight responsibilities.

KEY CONSIDERATIONS

Finance and Administration Standing Committee's Role

Prior to September 1, 2025, the City of Thunder Bay had an Audit Committee whose role was to provide oversight responsibilities for City Council and the ratepayers of the City of Thunder Bay related to:

- the financial reporting process
- the system of internal control
- the external audit process
- the internal audit process
- the City's process for monitoring compliance with laws and regulations

The Audit Committee was dissolved on September 1, 2025, and those oversight functions were transferred to the Finance and Administration Standing Committee in an effort to achieve greater efficiencies.

In accordance with the Procedural By-law 217-2025, the mandate of the Finance and Administration Standing Committee is to consult on matters relative to the financial stewardship and administrative functions of the municipality. This Standing Committee provides input, guidance, and recommendations related to fiscal planning, budgeting, financial reporting, and the overall governance framework and administrative functions prior to presentation and approval by City Council.

External Audit

Each year, the City's external auditor prepares and presents their Audit Plan to the Committee. The 2024 audit plan was presented to the Audit Committee on February 12, 2025. The audit is conducted in accordance with the plan with adjustments made as necessary and the resulting Audit Report is prepared and presented to the Committee.

The external auditor is responsible for expressing an opinion on the conformity of the consolidated financial statements with Canadian Public Sector Accounting Standards. In accordance with these standards, the City's external auditors must perform subsequent events review procedures up to the date on which City Council approves the draft consolidated financial statements.

Once City Council approves the draft consolidated financial statements, the City will receive the signed Audit Report. At that time, the financial statements will be considered final and will be posted on the City's web site.

Audited Consolidated Financial Statements

The consolidated financial statements for the City are prepared by Administration annually and audited by the City's independent external auditor.

The draft Audited Consolidated Financial Statements and Trust Fund Statements of the Corporation of the City of Thunder Bay, for the year ended December 31, 2024, have been prepared using generally accepted accounting principles for local governments, as prescribed by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

The consolidated financial statements reflect the assets, liabilities, revenues, expenses and accumulated surplus of the reporting entity, including 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 including:

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

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

The consolidated financial statements are comprised of four individual statements and detailed notes to the consolidated financial statements.

- **Consolidated Statement of Financial Position** – Reports the City's financial assets, financial liabilities, non-financial assets, and accumulated surplus as at December 31, 2024. This statement is used to evaluate the City's ability to finance its activities and to meet its liabilities and commitments.
- **Consolidated Statement of Operations and Accumulated Surplus** – Summarizes the revenues and expenses for the 2024 fiscal year and indicates the accumulated surplus.
- **Consolidated Statement of Changes in Net Assets (Debt)** – Summarizes the change in net assets as a result of annual operations, tangible capital asset transactions, and changes in other non-financial assets.
- **Consolidated Statement of Cash Flows** – Summarizes the impact that operating, capital, financing, and investing activities had on the City's cash position during the year.
- **Notes to the Consolidated Financial Statements** – Provides additional and detailed information to support the financial statements. They are intended to provide clarification and explanations of specific items within the financial statements.

Change in Accounting Policy

Effective January 1, 2024, the City adopted several new Public Sector Accounting Standards. The first was PS 3400, Revenue, which distinguishes between exchange

and non-exchange transactions. This standard was applied prospectively and had no significant impact on the City's revenue recognition practices. The City also adopted PSG-8, Purchased Intangibles, which requires the capitalization of purchased intangible assets; this standard was applied prospectively with no impact on the financial statements. In addition, PS 3160, Public-Private Partnerships, which addresses the accounting treatment for infrastructure procured through P3 arrangements. This standard was also adopted prospectively and did not affect the financial statements.

Additional Notes

Beginning in 2024, a new child care operations note has been added to present the financial information for these operations, replacing the previous practice of preparing a separate audited set of special purpose child care financial statements. This change consolidates reporting within a single audit engagement and did not affect the City's overall financial results.

The draft Audited Consolidated Financial Statements and Trust Fund Statements of the Corporation of the City of Thunder Bay, for the year ended December 31, 2024, are presented within the draft 2024 Annual Financial Report (Attachment A). The draft 2024 Annual Financial Report is designed to comply with the Government Finance Officers Association (GFOA) standard for financial reporting in terms of format and content. In addition to the consolidated financial statements, the report provides commentary on the City's financial condition, a detailed analysis of financial results, and a five-year overview of key statistics and financials.

This past year, the City of Thunder Bay was recognized by GFOA, receiving the Canadian Award for Financial Reporting for its 2023 Annual Financial Report. The award program was established to encourage municipal governments throughout Canada to publish high-quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports. Its attainment represents a significant accomplishment by a government and its management.

Financial Information Return

In addition to consolidated financial statements, the City also prepares an annual financial information return for submission to the province, based on the financial results contained in the consolidated financial statements. That information is also available publicly through the Province of Ontario's financial information website.

FINANCIAL IMPLICATION

There are no direct financial implications associated with the recommendations in the Report.

The Consolidated Statement of Operations and Accumulated Surplus presents an annual surplus of \$56.9 million for the 2024 year.

Consistent with other Canadian municipalities, the City prepares its budget using a modified cash basis, which considers required cash inflows and expected cash outflows for a given fiscal year. The unaudited, unconsolidated, financial results for the 2024 year were previously provided to City Council (Report 186-2025-Corporate Services-Finance) on the same basis as the municipal budget and indicated a favourable variance of \$38,600 in tax-supported operations which was transferred to the Stabilization Reserve and a favourable variance of \$1.6 million in rate-supported operations which was transferred to the respective rate-supported reserve funds. This presentation does not include the financial activities of the organizations listed above.

In contrast, the audited consolidated financial statements are prepared under the accrual basis of accounting and Public Sector Accounting Standards (PSAS). PSAS provides standards for the recognition of assets and liabilities in the Statement of Financial Position; for example, capital expenditures that provide long-term benefits are recognized as Tangible Capital Assets (non-financial assets) while debentures issued to finance capital projects are obligations that require future repayment and are therefore, recognized as Municipal Debenture Debt. Future employee benefit obligations and asset retirement obligations are reported as liabilities.

The difference in the two accounting methodologies results in reporting differences. The following is a reconciliation between the Consolidated Financial Statements and the Q4 results presented in Report 186-2025:

	<u>Total (rounded)</u>
2024 Audited Consolidated Financial Statement Surplus	\$56.9 million
Less consolidated entity results	(\$40.3 million)
Change related to employee benefit obligation (PSAB)	\$ 6.9 million
Change related to reserves and reserve funds (PSAB)	\$ 3.1 million
Change related to tangible capital assets net of long-term debt (PSAB)	(\$13.1 million)
Change related to asset retirement obligations (PSAB)	\$ 0.0 million
Other (PSAB)	(\$ 3.9 million)
Net transfers to reserve and reserve funds	<u>(\$ 9.6 million)</u>
Q4 Results	\$ 0.0 million

BACKGROUND

In accordance with the Municipal Act, 2001, Section 294.1, a municipality shall, for each fiscal year, prepare annual financial statements for the municipality in accordance with generally accepted accounting principles for local governments as recommended, from time to time, by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

REFERENCE MATERIAL ATTACHED

Attachment A – Draft 2024 Annual Financial Report
(Includes the Draft Corporation of the City of Thunder Bay –
Consolidated Financial Statements – December 31, 2024)

REPORT PREPARED BY

Andrea Morrison, CPA, CA, Director, Finance – Corporate Services

REPORT SIGNED AND VERIFIED BY

Keri Greaves, CPA, Commissioner – Corporate Service & City Treasurer

Date 11/19/2025 (MM/DD/YEAR)