



The Corporation of the City of Thunder Bay

Final Report to the Audit Committee for
the year ended December 31, 2023

START



To the Audit Committee of The Corporation of the City of Thunder Bay

We are pleased to provide you with the results of our audit of The Corporation of the City of Thunder Bay (the “City”) consolidated financial statements for the year ended December 31, 2023.

The enclosed final communication includes our approach to your audit, including: significant risks identified and the nature, extent, and results of our audit work. We will also communicate any significant internal control deficiencies identified during our audit and reconfirm our independence.

During the course of our audit, management made certain representations to us - in discussions and in writing. We documented these representations in the audit working papers.

We look forward to discussing our audit conclusions with you. In the meantime, please feel free to contact us if you have any questions or concerns.

Yours truly,

BDO Canada LLP
October 15, 2024



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For the year ended December 31, 2023



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Audit at a glance

Preliminary materiality as communicated to you in our Planning Communication to the Audit Committee, and final materiality are set out as follows:

	Preliminary materiality	Final Materiality
Consolidated - The Corporation of the City of Thunder Bay	\$11,000,000	\$11,000,000
The Corporation of the City of Thunder Bay	\$8,000,000	\$8,000,000

We are not aware of any fraud affecting the City. If you have become aware of changes to processes or are aware of any instances of actual, suspected, or alleged fraud since our discussions held at planning, please let us know.

We have complied with relevant ethical requirements and are not aware of any relationships between The Corporation of the City of Thunder Bay and our Firm that may reasonably be thought to bear on our independence.



David Kubinec

Email:
Dkubinec@bdo.ca

Direct: 807-625-4404



May 21, 2024



October 15, 2024



Status of the audit

We have substantially completed our audit of the year ended December 31, 2023 consolidated financial statements, pending completion of the following items:

Completion of our National office financial statement review and select working papers

Receipt of signed management representation letter

Subsequent events review through to the consolidated financial statements approval date

Completion of discussion with the Audit Committee

Discussion and correspondence with the City Solicitor's office

Approval of consolidated financial statements by Council

We conducted our audit in accordance with Canadian generally accepted auditing standards. The objective of our audit was to obtain reasonable, not absolute, assurance about whether the consolidated financial statements are free from material misstatement. See [Appendix A](#) for our final independent auditor's report.

The scope of the work performed was substantially the same as that described in our Planning Communication to the Audit Committee dated February 1, 2024.





Audit findings

As part of our ongoing communications with you, we are required to have a discussion on our views about significant qualitative aspects of the City's accounting practices, including accounting policies, accounting estimates and consolidated financial statements disclosures. We look forward to exploring these topics in depth and answering your questions. A summary of the key discussion points are below:

Financial statement areas	Risks noted	Audit findings
Grant Revenue, Receivables, and Deferrals	High inherent risk due to: <ul style="list-style-type: none">• Economic and budgetary pressures• Quantity of grants received requiring expenditure-based calculations	<ul style="list-style-type: none">• Assessed the City's internal controls to ensure that the capital and operating grants were properly recorded.• Independently confirmed a sample of capital and operating grants.• Performed testing of expenditures to obtain reasonable assurance that they were properly applied against the related grants to gain assurance over the completeness and accuracy of revenue and deferred revenue. <p>No issues noted.</p>
Taxation Revenue, Receivables, and Allowances	High inherent risk due to: <ul style="list-style-type: none">• Economic and budgetary pressures• Significant estimates and judgements used in assessing the need for and establishing allowances	<ul style="list-style-type: none">• Assessed the City's internal controls to ensure that revenue from taxation was properly recorded.• Performed tests of controls.• Tested calculations of taxation revenue.• Assessed the reasonableness of management's representations and assumptions for determining the allowance for uncollectible taxes, including a retrospective review.• Reviewed aging balances receivables.• Tested subsequent receipts of cash. <p>No issues noted.</p>



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Audit findings Cont'd

Financial statement areas	Risks noted	Audit findings
Management Override of Controls	Higher inherent risk due to: <ul style="list-style-type: none">• Economic and budgetary pressures• Many individuals can make journal entries throughout the corporation.• The volume of journal entries recorded is significant.	<ul style="list-style-type: none">• Performed testing around journal entries throughout the year.• Performed testing of journal entries made in preparing the consolidated financial statements. <p>No issues noted</p>
Capitalization of Property, Plant and Equipment Related Costs	High inherent risk due to: <ul style="list-style-type: none">• Economic and budgetary pressures• Limited review over capital asset determination, completeness of asset disposals and amortization.	<ul style="list-style-type: none">• Discussed with management the processes surrounding tangible capital assets recognition and disposal to ensure that all capital assets have been documented and properly allocated.• Performed testing of acquisitions recorded to ensure they were capital in nature.• Examined various expense accounts to ensure completeness of additions.• Performed testing of amortization calculated on capital assets. <p>No issues noted.</p>
Employee Future Benefits	High inherent risk due to: <ul style="list-style-type: none">• Significant judgements used in determining the underlying assumptions utilized determining the estimate of future liability.• Assumptions are impacted by industry conditions and economic uncertainty.	<ul style="list-style-type: none">• Obtained an understanding of how management makes its accounting estimates and an understanding of the underlying data.• Assessed the reasonableness of the assumptions utilized through discussions with management, tested the underlying data and the consideration of external evidence. <p>No issues noted.</p>



Audit findings Cont'd

Financial statement areas	Risks noted	Audit findings
Contingencies	<ul style="list-style-type: none">• A contingency is defined as an existing condition or situation involving uncertainty as to a possible gain or loss to an enterprise that will ultimately be resolved when one or more future events occur or fail to occur.• Contingencies would include, but are not limited to, pending or threatened litigation, pending decisions, guarantees, and possible liabilities arising from labor disputes.	<ul style="list-style-type: none">• Discussed with management the disclosure and treatment of outstanding contingencies. Based on our inquiries no further disclosures or accruals were considered to be required.• Communication from the City Solicitor's office regarding outstanding claims is outstanding; further communication will be required to determine if managements' treatment and disclosure is sufficient.• Reviewed meeting minutes.• Examined external professional fee expenses to ensure all commitments and contingencies are properly disclosed.



Internal control matters

- ▶ During the audit, we performed the following procedures regarding the City's internal control environment:
- ▶ Documented operating systems to assess the design and implementation of control activities that were relevant to the audit.
- ▶ Discussed and considered potential audit risks with management.
- ▶ We considered the results of these procedures in determining the extent and nature of audit testing required.



We are required to communicate to you in writing about any significant deficiencies in internal control that we have identified during the audit.

A significant deficiency is defined as a deficiency or combination of deficiencies in internal control that merits the attention of those charged with governance.

The audit expresses an opinion on the City's consolidated financial statements. As a result, it does not cover every aspect of internal controls—only those relevant to preparing the consolidated financial statements and designing appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

No control deficiencies were noted that, in our opinion, are of significant importance to discuss. However, we have submitted to management a letter on internal control and other matters that we feel should be brought to their attention which is presented in [Appendix C](#).



Unadjusted differences

Summary of unadjusted differences

The following is a summary of unadjusted differences noted during the course of our audit engagement:

	Increase (Decrease)			
	Assets	Liabilities	Equity	Net income
Understatement of ARO Liability	\$-	\$(485,794)	\$464,886	\$20,908
Prior Period Error - Hydro			1,011,067	(1,011,067)
Total	-	(485,794)	1,475,953	(990,159)
Tax effect	-	-	-	-
Effect of prior year's reversing errors	-	-	-	-
Total unadjusted differences	\$	\$(485,794)	\$1,475,953	\$(990,159)

Summary of disclosure omissions

The following is a summary of disclosures that have not been made within the consolidated financial statements :

Disclosure omission	Management's response
<p>Due to the change in accounting policy for PS 3280 Asset Retirement Obligation, new estimate inputs were obtained for the calculation of the retirement of the landfill resulting in the prior period estimate being understated by \$1,526,655 (as rates for calculation were used from 2012).</p> <p>However, since the landfill liability obligation was removed as a separate item as the updated calculation is now included with the asset retirement obligation in the financial statements, the difference would have only resulted in the disclosure of the amount of change in the liability in Note 2 to the consolidated financial statements.</p>	<p>Management indicated that the rates used in the prior year were the most updated rates they had available. They were in the process of obtaining updated information for 2023 for the change in accounting policy for PS 3280.</p>



Adjusted differences

Summary of adjusted differences

There were no differences that were corrected by management during the course of our audit engagement.



Other required communications

Professional standards require independent auditors to communicate with those charged with governance certain matters in relation to an audit. In addition to the points communicated within this letter, the attached table summarizes these additional required communications.

Issue	BDO response
Potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements.	Discussions with the City Solicitor are still outstanding regarding litigation and outstanding claims. Discussions are required to allow us to conclude whether the treatment and disclosure within the consolidated financial statements is adequate. This review must be completed to ensure proper adjustments and disclosures are included in the financial statements relating to the outstanding claims and litigation pending.
Material uncertainties related to events and conditions that may cast significant doubt on the City's ability to continue as a going concern.	BDO has analyzed the City's current operations and future year's budget, and we agree with management that there are no events or conditions that would cast significant doubt on the City's ability to continue as a going concern.
Disagreements with management about matters that, individually or in the aggregate, could be significant to the City's financial statements or our audit report.	There were no disagreements with management about matters that, individually or in aggregate, could be significant to the City's consolidated financial statements or our audit report.
Matters involving non-compliance with laws and regulations.	No matters involving non-compliance with laws or regulations noted during the audit.
Significant related party transactions that are not in the normal course of operations and which involve significant judgements made by management concerning measurement or disclosure.	No related party transactions that were outside the normal course of operations were noted during the audit.
Management consultation with other accountants about significant auditing and accounting matters.	No such consultations were made or necessary.
Other matters	No other matters required communication.



How we audit financial statements: Our audit process

IDENTIFY AND ASSESS RISK

Focus on those areas of financial statements that contain potential material misstatements as a consequence of the risks you face

OBTAIN AUDIT EVIDENCE

Perform audit procedures while maintaining appropriate degree of professional skepticism, to conclude whether or not the financial statements are presented fairly

COMMUNICATION

Communicate our opinion and details of matters on which we are required to communicate





Our audit approach: Responsiveness in action

Our firm is deliberately structured to allow one partner to every six staff members. This means easy access to senior staff and the lead partner throughout your audit. It also helps our team gain a better understanding of your organization. Our audit process differs from the typical audit in our use of in-field reviews. The benefit of these in-field reviews is that final decision-makers are on site ensuring issues are resolved and files closed quickly. We offer clients the full-service expertise of a national firm. Yet we maintain a local community focus. The comprehensive range of services we deliver is complemented by a deep industry knowledge gained from over 100 years of working within local communities.



Discover how we're accelerating audit quality



Audit Quality Report

We collected our core beliefs around audit quality, the very practical steps we take to sustain it, and the progress we have made to accelerate its quest.

[Follow our progress](#)



BDO's digital audit suite

Our digital audit suite of technologies enables our engagement teams to conduct consistent risk-based audits, both domestically and internationally, with maximum efficiency and minimal disruption to our clients' operations and people.

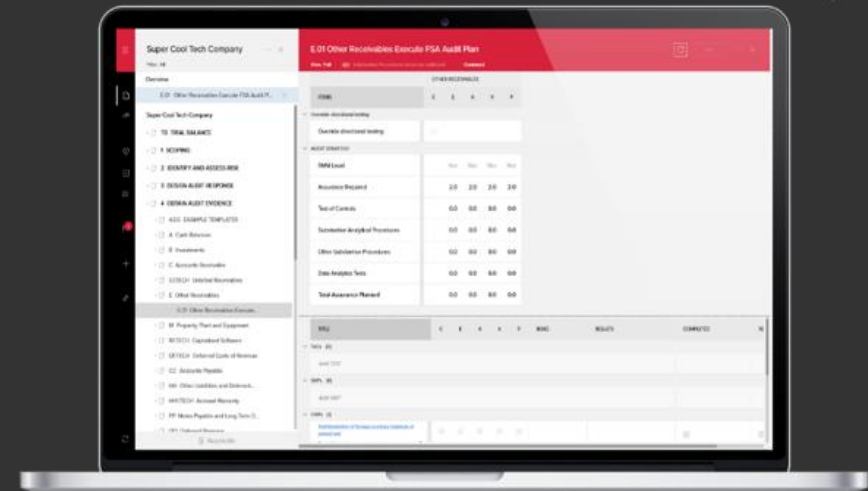
APT Next Gen

Our audit software and documentation tool, APT, is an integral part of our audit methodology. Our professionals engage APT to devise and perform appropriate, risk-based audit procedures and testing based on applicable Canadian Auditing Standards (CASs), as well as to factor in engagement and industry-specific objectives and circumstances.

APT enables us to deliver an audit that fits your organization—whether large or small; complex or basic.

This sophisticated tool also amplifies two key attributes of our audits: consistency and quality. The quality framework that we developed measures our audit performance with hard quality indicators and reflects our indispensable culture for quality. To see our audit quality and consistency in action, look no further than how our teams share best audit practices for continuous improvement.

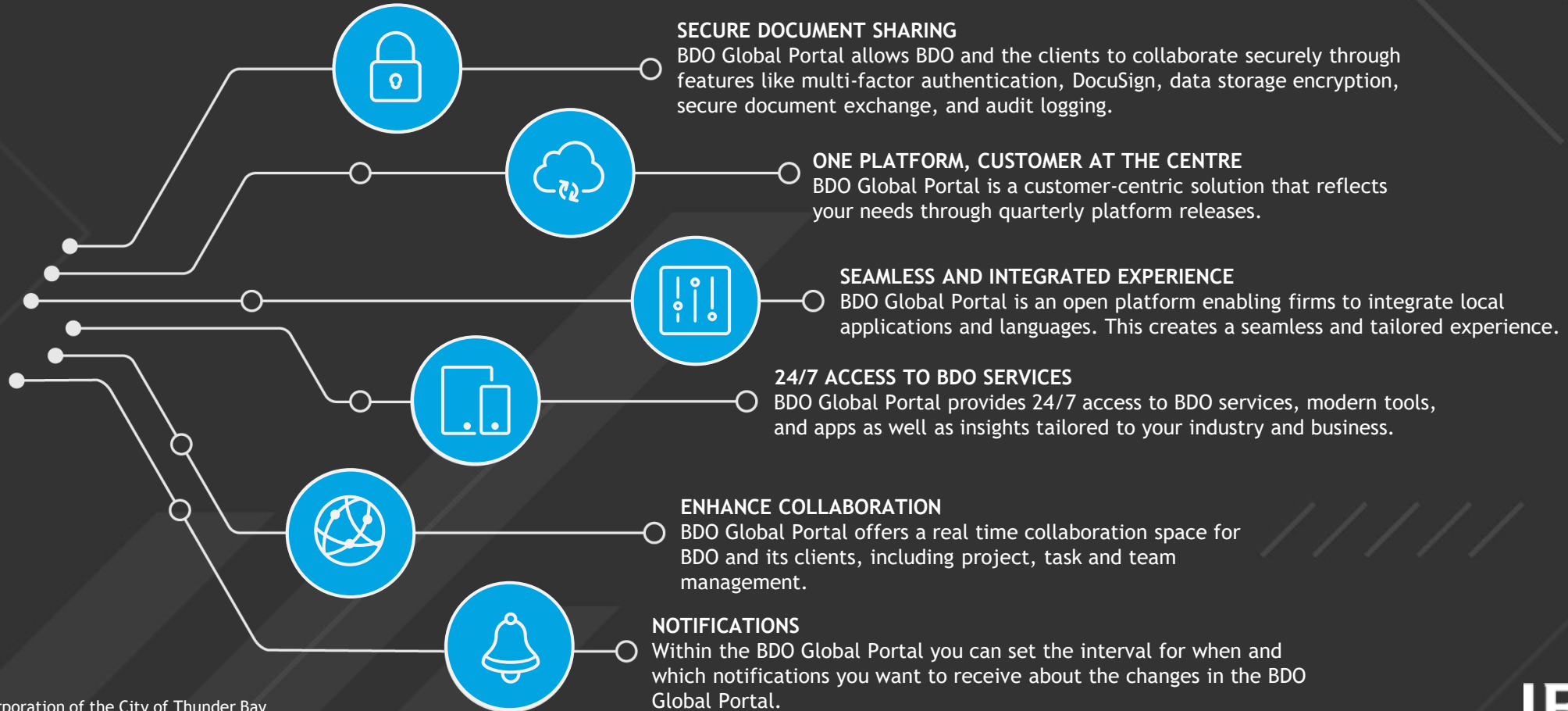
Through a strategic alliance with Microsoft and the introduction of new technology, this global, cloud-based application can now streamline and focus the audit process in even more ways for BDO professionals and their clients.





BDO Global Portal

BDO Global Portal transforms and enhances your digital experience with your BDO advisors. Available at any time, Portal enables you to access all services, tools, apps, and information and to collaborate with your advisors in a seamless way through a flexible, appealing, and secure environment.





Recommended Resource

Staying in the know with knowledge and perspective

Key changes to financial reporting



When the rules of reporting change, you may need to fine-tune how to present financial statements and govern the organization.

[ACCESS OUR KNOWLEDGE CENTRE](#)

The latest tax pointers



Corporate. Commodity. Transfer pricing. International tax. Government programs. Together they add up to immense differences on the organization's bottom line. Our tax collection keeps you current.

[STAY ON TOP OF TAXES](#)

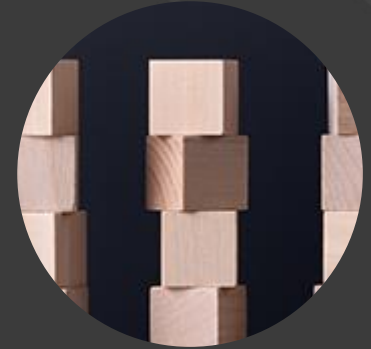
Trending topics



As a community of advisors with the best interests of our clients in mind, we keep our ear to the ground to bring insights and perspectives related to key business trends to you.

[EXPLORE NOW](#)

Asset Retirement Obligations (ARO): A Practical Approach to Section PS 3280



This publication will walk through a practical approach to applying Section PS 3280 including: identification, recognition and measurement of an obligation, and the different options available to entities on transition.

[READ ARTICLE](#)



Recommended Resource

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**ACCESS OUR
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READ ARTICLE



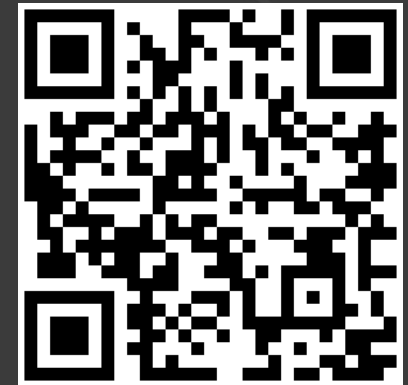
Spotlight on ESG



Transformative world events—an international health crisis, social movements, shareholder and investor values, global supply chains, energy transition, smart cities, and sustainable finance—are transforming Canadian business.

Standards and regulations are rapidly changing to reflect the goals of all of your stakeholders. Organizations, investors, and customers are embracing environmental, social, and governance (ESG) considerations as important measures of success. Non-financial and financial information is becoming more interconnected.

ESG Insights



Sector insights at your convenience

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Spotlight on practical digital transformation

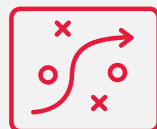
BDO LEAP can help optimize, secure, and modernize your technology

If your answer is “no” to any of the following questions, BDO LEAP can help:

1. Have you optimized your technology costs?
2. Do you assess cyber risks annually?
3. Do you have a digital plan to prepare for the future?



Starting point



**Plan to
modernize**



Optimize costs

Stabilize costs
Identify cost savings
through a digital
review.



Manage risks

Build resiliency
Proactively highlight
cyber threats and
mitigate them based
on the nature of
the risks.



**Digital
modernization**

*Modernize and
improve productivity*
Solve business
challenges with
technology to
boost productivity,
improve automation,
and leverage AI.

Desired reality - stable, secure, modern and cost effective



Appendices

- ▶ Appendix A: Independent auditor's report
- ▶ Appendix B: Representation letter
- ▶ Appendix C: Management letter



Appendix A: Independent auditor's report

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of The Corporation of the City of Thunder Bay and its subsidiaries ("the City"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of operations and accumulated surplus, changes in net debt, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2023, and its consolidated results of operations, its consolidated change in net debt, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

- The information, other than the consolidated financial statements and our auditor's report thereon, included in the Treasurer's Report for the year ended December 31, 2023.

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

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

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

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

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

Independent Auditor's Report (cont'd)

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

Those charged with governance are responsible for overseeing the City's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City to cease to continue as a going concern.

Independent Auditor's Report (cont'd)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the City to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Thunder Bay, Ontario
Date



Appendix B: Representation letter

The Corporation of the City of Thunder Bay
Office of the City Manager
2nd Floor, City Hall
500 Donald Street E.
Thunder Bay, ON P7E 5V3

October 15, 2024

BDO Canada LLP
Chartered Professional Accountants
1095 Barton Street
Thunder Bay Ontario
P7B 5N3

This representation letter is provided in connection with your audit of the consolidated financial statements of The Corporation of the City of Thunder Bay for the year ended December 31, 2023, for the purpose of expressing an opinion as to whether the consolidated financial statements are presented fairly, in all material respects, in accordance with Canadian Public Sector Accounting Standards.

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated November 24, 2023, for the preparation of the consolidated financial statements in accordance with Canadian Public Sector Accounting Standards; in particular, the consolidated financial statements are fairly presented in accordance therewith.

- The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement and/or disclosure that are reasonable in accordance with Canadian Public Sector Accounting Standards.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian Public Sector Accounting Standards.
- All events subsequent to the date of the consolidated financial statements and for which Canadian Public Sector Accounting Standards require adjustment or disclosure have been adjusted or disclosed.
- The Consolidated financial statements of the entity use appropriate accounting policies that have been properly disclosed and consistently applied.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the consolidated financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
- We have reviewed and approved all journal entries recommended by the practitioners during the audit. A list of the journal entries is attached to the representation letter.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.

Information Provided

- We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the consolidated financial statements, such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- We are responsible for the design, implementation and maintenance of internal controls to prevent, detect and correct fraud and error, and have communicated to you all deficiencies in internal control of which we are aware.
- All transactions have been recorded in the accounting records and are reflected in the consolidated financial statements.
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the consolidated financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Fraud and Error

- We have disclosed to you the results of our assessment of the risk that the consolidated financial statements may be materially misstated as a result of fraud.
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the consolidated financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's consolidated financial statements communicated by employees, former employees, analysts, regulators, or others.

General Representations

- Where the value of any asset has been impaired, an appropriate provision has been made in the consolidated financial statements or has otherwise been disclosed to you.
- Where the value of any asset has been impaired, an appropriate provision has been made in the financial statements or has otherwise been disclosed to you.
- We have provided you with significant assumptions that in our opinion are reasonable and appropriately reflect our intent and ability to carry out specific courses of action on behalf of

the entity when relevant to the use of fair value measurements or disclosures in the financial statements.

- We confirm that there are no derivatives or off-balance sheet financial instruments held at year end that have not been properly recorded or disclosed in the financial statements.
- Except as disclosed in the financial statements, there have been no changes to title, control over assets, liens or assets pledged as security for liabilities or collateral.
- The entity has complied with all provisions in its agreements related to debt and there were no defaults in principal or interest, or in the covenants and conditions contained in such agreements.
- There have been no plans or intentions that may materially affect the recognition, measurement, presentation or disclosure of assets and liabilities (actual and contingent).
- The nature of all material uncertainties have been appropriately measured and disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.
- There were no direct contingencies or provisions (including those associated with guarantees or indemnification provisions), unusual contractual obligations nor any substantial commitments, whether oral or written, other than in the ordinary course of business, which would materially affect the financial statements or financial position of the entity, except as disclosed in the financial statements.
- We confirm that there are no derivatives or off-balance sheet financial instruments held at year end that have not been properly recorded or disclosed in the consolidated financial statements.
- Except as disclosed in the consolidated financial statements, there have been no changes to title, control over assets, liens or assets pledged as security for liabilities or collateral.
- The entity has complied with all provisions in its agreements related to debt and there were no defaults in principal or interest, or in the covenants and conditions contained in such agreements.
- There have been no plans or intentions that may materially affect the recognition, measurement, presentation or disclosure of assets and liabilities (actual and contingent).
- The nature of all material uncertainties have been appropriately measured and disclosed in the consolidated financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the consolidated financial statements.
- There were no direct contingencies or provisions (including those associated with guarantees or indemnification provisions), unusual contractual obligations nor any substantial commitments, whether oral or written, other than in the ordinary course of business, which would materially affect the consolidated financial statements or financial position of the entity, except as disclosed in the consolidated financial statements.

Other Representations Where the Situation Exists

- We have informed you of all known actual or possible litigation and claims, whether or not they have been discussed with legal counsel. When applicable, these litigation and claims have been accounted for and disclosed in the consolidated financial statements.

- We have provided you all the relevant information in order to appropriately record and disclose the restatement made to correct a material misstatement in the prior period financial statements that affect the comparative information. This restatement was for:
 - Changes in accounting policy for PS3280 Asset Retirement Obligations, PS 1201 Financial Statement Presentation, PS 2601 Foreign Currency Translation and PS 3450 Financial Instruments.

Yours truly,

Signature

Position

Signature

Position



Appendix C: Management letter



Tel: (807) 625-4444
Fax: (807) 623-8460
Toll free: (800) 465-6868
www.bdo.ca

BDO Canada LLP
1095 Barton Street
Thunder Bay, Ontario
P7B 5N3

October 15, 2024

The Corporation of the City of Thunder Bay
500 Donald Street East
2nd Flr, City Hall
Thunder Bay ON P7E 5V3

Dear Mr. Greaves, City Treasurer

During the course of our audit of the consolidated financial statements ("financial statements") of The Corporation of the City of Thunder Bay for the year ended December 31, 2023, we identified matters which may be of interest to management. The objective of an audit is to obtain reasonable assurance whether the financial statements are free of any material misstatement and it is not designed to identify matters that may be of interest to management in discharging its responsibilities. Accordingly an audit would not usually identify all such matters.

The responsibility for producing financial statements and ensuring adequate internal controls and sound business practices is the responsibility of Council through management and is a part of management's overall responsibility for the ongoing activities of the municipality. Policies and procedures developed by the municipality to safeguard its assets and to provide reasonable assurance that errors and irregularities or illegal acts are promptly identified, must be properly monitored to ensure that all staff are complying with the guidelines provided. Where we determined, from our testing, that there exists a need for improvement in existing systems of internal control or if we detected that the municipality's staff are not complying with the critical accounting policies and procedures provided by management, we increased our year-end testing of account balances to ensure that audit risk was kept to an appropriately low level.

The comments and concerns expressed herein did not have a material effect on the municipality's financial statements and, as such, our opinion thereon was without reservation. However, in order for the municipality to ensure the safeguarding of its assets and the accuracy of its records, we believe our comments and concerns should be taken into consideration by management. Our comments are not intended to reflect upon the honesty or competence of the municipality's employees.

The matters we have identified are discussed in Appendix 1.

This communication is prepared solely for the information of management and is not intended for any other purposes. We accept no responsibility to a third party who uses this communication.



We shall be pleased to discuss with you further any matters mentioned in this report at your convenience.

Yours truly,

A handwritten signature in black ink, appearing to read "D. Kubinec". The signature is fluid and cursive, with a long horizontal stroke at the end.

D.S. Kubinec, CPA, CA, CBV, CFP

Partner through a corporation

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants



Appendix 1

Administrator User Access

As noted in the prior year examination of the information technology environment, individuals in the financial reporting and payroll processes continue to maintain administrator user access within Vailtech, TB483, Childcare and CityWide.

This creates an increased risk of fraud, as inappropriate access can be used to submit and process unauthorized transactions, and/or make unauthorized changes to information within the applications.

We recommend that administrator user access for these applications be limited to individuals outside of the financial reporting and payroll processes. Ideally, privileged access should be limited to IT and HR personnel.

Management Response

Management acknowledges this recommendation and will continue to assess and adjust user access as is appropriate for each staff roles. Various mitigating controls are currently in place to address the risks identified within the systems mentioned.

Periodic User Access Reviews

During the course of the information systems review, it was noted that user listings are not reviewed at least on an annual basis or if the review took place, no documentation was retained as evidence for Med E Care, CityWide, Childcare or TD Online Banking systems.

This creates an increased risk of fraud, as inappropriate access can be used to submit and process unauthorized transactions, and/or make unauthorized changes to information within the applications.

We recommend that reviews of user listings for all applications are performed at least annually to ensure that appropriate individuals have access to relevant systems.

Management Response

Management acknowledges and agrees with this recommendation and the importance of ensuring access is monitored. At this time user reviews do occur in a variety of ways, however improved documentation of these reviews will be completed going forward.

Elimination of Entries on Consolidation

Consistent with accounting standards for the consolidation of entities under common control, the City's accounting policy requires the elimination of inter divisional and entity transactions. Currently, there are transactions which are not being eliminated a part of the consolidation



process; for example, telecommunication costs between Tbaytel and the City and other sundry items. We recommend that the City establishes a process to identify and track all non-trivial inter entity or divisional transactions and eliminate them as part of the consolidation process.

Nature of Year End Adjusting Entries

Included in the listing of entries, labelled "PSAB" entries, are adjustments that should be recorded as normal accounting entries. These entries are adjustments that would be required under any accounting framework and should be made before the preparation of the non-consolidated, non-PSAB financial statements. Furthermore, the "PSAB" entries are not reflected in the City's SAP accounting system. Items such as employee future benefits liabilities should be reflected in the City's accounting system to ensure the accuracy of carry forward balances.

We recommend that accounting entries that would be required of any accounting framework be recorded during the year in the City's SAP system and not just before the consolidation process.

Management Response

Management acknowledges and agrees with this recommendation and is investigating alternative methods of recording year end entries going forward and is considering potential use of SAP for more of this function.

Thunder Bay Hydro Corporation Note Receivable

The note receivable from Thunder Bay Hydro Corporation is not recorded in the City's SAP system nor was it disclosed on the City's fund statements or the non-consolidated PSAB statements. The note is however included as part of the investment in Thunder Bay Hydro Corporation in the consolidated statements. During the 2023 fiscal year, Thunder Bay Hydro made a partial repayment of \$10 million against the outstanding note; further, in the future, there will be interest received by the City on the outstanding note balance. In the current year, the partial repayment was reflected on the non-consolidated, non-PSAB statements that were reported to council, as revenue. We agree that the payment received represents a cash receipt but it does not represent a source of revenue. If this cash receipt were to have been removed from the non-consolidated non-PSAB statements that were provided to council, there would have been a deficit reflected and not a surplus.

We recommend that the note receivable balance be reflected in the accounting system to facilitate the accounting for any principal and/or interest payments that are received in future.

Management Response

Management acknowledges this recommendation and is considering potential use of SAP for this function.



Bank Reconciliations

It was noted that monthly bank reconciliations are not being completed in a timely manner. The completion, review and approval of bank reconciliations are an important process as part of the overall internal control system.

We recommend that shortly after each monthly period end that the various bank accounts be reconciled and independently reviewed and approved.

Management Response

Management acknowledges and agrees with this recommendation and are taking steps to improve the timeliness of the monthly reconciliation process.

Audit Efficiency/Timeliness

Consistent with the revised Canadian auditing standards (CAS 315R – Identifying and assessing the risk of material misstatement), which was effective for the 2022 fiscal year, there is an even greater need to having completed draft consolidated financial statements, as prepared by management, at the inception of when we begin our year end audit field work. At a minimum, the non-consolidated PSAB adjusted working papers and statements should be available when we are scheduled to begin the year end fieldwork. This is important to allow us to properly plan, identify risks requiring audit testing, assess areas that do not require testing and execute an efficient audit in a timely manner. The expectation would be that completed draft consolidated financial statements would either be available when we start the year end field work or shortly thereafter. The draft financial statements, as prepared by management, should be completed in a manner that balances and schedules tie into each other, be complete with minimal to no adjustments to them as a result of our audit/review.

During this year's audit, there was a considerable delay between the start of our year end audit and the receipt of finalized draft working papers and financial statements. In addition, the draft consolidated financial statements required several changes and revisions which necessitated multiple versions to be reviewed by ourselves. This led to an inefficient audit process.

We understand that with the introduction of the PS 3280 Asset Retirement Obligation standard effective for the 2023 fiscal year, resulted in a delay in the completion of management's efforts to produce draft consolidated financial statements in a timely manner; however, before draft financial statements and/or working papers are forwarded to us, the information should be reviewed to ensure that the statements themselves are consistent, balances tie into notes/schedules and that all disclosures required are contained.

Management Response

Management acknowledges and agrees with this recommendation and how the changes in audit standards impact the risk assessment process for the audit. Planning and timing for audit completion will be a priority for 2024.



Employee Benefits Obligation/Reserves

As required under public sector accounting standards (in which the City's consolidated financial statements must adhere to), there exists and is reported on the City's consolidated statement of financial position, an employee future benefits obligation balance in excess of \$113.6 million. This obligation is comprised of sick leave benefits, vacation pay, post employment benefits and WSIB obligations. Currently, the City has reserves dedicated to this obligation totalling \$10.17 million, resulting in a significantly underfunded position. The services provided by the City employees have been realized and received which, under the accounting standards, requires the recognition of the obligation incurred. As a result, although this obligation will not require a full immediate cash outlay, there exists the requirement that this future cost will have to be funded.

As part of the City's planning, ERP program, and the audit committee deliberations going forward, we recommend that discussion take place with a view to developing a framework to address the gap between the obligation balance and the applicable reserves.

Management Response

Management acknowledges and agrees with this recommendation.

Audit Committee Review on Component Entities' Results

The consolidated financial statements contain the results and financial position of a number of entities in addition to the City as a stand alone entity. The largest components or entities are TBay Tel and Thunder Bay Hydro Corporation. Currently, there is minimal discussion at the audit committee level regarding how the component entities affect the consolidated position, results of operations, cash flows, highlights of the current year operations and risks that could ultimately affect the City as a stand alone operation. There should be sufficient time dedicated to the review of information pertaining to these entities; further, consideration of a separate audit committee meeting to take place where enquiries, discussions and/or presentations could be made to provide a further understanding into the consolidated position. If considered worthwhile, representatives of certain entities could attend an audit committee meeting to provide information, make a presentation or recap results and answer questions that the committee may have.

Management Response

Management acknowledges and agrees with this recommendation.