

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1990**

1. Accounting policies

The consolidated financial statements of the Municipality are the representation of management prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgements.

(a) (i) Basis of consolidation:

These consolidated statements reflect the assets, liabilities, sources of financing and expenditures of the revenue fund, capital fund, reserve fund and reserves and include the activities of all committees of Council and the following boards which are under the control of Council:

- Terrace Bay Recreation Committee
- Terrace Bay Public Library Board

All inter-fund assets and liabilities and sources of financing and expenditures have been eliminated with the exception of loans or advances between reserve funds and any other fund of the Municipality and the resulting interest income and expenditures.

(ii) Non-consolidated entities:

The following local boards, joint local boards, municipal enterprises and utilities are not consolidated:

- District of Thunder Bay Home for the Aged
- Thunder Bay District Health Unit
- North Shore Family Resource Centre
- Thunder Bay Area Emergency Measures Organization
- Township of Terrace Bay Electrical Utility

(iii) Accounting for school board transactions:

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards are not reflected in the municipal fund balances of these financial statements. Overlevies (underlevies) are reported on the consolidated balance sheet as other current liabilities (other current assets).

(iv) Trust funds:

Trust funds and their related operations administered by the Municipality are not consolidated, but are reported separately on the trust funds statement of continuity and balance sheet.

(b) Basis of accounting:

(i) Sources of financing and expenditures are reported on the accrual basis of accounting with the exception of principal and interest charges on long-term liabilities which are charged against operations in the periods in which they are paid.

(ii) The accrual basis of accounting recognizes revenues as they become available and measurable. Expenditures 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.

(iii) The historical cost and accumulated depreciation of fixed assets are not reported for municipal purposes. Fixed assets are reported as an expenditure on the consolidated statement of operations in the year of acquisition.

(iv) Capital outlay to be recovered in future years, which represents the outstanding principal portion of unmatured long-term liabilities for municipal expenditures or capital funds transferred to other organizations, is reported on the consolidated balance sheet.

2. Municipal fund balances at the end of the year

The balances on the consolidated statement of operations of municipal equity of \$46,925 (1989, \$39,700), and unexpended capital financing of \$13,768 at the end of the year are comprised of the following:

| | 1990 | 1989 |
|--|-----------------|-----------------|
| - for general reduction of taxation | \$43,286 | \$42,811 |
| - to be recovered from operations of the local boards for the following year | 3,639 | (3,111) |
| | <u>46,925</u> | <u>39,700</u> |
| - funds available for the acquisition of fixed assets | 13,768 | -- |
| | <u>\$60,693</u> | <u>\$39,700</u> |

3. Reserve and reserve funds

The total balance of reserve and reserve funds of \$160,000 (1989 - \$160,000) and \$418,018 (1989, \$368,842), respectively, are made up of the following:

| | 1990 | 1989 |
|---|------------------|------------------|
| Reserves set aside for specific purpose by Council: | | |
| - for working capital | \$160,000 | \$160,000 |
| Total Reserve | <u>\$160,000</u> | <u>\$160,000</u> |
| Reserve funds set aside for specific purpose by Council | | |
| - for acquisition of fixed assets | \$364,144 | \$337,351 |
| - for planning studies | 46,179 | 21,870 |
| - for sick leave liability | 7,695 | 9,621 |
| Total reserve funds | <u>\$418,018</u> | <u>\$368,842</u> |

4. Operations of school boards

Further to note 1(a) (iii), the taxation, other revenues, expenditures and overlevies (underlevies) of the school boards are comprised of the following:

| | 1990 | 1989 |
|---------------------------------------|------------------|------------------|
| Taxation | \$2,247,866 | \$1,983,881 |
| Grants in lieu of taxes | 803 | 1,140 |
| | <u>2,248,669</u> | <u>1,985,021</u> |
| Requisitions | 2,244,369 | 1,982,977 |
| Supplementary taxes | 4,726 | 2,021 |
| | <u>2,249,095</u> | <u>1,984,998</u> |
| Overlevies (underlevies) for the year | (426) | 23 |
| Underlevies, beginning of year | (26) | (49) |
| Underlevies, end of year | <u>\$(452)</u> | <u>\$(26)</u> |

5. Contribution to unconsolidated joint Boards:

Further to note 1(a) (ii), the following contributions were made by the municipality to these boards:

| | 1990 | 1989 |
|--|------------------|-----------------|
| District of Thunder Bay Homes for the Aged | \$77,734 | \$61,712 |
| Thunder Bay District Health Unit | 14,797 | 13,906 |
| North Shore Family Resource Centre | 7,942 | 4,270 |
| Thunder Bay Area Emergency Measures Organization | 1,678 | 1,798 |
| | <u>\$102,151</u> | <u>\$81,686</u> |

The Municipality's share of the accumulated surpluses (deficits) of these joint boards is as follows:

| | 1990 | 1989 |
|--|------------------|-------------------|
| District of Thunder Bay Homes for the Aged (14.5%) | \$(5,938) | \$(11,406) |
| Thunder Bay District Health Unit (1.7%) | 496 | 418 |
| | <u>\$(5,442)</u> | <u>\$(10,988)</u> |

6. Trust funds:

Trust funds administered by the Municipality amounting to \$20,975 (1989, \$18,804) have not been included in the consolidated balance sheet nor have their operations been included in the consolidated statement of operations.

7. Pension agreements

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 30 members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The amount contributed to OMERS for 1990 was \$65,855 (1989, \$57,895) for current service and is included as an expenditure on the consolidated statement of operations.

8. Liability for vested sick leave benefits:

Under the sick leave benefit plan, unused sick leave accumulated before January 1, 1985 may be taken by qualified employees in the form of a cash payment. The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee, amounted to \$5,862 (1989, \$5,588) at the end of the year. An amount of \$7,695 (1989, \$9,621) has been provided in a reserve fund for this liability, and is reported on the consolidated balance sheet.

9. Commitments:

In 1986 the Municipality entered into an agreement for lease of police communications equipment until 1991. Annual rental for the next year is \$14,263 and the total outstanding commitment as at December 31, 1990 under this agreement is \$13,886 (1989, \$28,149). Ontario Municipal Board Approval of this agreement has been obtained. In 1989 the Municipality entered into an agreement for servicing of the Recreation Centre mechanical equipment until 1995. Annual payment over the next five years is \$7,250 and the total outstanding commitment as at December 31, 1990 under this agreement is \$24,168. Ontario Municipal Board approval of this agreement has been obtained.

1990-1989 MILL RATES

| | RESIDENTIAL AND FARM | COMMERCIAL AND INDUSTRIAL |
|-------------------|----------------------|---------------------------|
| | 1990 | 1990 |
| Township Purposes | 40.176 | 47.266 |
| Public School | 27.858 | 32.774 |
| Separate School | 27.487 | 32.338 |
| Secondary School | 23.464 | 27.605 |
| | 1989 | 1989 |
| Township Purposes | 37.403 | 44.004 |
| Public School | 24.204 | 28.475 |
| Separate School | 24.189 | 28.458 |
| Secondary School | 20.980 | 24.682 |