



# **AGENDA MATERIAL**

## **CITY COUNCIL (SPECIAL SESSION) TBAYTEL AGM**

**MEETING DATE:**           **APRIL 25, 2022**

**LOCATION:**               **S. H. BLAKE MEMORIAL AUDITORIUM**  
                                  (Council Chambers)

**TIME:**                   **6:30 PM**

**FOLLOWED BY:**       **COMMITTEE OF THE WHOLE**



**MEETING:** City Council Special Session – Tbaytel AGM

**DATE:** Monday, April 25, 2022

*Reference No. CCS - 15/53*

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**OPEN SESSION in the S.H. Blake Memorial Auditorium 6:30 pm**

City Council

Chair: Mayor Bill Mauro

***OPENING CEREMONIES***

One Minute of Silence.

***DISCLOSURES OF INTEREST***

***CONFIRMATION OF AGENDA***

**Confirmation of Agenda - April 25, 2022 - City Council Special Session - Tbaytel AGM**

WITH RESPECT to the April 25, 2022 City Council Special Session meeting, we recommend that the agenda as printed, including any additional information and new business, be confirmed. **(Page 3)**

***REPORTS OF MUNICIPAL OFFICERS***

**Tbaytel Audited Financial Statements**

The Tbaytel Audited Financial Statements as of December 31, 2021, prepared by BDO Canada L.L.P. **(Pages 4 - 28)**

WITH RESPECT to the Tbaytel Audited Financial Statements for the fiscal period ending December 31, 2021, we authorize the acceptance of the financial statements prepared by BDO Canada L.L.P.

**Appointment of Auditor**

Appointment of Auditor to the Tbaytel Municipal Service Board. **(Page 29)**

WITH RESPECT to the Appointment of Auditor, we appoint \_\_\_\_\_ as auditor for the Tbaytel Municipal Service Board.

## **Appointment of Chair**

Appointment of Chair to the Tbaytel Municipal Service Board. **(Page 30)**

WITH RESPECT to the Appointment of Chair, Tbaytel Municipal Service Board, we appoint  
\_\_\_\_\_ as Chair.

## ***NEW BUSINESS***

### ***CONFIRMING BY-LAW***

#### **BL 42/2022 - Confirming By-law - April 25, 2022 - Tbaytel Annual General Meeting**

A By-law to confirm the proceedings of a meeting of Council, this 25th day of April 2022 -  
Tbaytel Annual General Meeting **(Pages 31 - 32)**

#### **Confirming By-law Resolution - April 25, 2022 - City Council Special Session - Tbaytel AGM**

THAT the following By-law be introduced, read, dealt with individually, engrossed, signed by the  
Mayor and Clerk, sealed and numbered: **(Page 33)**

1. A By-law to confirm the proceedings of a meeting of Council, this 25th day of April, 2022.

By-law Number: BL 42/2022

## ***ADJOURNMENT***



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**MEETING DATE**     04/25/2022 (mm/dd/yyyy)

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**SUBJECT**             Confirmation of Agenda - April 25, 2022 - City Council Special Session  
                              - Tbaytel AGM

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***SUMMARY***

Confirmation of Agenda - April 25, 2022 - City Council Special Session - Tbaytel AGM

***RECOMMENDATION***

WITH RESPECT to the April 25, 2022 City Council Special Session meeting, we recommend that the agenda as printed, including any additional information and new business, be confirmed.

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***MEETING DATE***      04/25/2022 (mm/dd/yyyy)

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***SUBJECT***              Tbaytel Audited Financial Statements

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***SUMMARY***

The Tbaytel Audited Financial Statements as of December 31, 2021, prepared by BDO Canada L.L.P.

***RECOMMENDATION***

WITH RESPECT to the Tbaytel Audited Financial Statements for the fiscal period ending December 31, 2021, we authorize the acceptance of the financial statements prepared by BDO Canada L.L.P.

***ATTACHMENTS***

1. Tbaytel Financial Statements - Dec 31 2021



**(A Municipal Service Board established by  
The Corporation of the City of Thunder Bay)  
Financial Statements  
December 31, 2021**



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Auditor's Report

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## Board of Directors' Report

The management of Tbaytel has prepared the accompanying financial statements and is 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 CPA Canada.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the management has developed and maintains a system of internal control designed to provide reasonable assurance that Tbaytel's assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of the financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial statements on a quarterly basis and externally audited financial statements annually.

The 2021 financial statements have been reported on by Tbaytel's external auditors, BDO Canada LLP, the auditors appointed by the Board. The auditor's report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.



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Jack Jamieson  
Chair, Board of Directors  
Tbaytel Board of Directors



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Greg Treffry  
Chair, Audit & Finance Committee  
Tbaytel Board of Directors



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## Independent Auditor's Report

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To the Members of the Board of Directors of Tbaytel  
and The Corporation of the City of Thunder Bay

### Opinion

We have audited the financial statements of Tbaytel, which comprise the statement of financial position as at December 31, 2020 and the statements of operations, re-measurement gains and losses, changes in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Tbaytel as at December 31, 2020, and its results of its operations, its change in net debt, and its 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 Financial Statements* section of our report. We are independent of Tbaytel in accordance with the ethical requirements that are relevant to our audit of the 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.

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

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Tbaytel'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 Tbaytel or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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## Independent Auditor's Report (cont'd)

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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 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 Tbaytel'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 Tbaytel'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 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 Tbaytel to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Thunder Bay, Ontario  
March 31, 2021



## STATEMENT OF FINANCIAL POSITION

(Held in Trust for The Corporation of the City of Thunder Bay)

(all financial amounts are in \$ thousands)

As at December 31	2021	2020
	\$	\$
<b>Financial assets</b>		
Cash	8,540	11,929
Short term investments (note 3)	9,283	9,010
Accounts receivable (note 4)	34,175	19,637
Inventory for resale	3,921	6,400
Investment in leases (note 5)	148	101
	<b>56,067</b>	<b>47,077</b>
<b>Liabilities</b>		
Accounts payable and other liabilities	25,684	22,682
Due to The Corporation of the City of Thunder Bay	8,408	7,140
Other payable	-	3,665
Debenture debt (note 6)	44,675	47,625
Employee future benefits (note 7)	7,413	7,452
Unearned revenue (note 8)	1,501	1,698
	<b>87,681</b>	<b>90,262</b>
<b>Net debt</b>	<b>(31,614)</b>	<b>(43,185)</b>
<b>Non-financial assets</b>		
Tangible capital assets (note 9 & schedule 1)	305,934	281,161
Materials and supplies for use	7,326	3,695
Prepaid expenses	1,998	2,055
	<b>315,258</b>	<b>286,911</b>
<b>Accumulated surplus</b>		
Accumulated operating surplus	283,228	243,252
Accumulated re-measurement gains	416	474
	<b>283,644</b>	<b>243,726</b>

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

Jack Jamieson  
Chair, Board of Directors  
Tbaytel Board of Directors

Greg Treffry  
Chair, Audit & Finance Committee  
Tbaytel Board of Directors



## STATEMENT OF OPERATIONS

(Held in Trust for The Corporation of the City of Thunder Bay)  
(all financial amounts are in \$ thousands)

For the year ended December 31	Budget 2021 (note 14)	2021	2020
	\$	\$	\$
<b>Revenues</b>			
Wireline	70,362	71,265	66,561
Wireless	137,793	133,624	129,045
Other	6,458	12,712	5,055
Investment income	748	551	548
	<b>215,361</b>	<b>218,152</b>	<b>201,209</b>
<b>Expenses (note 10)</b>			
Operations	44,646	45,382	46,958
Finance	45,770	45,444	45,232
Sales and marketing	69,457	56,758	59,389
Administration	9,146	8,433	7,733
Transfer to The Corporation of the City of Thunder Bay	20,100	21,908	21,208
	<b>189,119</b>	<b>177,925</b>	<b>180,520</b>
Net revenues before the following	26,242	40,227	20,689
Loss on disposal of tangible capital assets	(151)	(251)	(479)
<b>Annual surplus</b>	<b>26,091</b>	<b>39,976</b>	<b>20,210</b>
Accumulated surplus, beginning of year	243,252	243,252	223,042
<b>Accumulated surplus, end of year</b>	<b>269,343</b>	<b>283,228</b>	<b>243,252</b>

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



## STATEMENT OF RE-MEASUREMENT GAINS AND LOSSES

(Held in Trust for The Corporation of the City of Thunder Bay)

(all financial amounts are in \$ thousands)

For the year ended December 31	2021	2020
	\$	\$
Accumulated re-measurement gains, beginning of year	474	427
Unrealized gains (losses) attributable to:		
Foreign exchange	133	(155)
Short-term investments	(191)	202
Net re-measurement gains for the year	(58)	47
Accumulated re-measurement gains, end of year	416	474

The accompanying notes are an integral part of these financial statements



## STATEMENT OF CHANGES IN NET DEBT

(Held in Trust for The Corporation of the City of Thunder Bay)

(all financial amounts are in \$ thousands)

As at December 31	Budget 2021 (Note 14)	2021	2020
	\$	\$	\$
<b>Annual surplus</b>	<b>26,091</b>	<b>39,976</b>	<b>20,210</b>
Acquisition of tangible capital assets	(50,928)	(58,224)	(46,070)
Amortization of tangible capital assets	32,480	33,200	32,907
Loss on disposal of tangible capital assets	151	251	479
	(18,297)	(24,773)	(12,684)
Net decrease (increase) in materials and supplies for use	-	(3,631)	105
Net decrease in prepaid expenses	-	57	1,308
	-	(3,574)	1,413
Net re-measurement gains (losses)	-	(58)	47
Decrease in net debt	7,794	11,571	8,986
Net debt, beginning of the year	(43,185)	(43,185)	(52,171)
<b>Net debt, end of the year</b>	<b>(35,391)</b>	<b>(31,614)</b>	<b>(43,185)</b>

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



## STATEMENT OF CASH FLOWS

(Held in Trust for The Corporation of the City of Thunder Bay)  
(all financial amounts are in \$ thousands)

For the year ended December 31	2021	2020
	\$	\$
<b>Operating activities</b>		
Annual surplus	39,976	20,210
Add (subtract) non-cash charges to operations:		
Amortization of tangible assets	33,200	32,907
Loss on disposal of tangible capital assets	251	479
Net re-measurement gain (loss)	(58)	47
Change in non-cash working capital balances		
Accounts receivable	(14,538)	(5,661)
Inventory for resale	2,479	1,693
Materials and supplies for use	(3,631)	105
Prepaid expenses	57	1,308
Accounts payable and other liabilities	3,002	(1,449)
Due to the Corporation of the City of Thunder Bay	1,268	2,765
Employee future benefits	(39)	(23)
Unearned revenue	(197)	(319)
<b>Net cash generated from operating activities</b>	<b>61,770</b>	<b>52,062</b>
<b>Capital transactions</b>		
Cash used to acquire tangible capital assets	(58,224)	(46,070)
<b>Net cash used in capital transactions</b>	<b>(58,224)</b>	<b>(46,070)</b>
<b>Investing transactions</b>		
Increase in short term investments	(273)	(170)
Decrease (increase) in investment in leases	(47)	11
<b>Cash used in investing transactions</b>	<b>(320)</b>	<b>(159)</b>
<b>Financing transactions</b>		
Net receipt (repayment) of debenture financing	(2,950)	8,750
Decrease in other payable	(3,665)	(7,983)
<b>Cash from (used in) financing transactions</b>	<b>(6,615)</b>	<b>767</b>
Increase (decrease) in cash during year	(3,389)	6,600
Cash beginning of the year	11,929	5,329
<b>Cash end of the year</b>	<b>8,540</b>	<b>11,929</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

*(all financial amounts are in \$ thousands)*

*Year ended December 31, 2021*

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### GENERAL

Tbaytel was established by The Corporation of the City of Thunder Bay By-law #257-2004 as a Municipal Service Board to govern, control, maintain, operate and manage the City's provision of telecommunication services. All assets of Tbaytel are held and controlled by the Board in trust for The Corporation of the City of Thunder Bay.

Since Tbaytel is a Municipal Service Board established under by-law of The Corporation of the City of Thunder Bay, it is exempt from paying income taxes on its earnings.

### 1. BASIS OF PRESENTATION

The accompanying financial statements are prepared in accordance with Canadian Public Sector Accounting Standards (PSA) as issued by the Public Sector Accounting Board (PSAB), including principles prescribed by the Canadian Radio-television and Telecommunications Commission (the "CRTC") Decision 96-6 which establishes in detail the Regulatory Framework governing Tbaytel. This decision requires Tbaytel to provide audited financial statements by March 31<sup>st</sup> of each year consistent with the CRTC's Telecommunications Fees Regulations.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### [a] Use of estimates

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Items requiring the use of significant estimates include, the useful life of tangible capital assets, rates for amortization, provision for doubtful accounts and employee future benefit estimates.

#### [b] Revenue recognition

Operating revenues are recognized when they are earned, specifically when:

- services are provided;
- products are delivered to customers;
- persuasive evidence of an arrangement exists;
- amounts are fixed and determinable; and
- collectability is reasonably assured.

In particular,

- fees for long distance and wireless services, and other fees, such as network access, license, maintenance and standby fees, are recognized when the services are provided, or over the term of the contract; subscriber revenue is recognized when customers receive the service; and
- revenue from the sale of equipment is recognized when the equipment is delivered to customers and accepted.



## NOTES TO THE FINANCIAL STATEMENTS

*(all financial amounts are in \$ thousands)*

*Year ended December 31, 2021*

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Funding assistance related to the acquisition of tangible capital assets is recorded as revenue and recognized when eligible criteria as determined by the funding agency are met.

Rebates, discounts and allowances to customers are reflected as a reduction of revenue.

For arrangements in which subcontractors perform services for customers, revenue is recognized based on the amounts billed to the customers when Tbaytel acts as the principal in the arrangement. Otherwise, Tbaytel records the net amount that is kept.

Sales and grants of indefeasible rights of use (IRU's) of dark or light fiber are evaluated to determine if substantially all of the risks and benefits of ownership have transferred to a lessee and that no significant ongoing obligations continue to be incurred by Tbaytel. If these criteria are met, the transaction is accounted for as a sales-type lease and income is recognized at the time of delivery. If these criteria are not met, revenue is deferred and recognized over the life of the contract. Unearned revenue represents upfront cash payments received from customers for grants of IRU's where all of the risks and benefits of ownership have not been transferred and are deferred and amortized over the life of the contract.

### **[c] Government transfers**

Government transfers, when Tbaytel is the transferor, are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be made.

### **[d] Financial instruments**

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in the statement of re-measurement gains and losses, other than those that are externally restricted. Changes in fair value of externally restricted financial instruments are recorded directly in deferred revenue.

All other financial instruments are reported at cost or amortized cost less impairment, if applicable.

Financial instruments except derivatives are tested for impairment annually. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items re-measured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

The following is a summary of Tbaytel's financial instruments and their classification and measurement basis:

- Cash and cash equivalents include cash on hand and bank deposits that are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value.
- Accounts receivable are classified as loans and receivables and are measured at amortized cost less any valuation allowance. Valuation allowances are made to reflect accounts receivable at the lower of cost and net recoverable value, when collectability and risk of loss

## NOTES TO THE FINANCIAL STATEMENTS

(all financial amounts are in \$ thousands)

Year ended December 31, 2021

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exists. Changes in valuation allowance are recognized in the statement of operations. Interest is accrued to the extent it is deemed collectible.

- Short term investments consist of equity investments quoted in active markets and are reported at fair value with changes in fair value recognized in the statement of re-measurement gains and losses.
- Accounts payable and other liabilities, long term payable, due to The Corporation of the City of Thunder Bay and debenture debts are classified as other financial liabilities and are measured at cost or amortized cost.

### [e] Investment in leases

Leases are classified as capital or operating depending upon the terms and conditions of the contracts.

For leases, which qualify as sales-type leases, the sales revenue and cost of sales are recorded at the inception of the lease. Finance income related to sales type leases is recognized as interest income in a manner that produces a constant rate of return on the investment in the lease. The investment in the leases for purposes of income recognition is comprised of the net minimum lease payments and unearned finance income.

### [f] Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly related to acquisition, design and engineering fees, legal fees, construction, development, improvement or betterment of the assets.

Leases which transfer substantially the entire benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

Assets under construction are predominantly network assets and include portions of larger incomplete multi-year projects. Since these network assets are not yet in service, amortization has not commenced.

Tangible capital assets are written down when conditions indicate that they no longer contribute to Tbaytel'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.

Amortization is recorded on a straight-line basis over the estimated useful life of the tangible capital asset commencing in the month the asset is available for productive use as follows:

Machinery, equipment & computers	4 – 18 years
Network assets	6 – 45 years
Buildings and leasehold improvements	10 – 50 years

### [g] Inventory for resale

Tbaytel's inventories for resale consist of wireless handsets, security devices, set top boxes and

## NOTES TO THE FINANCIAL STATEMENTS

*(all financial amounts are in \$ thousands)*

*Year ended December 31, 2021*

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enterprise telephone systems and are recorded at the lower of cost or net realizable value. Assets held for sale are those expected to be sold within one year.

### **[h] Foreign currency translation**

Monetary assets denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at year-end. Foreign currency transactions are translated at the exchange rate prevailing at the date of the transactions. Adjustments to revenue or expense transactions arising as a result of foreign currency translation are charged to operations at the time the adjustments arise.

Unrealized foreign exchange gains and losses are recognized in the Statement of Re-measurement Gains and Losses. In the period of settlement, realized foreign exchange gains and losses are recognized in the statement of operations and the cumulative amount of re-measurement gains and losses is reversed in the Statement of Re-measurement Gains and Losses.

### **[i] Employee benefit plans**

Tbaytel accrues its obligations under employee benefit plans and the related costs. Tbaytel has adopted the following policies:

The costs of vacation entitlements are charged to expenses as earned.

The costs of post-employment benefits are recognized when the event that obligates Tbaytel occurs. Costs include projected future income payments, and are calculated on a present value basis.

The costs of post-employment benefits 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.

The excess of any actuarial gain (loss) is amortized on a straight-line basis over the average remaining service period of active employees.

### **[j] Materials and supplies for use**

Tbaytel's material and supplies inventory consists of communications equipment parts and accessories required for ongoing construction and maintenance of Tbaytel's communications infrastructure and terminal equipment/parts, and are valued at the lower of cost and net realizable value, with cost being determined on an average cost basis.

### **[k] Prepaid expenses**

Prepaid expenses include service support agreements and annual rental charges and are charged to expenses over the periods expected to benefit from it.

## NOTES TO THE FINANCIAL STATEMENTS

(all financial amounts are in \$ thousands)

Year ended December 31, 2021

### [I] Contaminated Sites

A liability for contaminated sites is recognized on properties not in productive use when all of the following criteria have been met:

- a) an environmental standard exists;
- b) contamination exceeds the environmental standard;
- c) Tbaytel is directly responsible or accepts responsibility;
- d) it is expected that future economic benefits will be given up; and
- e) a reasonable estimate of the amount can be made.

The organization has evaluated all of its properties and has determined that they are all in productive use. Therefore, no liability has been accrued.

### 3. SHORT-TERM INVESTMENTS

Tbaytel's short-term investments are comprised of pooled funds administered by The One Investment Program (ONE), which is a pooled investment program designed specifically for the municipal and broader Ontario public sector. Tbaytel holds investments in ONE's Equity, Bond and Universe Corporate Bond portfolios.

	2021		2020	
	\$		\$	
	Cost	Market Value	Cost	Market Value
Equity Fund	1,241	2,052	1,335	2,051
Bond Fund	4,582	4,328	3,621	3,475
Universe Corporate Bond Fund	2,829	2,903	3,237	3,484
	8,652	9,283	8,193	9,010

The weighted average yield on the fair market value of the investment portfolio during the year was 5.09% [2020 – 6.23%].

Disclosure of a three-level hierarchy for fair value measurements is based upon transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1: For securities valued based on unadjusted quoted prices in active markets for identical assets.

Level 2: For securities valued based on inputs, other than quoted prices included in Level 1, that are observable for the asset, either directly or indirectly.

Level 3: For securities valued based on inputs that are based on unobservable market data.

As at December 31, 2021, all of these items are classified as Level 2 in the fair value hierarchy. There have been no movements from Level 1 to Level 2 or Level 3.



## NOTES TO THE FINANCIAL STATEMENTS

(all financial amounts are in \$ thousands)

Year ended December 31, 2021

### 4. ACCOUNTS RECEIVABLE

Accounts receivable are as follows:

	2021	2020
	\$	\$
Trade receivable	25,870	18,779
Other receivables	9,397	2,008
Less provision for doubtful accounts	(1,092)	(1,150)
	34,175	19,637

### 5. INVESTMENT IN LEASES

Future minimum lease payments receivable are as follows:

	\$
2022	60
2023	53
2024-2026	61
	174

Tbaytel's net investment in leases includes the following sales-type leases:

	2021	2020
	\$	\$
Total minimum lease payments receivable	174	118
Less unearned income	(26)	(17)
	148	101

## NOTES TO THE FINANCIAL STATEMENTS

(all financial amounts are in \$ thousands)

Year ended December 31, 2021

### 6. DEBENTURE DEBT & CREDIT FACILITIES

#### [a] Debenture Debt

The balance of debenture debt reported on the Statement of Financial Position totaling \$44,675 [2020 - \$47,625] is comprised of the following:

The Corporation of the City of Thunder Bay authorized and issued debentures in 2014 with a term of 10 years for a principal amount of \$8,000. The debenture bears interest at 2.47% with semi-annual payments of \$400 plus accrued interest. The debenture is due December 15, 2024 and is unsecured.

The Corporation of the City of Thunder Bay authorized and issued debentures in 2017 with a term of 20 years, for a total principal amount of \$10,000. The debenture bears interest at 3.23% with semi-annual payments of \$250 plus accrued interest. The debenture is due August 15, 2037 and is unsecured.

The Corporation of the City of Thunder Bay authorized and issued debentures in 2018 with a term of 20 years, for a total principal amount of \$15,000. The debenture bears interest at 3.29% with semi-annual payments of \$375 plus accrued interest. The debenture is due March 15, 2038 and is unsecured.

The Corporation of the City of Thunder Bay authorized and issued debentures in 2019 with a term of 20 years, for a total principal amount of \$12,000. The debenture bears interest at 2.70% with semi-annual payments of \$300 plus accrued interest. The debenture is due July 2, 2039 and is unsecured.

The Corporation of the City of Thunder Bay authorized and issued debentures in 2020 with a term of 20 years, for a total principal amount of \$12,000. The debenture bears interest at 2.30% with semi-annual payments of \$300 plus accrued interest. The debenture is due March 16, 2040 and is unsecured.

Principal repayments of the debenture debt over the next five years are as follows:

	\$
2022	3,250
2023	3,250
2024	3,250
2025	2,450
2026	2,450
Subsequent to 2026	30,025
	<b>44,675</b>

Total payments for the year for debenture debt are as follows:

	2021	2020
	\$	\$
Principal Payments	2,950	3,250
Interest Payments	1,184	1,448
	<b>4,134</b>	<b>4,698</b>

## NOTES TO THE FINANCIAL STATEMENTS

(all financial amounts are in \$ thousands)

Year ended December 31, 2021

### [b] Credit Facilities

Tbaytel's available Revolving Credit Facilities amount to 1) \$1,500 U.S. dollars at a floating rate of U.S. bank prime or 3.25% at December 31, 2021. An amount of which \$NIL USD [2020 - \$NIL] is outstanding at December 31, 2021 and 2) \$5,500 CDN dollars at a floating rate of bank prime less 0.5%, or 1.95% at December 31, 2021. An amount of \$NIL CDN [2020 - \$NIL] dollars is outstanding at December 31, 2021.

## 7. PENSION AND OTHER EMPLOYEE BENEFITS

### [a] Pension

Tbaytel 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 provides pension services to more than half a million active, deferred and retired members and approximately 1,000 employers.

Each year an independent actuary determines the funding status of the OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to 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, 2021. The results of this valuation disclosed total actuarial liabilities of \$120,796 million [2020 - \$113,055 million] in respect of benefits accrued for service with actuarial assets at that date of \$117,665 million [2020 - \$109,844 million] indicating an actuarial deficit of \$3,131 million [2020 - \$3,211 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, 2021, Tbaytel contributed \$2,899 [2020 - \$2,898] to the plan.

### [b] Employee future benefits

Tbaytel pays certain benefits on behalf of its retired employees. Tbaytel recognizes these post-retirement costs in the period in which the employees rendered the services. The accrued benefit obligation and the expense for the twelve months ended December 31, 2021, were determined by actuarial valuation using a discount rate of 2.70%. The date of the most recent actuarial valuation was September 9, 2019.

Information about Tbaytel's benefit plans is as follows:

	2021	2020
	\$	\$
Accrued benefit obligation recognized in the Statement of Financial Position at December 31	7,413	7,452
Expense for the period January 1 to December 31	243	249
Benefits paid for the year	(282)	(272)



## NOTES TO THE FINANCIAL STATEMENTS

(all financial amounts are in \$ thousands)

Year ended December 31, 2021

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

### General inflation

Future general inflation levels as measured by changes in the Consumer Price Index ("CPI") were assumed at 2.00% per annum.

### Interest (discount) rate

The obligation as at December 31, 2020, of the present value of future liabilities and the expense for the year then ended was determined using an annual discount rate of 2.70%.

### Medical costs

Medical costs were assumed to increase by an average of 4.70% until 2039, and 4% thereafter.

### Dental and vision costs

Dental and vision costs were assumed to increase by an average of 4.80% until 2039, and 4.00% thereafter.

## 8. UNEARNED REVENUE

	2021	2020
	\$	\$
Unearned prepaid wireless revenue	833	751
Unearned portion of cash payments received for grants of IRU's	120	164
Unearned tower lease revenue	386	625
Other unearned revenue	162	158
	1,501	1,698

Unearned prepaid wireless revenue represents purchases made by customers for service that has not been activated for use. Revenue is recognized when the service is activated and used, or when an activation code expires. In 2021, the revenue recognized was \$2,696 [2021 - \$2,984].

Unearned revenue includes upfront payments received in exchange for the grant of IRU's on dark fiber strands. These payments are being amortized over ten to twenty years.

The revenue that will be recorded in earnings over the next three years from the existing grants of IRU's is as follows:

	\$
2022	44
2023	44
2024	32
	120





## NOTES TO THE FINANCIAL STATEMENTS

(all financial amounts are in \$ thousands)

Year ended December 31, 2021

Unearned tower lease revenue consists of upfront payments for rental of tower space where the service will not be rendered until subsequent periods.

The revenue that will be recorded in earnings over the next five years from the tower lease revenue is as follows:

	\$
2022	347
2023	11
2024	11
2025	11
2026	6
	<b>386</b>

Other unearned revenue consists of billings completed in 2021 where the service will not be rendered until subsequent periods.

### 9. TANGIBLE CAPITAL ASSETS

Schedule 1 provides information on the tangible capital assets of Tbaytel 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 no contributed tangible assets. (2020 – NIL)

### 10. EXPENSES BY OBJECT

Tbaytel operates as one reportable business segment, which is driven by our products and services, in order to provide customers with integrated communication services. This represents the manner in which the company has organized and managed for planning and assessing performance and making resource allocation decisions. Tbaytel's operations, including all revenues from customers and capital investments are concentrated in Northwestern Ontario.

The following is a summary of expenses as reported on the Statement of Operations by the object of expense:

	2021	2020
	\$	\$
Salaries, wages and benefits	35,652	34,493
Network and information systems	30,853	31,611
Marketing, distribution and hardware subsidies	10,556	15,353
Materials and supplies	32,576	31,216
Other	11,794	12,136
Interest	1,386	1,596
Amortization	33,200	32,907
Transfer to The Corporation of the City of Thunder Bay	21,908	21,208
	<b>177,925</b>	<b>180,520</b>

## NOTES TO THE FINANCIAL STATEMENTS

*(all financial amounts are in \$ thousands)*

*Year ended December 31, 2021*

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### 11. FINANCIAL INSTRUMENTS

Financial instruments of Tbaytel consist of cash, short term investments, accounts receivable, due to The Corporation of the City of Thunder Bay, accounts payable, debenture debt and long term payables. At December 31, 2021 there are no significant differences between their carrying values and their estimated market values.

#### Credit Risk

Tbaytel's credit risk is primarily attributable to its accounts receivable. This risk is minimized by Tbaytel's large and diverse customer base. The company maintains an allowance for doubtful accounts for potential credit losses. This allowance is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends.

These factors are considered when determining whether past due accounts are allowed for or written-off. Subsequent recoveries of receivables previously provisioned are credited to the income statement.

#### Interest rate risk

Interest rate risk arises from the possibility that market rates for debt with similar terms will decrease below the fixed rate on the long-term debt. Tbaytel's objective is to minimize net interest expense and attempt to minimize interest rate risk by issuing long-term fixed rate debt.

Tbaytel's Revolving Credit Facilities allow for short-term borrowings for working capital purposes. These balances are continuously monitored to minimize the net interest expense and furthermore, this risk is mitigated by interest earned on the cash balances, which provides a natural hedge to increased costs of borrowing up to the amount of cash on hand.

Tbaytel is also exposed to interest rate risk by attempting to maximize the interest rates received on its short term investments. The impact of the fluctuations will vary as the amount of short term investments that Tbaytel holds changes. Tbaytel's investment policy limits the investing of excess funds to the One Fund group of funds, which are managed as a portfolio by an external market investment advisor, who operates under the regulations of the Municipal Act.

#### Liquidity risk

Liquidity risk arises through excess financial obligations due over available financial assets at any point in time. Tbaytel's approach to managing liquidity is to continuously monitor its ability to maintain sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses.

#### Foreign exchange risk

Tbaytel has limited exposure to the changing values of foreign currencies. While Tbaytel purchases goods and services, which are payable in U.S. dollars, and purchases U.S. currency to meet the related payable commitments when required, the impact of these transactions is not material to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

(all financial amounts are in \$ thousands)

Year ended December 31, 2021

### Other price risk

Tbaytel has short term investments that may include equity instruments and as a result is exposed to equity price risk. In order to mitigate this risk, Tbaytel limits the proportionate level of equity and restricts the types of equities to be held in short term investments.

### 12. COMMITMENTS

**[a]** Tbaytel has entered into a number of multiple-year contracts for the rental of towers, land and space. Tbaytel also has multiple-year contracts for support and maintenance of service delivery assets and operating agreements. These contractual obligations will become liabilities in the future when the terms of the contracts are met. Disclosure relates to the unperformed portion of the contracts.

	2022	2023	2024	2025	2026	Thereafter
	\$	\$	\$	\$	\$	\$
Future operating lease payments	2,574	1,897	1,557	1,155	885	1,234
Purchase commitments for support service	2,983	2,039	209	-	-	-
	5,557	3,936	1,766	1,155	885	1,234

**[b]** Tbaytel uses a Long Term Incentive Plan as a form of incentive compensation. The award is subject to evaluation of performance against targets over the performance period. These performance targets are typically measured over a three year period and typically vest over that same measurement period. The amounts of such awards are not determinable at this time and any amounts when determinable and fully vested will be charged to expenditure.

**[c]** Tbaytel has provided a letter of guarantee from the Royal Bank to Workplace Safety and Insurance Board of \$1,379 [2020 - \$504].

### 13. RELATED PARTY TRANSACTIONS

Tbaytel and The Corporation of the City of Thunder Bay provide certain services to one another which are recorded at commercial rates under normal trade terms.

Tbaytel provided telecommunication services to The Corporation of the City of Thunder Bay and billed \$2,133 [2020 - \$1,828].

The Corporation of the City of Thunder Bay billed Tbaytel \$419 [2020 - \$418] for payments in lieu of property taxes, and \$917 [2020 - \$753] for other sundry services.

Synergy North billed Tbaytel \$5,365 [2020 - \$5,035] for electricity consumption, pole work and joint use pole rental charges.

### 14. BUDGET INFORMATION

The budgeted figures presented for comparative purposes are those approved by the Tbaytel Board of Directors, and have been restated to conform with the requirements under Public Sector Accounting Board guidelines.

## NOTES TO THE FINANCIAL STATEMENTS

*(all financial amounts are in \$ thousands)*

*Year ended December 31, 2021*

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### 15. CONTINGENT ASSETS

In a previous year, Tbaytel had filed a claim against the vendor engaged to build their Integrated Customer Relationship Management (ICRM) system. In 2020, Tbaytel was awarded aggregate damages of \$6,227 as an independent arbitrator ruled that the vendor engaged to build this system breached the terms of the contract that governed the engagement. The settlement has not yet been received as the vendor has appealed the judgement and contingent assets are not recorded in these financial statements.

### 16. COVID-19 IMPACT ASSESSMENT

The COVID-19 pandemic continues to cause significant disruption to the Canadian and world economies. While there has been minimal impact to Tbaytel because of the pandemic, Tbaytel continues to assess and monitor the impact of the pandemic on its operations. The magnitude and duration of the pandemic continues to be uncertain and, if it causes significant disruption for an extended period, the impacts to Tbaytel will increase. Potential impacts include loss of revenue, supply chain disruption, challenges associated with a remote or unavailable workforce, and potential asset impairment.

### 17. SUBSEQUENT EVENT

Subsequent to year end a claim was made against Tbaytel and litigation was pending for which the amount of settlement, if any, was not determinable. Any amounts when determinable will be charged to expenditure.

## SCHEDULES

### Schedule 1 – TANGIBLE CAPITAL ASSETS

(all financial amounts are in \$ thousands)

(thousands)	Network assets	Buildings and leasehold improvements	Machinery, equipment and computers	Land	Assets under construction	Total
	\$	\$	\$	\$	\$	\$
<b>At cost</b>						
As at January 1, 2020	543,804	76,430	46,748	655	25,374	693,011
Additions	20,365	2,947	5,270	-	17,488	46,070
Transfers from assets under construction	15,724	1,005	1,508	-	(18,237)	-
Disposals	(2,206)	(199)	(321)	-	-	(2,726)
As at December 31, 2020	577,687	80,183	53,205	655	24,625	736,355
Additions	35,449	1,825	5,613	-	15,337	58,224
Transfers from assets under construction	18,316	1,538	973	-	(20,827)	-
Disposals	(754)	(215)	-	-	-	(969)
<b>As at December 31, 2021</b>	<b>630,698</b>	<b>83,331</b>	<b>59,791</b>	<b>655</b>	<b>19,135</b>	<b>793,610</b>
<b>Accumulated depreciation</b>						
As at January 1, 2020	(357,824)	(29,513)	(37,197)	-	-	(424,534)
Amortization	(26,067)	(2,638)	(4,202)	-	-	(32,907)
Disposals	1,809	117	321	-	-	2,247
As at December 31, 2020	(382,082)	(32,034)	(41,078)	-	-	(455,194)
Amortization	(25,871)	(2,739)	(4,590)	-	-	(33,200)
Disposals	618	100	-	-	-	718
<b>As at December 31, 2021</b>	<b>(407,335)</b>	<b>(34,673)</b>	<b>(45,668)</b>	<b>-</b>	<b>-</b>	<b>(487,676)</b>
<b>Net Book Value</b>						
As at December 31, 2020	195,605	48,149	12,127	655	24,625	281,161
<b>As at December 31, 2021</b>	<b>223,363</b>	<b>48,658</b>	<b>14,123</b>	<b>655</b>	<b>19,135</b>	<b>305,934</b>

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**MEETING DATE**     04/25/2022 (mm/dd/yyyy)

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**SUBJECT**             Appointment of Auditor

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***SUMMARY***

Appointment of Auditor to the Tbaytel Municipal Service Board.

***RECOMMENDATION***

WITH RESPECT to the Appointment of Auditor, we appoint \_\_\_\_\_ as auditor  
for the Tbaytel Municipal Service Board.

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***MEETING DATE***     04/25/2022 (mm/dd/yyyy)

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***SUBJECT***             Appointment of Chair

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***SUMMARY***

Appointment of Chair to the Tbaytel Municipal Service Board.

***RECOMMENDATION***

WITH RESPECT to the Appointment of Chair, Tbaytel Municipal Service Board, we appoint  
\_\_\_\_\_ as Chair.

## *Memorandum*

Corporate By-law Number BL 42/2022

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**TO:** Office of the City Clerk **FILE:**

**FROM:** Linda Crago  
City Manager's Office - Office of the City Clerk

**DATE:** 04/01/2022

**SUBJECT:** BL 42/2022 - Confirming By-law - April 25, 2022 - Tbaytel Annual General Meeting

**MEETING DATE:** City Council - 04/25/2022 (mm/dd/yyyy)

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**By-law Description:** A By-law to confirm the proceedings of a meeting of Council, this 25th day of April 2022 - Tbaytel Annual General Meeting

**Authorization:** Committee of the Whole - 2003/02/24

**By-law Explanation:** To confirm the proceedings and each motion, resolution and other action passed or taken by the Council at this meeting is, except where prior approval of the Ontario Land Tribunal required, adopted, ratified and confirmed as if all such proceedings had been expressly embodied in this By-law.

**Schedules and Attachments:**

**Amended/Repealed By-law Number(s):**





THE CORPORATION OF THE CITY OF THUNDER BAY  
BY-LAW NUMBER BL 42/2022

A By-law to confirm the proceedings of a meeting of Council,  
this 25th day of April 2022 - Tbaytel Annual General Meeting

Recitals

1. Subsection 5(1) of the Municipal Act, 2001, S.O. 2001 c. 25, as amended, provides that the powers of a municipal corporation are exercised by its Council. Subsection 5(3) provides that those powers are to be exercised by by-law.
2. Council considers it appropriate to confirm and adopt its proceedings at this meeting by by-law.

ACCORDINGLY, THE COUNCIL OF THE CORPORATION OF THE CITY OF  
THUNDER BAY ENACTS AS FOLLOWS:

1. The actions of the Council at the following meeting:

25th day of April, 2022 OPEN SESSION, CITY COUNCIL MEETING

and each motion, resolution and other action passed or taken by the Council at that meeting is, except where prior approval of the Ontario Land Tribunal is required, adopted, ratified and confirmed as if all such proceedings had been expressly embodied in this By-law.

2. The Mayor and the proper officials of The Corporation of the City of Thunder Bay are authorized and directed to do all things necessary to give effect to the actions of the Council referred to in Section 1 of this By-law. In addition, the Clerk is authorized and directed to affix the corporate seal to any documents which require it.
3. This By-law shall come into force on the date it is passed.

Enacted and passed this 25th day of April, A.D. 2022 as witnessed by the Seal of the Corporation and the hands of its proper Officers.

Bill Mauro

Mayor

Dana Earle

Deputy City Clerk

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**MEETING DATE**      04/25/2022 (mm/dd/yyyy)

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**SUBJECT**              Confirming By-law Resolution - April 25, 2022 - City Council Special Session - Tbaytel AGM

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***SUMMARY***

Confirming By-law Resolution - April 25, 2022 - City Council Special Session - Tbaytel AGM

***RECOMMENDATION***

THAT the following By-law be introduced, read, dealt with individually, engrossed, signed by the Mayor and Clerk, sealed and numbered:

1.      A By-law to confirm the proceedings of a meeting of Council, this 25th day of April, 2022.

By-law Number: BL 42/2022