



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

December 31, 2022

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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 systems 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 2022 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.



Scott Potts
Chair, Board of Directors
Tbaytel Board of Directors



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



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Independent Auditor's Report

**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, 2022 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, 2022, and its results of its operations, its re-measurement gains and losses, 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.



Independent Auditor's Report (cont'd)

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 29, 2023



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	2022	2021
	\$	\$
Financial assets		
Cash and cash equivalents	9,806	8,540
Short term investments (Note 3)	1,889	9,283
Accounts receivable (Note 4)	33,154	34,175
Inventory for resale	4,924	3,921
Investment in leases (Note 5)	96	148
	49,869	56,067
Liabilities		
Accounts payable and other liabilities	24,864	25,684
Due to The Corporation of the City of Thunder Bay	4,739	8,408
Debenture debt (Note 6)	41,425	44,675
Employee future benefits (Note 7)	7,479	7,413
Unearned revenue (Note 8)	1,395	1,501
	79,902	87,681
Net debt	(30,033)	(31,614)
Non-financial assets		
Tangible capital assets (Note 9 & Schedule 1)	342,468	305,934
Materials and supplies for use	12,115	7,326
Prepaid expenses	2,121	1,998
	356,704	315,258
Accumulated surplus		
Accumulated operating surplus	326,643	283,228
Accumulated re-measurement gains	28	416
	326,671	283,644

The accompanying notes are an integral part of these financial statements

Scott Potts
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 2022 (Note 14)	2022	2021
	\$	\$	\$
Revenues			
Wireline	73,085	75,923	71,265
Wireless	138,943	130,944	133,624
Other	5,817	8,483	12,712
Investment Income	565	90	551
	218,410	215,440	218,152
Expenses (Note 10)			
Operations	47,236	47,113	45,382
Finance	45,625	43,278	45,444
Sales and marketing	62,174	59,385	56,758
Administration	9,540	8,832	8,433
Transfer to The Corporation of the City of Thunder Bay	18,000	18,239	21,908
	182,575	176,847	177,925
Net revenues before the following	35,835	38,593	40,227
Legal recoveries (Note 16)	4,000	4,962	-
Loss on disposal of tangible capital assets	(137)	(140)	(251)
Annual surplus	39,698	43,415	39,976
Accumulated surplus, beginning of year	283,228	283,228	243,252
Accumulated surplus, end of year	322,926	326,643	283,228

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	2022	2021
	\$	\$
Accumulated re-measurement gains, beginning of year	416	474
Unrealized gains (losses) attributable to:		
Foreign exchange	(153)	133
Short-term investments	(235)	(191)
Net re-measurement losses for the year	(388)	(58)
Accumulated re-measurement gains, end of year	28	416

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 2022 (Note 14)	2022	2021
		\$	\$
Annual surplus	39,698	43,415	39,976
Acquisition of tangible capital assets	(60,508)	(67,670)	(58,224)
Amortization of tangible capital assets	31,678	30,996	33,200
Loss on disposal of tangible capital assets	137	140	251
	(28,693)	(36,534)	(24,773)
Net increase in materials and supplies for use	-	(4,789)	(3,631)
Net decrease (increase) in prepaid expenses	-	(123)	57
	-	(4,912)	(3,574)
Net re-measurement losses	-	(388)	(58)
Decrease in net debt	11,005	1,581	11,571
Net debt, beginning of the year	(31,614)	(31,614)	(43,185)
Net debt, end of the year	(20,609)	(30,033)	(31,614)

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	2022	2021
	\$	\$
Operating activities		
Annual surplus	43,415	39,976
Add (subtract) non-cash charges to operations:		
Amortization of tangible assets	30,996	33,200
Loss on disposal of tangible assets	140	251
Net re-measurement loss	(388)	(58)
Change in non-cash working capital balances		
Accounts receivable	1,021	(14,538)
Inventory for resale	(1,003)	2,479
Materials and supplies for use	(4,789)	(3,631)
Prepaid expenses	(123)	57
Accounts payable and other liabilities	(820)	3,002
Due to the Corporation of the City of Thunder Bay	(3,669)	1,268
Employee future benefits	66	(39)
Unearned revenue	(106)	(197)
Net cash generated from operating activities	64,740	61,770
Capital transactions		
Cash used to acquire tangible capital assets	(67,670)	(58,224)
Net cash used in capital transactions	(67,670)	(58,224)
Investing transactions		
Decrease (increase) in short term investments	7,394	(273)
Decrease (increase) in investment in leases	52	(47)
Cash from (used in) investing transactions	7,446	(320)
Financing transactions		
Net repayment of debenture financing	(3,250)	(2,950)
Decrease in other payable	-	(3,665)
Cash used in financing transactions	(3,250)	(6,615)
Increase (decrease) in cash and cash equivalents during the year	1,266	(3,389)
Cash and cash equivalents beginning of the year	8,540	11,929
Cash and cash equivalents end of the year	9,806	8,540

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, 2022

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 the Canadian Public Sector Accounting Standards (PSAS) 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 31st 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 the Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the 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, 2022

Funding assistance related to the acquisition of tangible capital assets is recorded as revenue and recognized when project milestones are completed and accepted by the funding agency.

Rebates, discounts and allowances to customers are reflected as a reduction in 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 been 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, which include legislative grants, 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, bank deposits and guaranteed income certificates that are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value.

NOTES TO THE FINANCIAL STATEMENTS

(all financial amounts are in \$ thousands)

Year ended December 31, 2022

- 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 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, 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



NOTES TO THE FINANCIAL STATEMENTS

(all financial amounts are in \$ thousands)

Year ended December 31, 2022

[g] Inventory for resale

Tbaytel's inventories for resale consist of wireless handsets, security devices, set top boxes, and enterprise telephone systems and are recorded at the lower of cost and 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 transaction. 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 cost of vacation entitlements are charged to expenses as earned.

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

The cost 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.



NOTES TO THE FINANCIAL STATEMENTS

(all financial amounts are in \$ thousands)

Year ended December 31, 2022

[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.

[l] 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 municipal and broader Ontario public sector. Tbaytel holds investments in ONE's Equity portfolio.

	2022		2021	
	Cost	Market Value	Cost	Market Value
Equity Fund	1,313	1,889	1,241	2,052
Bond Fund	-	-	4,582	4,328
Universe Corporate Bond Fund	-	-	2,829	2,903
	1,313	1,889	8,652	9,283

The weighted average yield on the fair market value of the investment portfolio during the year was -5.42% [2021 – 5.09%].

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.



NOTES TO THE FINANCIAL STATEMENTS

(all financial amounts are in \$ thousands)

Year ended December 31, 2022

As at December 31, 2022, all of these items are classified as Level 2. There have been no movements from Level 1 to Level 2 or Level 3.

4. ACCOUNTS RECEIVABLE

Accounts receivable are as follows:

	2022	2021
	\$	\$
Trade Receivable	30,626	25,870
Other receivables	3,562	9,397
Less provision for doubtful accounts	(1,034)	(1,092)
	33,154	34,175

5. INVESTMENT IN LEASES

Future minimum lease payments receivable are as follows:

	\$
2023	51
2024	31
2025-2027	28
	110

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

	2022	2021
	\$	\$
Total minimum lease payments receivable	110	174
Less unearned income	(14)	(26)
	96	148

6. DEBENTURE DEBT & CREDIT FACILITIES

[a] Debenture Debt

The balance of debenture debt reported on the Statement of Financial Position totaling \$41,425 [2021 – \$44,675] 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.



NOTES TO THE FINANCIAL STATEMENTS

(all financial amounts are in \$ thousands)

Year ended December 31, 2022

The Corporation of the City of Thunder Bay authorized and issued debentures in 2017 with a term of 20 years, for a 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 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 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 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:

	\$
2023	3,250
2024	3,250
2025	2,450
2026	2,450
2027	2,450
Subsequent to 2027	27,575
	<u>41,425</u>

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

	2022	2021
	\$	\$
Principal Payments	3,250	2,950
Interest Payments	1,245	1,184
	<u>4,495</u>	<u>4,134</u>

[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 7.5% at December 31, 2022. An amount of which \$NIL USD [2021 – \$NIL] is outstanding at December 31, 2022 and 2) \$5,500 CDN dollars at a floating rate of bank prime less 0.5% or 5.95% at December 31, 2022. An amount of \$NIL CDN [2021 – \$NIL] dollars is outstanding at December 31, 2022.



NOTES TO THE FINANCIAL STATEMENTS

(all financial amounts are in \$ thousands)

Year ended December 31, 2022

7. PENSION AND EMPLOYEE BENEFITS

[a] Pension

Tbaytel makes contribution to the Ontario Municipal Employees Retirement System Funds (OMERS) which is a multi-employer plan.

All employees are eligible to be members of 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, 2022. The results of this valuation disclosed total actuarial liabilities of \$130,306 million [2021 – \$120,796 million] in respect of benefits accrued for service with actuarial assets at that date of \$123,628 million [2021 – \$117,665 million] indicating an actuarial deficit of \$6,678 million [2021 – \$3,131 million] to the plan. 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, 2022, Tbaytel contributed \$2,910 [2021 - \$2,899] 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, 2022, were determined by actuarial valuation using a discount rate of 4.10% [2021 – 2.70%]. The date of the most recent actuarial valuation was August 10, 2022.

Information about Tbaytel's benefit plans is as follows:

	2022	2021
	\$	\$
Accrued benefit obligation recognized in the Statement of Financial Position at December 31	7,479	7,413
Expense for the period January 1 to December 31	305	243
Benefits paid for the year	(239)	(282)



NOTES TO THE FINANCIAL STATEMENTS

(all financial amounts are in \$ thousands)

Year ended December 31, 2022

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

Interest (discount) rate

The obligations as at December 31, 2022, of the present value of future liabilities and the expense for the year then ended was determined using an annual discount rate of 4.10% [2021 – 2.70%].

Medical costs

Medical costs were assumed to increase by an average of 5.00% [2021 - 4.70%] until 2039, and 4.00% [2021 – 4.00%] thereafter.

Dental and vision costs

Dental and vision costs were assumed to increase by an average of 5.10% [2021 - 4.80%] until 2039, and 4.00% [2021 - 4.00%] thereafter.

8. UNEARNED REVENUE

	2022	2021
	\$	\$
Unearned prepaid wireless revenue	814	833
Unearned portion of cash payments received for grants of IRU's	77	120
Unearned tower lease revenue	347	386
Other unearned revenue	157	162
	1,395	1,501

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 2022, the revenue recognized is \$2,362 [2021 – \$2,696].

Unearned revenue includes upfront payments received in exchange for the grant of IRU's on dark fiber strands. These payments are being amortized over 10 to 20 years.

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

	\$
2023	44
2024	33
	77

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 four years from the tower lease revenue is as follows:



NOTES TO THE FINANCIAL STATEMENTS

(all financial amounts are in \$ thousands)

Year ended December 31, 2022

	\$
2023	319
2024	11
2025	11
2026	6
	<u>347</u>

Other unearned revenue consists of billings completed in 2022 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 [2021 – 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:

	2022	2021
	\$	\$
Salaries, wages and benefits	36,147	35,652
Network and information systems	31,927	30,853
Marketing, distribution and hardware subsidies	9,300	10,556
Materials and supplies	36,446	32,576
Other	12,547	11,794
Interest	1,245	1,386
Amortization	30,996	33,200
Transfer to The Corporation of the City of Thunder Bay	18,239	21,908
	<u>176,847</u>	<u>177,925</u>



NOTES TO THE FINANCIAL STATEMENTS

(all financial amounts are in \$ thousands)

Year ended December 31, 2022

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, 2022 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 Statement of Operations.

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, 2022

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.

	2023	2024	2025	2026	2027	Thereafter
	\$	\$	\$	\$	\$	\$
Future operating lease payments	2,051	1,754	1,333	1,010	501	15
Purchase commitments for support service	2,995	1,373	1,064	285	285	-
	5,046	3,127	2,397	1,295	786	15

[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 [2021 – \$1,379].

[d] Tbaytel has provided a letter of guarantee from the Royal Bank to Innovation, Science and Economic Development Canada of \$5,604 [2021 – NIL].

[e] Tbaytel has a Strategic Business Relationship Agreement with Rogers which provides Tbaytel access to Rogers' Spectrum, Core Network and other services. Payments to Rogers over the next two years in accordance with the Agreement are as follows:

	\$
2023	8,324
2024	8,226
	16,550



NOTES TO THE FINANCIAL STATEMENTS

(all financial amounts are in \$ thousands)

Year ended December 31, 2022

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 provides telecommunication services to The Corporation of the City of Thunder Bay and billed \$2,320 [2021 – \$2,133].

The Corporation of the City of Thunder Bay billed Tbaytel \$425 [2021 – \$419] for payments in lieu of property taxes, and \$963 [2021 – \$917] for other sundry services.

Synergy North billed Tbaytel \$4,675 [2021 – \$5,635] 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.

15. CONTINGENT LIABILITIES

There are outstanding claims and litigation pending against Tbaytel for which the amount of settlement, if any, is not determinable at this time. Any amounts when determinable will be charged to expenditure.

16. LEGAL RECOVERIES

During the year Tbaytel settled a contractual dispute with a vendor leading to a recovery of funds. In January 2023 the entirety of settlement proceeds were received with no further action anticipated or required.



SCHEDULES

Schedule 1 – Tangible Capital Assets

(all financial amounts are in \$ thousands)

	Network Assets	Buildings, structures and leasehold improvements	Machinery, equipment and computers	Land	Assets under construction	Total
	\$	\$	\$	\$	\$	\$
At cost						
As at January 1, 2021	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)
As at December 31, 2021	630,698	83,331	59,791	655	19,135	793,610
Additions	41,221	4,722	3,568	-	18,159	67,670
Transfers from assets under construction	13,567	3,739	51	-	(17,357)	-
Disposals	(1,119)	(6)	-	-	-	(1,125)
As at December 31, 2022	684,367	91,786	63,410	655	19,937	860,155
Accumulated amortization						
As at January 1, 2021	(382,082)	(32,034)	(41,078)	-	-	(455,194)
Amortization	(25,871)	(2,739)	(4,590)	-	-	(33,200)
Disposals	618	100	-	-	-	718
As at December 31, 2021	(407,335)	(34,673)	(45,668)	-	-	(487,676)
Amortization	(23,138)	(2,869)	(4,989)	-	-	(30,996)
Disposals	980	5	-	-	-	985
As at December 31, 2022	(429,493)	(37,537)	(50,657)	-	-	(517,687)
Net Book Value						
As at December 31, 2021	223,363	48,658	14,123	655	19,135	305,934
As at December 31, 2022	254,874	54,249	12,753	655	19,937	342,468