



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

December 31, 2024

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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, 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 2024 financial statements have been reported on by Tbaytel's external auditors, MNP 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, CPA, CA  
Chair, Board of Directors  
Tbaytel Board of Directors



Greg Treffry, CPA, CA, CMA, ICD.D  
Chair, Audit & Finance Committee  
Tbaytel Board of Directors

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, 2024, and the statements of operations, remeasurement 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 the Tbaytel as at December 31, 2024, and the results of its operations, its remeasurement gains and losses, changes in its 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 the 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.

### Other Matter

The financial statement for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those statements on March 27, 2024.

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

Management is responsible for the preparation and fair presentation of the 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 the 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 the Tbaytel or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the 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.

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 the 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 the 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 the 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.

Thunder Bay, Ontario

March 26, 2025

*MNP LLP*

Chartered Professional Accountants

Licensed Public Accountants



## 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                                 | 2024            | 2023            |
|---|-----------------|-----------------|
|   | \$              | \$              |
| <b>Financial assets</b>                           |                 |                 |
| Cash  | 14,314          | 8,382           |
| Accounts receivable (Note 3)                      | 49,598          | 38,290          |
| Inventory for resale                              | 4,512           | 4,800           |
| Investment in leases (Note 4)                     | 22              | 17              |
|   | <b>68,446</b>   | <b>51,489</b>   |
| <b>Liabilities</b>                                |                 |                 |
| Accounts payable and other liabilities            | 32,892          | 25,239          |
| Due to The Corporation of the City of Thunder Bay | 5,280           | 4,500           |
| Debenture debt (Note 5)                           | 34,925          | 38,175          |
| Employee future benefits (Note 6)                 | 7,325           | 7,405           |
| Unearned revenue (Note 7)                         | 1,202           | 1,371           |
| Asset retirement obligation (Note 8)              | 2,999           | 2,571           |
|   | <b>84,623</b>   | <b>79,261</b>   |
| <b>Net debt</b>                                   | <b>(16,177)</b> | <b>(27,772)</b> |
| <b>Non-financial assets</b>                       |                 |                 |
| Tangible capital assets (Note 9 & Schedule 1)     | 409,298         | 378,877         |
| Materials and supplies for use                    | 6,787           | 9,969           |
| Prepaid expenses                                  | 3,431           | 3,540           |
|   | <b>419,516</b>  | <b>392,386</b>  |
| <b>Accumulated surplus</b>                        | <b>403,339</b>  | <b>364,614</b>  |

The accompanying notes are an integral part of these financial statements

Scott Potts, CPA, CA  
Chair, Board of Directors  
Tbaytel Board of Directors

Greg Treffry, CPA, CA, CMA, ICD.D  
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<br>2024<br>(Note 14) | 2024           | 2023<br>(Note 16) |
|--|-----------------------------|----------------|-------------------|
|  | \$                          | \$             | \$                |
| <b>Revenues</b>  |                             |                |                   |
| Wireline   | 80,670                      | 81,456         | 78,620            |
| Wireless   | 128,800                     | 125,501        | 128,904           |
| Other  | 14,117                      | 16,031         | 11,807            |
| Investment income                                      | 101                         | 663            | 319               |
|  | <b>223,688</b>              | <b>223,651</b> | 219,650           |
| <b>Expenses (Note 10)</b>                              |                             |                |                   |
| Operations   | 48,979                      | 48,683         | 48,673            |
| Finance  | 49,946                      | 50,154         | 46,734            |
| Sales and marketing                                    | 59,668                      | 56,054         | 56,903            |
| Administration   | 10,648                      | 10,269         | 9,493             |
| Transfer to The Corporation of the City of Thunder Bay | 19,000                      | 19,530         | 18,000            |
|  | <b>188,241</b>              | <b>184,690</b> | 179,803           |
| Net revenues before the following                      | 35,447                      | 38,961         | 39,847            |
| Gain (loss) on foreign exchange                        | -                           | (7)            | 62                |
| Loss on disposal of tangible capital assets            | (94)                        | (229)          | (64)              |
| <b>Annual surplus</b>                                  | <b>35,353</b>               | <b>38,725</b>  | 39,845            |
| Accumulated operating surplus, beginning of year       | 364,614                     | 364,614        | 324,769           |
| <b>Accumulated operating surplus, end of year</b>      | <b>399,967</b>              | <b>403,339</b> | 364,614           |

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                      | 2024 | 2023  |
|---|------|-------|
|   | \$   | \$    |
| Accumulated re-measurement gains, beginning of year | -    | 181   |
| Change during year                                  | -    | (181) |
| Accumulated re-measurement gains, end of year       | -    | -     |

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<br>2024<br>(Note 14) | 2024          | 2023          |
|---|-----------------------------|---------------|---------------|
|   |                             | \$            | \$            |
| <b>Annual surplus</b>                           | <b>35,353</b>               | <b>38,725</b> | <b>39,845</b> |
| Acquisition of tangible capital assets and ARO  | (69,057)                    | (67,466)      | (69,891)      |
| Amortization of tangible capital assets and ARO | 36,724                      | 36,816        | 34,155        |
| Loss on disposal of tangible capital assets     | 94                          | 229           | 64            |
|   | (32,239)                    | (30,421)      | (35,672)      |
| Net decrease in materials and supplies for use  | -                           | 3,182         | 2,146         |
| Net decrease (increase) in prepaid expenses     | -                           | 109           | (1,419)       |
|   | -                           | 3,291         | 727           |
| Net re-measurement losses                       | -                           | -             | (181)         |
| Decrease in net debt                            | 3,114                       | 11,595        | 4,719         |
| Net debt, beginning of the year                 | (27,772)                    | (27,772)      | (32,491)      |
| Net debt, end of the year                       | (24,658)                    | (16,177)      | (27,772)      |

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                      | 2024            | 2023            |
|---|-----------------|-----------------|
|   | \$              | \$              |
| <b>Operating activities</b>                         |                 |                 |
| Annual surplus                                      | 38,725          | 39,845          |
| Add (subtract) non-cash charges to operations:      |                 |                 |
| Amortization of tangible assets and ARO             | 36,816          | 34,155          |
| Contributions of tangible capital assets            | (2,768)         | -               |
| Loss on disposal of tangible assets                 | 229             | 64              |
| Net re-measurement loss                             | -               | (181)           |
| Accretion of ARO                                    | 128             | 113             |
| Increase of asset retirement obligation             | 300             | -               |
| Change in non-cash working capital balances         |                 |                 |
| Accounts receivable                                 | (11,308)        | (5,136)         |
| Inventory for resale                                | 288             | 124             |
| Materials and supplies for use                      | 3,182           | 2,146           |
| Prepaid expenses                                    | 109             | (1,419)         |
| Accounts payable and other liabilities              | 7,653           | 375             |
| Due to the Corporation of the City of Thunder Bay   | 780             | (239)           |
| Employee future benefits                            | (80)            | (74)            |
| Unearned revenue                                    | (169)           | (24)            |
| <b>Net cash generated from operating activities</b> | <b>73,885</b>   | <b>69,749</b>   |
| <b>Capital transactions</b>                         |                 |                 |
| Cash used to acquire tangible capital assets        | (64,698)        | (69,891)        |
| <b>Net cash used in capital transactions</b>        | <b>(64,698)</b> | <b>(69,891)</b> |
| <b>Investing transactions</b>                       |                 |                 |
| Decrease in short term investments                  | -               | 1,889           |
| Decrease (increase) in investment in leases         | (5)             | 79              |
| <b>Cash from (used in) investing transactions</b>   | <b>(5)</b>      | <b>1,968</b>    |
| <b>Financing transactions</b>                       |                 |                 |
| Net repayment of debenture financing                | (3,250)         | (3,250)         |
| <b>Cash used in financing transactions</b>          | <b>(3,250)</b>  | <b>(3,250)</b>  |
| Increase (decrease) in cash during the year         | 5,932           | (1,424)         |
| Cash beginning of the year                          | 8,382           | 9,806           |
| <b>Cash end of the year</b>                         | <b>14,314</b>   | <b>8,382</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, 2024

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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 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 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 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, employee future benefit estimates and amounts, timing, estimated future cost and discount rate of asset retirement obligations and contingencies.

#### [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.



## NOTES TO THE FINANCIAL STATEMENTS

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

Year ended December 31, 2024

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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.

Revenue from arrangements with multiple performance obligations is recognized as each performance obligation is satisfied based on the stand-alone selling price of each of the performance obligations.

Revenue related to the acquisition of tangible capital assets is recognized as project milestones are completed, providing the eligibility criteria of the agreement are met.

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.

### **[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.

Funding assistance related to the acquisition of tangible capital assets is recorded as revenue and recognized when project milestones are completed, providing the eligibility criteria of the agreement are met.

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

Financial instruments are recorded at either fair value, cost or amortized cost at initial recognition.

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

- Cash includes cash on hand and bank deposits which are reported at fair 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 exists. Changes in valuation allowance are recognized in the statement of operations. Interest is accrued to the extent it is deemed collectible.
- 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.

## NOTES TO THE FINANCIAL STATEMENTS

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

**Year ended December 31, 2024**

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All financial instruments are tested for impairment annually, or more frequently when changes in circumstances indicate the financial instrument could be impaired. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations.

Transaction costs on the acquisition, sale or issue of financial instruments are charged to the financial instrument for those measured at amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

As the fair value of cash approximates carrying value and all other financial instruments have been measured at cost or amortized cost, there have been no remeasurement gains or losses recorded.

### **[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.

During the year ended December 31, 2024, Tbaytel capitalized certain labour costs directly attributable to the construction and installation of capital assets. These costs include wages, salaries, and associated fringe benefits for employees engaged in activities related to telecommunications network design, construction and installation.

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

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.



## NOTES TO THE FINANCIAL STATEMENTS

(all financial amounts are in \$ thousands)

Year ended December 31, 2024

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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 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 and realized foreign exchange gains and losses are recognized in the Statement of Operations.

### **[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.



## NOTES TO THE FINANCIAL STATEMENTS

(all financial amounts are in \$ thousands)

Year ended December 31, 2024

### [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.

### [l] Asset Retirement Obligations

A liability for an asset retirement obligation is recognized when there is a legal obligation to incur retirement costs in relation to a tangible capital asset; the past transaction or event giving rise to the liability has occurred; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made.

The liability is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date. This liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle the obligation or the discount rate.

Upon the initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related tangible capital asset if it is still in productive use. This cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.

## 3. ACCOUNTS RECEIVABLE

Accounts receivable are as follows:

|                                      | 2024    | 2023   |
|--------------------------------------|---------|--------|
|                                      | \$      | \$     |
| Trade receivables                    | 41,339  | 33,421 |
| Other receivables                    | 9,289   | 5,827  |
| Less provision for doubtful accounts | (1,030) | (958)  |
|                                      | 49,598  | 38,290 |



## NOTES TO THE FINANCIAL STATEMENTS

(all financial amounts are in \$ thousands)

Year ended December 31, 2024

### 4. INVESTMENT IN LEASES

Future minimum lease payments receivable are as follows:

|           | \$ |
|-----------|----|
| 2025      | 11 |
| 2026      | 6  |
| 2027-2029 | 8  |
|           | 25 |

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

|   | 2024 | 2023 |
|---|------|------|
|   | \$   | \$   |
| Total minimum lease payments receivable | 25   | 19   |
| Less unearned income                    | (3)  | (2)  |
|   | 22   | 17   |

### 5. DEBENTURE DEBT & CREDIT FACILITIES

#### [a] Debenture Debt

The balance of debenture debt reported on the Statement of Financial Position totaling \$34,925 [2023 – \$38,175 is comprised of the following:

Infrastructure Ontario 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.

Infrastructure Ontario 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.

Infrastructure Ontario 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.

Infrastructure Ontario 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.





## NOTES TO THE FINANCIAL STATEMENTS

(all financial amounts are in \$ thousands)

Year ended December 31, 2024

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

|                    | \$     |
|--------------------|--------|
| 2025               | 2,450  |
| 2026               | 2,450  |
| 2027               | 2,450  |
| 2028               | 2,450  |
| 2029               | 2,450  |
| Subsequent to 2029 | 22,675 |
|                    | 34,925 |

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

|                    | 2024  | 2023  |
|--------------------|-------|-------|
|                    | \$    | \$    |
| Principal Payments | 3,250 | 3,250 |
| Interest Payments  | 1,071 | 1,158 |
|                    | 4,321 | 4,408 |

### [b] Credit Facilities

Tbaytel's available Revolving Credit Facilities include the following, the total of which shall not exceed \$12,000 CDN at any time:

- 1) Revolving demand facility in USD funds at a floating rate of U.S. bank base or 8.0% at December 31, 2024. An amount of which \$NIL USD [2023 – \$NIL] is outstanding at December 31, 2024.
- 2) Revolving demand facility in CDN funds at a floating rate of bank prime less 0.5% or 4.95% at December 31, 2024. An amount of \$NIL CDN [2023 – \$NIL] is outstanding at December 31, 2024.
- 3) USD letters of credit or CDN or USD letters of guarantee. An amount of \$345 CDN [2023 – \$345] is outstanding at December 31, 2024.

## 6. 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.



## NOTES TO THE FINANCIAL STATEMENTS

(all financial amounts are in \$ thousands)

Year ended December 31, 2024

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, 2024. The results of this valuation disclosed total actuarial liabilities of \$142,489 million [2023 – \$136,185 million] in respect of benefits accrued for service with actuarial assets at that date of \$139,576 million [2023 – \$131,983 million] indicating an actuarial deficit of \$2,913 million [2023 – \$4,202 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, 2024, Tbaytel contributed \$3,071 [2023 - \$3,016] 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, 2024, were determined by actuarial valuation using a discount rate of 4.10% [2023 – 4.10%]. The date of the most recent actuarial valuation was August 10, 2022.

Information about Tbaytel's benefit plans is as follows:

|   | 2024         | 2023         |
|---|--------------|--------------|
|   | \$           | \$           |
| Accrued benefit obligation recognized in the Statement of Financial Position at December 31 | 7,325        | 7,405        |
| Expense for the period January 1 to December 31   | 311          | 256          |
| <b>Benefits paid for the year</b>   | <b>(231)</b> | <b>(330)</b> |

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

#### Interest (discount) rate

The obligations as at December 31, 2024, 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% [2023 – 4.10%].

#### Medical costs

Medical costs were assumed to increase by an average of 5.00% [2023 – 5.00%] until 2039, and 4.00% [2023 – 4.00%] thereafter.

#### Dental and vision costs

Dental and vision costs were assumed to increase by an average of 5.10% [2023 – 5.10%] until 2039, and 4.00% [2023 - 4.00%] thereafter.



## NOTES TO THE FINANCIAL STATEMENTS

(all financial amounts are in \$ thousands)

Year ended December 31, 2024

### 7. UNEARNED REVENUE

|                                   | 2024  | 2023  |
|-----------------------------------|-------|-------|
|                                   | \$    | \$    |
| Unearned prepaid wireless revenue | 745   | 790   |
| Unearned tower lease revenue      | 317   | 405   |
| Other unearned revenue            | 140   | 176   |
|                                   | 1,202 | 1,371 |

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 2024, the revenue recognized was \$2,397 [2023 – \$2,481].

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 two years from the tower lease revenue is as follows:

|      | \$  |
|------|-----|
| 2025 | 311 |
| 2026 | 6   |
|      | 317 |

Other unearned revenue consists of billings completed in 2024 where the service will not be rendered until subsequent periods.

### 8. ASSET RETIREMENT OBLIGATION

Tbaytel's financial statements include an asset retirement obligation for future asbestos remediation and decommissioning of towers. The related asset retirement costs are being amortized on a straight-line basis. The liability has been estimated using a net present value technique with a discount rate of 4.54% (2023 – 4.59%). The estimated total undiscounted future expenditures are \$12,269 (2023 – \$11,057), which are to be incurred over the next 40 years. The liability is expected to be settled by 2064.

|   | 2024  | 2023  |
|---|-------|-------|
|   | \$    | \$    |
| Liabilities for ARO at beginning of year            | 2,571 | 2,458 |
| Increase reflecting changes in estimated cash flows | 300   | -     |
| Increase due to accretion expense                   | 128   | 113   |
| Liabilities for ARO at end of year                  | 2,999 | 2,571 |



## NOTES TO THE FINANCIAL STATEMENTS

(all financial amounts are in \$ thousands)

Year ended December 31, 2024

### 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.

Tbaytel received contributed network assets comprising infrastructure enhancements to advance fibre deployment to rural markets.

During the year, there were no write-downs, no interest capitalized, and \$2,768 of contributed tangible assets [2023 – 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:

|  | 2024    | 2023    |
|--|---------|---------|
|  | \$      | \$      |
| Salaries, wages and benefits                           | 38,130  | 37,217  |
| Network and information systems                        | 34,185  | 32,707  |
| Marketing, distribution and hardware subsidies         | 6,711   | 7,585   |
| Materials and supplies                                 | 34,334  | 35,288  |
| Other  | 13,897  | 13,588  |
| Interest   | 1,087   | 1,263   |
| Amortization   | 36,816  | 34,155  |
| Transfer to The Corporation of the City of Thunder Bay | 19,530  | 18,000  |
|  | 184,690 | 179,803 |

### 11. FINANCIAL INSTRUMENTS

Financial instruments of Tbaytel consist of cash, accounts receivable, due to The Corporation of the City of Thunder Bay, accounts payable and other liabilities and debenture debt. At December 31, 2024 there are no significant differences between their carrying values and their estimated market values.



## NOTES TO THE FINANCIAL STATEMENTS

(all financial amounts are in \$ thousands)

Year ended December 31, 2024

### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Tbaytel's credit risk is primarily attributable to its accounts receivable.

This risk is minimized by Tbaytel's large and diverse customer base. Tbaytel 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.

Tbaytel's maximum exposure to credit risk at the financial statement date is the carrying value of its accounts receivable as presented on the statement of financial position.

At year end, the amounts outstanding for the organization's accounts receivable are as follows:

|                                      | 2024    | 2023   |
|--------------------------------------|---------|--------|
|                                      | \$      | \$     |
| Current                              | 34,704  | 29,458 |
| 31 to 60 days                        | 5,477   | 1,857  |
| 61 to 90 days                        | 4,906   | 3,276  |
| Over 90 days                         | 5,541   | 4,657  |
| Less provision for doubtful accounts | (1,030) | (958)  |
|                                      | 49,598  | 38,290 |

At year end, Tbaytel's management has determined that accounts receivable are impaired as illustrated in the above table. Management's assessment was based on estimates and assumptions regarding current market conditions, customer analysis and historical payment trends.

There have not been any changes from the prior year in the company's exposure to credit risk or the policies, procedures and methods it uses to manage and measure the risk.

### Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Tbaytel is exposed to interest rate risk through its long-term debt but minimizes the risk and the net interest expense by obtaining 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.

There have not been any changes from the prior year in the company's exposure to credit risk or the policies, procedures and methods it uses to manage and measure the risk.



## NOTES TO THE FINANCIAL STATEMENTS

(all financial amounts are in \$ thousands)

Year ended December 31, 2024

### Liquidity risk

Liquidity risk is the risk that Tbaytel will not be able to meet its financial obligations as they become due. Tbaytel is exposed to liquidity risk through its accounts payable and other liabilities and debenture debt. Tbaytel's approach to managing liquidity risk 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. Accounts payable are primarily due and settled within 30 days of receipt of an invoice. The contractual maturities of debenture debt are disclosed in note 5.

There have not been any changes from the prior year in the company's exposure to credit risk or the policies, procedures and methods it uses to manage and measure the risk.

### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. 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 and commitments when required, the impact of these transactions is not material to the financial statements.

Monetary assets and liabilities denominated in foreign currency are translated at the prevailing rate of exchange at year end. Revenue and expenses are translated at the exchange rate prevailing on the transaction date. Exchange gains and losses are included in the Statement of Operations.

There have not been any changes from the prior year in the company's exposure to credit risk or the policies, procedures and methods it uses to manage and measure the risk.

## 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.

|  | 2025  | 2026  | 2027  | 2028 | 2029 | Thereafter |
|--|-------|-------|-------|------|------|------------|
|  | \$    | \$    | \$    | \$   | \$   | \$         |
| Future operating lease payments          | 2,262 | 1,954 | 1,428 | 702  | 129  | 119        |
| Purchase commitments for support service | 3,922 | 2,849 | 822   | 46   | -    | -          |
|  | 6,184 | 4,803 | 2,250 | 748  | 129  | 119        |

**[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.



## NOTES TO THE FINANCIAL STATEMENTS

(all financial amounts are in \$ thousands)

Year ended December 31, 2024

**[c]** Tbaytel has provided a letter of guarantee from the Royal Bank to Workplace Safety and Insurance Board of \$345 [2023 – \$345].

**[d]** 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:

|      | \$     |
|------|--------|
| 2025 | 8,652  |
| 2026 | 8,976  |
|      | 17,628 |

### 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 billed \$2,291 [2023 – \$2,282] to The Corporation of the City of Thunder Bay for telecommunication services and \$503 [2023 – \$163] for other sundry services

The Corporation of the City of Thunder Bay billed Tbaytel \$454 [2023 – \$436] for payments in lieu of property taxes, and \$447 [2023 – \$1,012] for other sundry services.

Synergy North, an entity under common control, billed Tbaytel \$2,812 [2022 – \$3,185] 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. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform to the presentation adopted in the current year.

## NOTES TO THE FINANCIAL STATEMENTS

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

Year ended December 31, 2024

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### 17. FUTURE ACCOUNTING POLICIES

Effective for year ends beginning on or after April 1, 2026, the Public Sector Accounting Board issued The Conceptual Framework for Financial Reporting in the Public Sector which replaces conceptual aspects of Section PS 1000 Financial Statement Concepts and Section PS 1100 Financial Statement Objectives. At the same time, they issued Section PS 1202 Financial Statement Presentation. Tbaytel has not yet adopted these standards or determined the effect on the financial statements.



## Schedule 1 – Tangible Capital Assets

(all financial amounts are in \$ thousands)

|  | Network<br>Assets | Buildings,<br>structures and<br>leasehold<br>improvements | Machinery,<br>equipment<br>and<br>computers | Land       | Assets under<br>construction | Total            |
|--|-------------------|---|---|------------|------------------------------|------------------|
|  | \$                | \$  | \$  | \$         | \$                           | \$               |
| <b>At cost</b>                           |                   |   |   |            |                              |                  |
| As at January 1, 2023                    | 684,367           | 92,964  | 63,410                                      | 655        | 19,937                       | 861,333          |
| Additions                                | 42,907            | 4,046   | 3,170                                       | -          | 19,768                       | 69,891           |
| Transfers from assets under construction | 14,675            | 1,241   | 356   | -          | (16,272)                     | -                |
| Disposals                                | (1,037)           | -   | (895)                                       | -          | -                            | (1,932)          |
| As at December 31, 2023                  | 740,912           | 98,251  | 66,041                                      | 655        | 23,433                       | 929,292          |
| Additions                                | 40,381            | 5,890   | 3,642                                       | -          | 14,785                       | 64,698           |
| Contributed tangible capital assets      | 2,768             | -   | -   | -          | -                            | 2,768            |
| Transfers from assets under construction | 13,651            | -   | 229   | -          | (13,880)                     | -                |
| Disposals                                | (1,954)           | (168)   | -   | -          | -                            | (2,122)          |
| <b>As at December 31, 2024</b>           | <b>795,758</b>    | <b>103,973</b>  | <b>69,912</b>                               | <b>655</b> | <b>24,338</b>                | <b>994,636</b>   |
| <b>Accumulated amortization</b>          |                   |   |   |            |                              |                  |
| As at January 1, 2023                    | (429,493)         | (37,978)  | (50,657)                                    | -          | -                            | (518,128)        |
| Amortization                             | (25,906)          | (3,039)   | (5,210)                                     | -          | -                            | (34,155)         |
| Disposals                                | 973               | -   | 895   | -          | -                            | 1,868            |
| As at December 31, 2023                  | (454,426)         | (41,017)  | (54,972)                                    | -          | -                            | (550,415)        |
| Amortization                             | (29,119)          | (3,163)   | (4,534)                                     | -          | -                            | (36,816)         |
| Disposals                                | 1,828             | 65  | -   | -          | -                            | 1,893            |
| <b>As at December 31, 2024</b>           | <b>(481,717)</b>  | <b>(44,115)</b>   | <b>(59,506)</b>                             | <b>-</b>   | <b>-</b>                     | <b>(585,338)</b> |
| <b>Net Book Value</b>                    |                   |   |   |            |                              |                  |
| As at December 31, 2023                  | 286,486           | 57,234  | 11,069                                      | 655        | 23,433                       | 378,877          |
| <b>As at December 31, 2024</b>           | <b>314,041</b>    | <b>59,858</b>   | <b>10,406</b>                               | <b>655</b> | <b>24,338</b>                | <b>409,298</b>   |