Ontario Northland Transportation Commission

Consolidated Financial Statements

For the year ended March 31, 2022

Ontario Northland Transportation Commission
Consolidated Financial Statements
For the year ended March 31, 2022

Contents

Management's Responsibility

The Ontario Northland Transportation Commission's management is responsible for the integrity and fair presentation of the consolidated financial statements and other information included in the annual report. The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards. The preparation of consolidated financial statements necessarily involves the use of management's judgment and best estimates, particularly when transactions affecting the current accounting period cannot be determined with certainty until future periods. All financial information in the annual report is consistent with the consolidated financial statements.

The Commission maintains systems of internal accounting controls designed to provide reasonable assurance that the financial information is accurate and reliable and that the Commission’s assets and liabilities are adequately accounted for and assets safeguarded.

The Commission is responsible for ensuring that management fulfils its responsibilities for internal control and financial reporting. The Commission meets with management and external auditors to satisfy itself that each group has met its responsibilities. These consolidated financial statements have been reviewed and approved by the Commission.

These consolidated financial statements have been audited by the Auditor General of Ontario, whose responsibility is to express an opinion on whether they are fairly presented in accordance with Canadian public sector accounting standards. The Independent Auditor’s Report which follows, outlines the scope of the Auditor’s examination and opinion.

CMoore

Corina Moore
President and CEO

Natalie Park
Director of Finance

North Bay, Ontario
June 28, 2022

Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

INDEPENDENT AUDITOR'S REPORT

To the Ontario Northland Transportation Commission

Opinion

I have audited the consolidated financial statements of the Ontario Northland Transportation Commission (Commission), which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statements of operations and changes in net deficit and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Commission as at March 31, 2022 and the consolidated results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-326-3812

B.P. 105, 15e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-326-3812

www.auditor.on.ca

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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 Commission’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 Commission’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor’s report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I 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 I identify during my audit.

Bonnie Lysyk

Toronto, Ontario
June 28, 2022

Bonnie Lysyk, MBA, FCPA, FCA, LPA
Auditor General

Ontario Northland Transportation Commission
Consolidated Statement of Financial Position
(dollars in thousands)

March 31	2022	2021
Assets		
Current		
Cash and cash equivalents	$ 11,923	$ 17,400
Accounts receivable (Net of allowance - $95; 2021 - $201)	53,650	14,359
Inventory	16,130	20,081
Prepaid expenses	1,695	1,274
	83,398	53,114
Restricted cash (Notes 3 and 7)	2,000	2,000
Capital assets (Note 4)	552,337	511,611
	$ 637,735	$ 566,725
Liabilities and Net Deficit		
Current		
Accounts payable and accrued liabilities	$ 29,860	$ 33,098
Current portion of long-term debt (Note 9)	107	101
Deferred revenue	42,756	7,257
	72,723	40,456
Deferred government contributions (Note 7)	2,000	2,000
Deferred government capital contributions (Note 8)	477,856	432,841
Long-term debt (Note 9)	1,037	1,144
Accrued non-pension benefit obligation (Note 5)	89,647	84,469
Liability for contaminated sites (Note 10)	6,675	6,675
	649,938	567,585
Net deficit		
Unrestricted	(12,203)	(860)
	$ 637,735	$ 566,725

Contingencies (Note 13)

Commitments (Note 14)

Approved on behalf of the Commission:

Alan Spacek ______ Chair ______ Vice-Chair

Ontario Northland Transportation Commission
Consolidated Statement of Operations and Changes in Net Deficit
(dollars in thousands)

For the year ended March 31		2022		2021
Revenues				
Sales and other (Note 12)	$	**71,673**	$	61,269
Expenses (Note 12)				
Labour and fringe benefits		**58,409**		53,069
Materials and parts		**22,146**		16,902
Services		**10,520**		8,292
Supplies and equipment		**5,202**		5,232
Other (Note 16)		**9,715**		11,272
Interest on long-term debt (Note 9)		**59**		58
Loss (gain) on sale of capital assets		**(722)**		(930)
Amortization of capital assets		**21,273**		20,696
Employee future benefits		**14,755**		7,809
		141,357		122,400
Deficiency of revenues over expenses before government funding		**(69,684)**		(61,131)
Government operating contributions (Note 11)		**41,114**		42,877
Amortization of deferred capital contributions (Note 8)		**17,227**		15,089
Deficiency of revenues over expenses for the year	$	**(11,343)**	$	(3,165)
Unrestricted net (deficit) asset, beginning of year	$	**(860)**	$	2,305
Unrestricted net deficit, end of year	$	**(12,203)**	$	(860)

Ontario Northland Transportation Commission
Consolidated Statement of Cash Flows
(dollars in thousands)

Year ended March 31		**2022**		2021
Cash provided by (used in)				
Operating activities				
Deficiency of revenue over expenses for the year	**$**	**(11,343)**	$	(3,165)
Items not affecting cash				
Amortization of capital assets		**21,273**		20,696
Amortization of deferred capital contributions		**(17,227)**		(15,089)
Loss (gain) on disposal of capital assets		**(722)**		(930)
Employee future benefit expense		**14,755**		7,809
		6,736		9,321
Changes in non-cash working capital balances				
Accounts receivable		**(39,291)**		1,573
Inventory		**3,951**		(6,119)
Prepaid expenses		**(421)**		(123)
Accounts payable and accrued liabilities		**(3,238)**		8,092
Deferred government contributions and deferred revenue		**35,499**		(73)
Pension contributions paid		**(4,357)**		(4,082)
Non-pension benefits paid		**(5,220)**		(4,399)
		(6,341)		4,190
Capital activities				
Purchase of capital assets		**(61,914)**		(59,752)
Proceeds from sale of capital assets		**965**		1,097
		(60,949)		(58,655)
Financing activities				
Principal repayment of long-term debt		**(101)**		(96)
Deferred capital contributions		**61,914**		59,752
		61,813		59,656
(Decrease) increase in cash and cash equivalents during the year		**(5,477)**		5,191
Cash and cash equivalents, beginning of year		**19,400**		14,209
Cash and cash equivalents, end of year	**$**	**13,923**	$	19,400
Represented by				
Cash and cash equivalents	**$**	**11,923**	$	17,400
Restricted cash (Note 3)		**2,000**		2,000
	$	**13,923**	$	19,400

1. Nature of Organization

The Ontario Northland Transportation Commission (the “Commission”) is a Crown agency, reporting to the Minister of Transportation. The Commission delivers a variety of services, including rail freight, passenger rail, motor coach, and remanufacturing and repair in Northern Ontario.

The Commission generates revenues from the provision of transportation services. The Commission also receives an annual operational subsidy as well as capital subsidy from the Province of Ontario. The ability of the Commission to continue to offer its services and fulfill its mandate is dependent on the ongoing subsidies it receives from the Province.

The consolidated financial statements include the activities of the wholly owned subsidiary, Nipissing Central Railway Company, that leases all of its assets to ONTC.

As a not-for-profit Crown agency of the Province, the Commission is exempt from income taxes. This exemption extends to its wholly owned subsidiary, and accordingly no tax provision is recorded in these financial statements.

2. Significant Accounting Policies

These consolidated financial statements are prepared in accordance with the Chartered Professional Accountants of Canada Public Sector Accounting Handbook, which sets out generally accepted accounting principles for government not for-profit organizations in Canada. The Organization has elected to use the standards for not-for-profit organizations that include PS 4200 to PS 4270. The consolidated financial statements include the following significant accounting policies:

Basis of Consolidation

The consolidated financial statements include the assets, liabilities and activities of Nipissing Central Railway Company, the wholly owned subsidiary. Transactions and balances between the entities have been eliminated in arriving at the consolidated financial statements.

Cash and Cash Equivalents

Cash includes cash on hand, balances with banks, and externally restricted cash.

Accounts Receivable

Accounts receivable are measured at amortized cost and shown net of allowance for doubtful accounts.

2. Significant Accounting Policies (continued)

Inventory

Materials and supplies are valued at the lower of cost and net realizable value by using the weighted-average costing methodology. The Commission uses the same cost formulas for all inventories having a similar nature and use to the Commission. The Commission periodically reviews the value of items in inventory and records write-downs or write-offs based on its assessment of slow moving or obsolete inventory. When net realizable value is less than carrying cost, inventory is written down accordingly. When circumstances which previously caused inventories to be written down no longer exist, that previous impairment is reversed.

Capital Assets

Capital assets are stated at acquisition cost less accumulated amortization. Amortization is provided using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives for principal categories of capital assets are as follows:

Land	No amortization
Rolling stock	30 to 40 years
Track and roadway	20 to 100 years
Buildings	20 to 50 years
Equipment	3 to 40 years
Coaches	10 years

No amortization is provided on assets under construction until they are placed in use.

Impairment of Capital Assets

Capital assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the capital asset may not contribute to the Commission's ability to deliver services. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, both the asset and any related deferred capital contributions are written down by the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the Commission uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

Revenue Recognition

Revenue from all sources is recognized when all of the following conditions are met:

a) services are provided or products delivered to customers
b) there is clear evidence that an arrangement exists, and
c) collection is reasonably assured.

Contract revenues are generally recorded on a percentage of completion basis as work reaches predetermined project milestones.

2. Significant Accounting Policies (continued)

Revenue Recognition (continued)

The Commission accounts for provincial contributions under the deferral method of accounting as follows:

- Unrestricted contributions are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.
- Externally restricted contributions related to operating expenditures are recognized as revenue when the related expenditures are incurred.
- The Province reimburses the Commission for the cost of certain capital assets purchased for use in operations. The Commission records the contributions as deferred capital contributions. Deferred capital contributions are amortized to revenue on a straight-line basis at rates corresponding to those of the related capital assets.

Employee Future Benefits

Pension Plans – Commission employees are members of the Public Service Pension Plan (PSPP) and the Public Service Supplementary Benefits Account (PSSBA). The Commission accounts for its participation in the PSPP and PSSBA, which are multi-employer defined benefit pension plans, as defined contribution plans.

The Province of Ontario, who is the sole sponsor of the PSPP and PSSBA, determines the Commission's annual payments to the Plans and is responsible for ensuring that the pension funds are financially viable. Any surplus or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the Commission. Therefore, the Commission's contributions are accounted for as if the plans were defined contribution plans with contributions being expensed in the period they come due.

Non-Pension Benefit Plans - The Commission offers non-pension post retirement benefits such as group life, health care and long-term disability to employees through defined benefit plans. The costs associated with these future benefits are actuarially determined using the accrued benefit method prorated on service and best estimate assumptions. In addition, as a Schedule 2 employer under the Workplace Safety and Insurance Board (WSIB), the Commission recognizes workers compensation benefits on an accrual basis using actuarially determined costs.

Expenses consist of current service costs, interest and adjustments arising from plan amendments, changes in assumptions and net actuarial gains or losses. These expenses are recorded in the year in which employees render services to the Commission.

2. Significant Accounting Policies (continued)

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing rates of exchange at the Consolidated Statement of Financial Position date. Revenues and expenses are translated at the rates of exchange in effect at the transaction date. Realized and unrealized gains and losses are included in the determination of excess of revenue over expenses.

Effective April 1, 2021, the Commission made an irrevocable election to recognize any unrealized exchange gains and losses arising from all financial assets or liabilities directly in the Consolidated Statement of Operations and Changes in Net Deficit.

Accounting Estimates

The preparation of the consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period.

Significant areas requiring the use of management estimates relate to the useful lives of capital assets, valuation allowances for accounts receivable and inventory, liability for contaminated sites, and obligations for non-pension post-employment benefits. By their nature, these estimates are subject to measurement uncertainty.

Financial Instruments

The Commission classifies its financial instruments as either fair value or amortized cost. The accounting policy for each category is as follows:

Fair value

This category includes cash and cash equivalents which is initially recognized at cost and subsequently carried at fair value.

Transaction costs related to financial instruments in the fair value category are expensed as incurred.

Amortized cost

This category includes accounts receivable, accounts payable and accrued liabilities and long-term debt. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets, except for contributions, which are initially recognized at fair value.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Writedowns on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the Consolidated Statement of Operations and Changes in Net Deficit.

(dollars in thousands)

2. Significant Accounting Policies (continued)

Liabilities for Contaminated Sites

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the Commission is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries.

3. Restricted Cash

	2022	2021
Externally restricted – Deferred Contributions (Note 7)	**$ 2,000**	$ 2,000
	$ 2,000	$ 2,000

4. Capital Assets

	2022			2021
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Rail Services				
Roadway	**$ 602,382**	**$ 194,702**	**$ 407,680**	$ 377,067
Buildings	**70,822**	**32,259**	**38,563**	37,866
Equipment	**143,192**	**74,613**	**68,579**	65,335
Under construction	**18,847**	**-**	**18,847**	13,207
Motor Coach Services				
Buildings	**3,449**	**1,175**	**2,274**	2,386
Coaches	**24,766**	**10,370**	**14,396**	15,506
Equipment	**602**	**359**	**243**	244
Under construction	**1,755**	**-**	**1,755**	-
	$ 865,815	**$ 313,478**	**$ 552,337**	$ 511,611

5. Employee Future Benefits

Pension Plan

The PSPP and PSSBA are contributory defined benefit plans. PSPP members receive benefits based on length of service and the average annualized earnings during the five consecutive years that provide the highest earnings prior to retirement, termination or death. The PSPP is funded by contributions from participating employers and members, and by the investment earnings from the Public Service Pension Fund. Contributions from members and employers are remitted to the Ontario Pension Board (OPB). The portion of these contributions that exceeds Income Tax Act (Canada) limits is transferred to the PSSBA.

The Commission's full time employees participate in the PSPP which is a defined benefit pension plans for employees of the Province and many provincial agencies. The Commission's annual payments are $4,357 (2021 - $4,082) and have been included in employee future benefits expenses.

Non-Pension Benefits Plans

The Commission provides three non-pension benefit plans to its employees where all benefit obligations and expenses are determined by independent actuaries, in accordance with accepted actuarial practices and Canadian public sector accounting standards, using management's best estimates. The discount rates used to determine the accrued benefit obligations were determined based on the Ontario provincial bond yields matched against the duration of the benefits.

The Commission requires an actuarial valuation of the post-employment benefits, such as group life and health care, be conducted every three years. The last valuation was completed for the year ended March 31, 2020 with extrapolations through to 2023 and updated on March 31, 2022.

The post-retirement benefits plan, such as long-term disability, as well as Workplace Safety & Insurance Board (WSIB) obligations and expenses are determined through annually valuations completed as of March 31, 2022.

Information about the Commission's non-pension benefit plans is presented in the following tables.

(dollars in thousands)

5. Employee Future Benefits (continued):

Reconciliation of accrued benefit obligation to accrued benefit asset (liability)

		2022		2021
Accrued benefit obligation, end of year	$	**(70,808)**	$	(68,140)
Unamortized net actuarial (gain) loss		**(18,839)**		(16,329)
Accrued benefit liability, end of year	$	**(89,647)**	$	(84,469)
Accrued benefit liability, beginning of year	$	**(84,469)**	$	(85,141)
Benefit expense		**(10,398)**		(3,727)
Benefits paid		**5,220**		4,399
Accrued benefit liability, end of year	$	**(89,647)**	$	(84,469)

Components of Net Periodic Non-Pension Benefit Expense

		2022		2021
Current service cost	$	**3,055**	$	3,352
Interest on accrued benefit obligation		**2,044**		1,409
Amortization and immediate recognition of net actuarial (gains) losses		**5,299**		(1,034)
	$	**10,398**	$	3,727

Weighted Average Assumptions

	2022	2021
Discount rate – post-retirement benefits	**3.30%**	2.82%
Discount rate – post-employment benefits	**2.54%**	1.89%
Discount rate - WSIB	**3.15%**	4.75%
Rate of compensation increase	**2.00%**	2.00%
Medical cost increases	**5.37%**	5.37%
Dental cost increases	**3.00%**	3.00%
Vision care cost increases	**0.00%**	0.00%

(dollars in thousands)

6. Credit Facilities

In August 2021, the Commission secured an operating line of credit with the Ministry of Transportation and Ontario Financing Authority (OFA) in the amount of $5 million, of which zero was being utilized as of March 31, 2022. The line of credit bears interest at the Province of Ontario's cost of borrowing for a 30-day term plus 3.3 basis points.

7. Deferred Contributions

Deferred contributions are restricted funds received from the Province to be used only on future expenditures. As of March 31, 2022 the balance represents funds from the Ministry of Transportation (MTO) to be used as a self-insurance reserve based on approval by MTO in the event of a future derailment. There has been no change in the deferred contributions balance.

	2022	2021
Self-insurance reserve	**$ 2,000**	$ 2,000

8. Deferred Capital Contributions

Deferred capital contributions represent the unamortized capital contributions received from the Government to fund the acquisition of capital assets. The amortization of deferred capital contributions is recorded as revenue in the Consolidated Statement of Operations and Changes in Net Deficit using rates similar to those used to amortize the related assets acquired.

The changes in the unamortized deferred capital contributions balance are as follows:

	2022	2021
Balance, beginning of year	**$ 432,841**	$ 389,053
Contributions from the Province (Note 11)	**61,914**	59,752
Contributions from Transportation Canada (Note 11)	**365**	-
Amortization to revenue	**(17,227)**	(15,089)
Retirements, transfers and adjustments	**(37)**	(875)
Balance, end of year	**$ 477,856**	$ 432,841

(dollars in thousands)

9. Long-term Debt

	2022	2021
Loan from Ontario Financing Authority, bearing interest at 4.90% per annum, repayable in blended monthly payments of $13 for 25 years beginning February 1, 2006.	**$ 1,144**	$ 1,245
	1,144	1,245
Less current portion	**107**	101
Long-term debt	**$ 1,037**	$ 1,144

Interest on long-term debt was $59 (2021 - $58).

Principal payments required in the next five years and thereafter are as follows:

2022-2023	$ 107
2023-2024	111
2024-2025	117
2025-2026	123
2026-2027	129
Thereafter	557
	$ 1,144

10. Contaminated sites

The liability for contaminated sites is comprised of costs expected to be incurred on a former transloading property and former telecommunications sites, identified in the prior years. The estimated costs have been determined by management with the assistance of consulting engineering firms and historical experience with remediation activities. The liability includes all costs anticipated to be incurred on these properties and there are no anticipated recoveries expected.

The Commission owns one site in Cobalt where contamination is present that exceeds the acceptable threshold, however no reasonable estimate of remediation can be made at this time therefore no liability has been accrued. The Ministry of Northern Development, Mines, Natural Resources and Forestry has engaged a consultant to complete Phase 1 Environmental Site Assessments (ESA) and mining assessments within 2022, which will identify Areas of Potential Environmental Contamination (APECs) and will determine if a phase 2 ESA is required. If a phase 2 is required, it will determine the extent of contamination.

	2022	2021
Former transloading property	**$ 3,500**	$ 3,500
Former tower sites	**3,175**	3,175
Contaminated sites liability	**$ 6,675**	$ 6,675

(dollars in thousands)

11. Government Contributions

Under the terms of a Memorandum of Understanding with the Minister of Transportation, the Commission receives both operational and capital funding from the Province of Ontario.

Details of Government contributions received during the year are as follows:

	2022	2021
Ministry of Transportation:		
Commission operational funding	**$ 41,083**	$ 42,800
Special Funding – self-insurance reserve	**-**	2,000
Operational funding	**41,083**	44,800
Capital contributions	**61,914**	59,752
Total Ministry of Transportation contributions	**$ 102,997**	$ 104,552
Ministry of Northern Development, Mines, Natural Resources, and Forestry		
Special Funding – Pension/SERP settlement	**-**	22
Northern Ontario Heritage Fund Corporation	**31**	-
Operational Funding	**31**	22
Total Ministry of Northern Development, Mines, Natural Resources and Forestry contributions	**$ 31**	$ 22
National Transportation Agency of Canada		
Operating – Rail operations		55
Capital - Rail operations	**365**	-
Total government contributions	**$ 103,393**	$ 104,629

	2022	2021
In summary:		
Commission operational funding	**$ 41,114**	$ 42,877
Capital contributions (Note 8)	**62,279**	59,752
Special funding	**-**	2,000
Total government contributions	**$ 103,393**	$ 104,629

12. Segmented Information Disclosures

The Commission is a diversified Crown agency of the Province of Ontario that provides a wide range of services to its customers in Northern Ontario such as rail freight and passenger services, motor coach services, and remanufacturing and repair services. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

Rail Services

Rail services relates to providing logistics and transportation solutions and the shipment of large quantities of products to and from Northern Ontario.

Polar Bear Services

Polar Bear Services relates to providing passenger transportation and shipping solutions between Cochrane and Moosonee.

Motor Coach Services

Motor coach services provides shipping solutions and passenger transportation to connect communities throughout Northern Ontario and into Manitoba.

Remanufacturing and Repair Services

The Remanufacturing and Repair team is responsible for the repair and rehabilitation of railway rolling stock from customers spanning North America.

Administration

This relates to the expenses for the operations of the Commission itself and cannot be directly attributed to specific segments. It also includes some rental of properties to external customers in order to reduce overall costs.

(dollars in thousands)

Year ended March 31, 2022

12. Segmented Information Disclosures (continued)

	Rail Services	Polar Bear Services	Motor Coach Services	Remanufacturing and Repair	Administration Note i)	Provincial Government Operating Contributions	**2022 Total**
Revenues	44,502	5,867	9,427	11,698	179	-	**71,673**
Expenses							
Labour and fringe benefits	25,083	12,479	9,110	4,807	6,930	-	**58,409**
Materials and parts	11,162	3,340	3,638	3,732	274	-	**22,146**
Services	3,702	1,557	3,151	320	1,790	-	**10,520**
Supplies and equipment	2,567	1,373	885	114	263	-	**5,202**
Other	3,697	1,108	1,817	7	2,846	-	**9,475**
	46,211	19,857	18,601	8,980	12,103	-	**105,752**
Excess (deficiency) revenues over expenses before items below:	(1,709)	(13,990)	(9,174)	2,718	(11,924)	-	**(34,079)**
Derailments	760	-	-	-	-	-	**760**
Inventory write-offs	-	2,374	-	-	-	-	**2,374**
Payable forgiveness	-	(2,597)	-	-	-	-	**(2,597)**
Interest on long-term debt	-	-	59	-	-		**59**
Gain on sale of capital assets	(722)	-	-	-	-		**(722)**
Foreign exchange gain	(297)	-	-	-	-	-	**(297)**
Amortization of capital assets	8,356	9,743	2,187	-	987	-	**21,273**
Employee future benefits	5,551	2,964	2,076	1,407	2,757	-	**14,755**
Excess (deficiency) of revenues over expenses before government funding	(15,357)	(26,474)	(13,496)	1,311	(15,668)	-	**(69,684)**
Government operating contributions	-	-	-	-	-	41,114	**41,114**
Amortization of deferred capital contributions	5,117	9,104	2,131	-	875	-	**17,227**
Excess (deficiency) of revenues over expenses	(10,240)	(17,370)	(11,365)	1,311	(14,793)	41,114	**(11,343)**

Note i) Administration employee future benefits includes $649 in long-term disability expenses for the entire organization.

(dollars in thousands)

12. Segmented Information Disclosures (continued)

	Rail Services	Polar Bear Services	Motor Coach Services	Remanufacturing and Repair	Administration Note i)	Provincial Government Operating Contributions	**2021 Total**
Revenues	43,398	4,661	5,738	7,304	168	-	**61,269**
Expenses							
Labour and fringe benefits	24,113	10,251	7,568	4,373	6,764	-	**53,069**
Materials and parts	9,094	2,845	2,656	1,828	479	-	**16,902**
Services	2,746	1,515	2,407	236	1,388	-	**8,292**
Supplies and equipment	2,829	1,455	614	76	258	-	**5,232**
Other	4,978	1,323	2,489	73	2,378	-	**11,241**
	43,760	17,389	15,734	6,586	11,267	-	**94,736**
Excess (deficiency) revenues over expenses before items below:	(362)	(12,728)	(9,996)	718	(11,099)	-	**(33,467)**
Derailments	55	-	-	-	-	-	**55**
Inventory write-offs	284	-	-	-	-	-	**284**
Interest on long-term debt	-	-	58	-	-		**58**
Gain on sale of capital assets	(797)	-	(107)	-	(26)		**(930)**
Foreign exchange gain	(308)	-	-	-	-	-	**(308)**
Amortization of capital assets	8,289	9,838	1,620	-	949	-	**20,696**
Employee future benefits	2,883	1,175	716	418	2,617	-	**7,809**
Excess (deficiency) of revenues over expenses before government funding	(10,768)	(23,741)	(12,283)	300	(14,639)	-	**(61,131)**
Government operating contributions	-	-	-	-	-	42,877	**42,877**
Amortization of deferred capital contributions	3,488	9,199	1,564	-	838	-	**15,089**
Excess (deficiency) of revenues over expenses	(7,280)	(14,542)	(10,719)	300	(13,801)	42,877	**(3,165)**

Note i) Administration employee future benefits includes $1,841 in long-term disability expenses for the entire organization.

13. Contingencies

In the normal course of its operations, various statements of claim have been issued against the Commission claiming damages for personal injury, property damages, environmental actions and employment-related issues. Damages, that have not already been accrued, cannot be estimated at this time and in any event the Commission is of the opinion that these claims are unfounded or covered by insurance after application of a $2,000 deductible. Should any loss result, it would be charged to the Consolidated Statement of Operations and Changes in Net Deficit when the amount is ascertained.

14. Commitments

The Commission is also obligated to certain job guarantee agreements with a significant number of its unionized employees. To the extent of any actual claims under these agreements, the Commission would maintain provisions for such items. Due to the nature of these agreements, the exposure for future payments may be material. However, such exposure would be based on certain actions of the Commission that have not occurred and as such no provision has been made as at the year-end date.

15. Economic Dependence

i. Customers:
The Rail Services Division derives 76% (2021 – 77%) of its revenue from four major customers.

ii. Province:
The Commission generates revenues from rail and motor coach services as well as remanufacturing and repair services. In addition, the Commission receives operating and capital grants from the Provincial government. The ability to continue to offer and grow its services and meet its obligations are dependent on the ongoing grants it receives from the Province of Ontario.

16. Other Expenses

i. Regular operating expenses of $9,475 (2021 - $ 11,241) include items such as insurance, property taxes, software fees, rail freight car rental, travel and training.

ii. During the year the Commission incurred $760 (2021 - $55) related to derailments that occurred along its rail line. These costs include labour, benefits, materials and third party costs. The costs were incurred to clean up, do environmental testing, and perform track repairs.

iii. During the year the Commission expensed $2,374 (2021 - $284) for obsolete, slow moving and revalued inventory.

iv. During the year, the Ministry of Transportation forgave an amount payable to the Commission in the amount of $2,597.

v. Foreign exchange gain of $297 (2021 – gain of $308) was experienced in the year.

17. Related Party Disclosures

The Commission receives government funding from the Province to support its investment in capital infrastructure to be used in the delivery of current and future transportation services and an annual operating subsidy to further support delivery of transportation services.

All related party transactions were measured at the exchange amount, which is the amount of consideration established and agreed by the related parties.

During the normal course of operations, the Commission provides passenger car refurbishment services to Metrolinx, an Agency of the Province. The Consolidated Statement of Financial Position includes an accounts receivable balance of $33,989 (2021 - $685) and a deferred revenue balance of $42,561 (2021 - $7,134) and on the Consolidated Statement of Operations and Changes in Net Deficit includes revenue of $7,611 (2021- $3,067), all related to Metrolinx.

(dollars in thousands)

18. Financial Instrument Classification

The following table provides cost and fair value information of financial instruments by category. The maximum exposure to credit risk would be the carrying value as shown below.

			2022
	Fair Value	**Amortized Cost**	**Total**
Cash and cash equivalents	**$ 11,923**	**$ -**	**$ 11,923**
Restricted cash	**2,000**	**-**	**2,000**
Accounts receivable	**-**	**53,650**	**53,650**
Accounts payable and accrued liabilities	**-**	**29,860**	**29,860**
Long-term debt	**-**	**1,144**	**1,144**
	$ 13,923	**$ 84,654**	**$ 96,577**

			2021
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	$ 17,400	$ -	$ 17,400
Restricted cash	2,000	-	2,000
Accounts receivable	-	14,359	14,359
Accounts payable and accrued liabilities	-	33,098	33,098
Long-term debt	-	1,245	1,245
	$ 19,400	$ 48,702	$ 68,102

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(dollars in thousands)

18. Financial Instrument Classification (continued)

2022

	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	**$ 11,923**	**$ -**	**$ -**	**$ 11,923**
Restricted cash	**2,000**	**-**	**-**	**2,000**
	$ 13,923	**-**	**-**	**$ 13,923**

2021

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 17,400	$ -	$ -	$ 17,400
Restricted cash	2,000	-	-	2,000
	$ 19,400	-	-	$ 19,400

There were no transfers between Level 1, 2 and 3 for the years ended March 31, 2022 and 2021.

19. Financial Instrument Risk Management

Credit risk

Credit risk is the risk of financial loss to the Commission if a debtor fails to make payments of interest and principal when due. The Commission is exposed to this risk relating to its cash and accounts receivable. The Commission holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, the Commission's cash accounts are insured up $400,000 (2021 - $400,000).

Accounts receivable are due from customers and government, which includes The Province of Ontario and any Agency of Province. Credit risk is mitigated by financial approval processes before a customer is granted credit. The Commission measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the Commission's historical experience regarding collections. The amounts outstanding at year end were as follows:

(dollars in thousands)

19. Financial Instrument Risk Management (continued)

March 31, 2022					**Past Due**
	Total	**Current**	**1-30 days**	**31-60 days**	**over 61 days**
Government receivables	**$ 44,727**	**$ 44,726**	**$ 1**	**$ -**	**$ -**
Customer receivables	**9,018**	**7,198**	**874**	**369**	**576**
Gross receivables	**53,745**	**51,924**	**875**	**369**	**576**
Less: impairment allowances	**(95)**	**-**	**-**	**-**	**(95)**
Net receivables	**$ 53,650**	**$ 51,924**	**$ 875**	**$ 369**	**$ 481**

March 31, 2021					Past Due
	Total	Current	1-30 days	31-60 days	over 61 days
Government receivables	$ 4,253	$ 4,253	$ -	$ -	$ -
Customer receivables	10,307	8,848	804	117	538
Gross receivables	14,560	13,101	804	117	538
Less: impairment allowances	(201)	-	-	-	(201)
Net receivables	$ 14,359	$ 13,101	$ 804	$ 117	$ 337

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

19. Financial Instrument Risk Management (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Currency risk

Currency risk relates to the Commission operating in different currencies and converting non-Canadian earnings at different points in time when adverse changes in foreign currency rates occur. The Commission maintains a USD bank account to receive USD from customers and to pay USD to suppliers and other carriers. There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Commission is exposed to this risk through its interest bearing long-term debt.

The Commission's long-term debt as described in Note 9 would not be impacted as the inherent rate of the debt has been fixed.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Equity risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Commission is not exposed to this risk.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Liquidity risk

Liquidity risk is the risk that the Commission will not be able to meet all cash outflow obligations as they come due. The Commission mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and regular reports to the Province of Ontario.

(dollars in thousands)

19. Financial Instrument Risk Management (continued)

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows of financial liabilities):

				2022
	Within 6 months	**6 months to 1 year**	**1-5 years**	**> 5 years**
Accounts payable	**$ 29,860**	**$ -**	**$ -**	**$ -**
Long-term debt	**52**	**54**	**616**	**422**
Total	**$ 29,912**	**$ 54**	**$ 616**	**$ 422**

				2021
	Within 6 months	6 months to 1 year	1-5 years	> 5 years
Accounts payable	$ 33,098	$ -	$ -	$ -
Long-term debt	50	51	586	558
Total	$ 33,148	$ 51	$ 586	$ 558

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

20. Comparative Figures

Prior year's figures have been reclassified where necessary to conform to the current year's financial statement presentation.