Ontario Northland Transportation Commission

Consolidated Financial Statements

For the year ended March 31, 2024

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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.

Chad Evans
Chief Executive Officer

Natalie Park
Director of Finance

North Bay, Ontario
June 28, 2024

Office of the Auditor General of Ontario
Bureau du vérificateur général 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, 2024, and the consolidated statements of operations, changes in net assets (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, 2024 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.

20 Dundas Street West
Suite 1530
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862
tty 416-327-6123

20, rue Dundas ouest
suite 1530
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862
ats 416-327-6123

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.

Toronto, Ontario
June 28, 2024

Jeremy Blair, CPA, CA, LPA
Assistant Auditor General

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

March 31	2024	2023 (restated- note 21)
Assets		
Current		
Cash	**$ 28,827**	$ 20,388
Accounts receivable	**33,691**	42,187
Inventory	**39,517**	25,089
Prepaid expenses	**2,062**	2,175
	104,097	89,839
Restricted cash (Notes 3 and 7)	**2,000**	2,000
Capital assets (Note 4)	**692,516**	620,422
	$ 798,613	$ 712,261

	2024	2023
Liabilities and Net Assets (Deficit)		
Current		
Payables and accrued liabilities	**$ 45,220**	$ 32,002
Deferred revenue	**33,576**	40,012
Current portion of long-term debt (Note 9)	**117**	111
	78,913	72,125
Deferred contributions (Note 7)	**2,000**	2,000
Deferred capital contributions (Note 8)	**626,002**	549,436
Long-term debt (Note 9)	**809**	926
Accrued non-pension benefit obligation (Note 5)	**82,292**	85,935
Asset Retirement Obligation (Note 10)	**2,890**	2,881
Liability for contaminated sites (Note 11)	**4,071**	4,071
	796,977	717,374
Net Assets (Deficit)		
Unrestricted	**1,636**	(5,113)
	$ 798,613	$ 712,261

Contingencies (Note 14)

Commitments (Note 15)

Approved on behalf of the Commission:

Alan Spacek ____________________ Chair ____________________ Vice-Chair

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

For the year ended March 31	**2024**	2023 (restated- note 21)
Revenues		
Operating and other (Note 13)	**$ 108,484**	$ 94,897
Government contributions (Note 12)	**59,802**	53,429
	168,286	148,326
Expenses (Note 13)		
Labour and fringe benefits (Note 5)	**82,851**	70,723
Materials and parts	**35,980**	32,973
Services	**18,463**	13,897
Administration and Other (Note 17)	**9,032**	7,019
Supplies and equipment	**5,393**	5,346
Technology costs	**4,836**	5,268
Employee future benefits (Note 5)	**1,363**	863
Accretion expense (Note 10)	**112**	223
Interest on long-term debt (Note 9)	**48**	54
Gain on sale of capital assets	**(713)**	(1,020)
	157,365	135,346
Excess of revenue over expenses before amortization	**10,921**	12,980
Add: Amortization of deferred capital contributions (Note 8)	**25,303**	18,531
Deduct: Amortization of capital assets	**(29,475)**	(22,436)
	(4,172)	(3,905)
Excess of revenue over expenses for the year	**$ 6,749**	$ 9,075

Unrestricted net deficit, beginning of year	**$ (5,113)**	$ (14,188)
Excess of revenue over expenses for the year	**6,749**	9,075
Unrestricted net asset (deficit), end of year	**$ 1,636**	$ (5,113)

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

Year ended March 31		2024		2023 (restated- note 21)
Cash provided by (used in)				
Operating activities				
Excess of revenue over expenses for the year	**$**	**6,749**	$	9,075
Items not affecting cash				
Amortization of capital assets		**29,475**		22,436
Amortization of deferred capital contributions		**(25,303)**		(18,531)
Accretion expense		**112**		223
Change in estimate of asset retirement obligation		**(190)**		-
Liability for contaminated sites		**-**		(2,604)
Gain on disposal of capital assets		**(713)**		(1,020)
Employee future benefit expense (Note 5)		**1,363**		863
		11,493		10,442
Changes in non-cash working capital balances				
Accounts receivable		**8,496**		11,464
Inventory		**(14,428)**		(8,959)
Prepaid expenses		**113**		(480)
Payable and accrued liabilities		**13,218**		2,142
Deferred revenue		**(6,436)**		(2,745)
		12,456		11,864
Capital activities				
Purchase of capital assets		**(102,676)**		(94,095)
Proceeds from sale of capital assets		**1,100**		1,283
		(101,576)		(92,812)
Financing activities				
Principal repayment of long-term debt		**(111)**		(107)
Deferred capital contributions received		**102,676**		94,095
Non-pension benefits paid		**(5,006)**		(4,575)
		97,559		89,413
Increase in cash during the year		**8,439**		8,465
Cash, beginning of year		**22,388**		13,923
Cash, end of year	**$**	**30,827**	$	22,388
Represented by				
Cash	**$**	**28,827**	$	20,388
Restricted cash (Note 3)		**2,000**		2,000
	$	**30,827**	$	22,388

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 the Commission.

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.

Receivables

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

Prepaid Expenses

Insurance, municipal taxes and annual technology costs are included as prepaid expenses and stated at cost and are charged to expense over the periods expected to benefit from it.

(dollars in thousands)

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
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 – See note 21 – Adoption of new accounting policies

The Public Sector Accounting Board (PSAB) issued Section PS 3400, Revenues (PS 3400), this section applies to fiscal years beginning on or after April 1, 2023 and has been applied to retroactively.

PS 3400 establishes standards on how to account for and report revenue. Specifically, PS 3400 differentiates between revenue arising from transactions that include performance obligations (exchange transactions) and transactions that do not have performance obligations (non-exchange transactions).

2. Significant Accounting Policies (continued)

Revenue Recognition (continued)

Summary of Revenue Recognition by revenue stream

i) **Freight Revenue** consist of carload freight, haulage, storage, demurrage, auto carrier, ancillary services and surcharges. The performance obligation is satisfied and revenues are recognized as the train journey is made and the goods are transported.

ii) **Passenger Revenue** consists of ticket sales, baggage fees, interline settlement, charter services and bus parcel. The revenue is recorded as deferred revenue until the transportation service has been provided. The performance obligation is satisfied when the train or motor coach trip has occurred.

On-board sales of food, beverages and sundries revenues are recognized when the customer purchases the goods and control of the goods have transferred.

Other passenger revenue sources including transaction fees, ATM fees, locker rentals and vending machine sales, are recognized in the period when the customer purchases the goods and control is transferred.

iii) **Refurbishment & Repair revenues** consist of repair work done on customers locomotives and cars. Revenues are recognized based on the percentage of expenses incurred over total contract expenses. If costs are anticipated to exceed revenue, the Commission recognizes the performance obligation immediately. Occasionally, warranties are offered on work completed and in those cases warranties would have a separate performance obligation and would be satisfied as the warranty period is incurs.

iv) **Other revenues**

Rental income is where the Commission enters in to lease agreements as a lessor in relation to locomotives, freight cars, land & buildings. This income comes from operating leases where revenue is recognized on a monthly basis over the lease term as the customer receives and consumes the benefits of the rental service.

Hotel Revenue consists of room, laundry service, sundry and promotional item sales revenue. Room revenue is recorded as deferred revenue until the hotel stay occurs at which point the performance obligation is satisfied and classified as earned revenue. All other hotel revenue is recognized as revenues when the customer purchases the goods and service, where control of the goods has transferred.

2. Significant Accounting Policies (continued)

Revenue Recognition (continued)

v) **Contributions**

The Commission follows the deferral method of accounting for contributions 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.

Deferred capital contributions relate to funds received for the acquisition of capital assets. These deferred capital contributions are recognized as revenue over the same period as the amortization of the related capital asset.

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 Asset (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, asset retirement obligations 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 restricted cash 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.

2. Significant Accounting Policies (continued)

Financial Instruments *(continued)*

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

Write-downs 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 write-down being recognized in the Consolidated Statement of Operations and Changes in Net Asset (Deficit).

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.

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.

3. Restricted Cash

	2024	2023
Externally restricted – Deferred Contributions (Note 7)	**$ 2,000**	$ 2,000

(dollars in thousands)

4. Capital Assets

	Cost	Accumulated Amortization	2024 Net Book Value	2023 Net Book Value
Rail Services				
Land	**$ 1,897**	**$ 157**	**$ $1,740**	$ 1,740
Roadway	**676,631**	**206,476**	**470,155**	435,456
Buildings	**92,449**	**37,927**	**54,522**	53,838
Equipment	**153,777**	**83,731**	**70,046**	69,691
Under construction	**74,539**	**-**	**74,539**	39,230
Motor Coach Services				
Land	**160**	**-**	**160**	160
Buildings	**6,409**	**1,567**	**4,842**	5,057
Coaches	**26,793**	**13,403**	**13,390**	14,865
Equipment	**820**	**506**	**314**	204
Under construction	**2,808**	**-**	**2,808**	181
	$ 1,036,283	**$ 343,767**	**$ 692,516**	$ 620,422

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 $5,831 (2023 - $4,929) and have been included in labour and fringe benefit 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 conducted 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, 2024 using data from April 1, 2023.

The Commission conducted an actuarial valuation of the post-employment benefits, Long Term Disability and continuation of benefits, completed annually with results as of March 31, 2024.

The Commission conducted an actuarial valuation of the workers compensation benefits done triennially, which is administered by the Workplace Safety & Insurance Board (WSIB). The last valuation was completed for the year ended March 31, 2024.

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)

	2024	2023
Accrued benefit obligation, end of year	**$ (58,645)**	$ (63,707)
Unamortized net actuarial gain	**(23,647)**	(22,228)
Accrued benefit liability, end of year	**$ (82,292)**	$ (85,935)
Accrued benefit liability, beginning of year	**$ (85,935)**	$ (89,647)
Benefit expense	**(1,363)**	(863)
Benefits paid	**5,006**	4,575
Accrued benefit liability, end of year	**$ (82,292)**	$ (85,935)

Components of Net Periodic Non-Pension Benefit Expense

	2024	2023
Current service cost	**$ 2,336**	$ 2,485
Interest on accrued benefit obligation	**2,452**	2,233
Amortization and immediate recognition of net actuarial gains	**(3,425)**	(3,855)
	$ 1,363	$ 863

Weighted Average Assumptions

	2024	2023
Discount rate – post-retirement benefits	**4.20%**	4.00%
Discount rate – post-employment benefits	**4.20%**	3.75%
Discount rate - WSIB	**4.20%**	3.90%
Rate of compensation increase	**2.00%**	2.00%
Medical cost increases	**5.60%**	5.37%
Dental cost increases	**5.00%**	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, 2024. 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. The line of credit expired on April 30, 2024.

7. Deferred Contributions

Deferred contributions are restricted funds received from the Province to be used only on specified future expenditures. As of March 31, 2024 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.

	2024	2023
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 Asset (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:

	2024	2023
Balance, beginning of year	**$ 549,436**	$ 474,122
Contributions from the Province (Note 12)	**102,676**	93,450
Contributions from Transportation Canada (Note 12)	**-**	645
Amortization to revenue	**(25,303)**	(18,531)
Retirements, transfers and adjustments	**(807)**	(250)
Balance, end of year	**$ 626,002**	$ 549,436

(dollars in thousands)

9. Long-term Debt

	2024	2023
Loan from Ontario Financing Authority, bearing interest at 4.90% per annum, repayable in blended monthly payments of $13 for 25 years beginning February 1, 2006.	**$ 926**	$ 1,037
Less: current portion	**117**	111
Long-term debt	**$ 809**	$ 926

Interest on long-term debt was $48 (2023 - $54).

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

2024-2025	$ 117
2025-2026	123
2026-2027	129
2027-2028	135
2028-2029	142
Thereafter	280
	$ 926

10. Asset Retirement Obligation

The Commission's financial statements include an asset retirement obligation for owned and leased buildings, fuel tanks, and a waste disposal site. 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 4.1% (2023 - 3.6%). The estimated total undiscounted future expenditures are $2,869 (2023 - $3,813), which are to be incurred over a period of 10 years. A reconciliation of the beginning and ending aggregate carrying amount of the asset retirement obligation liability is below:

	2024	2023
Asset retirement obligation, beginning of the year	**$ 2,881**	$ 3,189
Increase due to accretion expense	**112**	223
Revisions to timing, amount and discount rate	**(103)**	(531)
Asset retirement obligation, end of year	**$ 2,890**	$ 2,881

(dollars in thousands)

11. 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 former telecommunication sites liability includes all costs anticipated to be incurred on these properties and there are no anticipated recoveries expected. The liability has been estimated using a net present value technique with a discount rate of 4.0% for 2024 (2023 – 3.6%).

The former transloading property does not include discounting, due to uncertainty on when future economic benefits will be given up. At this time, until further testing is complete, timeframe and responsibilities are confirmed, no reasonable estimate of remediation can be made.

The Commission owns several legacy properties and right of ways in Cobalt where potential contamination exist however it is known that one site does contain contamination that exceeds the acceptable threshold. Following Phase 1 Environmental Site Assessments (ESA), a Phase 2 ESA is recommended. The Commission is currently outlining the scope of work for Phase 2 assessment to accurately map contaminated areas. At this time, until Phase 2 assessment is completed and details regarding timeframe and responsibilities are finalized, no reasonable estimate of remediation can be made therefore no liability has been accrued.

	2024	2023
Former transloading property	**$ 3,500**	$ 3,500
Former telecommunications sites	**571**	571
Contaminated sites liability	**$ 4,071**	$ 4,071

(dollars in thousands)

12. 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:

	2024	2023 (restated- note 21)
Ministry of Transportation:		
Operational contributions	**$ 59,582**	$ 53,429
Capital contributions	**102,676**	93,450
Total Ministry of Transportation contributions	**$ 162,258**	$ 146,879
Ministry of Northern Development - Northern Ontario Heritage Fund Corporation - operating	**$ 35**	$ -
Transport Canada		
Operational contributions– Rail operations	**$ 185**	-
Capital contributions - Rail operations	**-**	645
Total government contributions	**$ 162,478**	$ 147,524
In summary:		
Operational contributions	**$ 59,802**	$ 53,429
Capital contributions (Note 8)	**102,676**	94,095
Total government contributions	**$ 162,478**	$ 147,524

The Commission adopted PS3400, Revenues Public Sector Accounting Standard effective April 1, 2023 and applied the requirements of the standard retroactively with restatement of the prior period which impacted the amount of Government Contributions recognized in 2023 due to the terms in the Memorandum of Understanding (MOU) regarding the annual contributions based on accounting results. The retroactive impact is a decrease to operational contributions from Ministry of Transportation $314 for 2023.

13. 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.

Northlander

This relates to operational costs incurred for the planning and design of the future Northlander passenger train service from Timmins to Toronto.

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)

13. Segmented Information Disclosures (continued)

	Rail Services	Polar Bear Services	Northlander	Motor Coach Services	Remanufacturing and Repair	Administration note i)	Government Operating Contributions	**2024 Total**
Revenues	59,041	8,975	-	17,387	21,546	1,535	-	**108,484**
Government contributions	-	-	-	-	-	-	59,802	**59,802**
	59,041	8,975	-	17,387	21,546	1,535	59,802	**168,286**
Expenses								
Labour and fringe benefits	29,065	16,218	313	10,910	12,880	13,465	-	**82,851**
Materials and parts	16,389	4,711	-	4,586	9,547	747	-	**35,980**
Services	9,672	2,150	12	3,141	338	3,150	-	**18,463**
Administration and Other	1,138	1,523	79	3,011	1,545	2,253	-	**9,549**
Supplies and equipment	2,667	1,576	-	739	102	309	-	**5,393**
	58,931	26,178	404	22,387	24,412	19,924	-	**152,236**
Excess (deficiency) revenues over expenses before items below:	110	(17,203)	(404)	(5,000)	(2,866)	(18,389)	59,802	**16,050**
Derailments (note ii)	43	-	-	-	-	-	-	**43**
Inventory write-off (note ii)	1	-	-	-	-	-	-	**1**
Information technology costs	-	-	-	-	-	4,836	-	**4,836**
Interest on long-term debt	-	-	-	48	-	-		**48**
Gain on sale of capital assets	(510)	-	-	(202)	-	(1)		**(713)**
Foreign exchange gain (note ii)	(561)	-	-	-	-	-	-	**(561)**
Asset retirement obligation accretion	112	-	-	-	-	-	-	**112**
Employee future benefits	16	8	-	6	4	1,329	-	**1,363**
Excess (deficiency) before amortization	1,009	(17,211)	(404)	(4,852)	(2,870)	(24,553)	59,802	**10,921**
Amortization of deferred capital contributions	10,568	11,361	-	2,562	-	812	-	**25,303**
Amortization of capital assets	(14,021)	(11,906)	-	(2,624)	-	(924)	-	**(29,475)**
Excess (deficiency) of revenues over expenses	(2,444)	(17,756)	(404)	(4,914)	(2,870)	(24,665)	59,802	**6,749**

note i) Administration employee future benefits includes $1,323 in long-term disability expenses for the entire organization.
note ii) Expenses have been grouped with Administration and Other expenses on Consolidated Statement of Operations and Net Asset (Deficit) (Note 17)

(dollars in thousands)

13. Segmented Information Disclosures (continued)

	Rail Services	Polar Bear Services	Motor Coach Services	Remanufacturing and Repair	Administration note i)	Government Operating Contributions	**2023 Total (restated- note 21)**
Revenues	53,732	8,666	15,666	15,588	1,245	-	**94,897**
Government Contributions	-	-	-	-	-	53,429	**53,429**
	53,732	8,666	15,666	15,588	1,245	53,429	**148,326**
Expenses							
Labour and fringe benefits	26,024	14,167	10,280	9,149	11,103	-	**70,723**
Materials and parts	17,378	4,359	4,766	6,284	186	-	**32,973**
Services	6,398	2,135	3,029	363	1,972	-	**13,897**
Administration and Other	867	1,095	2,691	1,379	3,852	-	**9,884**
Supplies and equipment	2,674	1,445	821	96	310	-	**5,346**
	53,341	23,201	21,587	17,271	17,423	-	**132,823**
Excess (deficiency) revenues over expenses before items below:	391	(14,535)	(5,921)	(1,683)	(16,178)	53,429	**15,503**
Derailments (note ii)	273	-	-	-	-	-	**273**
Inventory recovery (note ii)	(11)	-	-	-	-	-	**(11)**
Information technology costs	-	-	-	-	5,268	-	**5,268**
Contaminated sites adjustment (note ii)	(2,604)	-					**(2,604)**
Interest on long-term debt	-	-	54	-	-	-	**54**
Gain on sale of capital assets	(494)	-	(522)	-	(4)	-	**(1,020)**
Foreign exchange gain (note ii)	(523)	-	-	-	-	-	**(523)**
Asset retirement obligation accretion	223	-	-	-	-	-	**223**
Employee future benefits	124	67	46	31	595	-	**863**
Excess (deficiency) before amortization	3,403	(14,602)	(5,499)	(1,714)	(22,037)	53,429	**12,980**
Amortization of deferred capital contributions	6,156	9,120	2,417	-	838	-	**18,531**
Amortization of capital assets	(9,428)	(9,587)	(2,472)	-	(949)	-	**(22,436)**
Excess (deficiency) of revenues over expenses	131	(15,069)	(5,554)	(1,714)	(22,148)	53,429	**9,075**

note i) Administration employee future benefits includes $548 in long-term disability expenses for the entire organization.
note ii) Expenses have been grouped with Administration and Other expenses on Consolidated Statement of Operations and Net Asset (Deficit) (Note 17)

14. 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 Asset (Deficit) when the amount is ascertained.

15. 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.

16. Economic Dependence

i. Customers:
The Rail Services Division derives 72% (2023 – 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.

(dollars in thousands)

17. Administration and Other Expenses

		2024		2023
Insurance, taxes and bank charges	**$**	**3,377**	$	3,533
Marketing, software and licensing		**2,901**		3,449
Travel, training and other expenses (i)		**2,754**		37
Administration and Other Expenses	**$**	**9,032**	$	7,019

(i) Other expenses include personal protection equipment, derailment expenses, recovery of inventory, foreign exchange gains and contaminated sites provision adjustment. Prior year numbers include an adjustment of ($2,604) related to contaminated sites provision.

18. Related Party Disclosures

The Commission receives government funding from the Province of Ontario 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 of Ontario. The Consolidated Statement of Financial Position includes an accounts receivable balance of $1,991 (2023 - $1,022) and a deferred revenue balance of $33,283 (2023 - $39,763 restated) and on the Consolidated Statement of Operations and Changes in Net Asset (Deficit) includes revenue of $16,800 (2023- $10,726 restated), all related to the Metrolinx contract.

(dollars in thousands)

19. Financial Instrument Classification

The following table provides cost and fair value information of financial instruments by category.

			2024
	Fair Value	**Amortized Cost**	**Total**
Cash	**$ 28,827**	**$ -**	**$ 28,827**
Restricted cash	**2,000**	**-**	**2,000**
Accounts receivable	**-**	**33,691**	**33,691**
Payable and accrued liabilities	**-**	**45,220**	**45,220**
Long-term debt	**-**	**926**	**926**
	$ 30,827	**$ 79,837**	**$110,664**

			2023 (restated-note 21)
	Fair Value	Amortized Cost	Total
Cash	$ 20,388	$ -	$ 20,388
Restricted cash	2,000	-	2,000
Accounts receivable	-	42,187	42,187
Payable and accrued liabilities	-	32,002	32,002
Long-term debt	-	1,037	1,037
	$ 22,388	$ 75,226	$ 97,614

The Commission's financial assets carried at fair value, which include cash and restricted cash are classified as Level 1. There were no transfers between Level 1, 2 and 3 for the years ended March 31, 2024 and 2023.

The following explains the difference between 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)

20. 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 (2022 - $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:

March 31, 2024					**Past Due**
	Total	**Current**	**1-30 days**	**31-60 days**	**over 61 days**
Government receivables	**$ 18,069**	**$ 18,069**	**$ -**	**$ -**	**$ -**
Customer receivables	**15,922**	**8,846**	**2,990**	**1,074**	**3,012**
Gross receivables	**33,991**	**26,361**	**2,990**	**1,074**	**3,012**
Less: impairment allowances	**(300)**	**-**	**-**	**-**	**(300)**
Net receivables	**$ 33,691**	**$ 26,361**	**$ 2,990**	**$ 1,074**	**$ 2,712**

March 31, 2023 (restated-note 21)					Past Due
	Total	Current	1-30 days	31-60 days	over 61 days
Government receivables	$ 25,782	$ 25,331	$ -	$ -	$ 451
Customer receivables	16,483	10,626	2,740	1,014	2,103
Gross receivables	42,265	35,957	2,740	1,014	2,554
Less: impairment allowances	(78)	-	-	-	(78)
Net receivables	$ 42,187	$ 35,957	$ 2,740	$ 1,014	$ 2,476

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. 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)

20. Financial Instrument Risk Management (continued)

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

				2024
	Within 6 months	**6 months to 1 year**	**1-5 years**	**> 5 years**
Payable and accrued liabilities	**$ 45,220**	**$ -**	**$ -**	**$ -**
Long-term debt	**58**	**59**	**679**	**130**
Total	**$ 45,278**	**$ 59**	**$ 679**	**$ 130**

				2023
	Within 6 months	6 months to 1 year	1-5 years	> 5 years
Payable and accrued liabilities	$ 32,002	$ -	$ -	$ -
Long-term debt	55	56	646	280
Total	$ 32,057	$ 56	$ 646	$ 280

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.

(dollars in thousands)

21. Adoption of New Public Accounting Standard – Revenues

Effective April 1, 2023 the Commission adopted a new Public Sector Accounting Handbook Standard, PS 3400 Revenues. As a result of the adoption, the presentation of the financial statements changed from the prior year.

Under PS 3400, the Commission recognizes revenue from exchange transactions when it satisfies a performance obligation by providing the promised goods or services to a payor. The Commission satisfies a performance obligation when control of the benefits associated with the good or service has transferred to the payor. Control of the benefits passes over to the payor over a period of time or at a point in time depending on the characteristics of the promised goods or services. Revenue is measured at the amount of consideration to which the Commission expected to be entitled to in exchange for the promised goods or services.

The Commission adopted the standard on April 1, 2023 and applied the requirements of the standard retroactively with restatement of the prior period. The impact of adoption of this standard on the March 31, 2023 comparative figures is as follows:

i) Impact on annual surplus (deficit)

	2023
Annual surplus (deficit) – as previously reported	$ 9,075
Revenues:	
Increase (decrease) due to change in timing of recognition for:	
Operating and other revenues	(1,213)
Government contributions	1,213
Annual surplus (deficit) – as restated for adoption of PS3400	$ 9,075

ii) Impact on assets, liabilities, net financial asset or net debt, and accumulated surplus or deficit

As at April 1, 2022	As previously reported	PS 3400 Adjustments	As Restated
Accounts receivable	53,650	1,528	55,178
Deferred revenue	(42,756)	(1,528)	(44,284)

As at March 31, 2023	As previously reported	PS 3400 Adjustments	As Restated
Accounts receivable	40,973	1,213	42,187
Deferred revenue	(38,798)	(1,213)	(40,012)

22. Comparative Figures

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