Ontario Northland

An Agency of the Government of Ontario

Annual Report 2022-2023

Ontario

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Land Acknowledgement

We would like to acknowledge the importance of the land which Ontario Northland Transportation Commission (ONTC or Ontario Northland) operates on. We do this to reaffirm our commitment and responsibility to improve relationships between Ontario Northland and Indigenous peoples and communities and to improve our understanding of local Indigenous peoples and their cultures. We are dedicated to honouring the treaties and other commitments that have been made by moving towards reconciliation and collaboration.

Message from the Chair & CEO

We are pleased to present Ontario Northland's Annual Report for the period April 1, 2022, to March 31, 2023. This report provides a comprehensive overview of the agency's operational and financial performance and demonstrates how Ontario Northland continued to fulfill our commitment to provide safe, reliable and efficient transportation.

Strong performance was experienced across all areas of our organization, with financial results exceeding projections in both rail freight and motor coach and revenue targets exceeded by all business units.

The Provincial announcement that passenger rail will be reinstated between Timmins and Toronto marked a significant milestone for Ontario Northland. This positive news was further amplified with an investment of $139.5M from the Province of Ontario to procure three new trainsets for the future service. The news that a modern, future-ready passenger rail service will soon be operating continues to be celebrated by employees, pensioners, passengers, partners and other stakeholders.

Relationship building with Indigenous partners remained a key priority for Ontario Northland this past fiscal year. ONTC enriched our understanding of the modern transportation needs of the communities we serve by initiating an Indigenous Roundtable. The roundtable facilitated discussion between operational groups, the ONTC executive team and Indigenous community leaders.

ONTC's Enterprise Asset Management program made significant progress this past fiscal year. The first phase of the project was completed with Motor Coach and Corporate services assets now recorded in the data management system and updated processes and policies in place to continue to support the success of the program.

Ontario Northland also successfully recruited and onboarded over 130 new employees across all lines of business over the past year. By the end of the fiscal, we reached nearly 900 employees - a figure the organization hasn't seen in many years.

We look forward to working with the Province, our industry and community partners, as well as our valued customers to provide transportation services to Northern and rural Ontario.

Alan Spacek
Chair

Chad Evans
Chief Executive Officer

Introduction

MANDATE

Ontario Northland is an agency of the Province of Ontario that reports to the Ministry of Transportation (MTO). Ontario Northland was created by the Ontario government in 1902 to provide transportation services in Northern Ontario. The agency operates under the authority of the *Ontario Northland Transportation Commission Act*. The organization is mandated to deliver efficient, safe and reliable transportation services in Northern Ontario.

VISION

The world needs what Northern Ontario has to offer – and Ontario Northland will be the modern, future-ready transportation system to deliver it.

MISSION

We're improving connectivity between Northern Ontario and other parts of the province to support and foster economic development, job creation and community sustainability. As an agency, we work with municipal stakeholders, including Indigenous communities, and partners at MTO. We will align priorities, focus on fulfilling our commitments, and be a trusted partner to deliver high quality services.

VALUES

Ontario Northland conducted an employee engagement survey called the ON VOICE in 2022 as part of an effort to refresh its organization values. The new organization values are:

Safety. Full Stop.

Safety is core to everything we do. We do not settle for less, for our people or our customers - even when operating pressures make it tough to do so.

Go Beyond

We take pride in serving our customers and communities. We seize every opportunity to exceed their expectations and to challenge the status quo, to meet their evolving needs.

Never Stop Caring

We care about each other, our customers, the work we do, and how we do it. We create a respectful environment where we can be ourselves, feel valued, and perform at our best.

Focus on the Path Ahead

We grow and innovate with intention. We align with government and ministry priorities and fulfil our commitments.

Lead the Way

We can all be leaders. We take responsibility, trust each other to do the right thing, and speak up to make things better.

Governance

The Commission (ONTC's Board of Directors), is tasked with ensuring the agency continues to deliver high-quality services to Ontarians. This important work includes establishing goals and objectives and setting strategic direction while aligning with government priorities. It ensures the agency mandate is fulfilled and the agency is adhering to key policies and direction provided by the Minister of Transportation.

The Board is made up of publicly appointed representatives from communities throughout ONTC's service area. The Board meets throughout the year on a part-time basis to discuss the key projects, performance and strategic direction of the organization. We thank the Board for its work, leadership and commitment to bettering transportation throughout the province.

Appointee	Appointment Start	Appointment End	Remuneration
Al Spacek, Chair	6-May-21	27-Jan-25	$7,350.00
RJ Falconi, Vice Chair	9-Jan-20	27-Jan-25	$1,400.00
Roberta Sawchyn, Director	29-Jul-21	28-Jul-24	$800.00
Randy Nickle, Director	6-Dec-19	15-Dec-24	$1,400.00
Doug Bender, Director	7-Jan-21	19-Jan-23	$400.00
Fred Gibbons, Director	19-Jan-23	18-Jan-26	$0
Lynne Innes, Director	6-Jan-22	5-Jan-24	$200.00
Chad Evans, Chief Executive Officer	09-Feb-23	08-Feb-24	Chad Evans receives an annual salary as ONTC's CEO but does not receive remuneration as a member of the Board.

Performance Highlights

The 2022-2023 Mandate Letter (now called the Annual Letter of Direction) provides clear expectations and ensures that the agency is progressing in a direction that aligns with government priorities. The mandate letter identified expectations for all agencies to deliver high-quality service to Ontarians in addition to directing ONTC to:

- Deliver efficient, safe and reliable transportation services in Northern Ontario.
- Make improvements to the efficiency and safety of ONTC operations and business lines.
- Advance key transportation initiatives.
- Implement the Capital Asset Management Plan.
- Enhance accountability and governance.

As outlined in the 2022-2023 Business Plan, the agency planned to make significant advancements to meet or exceed expectations. Our key accomplishments listed below demonstrate how we have enhanced our services, focused on operational excellence and fulfilled our agency's mandate.

Delivery of Reliable Transportation Services

- 46,201 passenger trips were fulfilled, and 3,954 vehicles were transported on the auto-carrier service on the Polar Bear Express passenger train connecting Moosonee and Cochrane, Ontario.
- 281,790 passenger trips fulfilled on ONTC motor coaches.
- 41,186 carloads moved for rail freight customers providing vital transportation for businesses operating in Northern Ontario's mining, forestry, and agriculture sectors.
- 34,707 parcels carried on ONTC motor coaches.

Improved Efficiency

- Tablets were deployed to motor coach operators and track inspectors this year. These devices allow employees to maintain e-logs, access information, capture data, and report issues with equipment or track infrastructure in real-time.
- The HR Department coordinated 187 job postings, also known as competitions, which led to 752 interviews and over 100 hires. This 24% increase in competitions was a result of retirements, an increase in repair work requiring a large number of production workers, and the creation of new roles to support modernization efforts. Many of the new positions that were filled have created a positive impact on organizational efficiency, including Capital Project Manager, Senior Manager Training and Regulatory Affairs, Leadership and Development Specialist, Marketing Specialist, and Senior Manager – Customer Experience and Engagement.

- A new motor coach wash bay was completed in September 2022. This facility upgrade and new equipment reduced the number of hours operators were spending on cleaning coaches and created more capacity for repair work in the North Bay Motor Coach Maintenance Facility.
- Work began on ONTC's performance measurement strategy. This initiative includes looking at standards and indicators in use at leading railways, intercommunity bus companies, repair and remanufacturing shops, government, and other transportation agencies in the private sector. Work will continue on this initiative next fiscal year.
- Leadership training was rolled out to 118 managers in response to the feedback from the employee engagement survey which noted that manager effectiveness needed to be addressed. The training equipped our people managers with enhanced skills to become better leaders, which is expected to foster a safer and more effective workplace. This training was completed in March 2023.
- In the annual Corporate Services Survey, 88% of ONTC employees indicated they were happy with the services they received from the internal departments such as HR, IT, Marketing, Finance and Facilities. This was consistent with the previous year averaging a collective department score of 4.39/5 – meaning 88% of employees were satisfied with service.

Advancement of Key Transportation Initiatives

- In April 2022, Premier Ford visited Timmins to announce that passenger rail service between Toronto and Timmins would be restored by the mid 2020s. This also marked the release of the Updated Initial Business Case for Northeastern Passenger Rail, an essential document to assist with decision making outlining the options for routing and equipment, the required infrastructure improvements, operational requirements and more.
- In December 2022, Associate Minister of Transportation Stan Cho announced the procurement of three new trainsets for the planned Northlander passenger train service at an event at the North Bay Station. Each trainset includes one locomotive and three passenger cars. The $139.5 million investment marks a significant milestone in reinstating service between Timmins and Toronto, and unlocking the full economic potential of northern industries, resources and minerals.

Actioning the Capital Asset Management Plan

- ONTC furthered the Enterprise Asset Management (EAM) program with the launch of the first phase in December 2022. The EAM program ensures there is a standard set of processes, technology and information/data to support asset management, work management and inventory/procurement capabilities.
- Every year, ONTC completes infrastructure work to ensure our freight and passenger rail services remain safe, reliable and sustainable for communities and businesses in the North. By investing in rail infrastructure today, we are building and protecting our transportation system for tomorrow. As of Q4 2022-2023, 21 crossings have been upgraded, including an additional five crossings with bells and flashers (which now total 76 from 72).

- ONTC contributes to municipal and provincial infrastructure, maintaining crossings, culverts and bridges, ensuring Northern Ontario's transportation system is safe and connected. Capital rehabilitation work included four bridges, 25 culverts and one deep dig culvert. A total of 196 miles (315 kms) of track was surfaced and lined, and over 40,000 ties replaced with 12.65 miles (20 kms) of rail upgraded.
- ONTC purchased four new railcars as carload shipments from agriculture customers in Earlton, New Liskeard and the Englehart region continued to grow. This investment demonstrates our commitment to the sector.
- Major equipment upgrades included: the purchase of 47 shipping containers, a reach stacker, Englehart Station transformers, a drop table, a generator, sewer line and pipe cleaning equipment and a vacuum system installed at the Remanufacturing and Repair Centre. Two locomotive overhauls were completed, and two used locomotives were purchased to be overhauled to replace end of life units.

Improved Accountability and Governance

- A roundtable meeting was held with Indigenous and community leaders from the James Bay Coast in February 2023. This gathering provided a forum for ONTC's senior leaders to receive feedback on transportation and an opportunity to plan initiatives together. Due to the positive response to the roundtable, further meetings are being scheduled during the next fiscal year.
- Key accountability processes were introduced in the Finance Department, including regularly scheduled physical inventory counts, a review of the processes for tracking capital warranty holdbacks and a process established for inventory stocking agreements with vendors.
- Fleet management procedures were updated this year with improvements associated with tracking, repairs, maintenance, operating policies, and procurement. ONTC's fleet of vehicles also received a visual upgrade with decals being applied consistently to over fifty company vehicles throughout the system. This work will continue during the next fiscal year.
- An employee engagement survey was conducted in 2021-2022 to gather feedback on work culture and establish a baseline to measure engagement and satisfaction. Over 73% of employees shared feedback on safety, manager effectiveness, inclusion and job enablement which scored an overall result of 69% favourability – a moderate engagement score. Results from the survey were shared in Q1 2022-2023 and action plans were developed for managers.

Making Safe Operations the Highest Priority

- Three '*Safety Walkabout'* days were held throughout this fiscal year. These events consisted of teams of managers walking through work areas making observations, reporting, and having conversations about safety with employees. As a result of these walkabouts, 144 safety observations were made, of which 27% were addressed, and the remaining items have action plans and are being tracked for follow up.

- Internal communication about safety increased this fiscal year. *Safety Matters – Toolbox Talk*, an email newsletter about safety issues, was distributed monthly to all employees. Also, monthly safety statistics were published on the employee Dispatch App and were prominently featured on digital screens in work areas. These initiatives have been key to shaping a renewed corporate culture that values safety above all else.
- The agency invested in portable fume exhaust systems for the Remanufacturing and Repair Centre in Q3 2022-2023. These devices improve air quality and are especially important for those who regularly weld or perform tasks that produce smoke or exhaust.

Actions to Combat Sexual Exploitation and Human Trafficking

- ONTC's motor coaches operate along known human trafficking corridors. Our front-line employees serve as the agency's eyes and ears on the road and are in a unique position to report and assist victims. To enhance our knowledge and better prepare our response, training was delivered to Motor Coach Operators on how to identify victims and safely intervene.
- In honour of Human Trafficking Awareness Day, guest speakers from Victims Services and Amelia Rising Sexual Violence Support Centre provided an informative '*Lunch and Learn'* on human trafficking. This presentation was recorded and made available to all employees for ongoing professional development.
- ONTC created a Safe Ride Home program to provide bus or rail transportation for victims of human trafficking that is safe, complimentary, and a discreet journey home.

Plan, Design and Deliver Accessible Transportation Services

- In 2021, a Passenger Services Accessibility Advisory Committee was formed to assist ONTC in developing accessibility policies and plans. The Committee consists of representatives from communities throughout ONTC's service region with lived disability experience, knowledge about legislation, and familiarity with ONTC's services. Accomplishments of the committee to date include the creation of a framework and other key foundational work for this new group.
- Accessibility was at the forefront of our decision to purchase new trainsets for the Northlander passenger rail service. Key accessibility features of the new passenger cars include wide aisles, built-in wheelchair lift devices, braille seat numbers, and visual and audio stop announcements.
- An Inclusion, Diversity, Equity, and Accessibility (IDEA) Specialist role was created within the HR department to advance ONTC's accessibility and inclusion work.

Address Service Gaps and Improve Transportation Options

- ONTC partnered with CS Enterprises for heavy equipment loading and offloading in Moosonee and Cochrane. This Indigenous-owned business will assist with the transportation of goods to the James Bay Coast while modernizing processes. These include a reservation process for heavy equipment and a new billing process.
- To facilitate further convenience for ONTC passengers, tickets for GO Transit connections to Pearson Airport and other GO Transit destinations were added to ONTC's ticketing system this fiscal year. This means that passengers can purchase tickets for both transportation services with one transaction. ONTC has direct connections with GO Transit at the Highway 407 Terminal in Vaughan, King City GO Station, Yorkdale and Union Station in Toronto.
- ONTC increased passenger train service at the request of Moose Cree First Nation and The Town of Moosonee to support community transportation needs. Extra service was added to accommodate those traveling to a popular hockey tournament in February 2023 and the local health authority requested extra days in November 2022 and December 2022.
- ONTC established a partnership with Penguin PickUp to extend bus parcel shipping to Toronto. Parcel customers can now choose from over 25 Penguin PickUp locations in the GTHA to ship to. This service enhancement launched in February 2023.

Delivering on Government Priorities

Beyond the highlights mentioned in the previous section, ONTC delivered on government priorities. The following provides highlights on how the agency delivered on these priorities this fiscal year:

1. **Competitiveness, Sustainability and Expenditure Management**
    - Pursued opportunities for revenue generation resulting in an increase in revenue in all divisions.
    - Joined the Canadian Collaboration on Sustainable Procurement, a network of Canadian public institutions working for better value through sustainable purchasing.

2. **Transparency and Accountability**
    - The agency abided by applicable government directives and policies and ensured transparency and accountability in reporting.
    - Adhered to requirements of the Agencies and Appointments Directive, accounting standards and practices, and the Public Service of Ontario Act ethical framework, and responding to audit findings, where applicable.

- ONTC supported the board role in agency governance and accountability by standardizing the terms of reference for committees. In addition, a skills matrix for the board members was completed to determine gaps.

3. Risk Management

- Developed a digital preliminary assessment tool to integrate information and data-related risks, considerations, and requirements into the design of projects and procurements.
- Launched a WorkSafe Rewards and Recognition program, featuring on-the-spot recognition to recognize and reward outstanding employees and groups in the areas of health, safety, and wellness.
- Developed standard privacy contract provisions to help mitigate information and data risks when the agency engages with external service providers.

4. Workforce Management

- Completed a timetable review of rail freight services, which included a reduction in permanent slow orders and increased train velocity, resulting in a more efficient operation in terms of both fuel consumption/emissions and utilization of train crews.
- Launched the 'Company You Keep' recruitment campaign to help ONTC attract top talent.
- Implemented a skills enhancement program for motor coach operators to provide ongoing training of driving and maneuvering in an effort to eliminate preventable collisions.

5. Data Collection

- Initiated a centralized video surveillance solution to install 265 cameras across 27 locations to improve the safety of employees and passengers and the security of equipment and property.
- Made significant cybersecurity improvements, including the introduction of multi-factor authentication across the agency.
- Shared guidance with employees to raise awareness about the importance of protecting personal information, the importance of records and information management and how to remain cyber-safe online.

6. **Digital Delivery and Customer Service**

- Implemented seamless ticketing with GO Transit where customers can purchase a GO Transit ticket with ONTC to connect to Pearson Airport or Union Station.
- ONTC released a public-facing Customer Charter in Q1 2022-2023. It outlines the agency's commitment to passengers, such as providing a safe and comfortable travel experience. Commitments, reportable measurements, targets and performance are published and updated on ONTC's website.
- The Enterprise Asset Management program was launched with motor coach and corporate facilities in December 2022.

7. **Diversity and Inclusion**

- ONTC's workforce continued to focus on diversity and inclusion. As a result, the number of women in trades positions increased, as well as the overall number of employees who identify as visible minorities or members of Indigenous communities.

8. **COVID-19 Recovery**

- Introduced a corporate policy on remote work to support sustained employee productivity, satisfaction, well-being, and work-life balance.
- Increased seating capacity on bus service to 100% in March 2023.
- COVID-19 protocols and procedures that were introduced during the pandemic were lifted.

Operational Performance

Delivery of efficient, safe and reliable transportation services in Northern Ontario

ONTC's bus and passenger rail ridership made a gradual recovery to pre-pandemic levels throughout the fiscal year. Marketing efforts were primarily focused on growing awareness of services in northwestern Ontario, as new motor coach routes were introduced to Thunder Bay and Winnipeg in 2020.

The Motor Coach division continued to focus on improving the fleet with maintenance and equipment renewal. This division was the first to transition to the new Enterprise Asset Management program, which in turn has enhanced maintenance programs, improved record keeping, and improved overall oversight regarding equipment within this division.

Beyond increased ridership levels, it is important to note that the on-time performance of the Polar Bear Express passenger train was 94%, which increased from 93% from the previous year. The motor coach on-time performance was 73%, compared to 81% the previous year due to reduced congestion on the highways as a result of stay-at-home orders in the year prior. The number of parcels carried was 34,707, falling short of the target of 40,000.

Rail services also fulfilled the organizational goal of providing efficient, safe and reliable transportation services. The division continued to focus on modernizing its processes, customer outreach, and promotion of transloads.

An investment was made in new rail equipment, including the purchase of two locomotives and new agricultural hoppers in response to increased demand from the Northern Ontario agricultural sector. This sector continues to grow and rely on rail freight to move its goods to market.

The Remanufacturing and Repair Centre continued to further its work overhauling bi-level passenger coaches for Metrolinx. This 15-car contract between Metrolinx and ONTC was established in 2019 and extended in April of 2022 when the Province announced an additional $109 million investment for the refurbishment of another 56 bi-level coaches. Two cars were completed this fiscal. These two initial cars have set the foundation for the rest of the project, providing much insight into process improvement, customer expectations and efficiencies. This remanufacturing work on this important project is set to ramp up next fiscal year.

Key Performance Indicators:

Motor Coach Ridership			
Fiscal Year (FY) 22-23 Target	FY22-23 Achievement	FY21-22	FY20-21
225,000	281,790	167,676	106,067
Details: Ridership increased significantly from the previous two years as Ontarians began to travel again after the COVID-19 pandemic. The ridership in FY2019-20, prior to the pandemic, was 311,080.			

Polar Bear Express Passenger Train Ridership			
FY22-23 Target	FY22-23 Achievement	FY21-22	FY20-21
39,500	46,201	26,299	13,450
Details: Ridership increased significantly from the previous two years as those travelling to and from the communities on the James Bay Coast began to travel again after the COVID-19 pandemic. The winter road connecting Moose Factory to the provincial highway system was opened later than previous years, increasing reliance on the train in the winter months. The ridership in FY2019-20, prior to the pandemic, was 52,451.			

Motor Coach Fleet Uptime			
FY22-23 Target	FY22-23 Achievement	FY21-22	FY20-21
80%	94%	91%	79%
Details: This measure represents the percentage of motor coaches that are available for routes or charters, including motor coaches that are sitting idle ready for active service. Motor Coach continues to show improvement in fleet uptime over the past two fiscal periods, ensuring motor coaches are available to respond to charter requests and substitute in for coaches that may have mechanical issues enroute.			

Carloads Moved			
FY22-23 Target	FY22-23 Achievement	FY21-22	FY20-21
39,611	41,186	40,085	39,292
Details: This number shows that ONTC's rail freight customers continued to demonstrate confidence in our services. As a result of the increase in carloads, there was an increase of revenue. Carloads increased from multiple mining, agriculture and forestry customers.			

Rail – Revenue Ton Miles (RTM)			
FY22-23 Target	FY22-23 Achievement	FY21-22	FY20-21
385,860	409,624	374,863	374,252

Details: RTM allows ONTC to measure incremental performance. This measure tracks load versus distance. It's a metric used in the rail industry to measure revenue gained by moving one ton of goods the distance of one mile. RTM is a standard performance measure in the North American rail freight industry.

RTM is a quick reference to measure territory-by-territory or a time frame. This measures productivity and indicates where adjustments may be required. Seasonality of traffic and changes in customers or their shipping patterns may be the cause. Adjustment of horsepower required, or train frequency should be viewed when substantial changes occur.

For the past three years, ONTC has come close to its target and this year has exceeded it.

Rail – Slow Order Penalty Minutes			
FY22-23 Target	FY22-23 Achievement	FY21-22	FY20-21
850	374	474	950

Details: Rail Services tracks the impact of slow orders on performance by determining slow order penalty minutes. Dependent on the grade and curvature of tracks, speed limits are developed. If the condition of the track deteriorates then a slow order is issued for that section of track until it can be repaired. This performance measure tracks the amount of additional time or 'penalty' time that it takes a train to complete its journey as the result of a slow order.

These are tracked monthly for every subdivision across the railway. Slow orders are a good measure of the condition of the track infrastructure and the success of capital investment. This measure helps determine where capital investments should be made in the track infrastructure. The lower the penalty minutes, the better the state of good repair is for the infrastructure.

A reinvestment in the capital infrastructure began in 2018-2019 and this performance measure shows the progress in this area.

Percentage of Capital Budget Spent			
FY22-23 Target	FY22-23 Achievement	FY21-22	FY20-21
100%	90%	98%	101%

Details: ONTC has been implementing a full Enterprise Asset Management program which began last fiscal and will continue over the next few years. This program takes into account, people, process and technology which will allow ONTC to have better data to make better asset management decisions. ONTC continues to make improvements on state of good repair of assets and invest in expansion assets. ONTC spent 90% of its capital funding this year and did not meet the target due to savings from one large project, supply chain delays, and a large vendor that could not complete their contract.

Cost Recovery Ratio			
FY22-23 Target	FY22-23 Achievement	FY21-22 (restated)	FY20-21
58%	69%	63%	65%
68% excluding PBX	75%	71%	73%

Details: Cost recovery ratio is the ratio of total revenues (excluding operating subsidies, grants, and sale of assets) to total operating costs including corporate allocation (excluding amortization, future employee benefits, accretion and derailment expenses). In 2022-2023 and 2021-2022 expenses there are large technology development costs included which in the past would have been capital expenses; these have been included as expenses within the cost recovery ratio. Cost recovery ratio is used as a key indicator of financial performance and provides an indicative measure of how efficiently and effectively the agency operates. This ratio also represents the extent to which the organization's operations are self-funded.

ONTC is continually working on improving its cost recovery ratio through business efficiency initiatives, optimizing its use of provincial assets and by having a sustained focus on cost drivers and cost restructuring efforts. This year the target was exceeded.

Enterprise Risk Management

Ontario Northland continued to enhance its enterprise risk management program to support the organization's decision making. The identification, assessment, management, monitoring and reporting of emerging risks is vital to the company's success.

The following represents the key risks that impacted the company's overall performance.

Risk	High-level Overview of Impact and Mitigation Strategies
Unknown extent of impact that COVID-19 will have on revenues, therefore forecasted budget may not include adequate COVID relief *MEDIUM RISK TO CLOSURE OF RISK* Risk noted on 2022-2023 Business Plan	When the 2022-2023 Business Plan was submitted, the Province of Ontario was in a state of economic recovery from the pandemic. After two years of uncertainty and significant impacts to ONTC operations, revenues in all divisions exceeded expectations. Mitigation - Reputational gains were made during the pandemic as ONTC's transportation services remained steady and reliable. Polar Bear Express ridership levels were up 76% and Motor Coach ridership levels were up 68% over this past year, which helped decrease this risk. Furthermore, Rail Freight revenues came in 27% over budget, which allowed ONTC to close this risk.

Loss of rail freight revenues due to customer demand *REDUCED FROM MEDIUM-HIGH TO MEDIUM RISK* Risk noted on 2022-2023 Business Plan	ONTC's key customer base consists of the forestry, mining and agriculture sectors, which are all subject to cyclical demand. This means that fluctuations in customer demand have a direct impact on rail freight revenue for ONTC. Mitigation – ONTC has taken steps to mitigate this risk by diversifying its customers and expanding into new markets. ONTC continues to rework rates and provide volume incentives to attract new customers. Other rail revenues, such as demurrage and storage, are coming in over budget which will helps offset risk.
Loss of freight revenue due to the closure of the Kidd Creek Mine in Timmins *REDUCED FROM MEDIUM-HIGH TO MEDIUM RISK* Risk noted on 2022-2023 Business Plan	The estimated closure for Kidd Creek has been moved to 2025, and revenue is being offset with new revenue streams. ONTC will continue to develop relationships to increase freight from agriculture and other sources. Mitigation – ONTC continues to implement cost reduction initiatives, as well as look at other revenue areas and expand our current services, such as our storage services. Intermodal and additional transload locations are being explored to increase access to rail for small and medium customers without a direct connection to the rail system.
Intercommunity passenger transportation vehicle sector *LOW RISK THROUGHOUT THE FISCAL YEAR* Risk noted on 2022-2023 Business Plan	ONTC operates Motor Coach Services in northern and rural communities as well as major centres. In 2021, Greyhound Canada announced they would be exiting the Canadian market permanently, leaving a gap in the market. In addition, intercommunity passenger transportation vehicle sector deregulation came into effect in July 2021, meaning that more bus operators could operate on ONTC routes and impact ridership. Deregulation has not yet had a significant impact on ONTC's ridership. ONTC's operations team continues to monitor the competitive landscape.

Skilled labour shortage *MEDIUM-HIGH RISK THROUGHOUT THE FISCAL YEAR*	The labour market in Northern Ontario has become increasingly competitive and filling positions became critical to maintaining operations. Vacant positions placed a strain on the workforce and impacted retention and sick leave, and increased expenses due to overtime. Skilled trades positions such as electricians, mechanics, and pipefitters continue to be difficult to fill, in addition to key operational roles such as motor coach operators and track labourers. Mitigation - to address this risk, Ontario Northland promoted its apprenticeship program to internal audiences and increased promotion of the agency as an employer with a targeted advertising campaign. The campaign resulted in a 24.5% increase in visits to the company's career page on its website. ONTC continued to focus on community outreach with the recruitment team attending 10 events consisting of high school visits, job fairs and youth career exploration activities this fiscal. Due to the competitive nature of the Northern Ontario job market, this work is expected to continue for the next few years.
Fuel price volatility *REDUCED FROM HIGH TO LOW RISK BY END OF FISCAL YEAR*	An increase in the price of fuel impacted both the rail and motor coach divisions by coming in over budget for rail fuel expenses by 48% and motor coach fuel expenses by 62%. Mitigation - The risk moved from high to low due to rail revenues being higher than anticipated, along with an increase in fuel surcharge revenues which helped to effectively manage the price fluctuations throughout the fiscal year. Proactive management of fuel consumption continues to be a corporate priority which contributes to lowering this risk. This includes promotion of company's anti-idling policy and continuation of upgrading locomotives with Smart Start to ensure they automatically turn-off when not in use.

Increased absenteeism *NEW - MEDIUM-HIGH RISK INTRODUCED THIS FISCAL YEAR*	In November 2022, the Federal Government published a final version of *Regulations Amending Certain Regulations made under the Canadian Labour Code (Medical Leave with Pay)*, which introduced new paid medical leave entitlements. Additional sick and personal day benefits had significant impacts to operational divisions this fiscal year. Impacts included an increase in overtime and extended project timelines for the Remanufacturing and Repair Centre. Mitigation - the HR Department assisted managers with reporting tools and training on how to manage absenteeism. Work will continue into next fiscal year to mitigate this ongoing risk.
Rail incidents and track safety *NEW - REDUCED FROM HIGH TO MEDIUM RISK*	Minor and major incidents in our rail division have a negative impact on revenues and the company's reputation. Mitigation - the division purchased a rail geometry car to assist with regular track inspections and monitor track conditions. In previous years, ONTC rented this type of equipment from other railway companies and would not have it readily available on site when needed. This new addition to our fleet, paired with the recruitment of two new track inspectors throughout the fiscal year, lowered this risk.

Building Conditions *NEW - REDUCED FROM HIGH TO LOW RISK*	ONTC identified that access to sufficient capital to maintain an appropriate state of good repair was a risk due to age of buildings and insufficient funding available through the original 10-year capital asset management plan. Building assessments were conducted as part of the EAM program and asset condition assessments revealed that some elements of ONTC's real estate portfolio required life-cycle investment and ongoing maintenance to address structural integrity, code compliance, building functionally and potential environmental concerns. Mitigation - additional funding has been allocated to address the assets' state of good repair. Building condition assessments, scheduled every three to five years, will continue to contribute to lowering this risk and mitigating higher risks. ONTC is currently working a thorough long-term plan to address the assessments completed.
Public potentially being exposed to hazards at former Cobalt mine sites located on/near Ontario Northland real estate assets. *MEDIUM-HIGH RISK THROUGHOUT THE FISCAL YEAR* Risk noted on 2022-2023 Business Plan	ONTC owns real estate in Cobalt, Ontario which includes former mining hazards and workings that require additional analysis and potential remediation. There is a health and safety risk due to levels of contamination found in one area. Mitigation – Interim safety measures were put in place such as signage and fencing. The site continues to be monitored. A Phase One Environmental Site Assessment (ESA) was completed, and it was recommended that a Phase 2 ESA be completed. The Phase 2 ESA will confirm/delineate contamination areas. ONTC continued to work with the MTO and the Ministry of Northern Development to identify next steps and strategies to mitigate risks of owned legacy mining rights lands and contaminated properties. The agency has taken steps to grow its internal environmental team and expand management responsibilities and through this effort, will continue to maintain strong environmental oversight with respect to its projects, facilities and operations.

Financial Performance

During the year, ONTC responsibly delivered on its mandate to deliver essential regional transportation services while managing its operating and capital funding. The following discussion and analysis of the financial condition and results should be read in conjunction with the audited financial statements and related notes.

ONTC earned total sales and other revenues of $94.6 million compared to $71.7 million in the previous year, representing an increase of 32%. This increase was a result of all business lines seeing an increase in revenues, with an increase in ridership over previous years, along with an increase in external contract work at the shops and an increase in carload revenues. The Province of Ontario provided approximately $53.7 million of contributions towards operations, bringing total revenue for Ontario Northland to $148.3 million, an increase of 27%.

The agency's expenditures totaled $135.3 million compared to $123.9 million in the previous year, representing an increase of 9%, mainly due to an increase in labour, benefits, materials and parts. These increases are due to an increase in annual union rates, an increase in employees with an increase in remanufacturing and repair services, as well as an increase in materials to support the contract work. The agency also saw an increase in fuel costs impact each division's operational budgets.

MTO continues to support ONTC in upgrading technology and processes, which included an operational investment of $5.3 million compared to $3.7 million in the prior year. This relates to costs to incorporate Enterprise Asset Management practices and support upgrades to cloud-based technology.

ONTC incurred an excess of $9.1 million of revenues over expenses during the year, as compared to a deficiency of $11.5 million in the prior year.

Revenues

When compared to the 2022-2023 business plan, ONTC saw an increase over budget in operational revenues by 33%, from $71 million budgeted to $94.6 million in actual revenues.

Revenues by years (2020-2021 to 2022-2023) are show below.

Financial Report	FY20-21	FY21-22 (restated)	FY22-23	FY22-23	FY22-23	FY22-23	FY22-23	FY22-23
($000's)	Actual	Actual	Actual	Budget	$ variance over budget	% variance over budget	$ variance over prior year	% variance over prior year
Rail Services Revenues	43,398	44,502	53,732	42,285	11,447	27%	9,230	21%
PBX Revenues	4,661	5,867	8,666	5,773	2,893	50%	2,799	48%
Motor Coach Revenues	5,738	9,427	15,666	11,724	3,942	34%	6,239	66%
Remanufacturing & Repair Services Revenue	7,304	11,698	15,274	11,130	4,144	37%	3,576	31%
Other revenues	168	179	1,245	100	1,145	1145%	1,066	596%
Total Revenues	**61,269**	**71,673**	**94,583**	**71,012**	**23,571**	**33%**	**22,910**	**32%**

Rail continued to be ONTC's core and primary revenue generation business, contributing $53.7 million in revenues to the organization. The majority of rail revenue is derived from four major customers in the mining and lumber industry. In 2022-2023, rail revenues saw a $9.2 million (21%) increase over prior year and an $11.4 million (27%) increase over budget. This increase is attributable to an increase in carloads (3%), an increase in fuel surcharge revenue, along with an increase in storage and demurrage revenues for the agency.

The Polar Bear Express passenger train contributed $8.7 million in revenue to the organization, which was an increase of $2.8 million (48%) from the previous year and above budget by $2.9 million (50%). This increase is attributed to a 76% increase in ridership levels, although they have still not returned to pre-pandemic levels.

The scheduled and chartered motor coach services contributed $15.7 million in revenue to the organization, which was an increase of $6.2 million (66%) from the previous year and above budget by $3.9 million (34%). This increase is attributed to a 68% increase in ridership levels, although they have still not returned to pre-pandemic levels.

Remanufacturing and Repair Services contributed $15.3 million in revenue, an increase of $3.6 million (31%) from the previous year and above target by $4.1 million (37%), due to external contract work within the passenger car shop and the locomotive shop.

Other revenues include revenue such as leasing revenues and interest earned.

Expenses

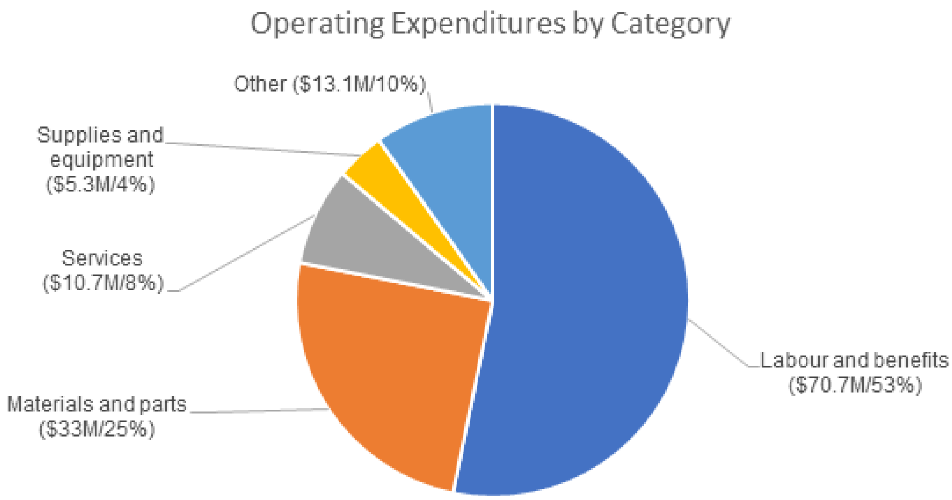
Operating costs (before other items such as amortization, inventory write-offs, employee future benefits, etc.) for the year were $132.8 million or $9.4 million (8%) higher than budget and $22.7 million (21%) more than the prior year.

Expenses by year (2020-2021 to 2022-2023) are shown below.

Financial Report	FY20-21	FY21-22 (restated)	FY22-23	FY22-23	FY22-23	FY22-23	FY22-23	FY22-23
($000's)	Actual	Actual	Actual	Budget	$ variance over budget	% variance over budget	$ variance over prior year	% variance over prior year
Labour and benefits	53,069	62,766	70,723	73,807	(3,084)	-4%	7,957	13%
Materials and parts	16,902	22,146	32,973	22,916	10,057	44%	10,827	49%
Services	8,292	10,520	10,729	9,708	1,021	11%	209	2%
Supplies and equipment	5,232	5,202	5,346	5,362	(16)	0%	144	3%
Other	11,241	9,475	13,052	11,682	1,370	12%	3,577	38%
Total Expenses (Note 13)	**94,736**	**110,109**	**132,823**	**123,475**	**9,348**	**8%**	**22,714**	**21%**

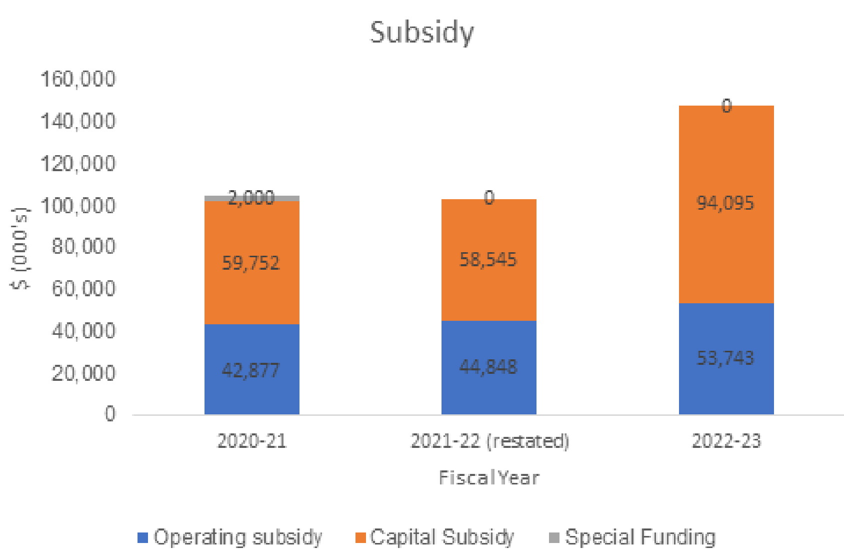
The large variances can be explained as follows:

- Labour and benefits, which is the agency's largest expense and makes up 53% of all expenses, increased by $7.9 million (13%) to $70.7 million from the prior year, due to annual cost of living adjustment, and additional employees to support the Metrolinx contract and corporate initiatives such as the Enterprise Asset Management program. Despite these increases, labour and benefits were $3.1 million (4%) below budget partly due to the agency not being able to fill positions due to the competitive labour market.
- Materials and parts, which makes up 25% of the agency expenses, increased by $10.8 million (49%) to $33 million from the prior year and came in $10.1 million (44%) over budget. This is due to an increase in external contract work within the Remanufacturing and Repair division that was not budgeted for, in addition to a 61% increase in fuel prices compared to prior year.
- Other expenses include items such as insurance, property taxes, rail freight car rental, leasing, marketing, travel and training. Other expenses increased by $3.6 million (38%) to $13.1 million, which was over budget by $1.4 million (12%). This was due to an increase in insurance premium rates, marketing initiatives and leasing expenses.



Operating Subsidy

The Province of Ontario provides ONTC with an operating subsidy of operating expenses less revenue, employee future benefits, proceeds from sale of assets and principal payments made on a loan to ensure ONTC has sufficient funds to operate and to fulfil its mandate. ONTC received approximately $53.7 million in operating subsidy from the Province of Ontario in 2022-2023, which is an increase of 20% over prior year, however just slightly over budget of $52.5 million (by 2%). This increase over prior year is as a result of the Province investing in technology for the agency, such as the Enterprise Asset Management Program, along with an increase in inflation/consumer price index costs for material items such as fuel.



Special funding includes a one-time funding requirement for the self-insurance fund.

Capital Funding and Investments

ONTC's capital expenditures totaled $94.1 million, which included $93.5 million from the Province of Ontario and $0.6 million from the National Transportation Agency of Canada through the Rail Safety Improvement Program.

Rail services (including Polar Bear Express services) capital expenditures totaled $59.4 million; these funds were utilized to continue ONTC's aggressive infrastructure maintenance schedule. Total investment in rail infrastructure was $41.8 million, along with an investment of $17.6 million in buildings and equipment.

Motor Coach services capital expenditures totaled $5.1 million; these funds were utilized to purchase six additional full-sized wheelchair accessible motor coaches and to continue to upgrade motor coach facilities.

Included in the capital program were $29.6 million in milestone payments made for fleet purchase towards the return of the Northlander passenger rail service.

Appendix: Audited Financial Statements

Ontario Northland Transportation Commission

Consolidated Financial Statements

For the year ended March 31, 2023

Ontario Northland Transportation Commission
Consolidated Financial Statements
For the year ended March 31, 2023

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.

Chad Evans
Chief Executive Officer

Natalie Park
Director of Finance

North Bay, Ontario
July 14, 2023

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, 2023, 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, 2023 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.

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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	Bonnie Lysyk, MBA, FCPA, FCA, LPA
July 14, 2023	Auditor General

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

March 31	2023	2022 (restated)
Assets		
Current		
Cash and cash equivalents	**$ 20,388**	$ 11,923
Accounts receivable (Net of allowance - $78; 2022 - $95)	**40,973**	53,650
Inventory	**25,089**	16,130
Prepaid expenses	**2,175**	1,695
	88,625	83,398
Restricted cash (Notes 3 and 7)	**2,000**	2,000
Capital assets (Note 4)	**620,422**	549,807
	$ 711,047	$ 635,205
Liabilities and Net Deficit		
Current		
Payables and accrued liabilities	**$ 32,002**	$ 29,860
Current portion of long-term debt (Note 9)	**111**	107
Deferred revenue	**38,798**	42,756
	70,911	72,723
Deferred contributions (Note 7)	**2,000**	2,000
Deferred capital contributions (Note 8)	**549,436**	474,122
Long-term debt (Note 9)	**926**	1,037
Accrued non-pension benefit obligation (Note 5)	**85,935**	89,647
Asset Retirement Obligation (Note 10)	**2,881**	3,189
Liability for contaminated sites (Note 11)	**4,071**	6,675
	716,160	649,393
Net deficit		
Unrestricted	**(5,113)**	(14,188)
	$ 711,047	$ 635,205

Contingencies (Note 14)

Commitments (Note 15)

Approved on behalf of the Commission:

Alan Spacek

Chair
Alan Spacek

Vice-Chair
RJ Falconi

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

For the year ended March 31		2023		2022 (restated)
Revenues				
Sales and other (Note 13)	$	**94,583**	$	71,673
Government contributions (Note 12)		**53,743**		44,848
		148,326		116,521
Expenses (Note 13)				
Labour and fringe benefits (Note 5)		**70,723**		62,766
Materials and parts		**32,973**		22,146
Services		**10,729**		10,520
Supplies and equipment		**5,346**		5,202
Other (Note 17)		**10,187**		9,715
Technology development costs (Note 4 and 8)		**5,268**		3,734
Interest on long-term debt (Note 9)		**54**		59
Gain on sale of capital assets		**(1,020)**		(722)
Accretion expense (Note 6)		**223**		96
Employee future benefits (Note 5)		**863**		10,398
		135,346		123,914
Excess (deficiency) of revenue over expenses for the year before amortization		**12,980**		(7,393)
Amortization of deferred capital contributions (Note 8)		**18,531**		17,227
Amortization of asset retirement obligations		**(31)**		(59)
Amortization of capital assets		**(22,405)**		(21,273)
		(3,905)		(4,105)
Excess (deficiency) of revenue over expenses for the year	$	**9,075**	$	(11,498)

Unrestricted net deficit, beginning of year	$	**(14,188)**	$	(860)
Adoption of new public sector accounting standard (Note 21)		**-**		(1,830)
Unrestricted net deficit, beginning of year as restated		**(14,188)**		(2,690)
Excess (deficiency) of revenue over expenses for the year		**9,075**		(11,498)
Unrestricted net deficit, end of year	$	**(5,113)**	$	(14,188)

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

Year ended March 31		2023		2022 (restated)
Cash provided by (used in)				
Operating activities				
Excess (deficiency) of revenue over expenses for the year	$	**9,075**	$	(11,498)
Items not affecting cash				
Amortization of capital assets		**22,405**		21,273
Amortization of asset retirement obligation		**31**		59
Amortization of deferred capital contributions		**(18,531)**		(17,227)
Accretion expense		**223**		96
Liability for contaminated sites		**(2,604)**		-
Loss (gain) on disposal of capital assets		**(1,020)**		(722)
Employee future benefit expense (Note 5)		**863**		10,398
		10,442		2,379
Changes in non-cash working capital balances				
Accounts receivable		**12,677**		(39,291)
Inventory		**(8,959)**		3,951
Prepaid expenses		**(480)**		(421)
Payable and accrued liabilities		**2,142**		(3,238)
Deferred revenue		**(3,958)**		35,499
		11,864		(1,121)
Capital activities				
Purchase of capital assets		**(94,095)**		(58,545)
Proceeds from sale of capital assets		**1,283**		965
		(92,812)		(57,580)
Financing activities				
Principal repayment of long-term debt		**(107)**		(101)
Deferred capital contributions		**94,095**		58,545
Non-pension benefits paid		**(4,575)**		(5,220)
		89,413		53,224
Increase (decrease) in cash and cash equivalents during the year		**8,465**		(5,477)
Cash and cash equivalents, beginning of year		**13,923**		19,400
Cash and cash equivalents, end of year	$	**22,388**	$	13,923
Represented by				
Cash and cash equivalents	$	**20,388**	$	11,923
Restricted cash (Note 3)		**2,000**		2,000
	$	**22,388**	$	13,923

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.

Cash and Cash Equivalents

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

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.

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

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.

Revenue from passengers is recognized when the transportation service is provided.

Contract revenues are recorded on a percentage of completion basis as the contract activity is being performed. The Commission measures the degree of completion based on predetermined project milestones. When contract progress billings exceed earned revenue, a liability called deferred revenue is recognized on the Consolidated Statement of Operations and Changes in Net Deficit for this excess.

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, 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 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.

2. Significant Accounting Policies (continued)

Adoption of new Accounting Sector Accounting Standard - Asset Retirement Obligation

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

	2023	2022
Externally restricted – Deferred Contributions (Note 7)	**$ 2,000**	$ 2,000

(dollars in thousands)

4. Capital Assets

	2023			2022 (restated)
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Rail Services				
Land	**$ 1,897**	**$ 157**	**$ $1,740**	$ 1,740
Roadway	**636,529**	**201,073**	**435,456**	405,940
Buildings	**89,143**	**35,305**	**53,838**	39,611
Equipment	**149,625**	**79,934**	**69,691**	68,701
Under construction	**39,230**	**-**	**39,230**	15,113
Motor Coach Services				
Land	**160**	**-**	**160**	160
Buildings	**6,400**	**1,343**	**5,057**	2,148
Coaches	**26,492**	**11,627**	**14,865**	14,396
Equipment	**644**	**440**	**204**	243
Under construction	**181**	**-**	**181**	1,755
	$ 950,301	**$ 329,879**	**$ 620,422**	$ 549,807

During the year the Commission reviewed its accounting policy relating to accounting for software as a service. Based on that review the 2022 comparative figures for the assets under construction were reduced by $3,734 and technology development costs expense were increased by $3,734. This also resulted in a change to the recognition of government contributions towards these expenses and as such the 2022 comparative figures for deferred capital contributions were decreased by $3,734 and government contribution revenues increased by $3,734. The net impact on the annual excess (deficiency) of revenues over expenses for the year was $NIL.

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 $4,929 (2022 - $4,357) 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, 2020 using data from April 1, 2020. Updated valuations have used extrapolations from the April 1, 2020 data, extrapolated to March 31, 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, 2023.

The Commission conducted an actuarial valuation of the workers compensation benefits done triennially, which is administered by the Workplace Safety & Insurance Board (WSIB). The results provided are an extrapolation of the full valuation completed March 31, 2022, extrapolated to March 31, 2023.

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)

		2023		2022
Accrued benefit obligation, end of year	$	**(63,707)**	$	(70,808)
Unamortized net actuarial (gain) loss		**(22,228)**		(18,839)
Accrued benefit liability, end of year	$	**(85,935)**	$	(89,647)
Accrued benefit liability, beginning of year	$	**(89,647)**	$	(84,469)
Benefit expense		**(863)**		(10,398)
Benefits paid		**4,575**		5,220
Accrued benefit liability, end of year	$	**(85,935)**	$	(89,647)

Components of Net Periodic Non-Pension Benefit Expense

		2023		2022 (restated)
Current service cost	$	**2,485**	$	3,055
Interest on accrued benefit obligation		**2,233**		2,044
Amortization and immediate recognition of net actuarial (gains) losses		**(3,855)**		5,299
	$	**863**	$	10,398

Weighted Average Assumptions

	2023	2022
Discount rate – post-retirement benefits	**4.00%**	3.30%
Discount rate – post-employment benefits	**3.75%**	2.54%
Discount rate - WSIB	**3.90%**	3.15%
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, 2023. 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, 2023 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.

	2023	2022
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:

	2023	2022 (restated)
Balance, beginning of year	**$ 474,122**	$ 432,841
Contributions from the Province (Note 12)	**93,450**	58,180
Contributions from Transportation Canada (Note 12)	**645**	365
Amortization to revenue	**(18,531)**	(17,227)
Retirements, transfers and adjustments	**(250)**	(37)
Balance, end of year	**$ 549,436**	$ 474,122

During the year the Commission reviewed its accounting policy relating to accounting for software as a service. Based on that review the 2022 comparative figures for assets under construction were reduced by $3,734 and technology development costs expense were increased by $3,734. This also resulted in a change to the recognition of government contributions towards these expenses and as such the 2022 comparative figures for deferred capital contributions were decreased by $3,734 and government contribution revenues increased by $3,734. The net impact on the annual excess (deficiency) of revenues over expenses for the year was $NIL.

(dollars in thousands)

9. Long-term Debt

	2023	2022
Loan from Ontario Financing Authority, bearing interest at 4.90% per annum, repayable in blended monthly payments of $13 for 25 years beginning February 1, 2006.	**$ 1,037**	$ 1,144
	1,037	1,144
Less current portion	**111**	107
Long-term debt	**$ 926**	$ 1,037

Interest on long-term debt was $54 (2022 - $59).

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

2023-2024	$ 111
2024-2025	117
2025-2026	123
2026-2027	129
2027-2028	135
Thereafter	422
	$ 1,037

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 3.6% (2022 - 3.3%). The estimated total undiscounted future expenditures are $3,813 (2022 - $3,859), which are to be incurred over a period of 10 years.

	2023	2022
Asset retirement obligation, beginning of the year	**$ 3,189**	$ 3,093
Increase due to accretion expense	**223**	96
Revisions to timing, amount and discount rate	**(531)**	-
Asset retirement obligation, end of year	**$ 2,881**	$ 3,189

(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 liability includes all costs anticipated to be incurred on these properties and there are no anticipated recoveries expected.

The Commission reduced the liability for the former telecommunications sites during the year based on a Risk Management Plan that was completed. The liability has been decreased as contamination zones have shown to be relatively stable, all structures have been decommissioned and removed from sites, sites are re-vegetating well and a strategy of natural attenuation with continued medium term monitoring has been put in place. The liability has been estimated using a net present value technique with a discount rate of 3.6% for 2023. No discounting has been calculated on the former transloading property 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. At this time, the Ontario Ministry of Northern Development (MND) is finalizing an engagement with a professional engineering firm to complete Phase 1 Environmental Site Assessments (ESA). The Phase 1 ESA will identify Areas of Potential Environmental Contamination (APECs) and propose recommendations for Phase 2 ESA work to confirm/delineate contamination areas, as required. At this time, until Phase 2 work is complete, timeframe and responsibilities are confirmed, no reasonable estimate of remediation can be made therefore no liability has been accrued.

	2023	2022
Former transloading property	**$ 3,500**	$ 3,500
Former telecommunications sites	**571**	3,175
Contaminated sites liability	**$ 4,071**	$ 6,675

(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:

	2023	2022 (restated)
Ministry of Transportation:		
Commission operational funding	**$ 53,743**	$ 44,817
Capital contributions	**93,450**	58,180
Total Ministry of Transportation contributions	**$ 147,193**	$ 102,997
Ministry of Northern Development - Northern Ontario Heritage Fund Corporation - operating	$ -	$ 31
National Transportation Agency of Canada		
Capital - Rail operations	**645**	365
Total government contributions	**$ 147,838**	$ 103,393
In summary:		
Commission operational funding	**$ 53,743**	$ 44,848
Capital contributions (Note 8)	**94,095**	58,545
Total government contributions	**$ 147,838**	$ 103,393

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.

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, 2023

13. Segmented Information Disclosures (continued)

	Rail Services	Polar Bear Services	Motor Coach Services	Remanufacturing and Repair	Administration note i)	Provincial Government Operating Contributions	**2023 Total**
Revenues	53,732	8,666	15,666	15,274	1,245	-	**94,583**
Government contributions	-	-	-	-	-	53,743	**53,743**
	53,732	8,666	15,666	15,274	1,245	53,743	**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	3,230	2,135	3,029	363	1,972	-	**10,729**
Supplies and equipment	2,674	1,445	821	96	310	-	**5,346**
Other	4,035	1,095	2,691	1,379	3,852	-	**13,052**
	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)	(1,997)	(16,178)	53,743	**15,503**
Derailments (note ii)	273	-	-	-	-	-	**273**
Inventory recovery (note ii)	(11)	-	-	-	-	-	**(11)**
Information technology development 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)	(2,028)	(22,037)	53,743	**12,980**
Amortization of deferred capital contributions	6,156	9,120	2,417	-	838	-	**18,531**
Amortization of asset retirement obligation	(31)	-	-	-	-	-	**(31)**
Amortization of capital assets	(9,397)	(9,587)	(2,472)	-	(949)	-	**(22,405)**
Excess (deficiency) of revenues over expenses	131	(15,069)	(5,554)	(2,028)	(22,148)	53,743	**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 Other expenses on Consolidated Statement of Operations and Net 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)	Provincial Government Operating Contributions	**2022 Total (restated)**
Revenues	44,502	5,867	9,427	11,698	179	-	**71,673**
Government Contributions	-	-	-	-	-	44,848	**44,848**
	44,502	5,867	9,427	11,698	179	44,848	**116,521**
Expenses							
Labour and fringe benefits	26,798	13,395	9,751	5,241	7,581	-	**62,766**
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**
	47,926	20,773	19,242	9,414	12,754	-	**110,109**
Excess (deficiency) revenues over expenses before items below:	(3,424)	(14,906)	(9,815)	2,284	(12,575)	44,848	**6,412**
Derailments (note ii)	760	-	-	-	-	-	**760**
Inventory write-offs (note ii)	-	-	-	-	-	-	**2,374**
Technology development costs	-	-	-	-	3,734	-	**3,734**
Payables forgiveness (note ii)	-	2,374	-	-	-	-	**(2,597)**
Interest on long-term debt	-	(2,597)	59	-	-	-	**59**
Gain on sale of capital assets	(722)	-	-	-	-	-	**(722)**
Foreign exchange gain (note ii)	(297)	-	-	-	-	-	**(297)**
Asset retirement obligation accretion	96	-	-	-	-	-	**96**
Employee future benefits	3,836	2,048	1,435	973	2,106	-	**10,398**
Excess (deficiency) before amortization	(7,097)	(16,731)	(11,309)	1,311	(18,415)	44,848	**(7,393)**
Amortization of deferred capital contributions	5,117	9,104	2,131	-	875	-	**17,227**
Amortization of asset retirement obligation	(59)	-	-	-	-	-	**(59)**
Amortization of capital assets	(8,356)	(9,743)	(2,187)	-	(987)	-	**(21,273)**
Excess (deficiency) of revenues over expenses	(10,395)	(17,370)	(11,365)	1,311	(18,527)	44,848	**(11,498)**

Note i) Administration employee future benefits includes $649 in long-term disability expenses for the entire organization.
Note ii) Expenses have been grouped with Other expenses on Consolidated Statement of Operations and Net 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 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 77% (2022 – 76%) 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.

17. Other Expenses

i. Regular operating expenses of $13,052 (2022 - $ 9,475) include items such as insurance, property taxes, software fees, rail freight car rental, travel and training.

ii. During the year the Commission incurred $273 (2022 - $760) 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 recovered $11 (2022 – expense $2,374) for obsolete, slow moving and revalued inventory.

iv. During the year, the Commission reviewed its estimate for the liability for contaminated sites and adjusted the liability by $2,604.

v. Foreign exchange gain of $523 (2022 – gain of $297) was experienced in the year.

vi. In 2022, the Ministry of Transportation forgave an amount payable to the Commission in the amount of $2,597.

18. 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 $1,022 (2022 - $33,989) and a deferred revenue balance of $38,550 (2022 - $42,561) and on the Consolidated Statement of Operations and Changes in Net Deficit includes revenue of $10,412 (2022- $7,611), 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. The maximum exposure to credit risk would be the carrying value as shown below.

			2023
	Fair Value	**Amortized Cost**	**Total**
Cash and cash equivalents	**$ 20,388**	**$ -**	**$ 20,388**
Restricted cash	**2,000**	**-**	**2,000**
Accounts receivable	**-**	**40,973**	**40,973**
Payable and accrued liabilities	**-**	**32,002**	**32,002**
Long-term debt	**-**	**1,037**	**1,037**
	$ 22,388	**$ 74,012**	**$ 96,400**

			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
Payable and accrued liabilities	-	29,860	29,860
Long-term debt	-	1,144	1,144
	$ 13,923	$ 84,654	$ 96,577

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)

19. Financial Instrument Classification (continued)

				2023
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	**$ 20,388**	**$ -**	**$ -**	**$ 20,388**
Restricted cash	**2,000**	**-**	**-**	**2,000**
	$ 22,388	**-**	**-**	**$ 22,388**

				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

There were no transfers between Level 1, 2 and 3 for the years ended March 31, 2023 and 2022.

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:

(dollars in thousands)

20. Financial Instrument Risk Management (continued)

March 31, 2023					**Past Due**
	Total	**Current**	**1-30 days**	**31-60 days**	**over 61 days**
Government receivables	**$ 24,569**	**$ 24,117**	**$ -**	**$ -**	**$ 451**
Customer receivables	**16,483**	**10,626**	**2,740**	**1,014**	**2,103**
Gross receivables	**41,052**	**34,743**	**2,740**	**1,014**	**2,554**
Less: impairment allowances	**(78)**	**-**	**-**	**-**	**(78)**
Net receivables	**$ 40,973**	**$ 34,743**	**$ 2,740**	**$ 1,014**	**$ 2,476**

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

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):

	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**

	2022			
	Within 6 months	6 months to 1 year	1-5 years	> 5 years
Payable and accrued liabilities	$ 29,860	$ -	$ -	$ -
Long-term debt	52	54	616	422
Total	$ 29,912	$ 54	$ 616	$ 422

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.

21. Adoption of New Public Sector Accounting Standard – Asset Retirement Obligation

Effective April 1, 2022 the Commission adopted a new Public Sector Accounting Handbook Standard, Asset Retirement Obligation. As a result of the adoption, the presentation of the financial statements changed from the prior year. The standard requires an obligation to be recognized as of the financial statement date when all the following are satisfied: there is a legal obligation to incur retirement costs in relation to a tangible asset; the past transaction or event giving rise to the lability has occurred; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. This change in accounting policy has been applied on a modified retroactive application with restatement. The impact of adoption of this standard on the March 31, 2022 comparative figures is as follows:

	2022
Increase in capital assets - cost	**$ 2,831**
Increase in capital assets – accumulated amortization	**1,627**
Increase in asset retirement obligation	**3,189**
Increase in accretion expense	**96**
Increase in amortization expense	**59**
Decrease in opening unrestricted net assets	**1,830**

22. Comparative Figures

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