

Ontario Northland Transportation Commission
Consolidated Financial Statements
For the year ended March 31, 2025

Ontario Northland Transportation Commission

Consolidated Financial Statements

For the year ended March 31, 2025

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Management's Responsibility

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

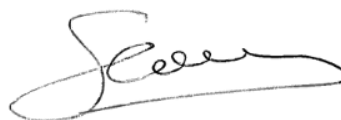
The Commission maintains systems of internal accounting controls designed to provide reasonable assurance that the financial information is accurate and reliable, and that the Commission's assets and liabilities are adequately accounted for and assets safeguarded.

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

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



Chad Evans
Chief Executive Officer



Sean Conroy
Chief Administrative Officer

North Bay, Ontario
July 8, 2025

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, 2025, and the consolidated statements of operations and changes in net assets 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, 2025 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.

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
July 8, 2025

Jeremy Blair, CPA, CA, LPA
Assistant Auditor General

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

March 31	2025	2024
Assets		
Current		
Cash	\$ 13,995	\$ 28,827
Accounts receivable (<i>net of allowance \$2,954; 2024-\$300</i>)	42,521	33,691
Inventory	49,892	39,517
Prepaid expenses	2,286	2,062
	<u>108,694</u>	<u>104,097</u>
Restricted cash (Notes 3 and 6)	2,000	2,000
Capital assets (Note 4)	<u>847,996</u>	<u>692,516</u>
	\$ 958,690	\$ 798,613

Liabilities and Net Assets

Current		
Payables and accrued liabilities	\$ 54,202	\$ 45,220
Deferred revenue	16,738	33,576
Current portion of long-term debt (Note 8)	123	117
	<u>71,063</u>	<u>78,913</u>
Deferred contributions (Note 6)	2,000	2,000
Deferred capital contributions (Note 7)	785,946	626,002
Long-term debt (Note 8)	686	809
Accrued non-pension benefit obligation (Note 5)	81,843	82,292
Asset retirement obligation (Note 9)	2,973	2,890
Liability for contaminated sites (Note 10)	3,799	4,071
	<u>948,310</u>	<u>796,977</u>
Net Assets		
Unrestricted	<u>10,380</u>	<u>1,636</u>
	\$ 958,690	\$ 798,613

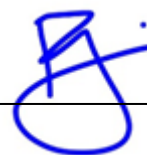
Contingencies (Note 13)

Commitments (Note 14)

Approved on behalf of the Commission:



Chair



Vice-Chair

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

For the year ended March 31	2025	2024
Revenues (Note 12)		
Operating and other	\$ 127,769	\$ 108,484
Government contributions (Note 11)	89,250	59,802
Amortization of deferred capital contributions (Note 7 & 20)	27,178	25,303
	<u>244,197</u>	<u>193,589</u>
Expenses (Note 12)		
Labour and fringe benefits (Note 5)	99,540	82,851
Materials and parts	43,953	35,980
Services	26,457	18,463
Administration and other (Note 16)	15,198	9,032
Technology costs	8,468	4,836
Supplies and equipment	6,677	5,393
Employee future benefits (Note 5)	4,160	1,363
Accretion expense (Note 9)	86	112
Interest on long-term debt (Note 8)	43	48
Gain on disposal of capital assets	-	(713)
Amortization of capital assets (Note 20)	30,871	29,475
	<u>235,453</u>	<u>186,840</u>
Excess of revenue over expenses for the year	\$ 8,744	\$ 6,749
Net assets (deficit), beginning of year	\$ 1,636	\$ (5,113)
Excess of revenue over expenses for the year	<u>8,744</u>	<u>6,749</u>
Net assets, end of year	\$ 10,380	\$ 1,636

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

Year ended March 31	2025	2024
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	\$ 8,744	\$ 6,749
Items not affecting cash		
Amortization of capital assets	30,871	29,475
Amortization of deferred capital contributions	(27,178)	(25,303)
Accretion expense	86	112
Change in estimate of asset retirement obligation	(40)	(190)
Contaminated sites provision/(recovery)	(272)	-
Gain on disposal of capital assets	-	(713)
Non-Pension benefit expense (Note 5)	4,160	1,363
	16,371	11,493
Changes in non-cash working capital balances		
(Increase)/decrease in accounts receivable	(8,830)	8,496
(Increase)/decrease in inventory	(10,375)	(14,428)
(Increase)/decrease in prepaid expenses	(223)	113
Increase/(decrease) in accounts payable and accrued liabilities	8,982	13,218
Increase/(decrease) in deferred revenue	(16,838)	(6,436)
	(10,913)	12,456
Capital activities		
Purchase of capital assets	(190,478)	(102,676)
Proceeds from disposal of capital assets	807	1,100
	(189,671)	(101,576)
Financing activities		
Deferred capital contributions received	190,478	102,676
Non-pension benefits paid	(4,609)	(5,006)
Principal repayment of long-term debt	(117)	(111)
	185,752	97,559
Increase/(decrease) in cash during the year	(14,832)	8,439
Cash, beginning of year	30,827	22,388
Cash, end of year	\$ 15,995	\$ 30,827
Represented by		
Cash	\$ 13,995	\$ 28,827
Restricted cash (Note 3)	2,000	2,000
	\$ 15,995	\$ 30,827

Ontario Northland Transportation Commission

Notes to Consolidated Financial Statements

(dollars in thousands)

Year ended March 31, 2025

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 and refurbishment services. The Commission also receives annual operational contributions as well as capital contributions 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 government contributions it receives from the Province.

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

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

2. Significant Accounting Policies

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

Basis of Consolidation

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

Receivables

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

Prepaid Expenses

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

Ontario Northland Transportation Commission

Notes to Consolidated Financial Statements

(dollars in thousands)

Year ended March 31, 2025

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.

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
Transportation Infrastructure	20 to 100 years
Buildings	20 to 50 years
Rolling Stock	10 to 40 years
Equipment	3 to 40 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

The Commission follows Section PS 3400 of the Public Sector Accounting Standards for the recognition of revenue. PS 3400 establishes standards on how to account for and report revenue. Specifically, the standard differentiates between revenue arising from transactions that include performance obligations (exchange transactions) and transactions that do not have performance obligations (non-exchange transactions).

Ontario Northland Transportation Commission

Notes to Consolidated Financial Statements

(dollars in thousands)

Year ended March 31, 2025

2. Significant Accounting Policies (continued)

Revenue Recognition (continued)

Summary of revenue recognition by revenue stream

- i) **Freight revenue** consist of carload freight, haulage, storage, demurrage, auto carrier, ancillary services and surcharges. The performance obligation is satisfied and revenues are recognized as the train journey is made and the goods are transported.
- ii) **Passenger revenue** consists of ticket sales, baggage fees, interline settlement, charter services and bus parcel. The revenue is recorded as deferred revenue until the transportation service has been provided. The performance obligation is satisfied when the train or motor coach trip has occurred.

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

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

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

- iv) **Other revenues**

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

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

Ontario Northland Transportation Commission

Notes to Consolidated Financial Statements

(dollars in thousands)

Year ended March 31, 2025

2. Significant Accounting Policies (continued)

Revenue Recognition (continued)

v) **Contributions**

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

Unrestricted contributions are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions related to operating expenditures are recognized as revenue when the related expenditures are incurred.

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

Employee Future Benefits

Pension Plans – Commission employees are members of the Public Service Pension Plan (PSPP) and the Retirement Compensation Arrangement (RCA). The Commission accounts for its participation in the PSPP and RCA, 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 RCA, 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.

Ontario Northland Transportation Commission

Notes to Consolidated Financial Statements

(dollars in thousands)

Year ended March 31, 2025

2. Significant Accounting Policies (continued)

Foreign Currency Translation

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

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

Accounting Estimates

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

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

Financial Instruments

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

Fair value

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

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

Amortized cost

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

Ontario Northland Transportation Commission

Notes to Consolidated Financial Statements

(dollars in thousands)

Year ended March 31, 2025

2. Significant Accounting Policies (continued)

Financial Instruments (continued)

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

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

Asset Retirement Obligations

A liability for an asset retirement obligation is recognized when there is a legal obligation to incur retirement costs in relation to a tangible capital asset; the past transaction or event giving rise to the liability has occurred; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date. This liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle the obligation or the discount rate. Upon the initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related tangible capital asset if it is still in productive use. This cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.

Liabilities for Contaminated Sites

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

3. Restricted Cash

	<u>2025</u>	<u>2024</u>
Cash - Externally restricted (Note 6)	\$ 2,000	\$ 2,000

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2025

4. Capital Assets

			2025		2024
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	
Rail Services					
Land	\$ 2,594	\$ 157	\$ 2,437	\$ 1,740	
Transportation Infrastructure	723,365	216,161	507,204	470,155	
Buildings	113,949	40,009	73,940	54,769	
Equipment	52,423	26,239	26,184	22,057	
Rolling Stock	111,710	62,725	48,985	47,691	
Under construction (i)	163,544	-	163,544	74,539	
Motor Coach Services					
Land	160	-	160	160	
Buildings	12,447	1,686	10,761	4,893	
Rolling Stock	26,126	15,094	11,032	13,390	
Equipment	867	556	311	314	
Under construction (ii)	3,438	-	3,438	2,808	
	\$ 1,210,623	\$ 362,627	\$ 847,996	\$ 692,516	

- (i) Rail Services – under construction costs include transportation infrastructure upgrades at \$16,111 which are roughly 68% complete, building repairs at \$14,668 which are 77% complete by year-end, equipment \$74,663 which is roughly 65% complete at year-end, rolling stock which includes the build of a new trainset for the Northlander at \$58,013, which is roughly 78% at year-end and other at \$89 near completion.
- (ii) Motor Coach Services – under construction costs include the purchase of motor coaches \$3,377 which are 95% complete by year-end and building repairs \$61 that are 90% complete by year-end.
-

Ontario Northland Transportation Commission

Notes to Consolidated Financial Statements

(dollars in thousands)

Year ended March 31, 2025

5. Employee Future Benefits

Pension Plan

The PSPP and RCA 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 RCA.

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 \$7,198 (2024 - \$5,831) 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 conducts an actuarial valuation of the post-employment benefits, such as group life and health care, triennially. The last valuation was completed for the year ended March 31, 2024 using data from April 1, 2023.

The Commission conducts an actuarial valuation of the post-employment benefits, Long Term Disability and continuation of benefits, annually with results as of March 31, 2025.

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

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

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2025

5. Employee Future Benefits (continued):

Reconciliation of Accrued Benefit Obligation to Accrued Benefit Liability

	<u>2025</u>	<u>2024</u>
Accrued benefit obligation , end of year	\$ 59,914	\$ 58,645
Unamortized net actuarial gain	21,929	23,647
	<hr/>	<hr/>
Accrued benefit liability , end of year	\$ 81,843	\$ 82,292
	<hr/>	<hr/>
Accrued benefit liability , beginning of year	\$ 82,292	\$ 85,935
Benefit expense	4,160	1,363
Benefits paid	(4,609)	(5,006)
	<hr/>	<hr/>
Accrued benefit liability , end of year	\$ 81,843	\$ 82,292
	<hr/>	<hr/>

Components of Net Periodic Non-Pension Benefit Expense

	<u>2025</u>	<u>2024</u>
Current service cost	\$ 2,021	\$ 2,336
Interest on accrued benefit obligation	2,436	2,452
Amortization and immediate recognition of net actuarial gains	(297)	(3,425)
	<hr/>	<hr/>
	\$ 4,160	\$ 1,363
	<hr/>	<hr/>

Weighted Average Assumptions

	<u>2025</u>	<u>2024</u>
Discount rate – post-retirement benefits	4.00%	4.20%
Discount rate – post-employment benefits	3.60%	4.20%
Discount rate - WSIB	3.80%	4.20%
Rate of compensation increase	2.00%	2.00%
Medical cost increases	5.60%	5.60%
Dental cost increases	5.00%	5.00%
Vision care cost increases	0.00%	0.00%

Ontario Northland Transportation Commission

Notes to Consolidated Financial Statements

(dollars in thousands)

Year ended March 31, 2025

6. Deferred Contributions

Deferred contributions are restricted funds received from the Province to be used only on specified future expenditures. As of March 31, 2025 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.

	<u>2025</u>	<u>2024</u>
Ministry of Transportation	\$ 2,000	\$ 2,000

7. Deferred Capital Contributions

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

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

	<u>2025</u>	<u>2024</u>
Balance , beginning of year	\$ 626,002	\$ 549,436
Contributions from the Province (Note 11)	189,062	102,676
Contributions from Transportation Canada (Note 11)	912	-
Contributions from Insurance proceeds	504	-
Amortization to revenue	(27,178)	(25,303)
Retirements, transfers and adjustments	(3,356)	(807)
 Balance , end of year	 \$ 785,946	 \$ 626,002

Ontario Northland Transportation Commission

Notes to Consolidated Financial Statements

(dollars in thousands)

Year ended March 31, 2025

8. Long-term Debt

	<u>2025</u>	<u>2024</u>
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.	\$ 809	\$ 926
Less: current portion	<u>123</u>	<u>117</u>
Long-term debt	<u>\$ 686</u>	<u>\$ 809</u>

Interest on long-term debt was \$43 (2024 - \$48).

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

2025-2026	\$ 123
2026-2027	129
2027-2028	135
2028-2029	142
2029-2030	149
Thereafter	<u>131</u>
	<u>\$ 809</u>

9. 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% (2024 - 4.1%). The estimated total undiscounted future expenditures are \$2,627 (2024 - \$2,869), which are to be incurred over a period of 10 years. A reconciliation of the beginning and ending aggregate carrying amount of the asset retirement obligation liability is below:

	<u>2025</u>	<u>2024</u>
Asset retirement obligation , beginning of the year	\$ 2,890	\$ 2,881
Increase due to accretion expense	86	112
Change in estimate	40	190
Other revisions	<u>(43)</u>	<u>(293)</u>
Asset retirement obligation , end of year	<u>\$ 2,973</u>	<u>\$ 2,890</u>

Ontario Northland Transportation Commission

Notes to Consolidated Financial Statements

(dollars in thousands)

Year ended March 31, 2025

10. Contaminated sites

The liability for contaminated sites is comprised of costs expected to be incurred on a former transloading property and former telecommunications sites, identified in the prior years. The estimated costs have been determined by management with the assistance of consulting engineering firms and historical experience with remediation activities. The former telecommunication sites liability includes all costs anticipated to be incurred on these properties and there are no anticipated recoveries expected. The undiscounted liability is \$715 and has been estimated using a net present value technique with a discount rate of 3.6% for 2025 (2024 – 4.0%).

Based on information received throughout the year from consulting reports, estimates for the former transloading property have been updated to take into account when remediation work may begin, which is scheduled in late 2027 with annual monitoring subsequently. The undiscounted liability is \$3,500 and has been estimated using a net present value technique with a discount rate of 3.6% for 2025 (2024 – 0%).

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. Phase 1 and 2 Environmental Site Assessments (ESA), have been complete, mapping out contaminated areas. The Commission is currently outlining the scope of work for the remedial plan which will be done within the upcoming year. At this time, until the remedial plan is completed and details regarding timeframe and estimations are finalized, no reasonable estimate of remediation can be made therefore no liability has been accrued.

	<u>2025</u>	<u>2024</u>
Former transloading property	\$ 3,207	\$ 3,500
Former telecommunications sites	<u>592</u>	<u>571</u>
Contaminated sites liability	\$ 3,799	\$ 4,071

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11. Government Contributions

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

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

	2025	2024
Ministry of Transportation:		
Operational contributions	\$ 89,161	\$ 59,582
Capital contributions	<u>189,062</u>	<u>102,676</u>
Total Ministry of Transportation contributions	<u>\$ 278,223</u>	<u>\$ 162,258</u>
Ministry of Northern Development - Northern Ontario		
Heritage Fund Corporation – operating	\$ -	\$ 35
Transport Canada		
Operational contributions– Rail operations	\$ 89	185
Capital contributions - Rail operations	<u>912</u>	<u>-</u>
Total government contributions	<u>\$ 279,224</u>	<u>\$ 162,478</u>
In summary:		
Operational contributions	\$ 89,250	\$ 59,802
Capital contributions (Note 7)	<u>189,974</u>	<u>102,676</u>
Total government contributions	<u>\$ 279,224</u>	<u>\$ 162,478</u>

Ontario Northland Transportation Commission

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12. Segmented Information Disclosures

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

Rail Services

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

Polar Bear Services

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

Motor Coach Services

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

Remanufacturing and Repair Services

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

Northlander

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

Administration

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

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12. Segmented Information Disclosures (continued), (Note 20)

	Rail Services	Polar Bear Services	Northlander	Motor Coach Services	Remanufacturing and Repair	Administration (note i)	Government Operating Contributions	2025 Total
Revenues	\$ 63,345	\$ 9,380	\$ -	\$ 17,673	\$ 35,835	\$ 1,536	\$ -	\$ 127,769
Government contributions	-	-	-	-	-	-	89,250	89,250
	63,345	9,380	-	17,673	35,835	1,536	89,250	217,019
Expenses								
Labour and fringe benefits	33,148	17,880	1,655	12,949	15,614	18,294	-	99,540
Materials and parts	16,594	5,300	-	5,566	15,501	992	-	43,953
Services	12,412	3,598	508	4,068	757	2,614	-	23,957
Administration and Other	4,344	832	53	3,486	1,563	2,712	-	12,990
Supplies and equipment	2,763	1,829	-	781	956	348	-	6,677
	69,261	29,439	2,216	26,850	34,391	24,960	-	187,117
Excess (deficiency) revenues over expenses before items below:	(5,916)	(20,059)	(2,216)	(9,177)	1,444	(23,424)	89,250	29,902
Derailments (note ii)	2,929	-	-	-	-	-	-	2,929
Inventory write-off (note ii)	2	-	-	-	-	-	-	2
Information technology costs	-	-	-	-	-	8,468	-	8,468
Interest on long-term debt	-	-	-	43	-	-	-	43
Gain on sale of capital assets	86	-	-	(86)	-	-	-	-
Foreign exchange gain (note ii)	(451)	-	-	-	-	-	-	(451)
Contaminated Sites adjustment	(272)	-	-	-	-	-	-	(272)
Third-Party construction costs	-	-	2,500	-	-	-	-	2,500
Asset retirement obligation accretion	86	-	-	-	-	-	-	86
Employee future benefits (note i)	558	511	44	305	392	2,350	-	4,160
Excess (deficiency) before amortization	(8,854)	(20,570)	(4,760)	(9,439)	1,052	(34,242)	89,250	12,437
Amortization of deferred capital contributions	13,659	9,996	31	2,705	-	787	-	27,178
Amortization of capital assets	(16,753)	(10,410)	(31)	(2,778)	-	(899)	-	(30,871)
Excess (deficiency) of revenues over expenses	\$ (11,948)	\$ (20,984)	\$ (4,760)	\$ (9,512)	\$ 1,052	\$ (34,354)	\$ 89,250	\$ 8,744

note i) Administration employee future benefits include \$1,980 in long-term disability expenses for the entire organization.

note ii) Expenses have been grouped with Administration and Other expenses on Consolidated Statement of Operations and Changes in Net Asset (Note 16)

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12. Segmented Information Disclosures (continued), (Note 20)

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

note i) Administration employee future benefits includes \$1,323 in long-term disability expenses for the entire organization.

note ii) Expenses have been grouped with Administration and Other expenses on Consolidated Statement of Operations and Changes in Net Asset (Note 16)

Ontario Northland Transportation Commission

Notes to Consolidated Financial Statements

(dollars in thousands)

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13. Contingencies

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

14. Commitments

i) 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.

ii) The minimum operating lease payments for property in each of the next five years and thereafter are as follows:

2026	\$625
2027	\$533
2028	\$515
2029	\$508
2030 and thereafter	\$508

iii) The Commission has also committed approximately \$168 million for various capital asset additions/projects over the next three fiscal years.

15. Economic Dependence

i. Customers:

The Rail Services Division derives 67% (2024 – 72%) 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.

Ontario Northland Transportation Commission

Notes to Consolidated Financial Statements

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16. Administration and Other Expenses

	2025	2024
Insurance, property taxes and bank charges	\$ 3,550	\$ 3,377
Marketing, software and licensing	2,989	2,901
Travel, training and other expenses (i)	8,659	2,754
Administration and Other Expenses	\$ 15,198	\$ 9,032

(i) Other expenses include derailment expenses \$2,929 (2024 - \$43) and bad debt expense \$2,955 (2024 - \$300).

17. Related Party Disclosures (See note 11)

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

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

During the normal course of operations, the Commission provides passenger car refurbishment services to Metrolinx, an Agency of the Province of Ontario. The Consolidated Statement of Financial Position includes an accounts receivable balance of \$1,671 (2024 - \$1,991) and a deferred revenue balance of \$16,399 (2024 - \$33,283) and on the Consolidated Statement of Operations and Changes in Net Asset includes revenue of \$30,804 (2024- \$16,800), all related to the Metrolinx contract.

The Commission has entered into the following major agreements with refurbishment revenues as follows:

- Metrolinx Bi-level II Cab Refurbishment contract, expiring on February 21, 2027, with a contract value of \$115,127.
 - Metrolinx F59 Locomotive Overhaul contract, expiring December 31, 2026, with a contract value of \$18,935.
 - Metrolinx Agreement in Principle for the refurbishment of 121 bi-level III and IV cars with an approximate contract value of \$350,000.
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Notes to Consolidated Financial Statements

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18. Financial Instrument Classification

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

	2025		
	Fair Value	Amortized Cost	Total
Cash	\$ 13,995	\$ -	\$ 13,995
Restricted cash	2,000	-	2,000
Accounts receivable	-	42,521	42,521
Payable and accrued liabilities	-	54,202	54,202
Long-term debt	-	809	809
	\$ 15,995	\$ 97,532	\$113,527

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

The Commission's financial assets carried at fair value, which include cash and restricted cash are classified as Level 1. There were no transfers between Level 1, 2 and 3 for the years ended March 31, 2025 and 2024.

The following explains the difference between Levels 1 to 3 based on the degree to which the fair value is observable:

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

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19. Financial Instrument Risks

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 to \$400,000 (2024 - \$400,000).

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

March 31, 2025		Past Due			
	Total	Current	1-30 days	31-60 days	over 61 days
Government receivables	\$ 23,096	\$ 23,096	\$ -	\$ -	\$ -
Customer receivables	22,379	11,994	3,394	1,234	5,757
Gross receivables	45,475	35,090	3,394	1,234	5,757
Less: impairment allowances	(2,954)	-	-	-	(2,954)
Net receivables	\$ 42,521	\$ 35,090	\$ 3,394	\$ 1,234	\$ 2,803

March 31, 2024		Past Due			
	Total	Current	1-30 days	31-60 days	over 61 days
Government receivables	\$ 18,069	\$ 18,069	\$ -	\$ -	\$ -
Customer receivables	15,922	8,846	2,990	1,074	3,012
Gross receivables	33,991	26,915	2,990	1,074	3,012
Less: impairment allowances	(300)	-	-	-	(300)
Net receivables	\$ 33,691	\$ 26,915	\$ 2,990	\$ 1,074	\$ 2,712

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.

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19. Financial Instrument Risks (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 8 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.

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19. Financial Instrument Risk Management (continued)

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

	2025			
	Within 6 months	6 months to 1 year	1-5 years	> 5 years
Payable and accrued liabilities	\$ 54,202	\$ -	\$ -	\$ -
Long-term debt	61	62	686	-
Total	\$ 54,263	\$ 62	\$ 686	\$ -

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

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

20. Comparative Figures

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