

Metrolinx

Financial Statements

March 31, 2020



Independent auditor's report

To the Board of Directors of Metrolinx

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Metrolinx (the Organization) as at March 31, 2020 and the results of its operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited

The Organization's financial statements comprise:

- the statement of financial position as at March 31, 2020;
- the statement of operations for the year then ended;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of remeasurement gains and losses for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not



detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
June 25, 2020

Metrolinx
Statement of Financial Position
As at March 31, 2020

(in thousands of dollars)

| | 2020 \$ | 2019 \$ |
|---|-------------------|-------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents (note 5) | 665,149 | 587,041 |
| Investments | 12,781 | - |
| Accounts and other receivables (note 7) | 261,479 | 140,428 |
| Contributions due from Province of Ontario | 1,131,106 | 936,373 |
| Contributions due from Municipalities (note 11) | 95,460 | 95,460 |
| Contributions due from Government of Canada | 18,013 | 35,579 |
| Spare parts and supplies | 20,878 | 15,672 |
| Prepaid expenses | 20,561 | 12,699 |
| Derivatives | - | 1,102 |
| | <u>2,225,427</u> | <u>1,824,354</u> |
| Accounts and other receivables – long-term (note 7) | - | 74,787 |
| Contributions due from Province of Ontario – long-term (note 10) | 1,770,983 | 1,587,344 |
| Other assets | 40,704 | - |
| Capital assets (note 6) | 24,861,218 | 22,269,952 |
| Deposits on land (note 8) | 232,869 | 237,872 |
| Advances on capital projects (note 8) | 22,715 | 25,845 |
| Long-term lease (note 9) | <u>26,245</u> | <u>26,572</u> |
| | <u>29,180,161</u> | <u>26,046,726</u> |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 2,131,566 | 1,776,850 |
| Presto Farecard E-Purse (note 5) | 96,740 | 83,362 |
| Derivatives (note 21) | 6,029 | - |
| | <u>2,234,335</u> | <u>1,860,212</u> |
| Long-term payable (note 10) | 1,770,983 | 1,587,344 |
| Deferred capital contributions (note 11) | 21,460,662 | 19,083,563 |
| Pension plan top-up benefits payable (note 13) | 67,416 | 67,604 |
| Other employee future benefits payable (note 14) | <u>156,678</u> | <u>146,986</u> |
| | <u>25,690,074</u> | <u>22,745,709</u> |
| Net Assets | | |
| Invested in capital assets (note 15) | 3,656,140 | 3,450,106 |
| Invested in long-term lease (note 9) | 26,245 | 26,572 |
| Internally restricted (note 16) | 26,332 | 26,332 |
| Deficiency of net assets | <u>(212,601)</u> | <u>(203,095)</u> |
| | 3,496,116 | 3,299,915 |
| Accumulated remeasurement gains and losses | <u>(6,029)</u> | <u>1,102</u> |
| | <u>29,180,161</u> | <u>26,046,726</u> |
| Economic dependence (note 2) | | |
| Commitments (note 17) | | |
| Contingencies (note 18) | | |

Approved by the Board of Directors

Donald A. Wright

Director

B. Davis

Director

The accompanying notes are an integral part of these financial statements.

Metrolinx

Statement of Operations

For the year ended March 31, 2020

(in thousands of dollars)

| | 2020 | 2019 |
|--|-----------------|-----------------|
| | \$ | \$ |
| Revenue | | |
| Operating | 688,761 | 653,006 |
| Contribution from the Province of Ontario | 590,394 | 478,135 |
| Interest income | 17,723 | 9,040 |
| Amortization of deferred capital contributions (note 11) | 803,312 | 700,977 |
| Gain (loss) on disposal of capital assets | 14,410 | (536) |
| | <hr/> 2,114,600 | <hr/> 1,840,622 |
| Expenses | | |
| Supplies and services | 318,232 | 177,074 |
| Equipment maintenance | 138,332 | 117,855 |
| Facilities and track | 145,414 | 168,967 |
| Labour and benefits | 352,201 | 336,167 |
| Rail and bus operations | 375,400 | 356,336 |
| Amortization of capital assets | 803,105 | 699,248 |
| Amortization of long-term lease | 327 | 327 |
| | <hr/> 2,133,011 | <hr/> 1,855,974 |
| Excess of expenses over revenue | <hr/> (18,411) | <hr/> (15,352) |

The accompanying notes are an integral part of these financial statements.

Metrolinx

Statement of Changes in Net Assets

For the year ended March 31, 2020

(in thousands of dollars)

| | | | | 2020 | 2019 | |
|--|---|---|--|------------------|------------------|------------------|
| | Invested in capital assets \$ (note 15) | Invested in long- term lease \$ | Internally restricted net assets \$ (note 16) | Deficiency \$ | Total \$ | Total \$ |
| Balance – Beginning of year | 3,450,106 | 26,572 | 26,332 | (203,095) | 3,299,915 | 2,949,988 |
| Excess of expenses over revenues | - | - | - | (18,411) | (18,411) | (15,352) |
| Amortization – net of amortization to revenue | (1,710) | (327) | - | 2,037 | - | - |
| Assets contributed by the Province of Ontario (note 19(b)) | 2,330 | - | - | - | 2,330 | 719 |
| Land acquisitions – net of deposits | 2,904 | - | - | - | 2,904 | 126,688 |
| Land – reclassifications and adjustments | (23,491) | - | - | - | (23,491) | - |
| Disposal of land | (6,868) | - | - | 6,868 | - | - |
| Deposits on land | 232,869 | - | - | - | 232,869 | 237,872 |
| Balance – End of year | 3,656,140 | 26,245 | 26,332 | (212,601) | 3,496,116 | 3,299,915 |

The accompanying notes are an integral part of these financial statements.

Metrolinx

Statement of Cash Flows

For the year ended March 31, 2020

(in thousands of dollars)

| | 2020 \$ | 2019 \$ |
|---|--------------------|--------------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Excess of expenses over revenues | (18,411) | (15,352) |
| Amortization of capital assets and long-term lease | 803,432 | 699,575 |
| (Gain) loss on disposal of capital assets | (14,410) | 536 |
| Amortization of deferred capital contributions | (803,312) | (700,977) |
| Employee future benefits – net of payments | 9,505 | 11,112 |
| | <u>(23,196)</u> | <u>(5,106)</u> |
| Change in non-cash working capital | | |
| Investments | (12,781) | - |
| Accounts and other receivables | (46,264) | 4,338 |
| Spare parts and supplies | (5,206) | (499) |
| Prepaid expenses | (7,862) | (720) |
| Accounts payable and accrued liabilities | (82,719) | 37,408 |
| PRESTO Farecard E-Purse | 13,378 | 23,315 |
| Other assets | (40,704) | - |
| | <u>(205,354)</u> | <u>58,736</u> |
| Capital activities | | |
| Purchase of capital assets | (2,551,235) | (2,821,922) |
| Proceeds from sale of capital assets | 23,195 | 5,108 |
| Deposits on land (note 15) | (232,869) | (237,872) |
| Advances on capital projects (note 8) | (22,715) | (25,845) |
| | <u>(2,783,624)</u> | <u>(3,080,531)</u> |
| Financing activities | | |
| Grants received for purchase of land | 212,283 | 364,559 |
| Capital contributions | 2,854,803 | 2,986,464 |
| | <u>3,067,086</u> | <u>3,351,023</u> |
| Net change in cash, cash equivalents and restricted cash | 78,108 | 329,228 |
| Cash and cash equivalents – Beginning of year | <u>587,041</u> | <u>257,813</u> |
| Cash and cash equivalents – End of year | <u>665,149</u> | <u>587,041</u> |
| Supplemental cash flow information | | |
| Non-cash capital activities | | |
| Change in accounts payable and accrued liabilities relating to capital assets | 437,435 | 511,447 |
| Change in long-term capital payable/contribution due from Province | 183,639 | 262,222 |
| Assets contributed by the Province of Ontario (note 19(b)) | 2,330 | 719 |
| Non-cash financing activities | | |
| Capital contributions receivable/payable | (177,168) | (246,064) |

The accompanying notes are an integral part of these financial statements.

Metrolinx

Statement of Remeasurement Gains and Losses

For the year ended March 31, 2020

(in thousands of dollars)

| | 2020 | 2019 |
|--|-------------|-------------|
| | \$ | \$ |
| Balance, beginning of year | 1,102 | - |
| Unrealized gains (losses) attributable to Forward fuel purchase contracts (note 21) | (6,029) | 1,102 |
| Amounts reclassified to the statement of operations: Forward fuel purchase contracts (note 21) | (1,102) | - |
| Net remeasurement gains and (losses) | (7,131) | 1,102 |
| Balance, end of year | (6,029) | 1,102 |

The accompanying notes are an integral part of these financial statements.

Metrolinx

Notes to Financial Statements

March 31, 2020

(in thousands of dollars)

1 Nature of operations

Metrolinx is a Crown agency, reporting to the Minister of Transportation of Ontario (MTO). It is a non-share capital corporation and is exempt from income taxes under Section 149(1) (d) of the Income Tax Act (Canada).

Metrolinx was created by sections of the Greater Toronto Transportation Authority Act, 2006, which were proclaimed on August 24, 2006. On May 14, 2009, Bill 163 was proclaimed amending the Greater Toronto Transportation Authority Act, 2006 and changing the title of the Act to the Metrolinx Act, 2006. Metrolinx's mandate is to lead the coordination, planning, financing and development of an integrated multi-modal transportation network for the Greater Toronto and Hamilton Area (GTHA). Taking a regional approach, Metrolinx brings together the Province of Ontario (the Province), municipalities and local transportation authorities to produce long-term economically and environmentally sustainable transportation solutions.

GO Transit is a business unit of Metrolinx that operates an inter-regional public transit system consisting of integrated rail and bus corridors. The network of rail and bus services primarily serves communities across the Greater Toronto and Hamilton Area including the cities of Toronto and Hamilton. GO Transit also serves the regions of Halton, Peel, York, Durham, Simcoe County, Dufferin County, Wellington County and the cities of Barrie, Guelph, Kitchener and Niagara Falls and the Town of Bradford-West Gwillimbury.

The Union Pearson (UP) Express provides high quality dedicated express rail service connecting Canada's busiest transportation hubs, Union Station in downtown Toronto and Toronto Pearson International Airport. The UP Express began operations on June 6, 2015.

PRESTO is a business unit that operates the PRESTO fare system, an electronic fare card that allows riders to transfer seamlessly across multiple transit systems.

2 Economic dependence

Metrolinx currently generates revenues primarily from the provision of transportation services provided by GO Transit, UP Express and PRESTO card services.

In addition, Metrolinx receives government grants:

- from all three levels of government to support its investment in capital infrastructure to be used in the delivery of current and future transportation services; and
- yearly operating subsidy from the Province of Ontario to further support the delivery of transportation services.

The ability of Metrolinx to continue to offer and grow its services and meet its obligations is dependent on the ongoing grants it receives as outlined above.

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Notes to Financial Statements

March 31, 2020

(in thousands of dollars)

COVID-19 impact

The rapid spread of the COVID-19 virus, which was declared by the World Health Organization to be a pandemic on March 11, 2020, and actions taken globally in response to COVID-19, have significantly disrupted business activities throughout the world. Metrolinx's operations rely, to a certain extent, on free movement of goods, services, and capital within Canada, which has been significantly restricted as a result of the COVID-19 pandemic. Given the ongoing and dynamic nature of the circumstances surrounding COVID-19, it is difficult to predict how significant the impact of COVID-19, including any responses to it, will be on the economy and Metrolinx's operations in particular, or for how long any disruptions are likely to continue. The extent of such impact will depend on future developments, which are highly uncertain, rapidly evolving and difficult to predict, including new information which may emerge concerning the severity of COVID-19 and additional actions which may be taken to contain COVID-19, as well as the timing of the re-opening of the economy in Canada. Such further developments could have a material adverse effect on Metrolinx's operations, financial condition, results of operations and cash flows.

As a Crown agency of the Government of Ontario, Metrolinx receives subsidy funding every year from the Province to cover for the shortfall between operating revenue and expense, and capital funding for infrastructure renewal and expansion. With the physical distancing restrictions in place as a result of the COVID-19 pandemic, ridership levels have decreased significantly which, consequently, has resulted in significant reductions in operating revenues and cash flows in fiscal 2021.

3 Summary of significant accounting policies

Financial statement presentation

These financial statements have been prepared by management in accordance with Public Sector Accounting Standards (PSAS) for government, including not-for-profit organizations, as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada).

Financial instruments

Financial instruments are financial assets or liabilities of Metrolinx which, in general, provide Metrolinx the right to receive cash or another financial asset from another party or require Metrolinx to pay another party cash or other financial assets.

Financial instruments reported on the statement of financial position of Metrolinx are measured as follows:

| | |
|--|----------------|
| Cash and cash equivalents | amortized cost |
| Investments | amortized cost |
| Accounts and other receivables | amortized cost |
| Contributions due from Province of Ontario | amortized cost |
| Contributions due from municipalities | amortized cost |
| Contributions due from Government of Canada | amortized cost |
| Contributions due from Province of Ontario – long-term | amortized cost |
| Derivatives | fair value |
| Accounts payable and accrued liabilities | amortized cost |
| PRESTO Fare Card E-Purse | amortized cost |
| Long-term payable | amortized cost |

Metrolinx

Notes to Financial Statements

March 31, 2020

(in thousands of dollars)

Transaction costs on assets measured at fair value are expensed as incurred.

The fair value of Metrolinx's cash and cash equivalents, investments, accounts and other receivables, contributions due from the Province of Ontario, contributions due from municipalities, contributions due from Government of Canada, accounts payable and accrued liabilities, and PRESTO Fare Card E-Purse approximate their carrying values due to the short-term nature of these financial instruments. The fair values of other financial instruments approximate their carrying values unless otherwise noted, based on market rates available to Metrolinx for financial instruments with similar risks, terms and maturities.

Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Metrolinx's fair values are management's estimates and are generally determined using market conditions at a specific point in time. The determinations are subjective in nature, involving uncertainties and the exercise of significant judgment.

From time to time, Metrolinx enters into contracts for diesel fuel to manage exposure to diesel fuel price risks. These derivative instruments are recorded on the statement of financial position as an asset or liability and are measured at fair value. The unrealized gains or losses in the derivative instruments' fair value are recognized in the statement of remeasurement gains and losses.

Metrolinx does not hold or issue derivative financial instruments for trading or speculative purposes, and controls are in place to detect and prevent these activities.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and highly liquid short-term investments with maturities of three months or less at the time of purchase.

Investments

Investments include highly liquid short-term investments with maturities of more than three months but not exceeding a year at the time of purchase.

Spare parts and supplies

Spare parts and supplies are carried at the lower of cost and net realizable value. Cost is determined using the weighted average method.

Capital assets

Capital assets are recorded at cost. The cost of a capital asset includes all costs directly related to the acquisition, construction, development or betterment of the capital asset. Salaries, wages and associated employee benefits for staff directly involved in the acquisition, development or construction of a capital asset are included in the cost of the capital asset.

Metrolinx

Notes to Financial Statements

March 31, 2020

(in thousands of dollars)

Metrolinx has adopted a whole property approach in capitalizing and amortizing its buildings, rail equipment and bus equipment. Under this approach, all components attached to the building structure (lighting, elevators, air conditioning, etc.) are amortized over a composite service life of the property as a whole.

If the development or construction of a capital asset is terminated or deferred indefinitely before completion, the costs capitalized to date are expensed, unless there is an alternative use for the capital asset or unless recovery of those costs from a third party can be reasonably estimated and collection is likely based on related agreements.

Capital assets derived through an Alternate Financing Procurement (AFP) contract for design, build, finance, maintain and operate will contain a portion of the capital design and construction costs that will be paid on substantial completion of the construction of the capital asset and the remainder over the useful life. A matching contribution receivable from the Province of Ontario is recorded. Annual service payments and lifecycle payments will be paid annually over the term of the contract.

Amortization

Metrolinx provides for the amortization of the various classes of assets over their estimated useful lives on a straight-line basis as follows:

| | |
|--|---------------|
| Buildings (including shelters and ticket booths) | 5 – 40 years |
| Leasehold improvements | lease life |
| Locomotives and other railway rolling stock | 20 – 30 years |
| Improvements to railway right-of-way plant | 20 years |
| Track work and installation | 20 years |
| Buses (including double decker buses) | 10 years |
| Parking lots | 20 years |
| Computer equipment and software | 5 – 10 years |
| Grade separations | 50 years |
| Other (including furniture and equipment) | 3 – 12 years |

Work-in-progress comprises direct construction and development costs. No amortization is recorded until the assets are in service.

Long-term lease

Long-term lease represents the pre-payment of the lease regarding Union Station. The amount is being amortized straight-line over 100 years, which is the term of the lease plus one renewal period.

Employee future benefits

Metrolinx provides pension plan benefits through the multi-employer Ontario Municipal Employees Retirement System (OMERS) Pension Plan. The expense for the period equals the required contribution for the period.

Metrolinx provides a top-up pension plan benefit calculated by using the accrued benefit method, which reflects the projected benefits for services rendered to date. Adjustments arising from employee benefit plan amendments, experience gains and losses and changes in assumptions are amortized to earnings over the average remaining service period of the active employees. Any past service costs are expensed when incurred.

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Notes to Financial Statements

March 31, 2020

(in thousands of dollars)

Metrolinx also provides other employee future benefits calculated by using the accrued benefit method, which reflects the projected benefits for services rendered to date. Adjustments arising from employee benefit plan amendments, experience gains and losses and changes in assumptions are amortized to earnings over the average remaining service period of active employees. Any past service costs are expensed when incurred.

Operating revenues

Operating revenues comprise fare revenues from transit operations, including bus and rail services and non-fare revenues from various services including partnership, parking, advertising, farecard sales, commercial space rent and other ancillary services. Revenue is recognized from commuter services when the transportation service is provided. Other revenues are recognized when the related services are provided.

Contributions

Metrolinx follows the deferral method of accounting for contributions. Unrestricted contributions, including operating grants, are recognized as revenue in the period to which they relate.

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

Contributions received for the acquisition of land, including deposits for land, are recognized as direct increases in net assets.

Internally restricted net assets

Internally restricted net assets are internally restricted to provide a funding source for planned future obligations and to provide flexibility against uncertainties which may arise. All reserves are approved by the Board of Directors and are disclosed on the statement of financial position as net assets.

Liability for contaminated sites

Metrolinx assesses all land holdings to determine if contamination, as defined under the standard and regulatory requirements, is present on lands not being used in providing transit and other related services. While contamination may be present, the resultant liability also depends on the existing and future disturbances to the land. A complete inventory of all land holdings was developed and assessed under the standard. There were no liabilities to report at year-end.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The items subject

Metrolinx

Notes to Financial Statements

March 31, 2020

(in thousands of dollars)

to the most significant estimates are amortization of capital assets, certain accrued liabilities, pension plan top-up benefits payable and other employee future benefits payable.

4 Financial instruments and risk management

Metrolinx's financial assets and liabilities have exposure to the following risks:

Credit risk

Metrolinx is subject to credit risk through its receivables. It is management's opinion that the risk is minimal as most of the receivables are from federal, provincial and municipal governments and organizations controlled by them.

Interest rate risk

Metrolinx does not have significant exposure to interest rate risk related to its long-term liabilities as they are primarily with related parties and are non-interest bearing or as a result of AFP contractual agreements.

Other price risk

Metrolinx is exposed to changes in crude oil prices as a result of diesel fuel consumption. The potential fluctuations in crude oil prices could have a significant impact on the cost of providing transportation services. This risk is reduced, from time to time, through the use of diesel fuel forward purchase contracts to lock in firmly committed future operating costs for own use consumption.

5 PRESTO Farecard E-Purse balances

The balance of funds held on PRESTO Farecard E-Purse in the amount of \$96,740 (2019 – \$83,362) has been included in cash and cash equivalents. The E-Purse balance is held on behalf of the Farecard owner and therefore a liability is recorded on the statement of financial position.

Metrolinx

Notes to Financial Statements

March 31, 2020

(in thousands of dollars)

6 Capital assets

| | | | 2020 | 2019 |
|--|-------------------|-----------------------------------|-------------------|-------------------|
| | Cost \$ | Accumulated amortization \$ | Net \$ | Net \$ |
| Land | 2,581,723 | - | 2,581,723 | 2,403,935 |
| Buildings | 2,120,421 | 653,157 | 1,467,264 | 1,574,865 |
| Leasehold improvements | 108,643 | 51,078 | 57,565 | 58,397 |
| Locomotives and other railway rolling stock | 3,396,790 | 1,106,815 | 2,289,975 | 2,108,798 |
| Improvements to railway right-of-way plant | 1,533,340 | 835,494 | 697,846 | 746,497 |
| Grade separations, track work and installations | 3,991,514 | 944,427 | 3,047,087 | 2,877,647 |
| Work-in-progress | 11,771,165 | - | 11,771,165 | 10,140,781 |
| Buses | 480,027 | 201,499 | 278,528 | 254,250 |
| Parking lots | 887,827 | 362,918 | 524,909 | 536,609 |
| Computer equipment and software | 1,955,129 | 971,413 | 983,716 | 969,743 |
| Other | 1,435,436 | 273,996 | 1,161,440 | 598,430 |
| | <u>30,262,015</u> | <u>5,400,797</u> | <u>24,861,218</u> | <u>22,269,952</u> |

Work-in-progress includes the following:

| | 2020 \$ | 2019 \$ |
|--|-------------------|-------------------|
| Rail corridor expansion | 1,345,419 | 979,193 |
| Union Station | 627,981 | 554,022 |
| Rail fleet | 173,856 | 262,455 |
| PRESTO system | 81,017 | 46,833 |
| Light Rail Transit and Bus Rapid Transit | 7,853,530 | 7,092,023 |
| Various | 1,689,363 | 1,206,255 |
| | <u>11,771,166</u> | <u>10,140,781</u> |

Work-in-progress relates to projects that are expected to come into service in one to seven years.

Certain comparative figures for work-in-progress have been reclassified to conform to the current year's presentation.

Hamilton Light Rail Transit (LRT) project

On December 16, 2019, the Government of Ontario announced the cancellation of the Hamilton LRT project and all relevant procurement of properties. At the time of cancellation, approximately \$171 million in costs had been incurred and capitalized as work-in-progress in relation to the Hamilton LRT project.

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Notes to Financial Statements

March 31, 2020

(in thousands of dollars)

With the cancellation of the project, management revisited the costs incurred and capitalized and recorded a charge during the year ended March 31, 2020 of \$94 million for the write-off of costs related to certain professional services. In addition, management recorded an additional charge of \$22 million to record certain liabilities at March 31, 2020, mainly related to breakage fees and other amounts owing to property owners arising from the cancellation of the project.

Subway upload projects

In April 2019, the Province announced through the passing of its budget that it would be amending the Metrolinx Act, 2006 for Metrolinx to take control of the planning, design, construction and operation of certain subway projects from the City of Toronto (the City) and the Toronto Transit Commission (TTC).

Regulations under the Metrolinx Act, 2006 were passed in July 2019 to formalize the Province taking control of these subway projects. As a result, these subway projects became the sole responsibility of Metrolinx, as an agency of the Province pursuant to Ontario Regulation 248/19. The City and its agencies were no longer permitted to design, develop, construct or work on, or cause design, construction or work on these projects. In September 2019, the subway contracts were transferred from the TTC to Metrolinx which provided Metrolinx with the ability to procure and manage the design and development activities.

In February 2020, the City and the Province signed a preliminary agreement (Ontario-Toronto Transit Partnership) that noted, amongst other items, the following:

- The existing subway assets will remain the responsibility and under the ownership of the City and the TTC;
- The Province will have sole responsibility for the planning, design and construction of these former TTC subway projects, and intends to own the resulting assets; and
- The Province will undertake a financial review and reconciliation exercise with the City, related to the investments made by the TTC to fund the planning, design and engineering work for these subway projects. Subject to the outcome of the exercise, the Province commits to reimburse the City for reasonable costs incurred for these projects.

The Province and the City are currently working to finalize the partnership through a governance structure and agreements framework that will codify roles and responsibilities of the respective parties regarding the delivery of the rapid transit projects, capital funding contributions, operations and maintenance requirements and other governance parameters. In addition, the aforementioned financial review and reconciliation exercise between the Province and the City is not yet completed. Accordingly, Metrolinx has not recognized any amounts in the financial statements for the year ended March 31, 2020 pertaining to amounts incurred by the TTC prior to September 1, 2019.

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March 31, 2020

(in thousands of dollars)

7 Accounts receivable and other receivables

Accounts and other receivables are comprised of the following:

| | 2020 \$ | 2019 \$ |
|---|------------|------------|
| Recoverable Harmonized sales tax | 144,161 | 93,512 |
| Other receivables | 42,531 | 46,916 |
| | <hr/> | <hr/> |
| Sunk project costs recoverable from City of Toronto | 186,692 | 140,428 |
| | 74,787 | 74,787 |
| | <hr/> | <hr/> |
| | 261,479 | 215,215 |
| | <hr/> | <hr/> |

Included in accounts and other receivables is \$74,787 (2019 – \$74,787) related to the design of the Light Rail Transit (LRT) Scarborough corridor in the City of Toronto incurred by Metrolinx as at March 31, 2016 and does not include costs related to any contract amendments or cancellations with third party vendors. On October 8, 2013, City of Toronto Council voted to replace the planned LRT currently under construction under the Master Agreement with a Scarborough Subway. The City of Toronto has agreed to reimburse Metrolinx for expenditures incurred for the Scarborough LRT, including any potential costs associated with the LRT vehicle supply contract. Accordingly, the costs incurred to date have been reclassified from work-in-progress to non-interest bearing accounts receivable. The receivable is expected to be settled in connection with the negotiations related to the subway upload transaction with the City (note 6).

8 Advances on capital projects

Metrolinx has entered into Memorandum of Agreements (MOAs) with York Region Rapid Transit Corporation (YRRTC), The Regional Municipality of York (York Region), City of Toronto and the TTC. The MOAs outline the projects, expected costs, and responsibilities of the parties involved. The MOAs also outline the definition of eligible costs and ownership rights of the projects specified in the agreements. A Master Agreement with YRRTC and York Region was signed April 14, 2011 and covers both past and future eligible costs of constructing the bus rapidway. The MOA with the City of Toronto and the TTC was extended until the earlier of September 30, 2012 and the date on which Metrolinx, TTC and the City finalize definitive legal agreements. A Master Agreement with TTC and the City of Toronto was signed November 28, 2012 and covers the cost of constructing the Eglinton LRT, Scarborough RT, Finch West LRT and Sheppard East LRT. The Master Agreement also covers project governance and costs related to the East Rail Maintenance Facility Alternate Financing procurement.

Pursuant to these agreements, advances were paid to York Region and to the TTC to provide working capital for deposits on land totalling \$231,969 (2019 – \$213,247) and other project costs totalling \$22,715 (2019 – \$25,845) to fund projects being developed by York Region and TTC on behalf of Metrolinx. The deposits on land referred to above relate to obtaining, in the future, perpetual easements required for the operation of the York Region bus rapidway. The advances on capital projects are to be held in a separate account and any interest accrued is recognized as interest income in the period.

As at March 31, 2020, Metrolinx has expended approximately \$9,194,772 (2019 – \$7,706,807) in relation to these projects, including the following amounts that have been advanced for costs expected to be incurred to June 30, 2020 and deposits related to future perpetual easements.

Metrolinx

Notes to Financial Statements

March 31, 2020

(in thousands of dollars)

| | 2020 \$ | 2019 \$ |
|---------------------|------------------|-------------------|
| York Region TTC | 251,316 3,368 | 235,723 3,368 |
| Other land deposits | 254,684 900 | 239,091 24,626 |
| | <u>255,584</u> | <u>263,717</u> |

9 Long-term lease

| | 2020 | 2019 | | |
|---------------------------|------------|-----------------------------------|-----------|-----------|
| | Cost \$ | Accumulated amortization \$ | Net \$ | Net \$ |
| Leasehold – Union Station | 32,704 | 6,459 | 26,245 | 26,572 |

10 Long-term payable and contributions due from Province of Ontario – long-term

Metrolinx and Infrastructure Ontario entered into an Alternate Financing Procurement (AFP) contract with Crosslinx Transit Solutions for the design, build, finance and maintenance of its Eglinton Crosstown Light Rail Transit Line during the year ended March 31, 2016. The AFP contract with Crosslinx Transit Solutions is for 30 years at a total amount of \$9,103,676. Metrolinx and Infrastructure Ontario had entered into another AFP contract with Plenary Infrastructure for the design, build, finance and maintenance of its Whitby Facility (formerly known as the East Rail Maintenance Facility) during the year ended March 31, 2015. The AFP contract with Plenary Infrastructure is for 30 years at a total amount of \$921,794. This amount also includes lifecycle payments over the term of the contract amounting to \$76.6 million.

In addition, during the year ended March 31, 2019 a number of new AFP contracts were entered into for Cooksville, #401/409 Tunnel, Kipling Bus Terminal, Rutherford Station grade separation and the Stouffville Station projects. During the current year, a new AFP contract for Davenport Diamond Grade Separation project was commenced. Costs incurred on these contracts as at March 31, 2020 are as follows and are included in work-in-progress.

| | ECLRT \$ | Whitby \$ | Cooksville \$ | #401/409 Tunnel \$ | Kipling Bus Terminal \$ | Rutherford Station, grade separation \$ | Stouffville Station \$ | Davenport Diamond Grade Separation \$ | 2020 \$ | 2019 \$ |
|---|------------------|----------------|------------------|--------------------------|----------------------------------|---|------------------------------|---|------------------|------------------|
| Cost incurred to date | 4,049,755 | 518,570 | 122,663 | 90,583 | 50,651 | 87,468 | 133,980 | 19,017 | 5,072,687 | 3,898,832 |
| Less: Amount paid or amount payable within 1 year | 2,656,233 | 326,419 | 122,663 | 2,521 | 50,651 | 44,164 | 99,053 | - | 3,301,704 | 2,311,488 |
| Long-term payable | <u>1,393,522</u> | <u>192,151</u> | <u>-</u> | <u>88,062</u> | <u>-</u> | <u>43,304</u> | <u>34,927</u> | <u>19,017</u> | <u>1,770,983</u> | <u>1,587,344</u> |

A matching contribution receivable from the Province for costs incurred to date is included in deferred capital contributions.

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Notes to Financial Statements

March 31, 2020

(in thousands of dollars)

11 Deferred capital contributions

The changes in the deferred capital contributions for the year are as follows:

| | 2020 \$ | 2019 \$ |
|---|-------------------|-------------------|
| Balance – Beginning of year | 19,083,563 | 16,289,789 |
| Contributions received or receivable in the period for capital acquisitions | | |
| Province of Ontario | 3,170,183 | 3,455,009 |
| Municipalities | 5,946 | 12,746 |
| Government of Canada | 4,282 | 26,996 |
| Amortization of deferred capital contributions | (803,312) | (700,977) |
| Balance – End of year | <u>21,460,662</u> | <u>19,083,563</u> |

Metrolinx realized a shortfall in municipal funding related to its capital program. The Province has provided funding to bridge the shortfall in the current year in the amount of \$60,783 (2019 – \$63,327) and the cumulative amount is \$1,385,793 (2019 – \$1,325,010). The Province will work with its municipal partners to address the funding shortfalls.

The City of Toronto has agreed to contribute \$95,460 related to grade separation and utility relocation work performed by Metrolinx on the Georgetown South (GTS) corridor. An Agreement in Principle signed in January 2018 between the Province and the City of Toronto allows Metrolinx to recover eligible costs that it incurred on behalf of the City. The receivable is expected to be settled in connection with the negotiations related to the subway upload transaction with the City (note 6). Accordingly, the receivable has been classified as a short-term asset at March 31, 2020.

12 Pension contributions

Metrolinx provides pension benefits for substantially all of its permanent employees through participation in the OMERS Pension Plan. The amount expensed in pension contributions for the year ended March 31, 2020 is \$37,397 (2019 – \$33,693).

13 Pension plan top-up benefits liability

With repatriation of the former GO Transit to the Province in 2002, bargaining and non-bargaining employees requested the Province to rectify the difference in pension benefits to be received by employees of GO Transit. When GO Transit was transferred from the Province to the Greater Toronto Services Board in 1999, the Provincial Plans were frozen and a new plan commenced under OMERS. It had been resolved that GO Transit was responsible for the pension obligation. GO Transit completed an actuarial valuation as at April 1, 2016. The pension expense recognized during the year is \$4,353 (2019 – \$4,249).

The cost of pension plan top-up benefits is actuarially determined using the projected benefit method pro-rated on service. The discount rate used to determine the accrued benefit obligation was determined based on the Ontario provincial bond yields. The actuarial gains and losses are amortized over the average remaining service period of active employees.

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Notes to Financial Statements

March 31, 2020

(in thousands of dollars)

Information about Metrolinx's pension plan top-up is as follows:

| | 2020 | 2019 |
|--------------------------------|---------------|---------------|
| | \$ | \$ |
| Accrued benefit obligation | 77,916 | 74,443 |
| Fair value of plan assets | (4,682) | (2,807) |
| | <hr/> | <hr/> |
| Funded status – plan deficit | 73,234 | 71,636 |
| Unamortized net actuarial loss | (5,818) | (4,032) |
| | <hr/> | <hr/> |
| Accrued benefit liability | <u>67,416</u> | <u>67,604</u> |

Details of the accrued benefit obligation are as follows:

| | 2020 | 2019 |
|--|---------------|---------------|
| | \$ | \$ |
| Accrued benefit obligation – Beginning of year | 74,443 | 70,191 |
| Current service cost | 611 | 1,173 |
| Interest cost on accrued benefit obligation | 1,990 | 2,179 |
| Benefit payments | (2,672) | (2,151) |
| Actuarial loss on accrued benefit obligation | 3,544 | 3,051 |
| | <hr/> | <hr/> |
| Accrued benefit obligation – End of year | <u>77,916</u> | <u>74,443</u> |

Details of the pension expense are as follows:

| | 2020 | 2019 |
|---|--------------|--------------|
| | \$ | \$ |
| Current service cost | 611 | 1,173 |
| Interest cost on accrued benefit obligation | 1,990 | 2,179 |
| Actual return on plan assets | (8) | (1) |
| Expected return versus actual return on plan assets | 8 | 1 |
| Amortization of actuarial loss | 1,752 | 897 |
| | <hr/> | <hr/> |
| | <u>4,353</u> | <u>4,249</u> |

Plan assets by asset category are as follows:

| | 2020 | 2019 |
|--|-------------|-------------|
| | % | % |
| Cash invested | 13 | 3 |
| Cash on deposit with Canada Revenue Agency | 87 | 97 |
| | <hr/> | <hr/> |
| | <u>100</u> | <u>100</u> |

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March 31, 2020

(in thousands of dollars)

Other information about Metrolinx's benefit plan is as follows:

| | 2020 | 2019 |
|------------------------|-------------|-------------|
| | \$ | \$ |
| Employer contributions | 4,540 | 2,350 |
| Benefits | 2,672 | 2,151 |

The significant actuarial assumptions adopted in measuring Metrolinx's pension plan top-up benefit obligations are as follows:

| | 2020 | 2019 |
|---|-------------|-------------|
| Discount rate | 2.7% | 3.1% |
| Rate of compensation increase | 2.5% | 2.75% |
| Inflation per annum | 2% | 2% |
| Expected average remaining service life | 4 years | 4 years |

14 Other employee future benefits liability

Metrolinx provides post-retirement life and health benefits, Workplace Safety & Insurance Board (WSIB) liabilities and retiree severance benefits. The plan is unfunded and requires nominal contributions from employees. Substantially all full-time active employees are eligible for life and health benefits. A limited number of employees are eligible for severance benefits.

The measurement date of the plan assets and accrued benefit obligation is March 31 of each year. The most recent actuarial valuation of the other employee future benefits was as at March 31, 2020. The post-retirement non-pension benefits recognized during the year were \$13,135 (2019 – \$11,855).

The cost of post-retirement non-pension benefits is actuarially determined using the projected benefit method pro-rated on service, retirement ages of employees and expected health-care costs. The discount rate used to determine the accrued benefit obligation was determined based on the Ontario provincial bond yields. The actuarial gains and losses are amortized over the average remaining service period of active employees. Past service costs are expensed when incurred. Information about Metrolinx's post-retirement non-pension benefits is as follows:

| | 2020 | 2019 |
|---------------------------------------|-------------|-------------|
| | \$ | \$ |
| Accrued benefit obligation | 143,917 | 156,884 |
| Funded status – plan deficit | 143,917 | 156,884 |
| Unamortized net actuarial gain (loss) | 12,761 | (9,898) |
| Accrued benefit liability | 156,678 | 146,986 |

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Notes to Financial Statements

March 31, 2020

(in thousands of dollars)

Details of the accrued benefit obligation are as follows:

| | 2020 | 2019 |
|---|-------------|-------------|
| | \$ | \$ |
| Accrued benefit obligation – Beginning of year | 156,884 | 140,302 |
| Adjustment at beginning of year | - | 715 |
| Current service cost | 6,165 | 5,549 |
| Interest cost on accrued benefit obligation | 4,514 | 4,469 |
| Benefit payments | (3,442) | (3,356) |
| Actuarial (gain)/loss on accrued benefit obligation | (20,204) | 9,205 |
| | <hr/> | <hr/> |
| Accrued benefit obligation – End of year | 143,917 | 156,884 |

Details on the post-retirement non-pension benefits expense are as follows:

| | 2020 | 2019 |
|---|-------------|-------------|
| | \$ | \$ |
| Current service cost | 6,165 | 5,549 |
| Interest cost on accrued benefit obligation | 4,514 | 4,469 |
| Amortization of actuarial loss | 2,456 | 1,837 |
| | <hr/> | <hr/> |
| | 13,135 | 11,855 |

The significant actuarial assumptions adopted in measuring Metrolinx's post-retirement non-pension benefit obligations are as follows:

| | 2020 | 2019 |
|---|-------------|-------------|
| Discount rate for post-retirement non-pension benefit | 2.5% | 3.1% |
| Discount rate for WSIB liabilities | 2.3% | 2.7% |
| Discount rate for retiree severance benefits | 1.9% | 2.5% |
| Expected average remaining service life for post-retirement non-pension benefit | 15 years | 15 years |
| Expected average remaining service life for WSIB liabilities | 9 years | 9 years |
| Expected average remaining service life for retiree severance benefits | 2 years | 2 years |
| Rate of compensation increase | 2.75% | 2.75% |
| Inflation per annum | 2% | 2% |
| Initial Weighted Average Health Care Trend Rate | 4.24% | 5.1% |
| Ultimate Weighted Average Health Care Trend Rate | 3.02% | 4% |
| Dental care benefits increase | 2.75% | 2.75% |

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Notes to Financial Statements

March 31, 2020

(in thousands of dollars)

15 Net assets invested in capital assets

| | 2020 | 2019 |
|--|------------------|------------------|
| | \$ | \$ |
| Capital assets | 24,861,218 | 22,269,952 |
| Deposits on land | 232,869 | 237,872 |
| Advances on capital projects | 22,715 | 25,845 |
| Less: Deferred capital contributions used to purchase capital assets | (21,460,662) | (19,083,563) |
| | <u>3,656,140</u> | <u>3,450,106</u> |

16 Internally restricted net assets

The internally restricted net assets are as follows:

| | 2020 | 2019 |
|------------------------|---------------|---------------|
| | \$ | \$ |
| MCOR | 21,051 | 21,051 |
| Employment obligation | 889 | 889 |
| Self-insured retention | 2,013 | 2,013 |
| Stabilization | 2,379 | 2,379 |
| | <u>26,332</u> | <u>26,332</u> |

The Municipal Capital and Operating Restructuring (MCOR) reserve was established to assist in funding large capital expenditures.

The employment obligation reserve was established to assist in funding general employment related obligations of Metrolinx.

The self-insured retention reserve was established to assist in funding any claims against the self-insured retention layer of Metrolinx's insurance program.

The stabilization reserve was established to assist in funding fluctuations in operating and capital budgets of Metrolinx from year to year.

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Notes to Financial Statements

March 31, 2020

(in thousands of dollars)

17 Commitments

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

| | \$ |
|------------|----------------|
| 2021 | 43,567 |
| 2022 | 39,984 |
| 2023 | 34,878 |
| 2024 | 32,030 |
| 2025 | 27,886 |
| Subsequent | <u>311,259</u> |
| | <u>489,604</u> |

A significant amount of the services provided by Metrolinx are operated and maintained by outside parties. These services are governed by the agreements with the Canadian National Railway Company (CN), Canadian Pacific Railway Company (CP), Bombardier Inc., PNR Rail Works Inc. (PNR), Toronto Terminals Railway Ltd. (TTR) and by a number of minor service agreements. Metrolinx has entered into the following major agreements for approximately \$351,000 per year:

- Master Operating Agreement with CN terminating on May 31, 2021;
- Commuter Agreement with CP terminating on January 1, 2025;
- Equipment Maintenance contract with Bombardier terminating on December 31, 2024;
- Rail Crew contract with Bombardier terminating on December 31, 2024;
- Routine Track and Signal Maintenance contract with PNR terminating on June 30, 2021;
- Rail Corridor Management Service Agreement with TTR terminating on June 30, 2021.

Metrolinx has also committed approximately \$16,892,000 for various capital asset additions/projects.

The remaining annual capital and/or service payments relating to AFP contracts in nominal dollars, as at March 31, 2020 are as follows:

| | Contract amount | Amount disbursed | Outstanding obligation | Outstanding obligations to be disbursed by March 31 | | | | | |
|----------------------|-----------------|------------------|------------------------|---|---------|---------|---------|---------|---------------------|
| | | | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 and thereafter |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| ECLRT | 9,103,676 | 3,979,878 | 5,123,798 | 1,095,402 | 414,096 | 89,824 | 106,211 | 107,100 | 3,311,165 |
| Plenary | 921,794 | 343,347 | 578,447 | 17,153 | 17,509 | 17,643 | 17,809 | 17,980 | 490,353 |
| Cooksville | 133,384 | 122,663 | 10,721 | 10,721 | - | - | - | - | - |
| #401/409 Tunnel | 121,890 | 90,583 | 31,307 | 20,840 | 10,467 | - | - | - | - |
| Kipling Bus Terminal | 74,780 | 50,651 | 24,129 | 24,219 | - | - | - | - | - |
| Rutherford Station | 243,642 | 87,468 | 156,174 | 93,868 | 62,306 | - | - | - | - |
| Stouffville Station | 259,128 | 133,980 | 125,148 | 59,873 | 59,854 | 5,421 | - | - | - |
| Davenport Diamond | 178,097 | 19,017 | 159,080 | 47,348 | 85,676 | 26,056 | - | - | - |
| Total | | | 6,208,894 | 1,369,424 | 649,908 | 138,944 | 124,020 | 125,080 | 3,801,518 |

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(in thousands of dollars)

Contractual rights are rights to economic resources arising from contracts or agreements that will result in revenues and assets in the future. Metrolinx has contractual rights because of agreements entered into with various Transit agencies for the use of the PRESTO fare system. The agreements allow for a commission fee paid to Metrolinx based on the percentage of revenue collected via PRESTO. The terms of the agreements vary in length for periods between 9 and 15 years.

As at March 31, 2020, Metrolinx had outstanding letters of credit totalling \$28 (2019 – \$28).

18 Contingencies

Various lawsuits have been filed against Metrolinx for incidents which arose in the ordinary course of business. Management has reviewed these claims and made provisions as appropriate. Where the outcome of a claim is not yet determinable, any settlement will be recorded when it is determined that a claim is likely to be settled and the amount is determinable.

19 Related party disclosures and transactions and balances

Related party disclosures

Key management personnel are defined as individuals having authority and responsibility for planning, directing and controlling activities of the entity. Metrolinx has identified direct reports to the CEO and its board members as its key management personnel and put in place processes for preparation and review of annual attestations. There were no material transactions to report in the year.

Inter-entity transactions

Metrolinx had the following transactions with related parties during the year for the provision of services provided by these organizations.

- a) Infrastructure Ontario \$55,632 (2019 – \$48,723) and Ontario Northland \$8,590 (2019 – \$509). As at March 31, 2020, accounts payable and accrued liabilities included \$22,090 (2019 – \$17,385) owing to Infrastructure Ontario.
- b) The Ontario Ministry of Transportation transferred two parcels of land to Metrolinx during the year. The transfer was made at the fair value of the assets that amounted to \$2,330. The Ministry owes \$225 (2019 – \$225) for two parcels of land procured from Metrolinx in prior years.

The transactions above are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Contributions of capital assets from the Province are recorded at fair value.

Balances due from/to the Province of Ontario are separately disclosed on the statement of financial position. Amounts are non-interest bearing with no specified terms of repayment.

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(in thousands of dollars)

20 Guarantees

In the normal course of business, Metrolinx enters into agreements that meet the definition of a guarantee.

- a) Metrolinx has entered into agreements that include indemnities in favour of third parties such as purchase and sale agreements, confidentiality agreements, engagement letters with advisers and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require Metrolinx to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.
- b) Indemnity has been provided to all directors and/or officers of Metrolinx including, but not limited to, all costs to settle suits or actions due to association with Metrolinx, subject to certain restrictions. Metrolinx has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a trustee, director or officer of Metrolinx. The maximum amount of any potential future payment cannot be reasonably estimated.

The nature of these indemnification agreements prevents Metrolinx from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability, which stems from the unpredictability of future events and the unlimited coverage offered to counterparties.

Historically, Metrolinx has not made any significant payments under such or similar indemnification agreements, and therefore no amount has been recorded with respect to these agreements.

21 Diesel fuel forward contracts

As at March 31, 2020, Metrolinx has entered into three future contracts for 53.4 million litres of diesel fuel at prices ranging from \$0.485 to \$0.704 per litre which mature in fiscal 2020/2021. The change in fair value of the derivative instrument of \$6,029 for the year ended March 31, 2020 is recorded as an unrealized loss in the statement of remeasurement gains and losses.