

Metrolinx

Financial Statements
March 31, 2022



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, 2022 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, 2022;
- 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 significant accounting policies and other explanatory information.

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 30, 2022

Metrolinx

Statement of Financial Position

As at March 31, 2022

(in thousands of dollars)

	2022 \$	2021 \$
Assets		
Current assets		
Cash and cash equivalents (note 5)	704,297	511,671
Investments	-	3,589
Accounts and other receivables (note 8)	260,753	319,652
Contributions receivable (note 9)	1,843,122	780,007
Spare parts and supplies	24,894	21,215
Prepaid expenses	29,760	45,345
	<u>2,862,826</u>	<u>1,681,479</u>
Contributions due from Province of Ontario – long-term (note 12)	2,768,328	3,114,629
Other assets (note 6)	97,403	76,144
Capital assets (note 7)	32,129,154	27,887,710
Deposits on land (note 10)	255,164	253,331
Advances on capital projects (note 10)	198,298	23,096
Long-term lease (note 11)	<u>25,591</u>	<u>25,918</u>
	<u>38,336,764</u>	<u>33,062,307</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (notes 17 and 22)	2,800,752	1,604,576
PRESTO Farecard E-Purse (note 5)	111,655	105,225
	<u>2,912,407</u>	<u>1,709,801</u>
Long-term payable (note 12)	2,768,328	3,114,629
Deferred capital contributions (note 13)	28,200,702	24,484,501
Pension plan top-up benefits payable (note 15)	70,007	69,477
Other employee future benefits payable (note 16)	<u>166,702</u>	<u>163,342</u>
	<u>34,118,146</u>	<u>29,541,750</u>
Net Assets		
Invested in capital assets (note 18)	4,381,914	3,679,636
Invested in long-term lease (note 11)	25,591	25,918
Internally restricted (note 19)	26,332	26,332
Deficiency of net assets	<u>(215,219)</u>	<u>(211,329)</u>
	<u>4,218,618</u>	<u>3,520,557</u>
Accumulated remeasurement gains and losses	<u>-</u>	<u>-</u>
	<u>38,336,764</u>	<u>33,062,307</u>
Economic dependence (note 2)		
Commitments (note 20)		
Contingencies (note 21)		

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, 2022

(in thousands of dollars)

	2022 \$	2021 \$
Revenues		
Operating	193,090	102,036
Third party construction revenue	25,453	76,049
Contribution from the Province of Ontario	946,172	961,560
Interest income	7,948	4,819
Amortization of deferred capital contributions (note 13)	963,687	868,350
	<u>2,136,350</u>	<u>2,012,814</u>
Expenses		
Supplies and services	234,149	184,458
Equipment maintenance	117,319	109,158
Facilities and track	156,818	161,149
Labour and benefits	410,095	379,607
Rail and bus operations	335,983	291,846
Third party construction expense	26,259	77,363
Amortization of capital assets	935,460	837,468
Amortization of long-term lease	327	327
Gain on disposal and write-down of capital assets	(68,957)	(10,870)
	<u>2,147,453</u>	<u>2,030,506</u>
Excess of expenses over revenues	<u>(11,103)</u>	<u>(17,692)</u>

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

Metrolinx

Statement of Changes in Net Assets

For the year ended March 31, 2022

(in thousands of dollars)

				2022	2021	
	Invested in capital assets \$ (note 18)	Invested in long- term lease \$ (note 11)	Internally restricted net assets \$ (note 19)	Deficiency \$	Total \$	Total \$
Balance – Beginning of year	3,679,636	25,918	26,332	(211,329)	3,520,557	3,496,116
Excess of expenses over revenues	-	-	-	(11,103)	(11,103)	(17,692)
Amortization – net of amortization to revenue	(1,709)	(327)	-	2,036	-	-
Assets contributed by the Province of Ontario	-	-	-	-	-	571
Land acquisitions including deposits	709,164	-	-	-	709,164	41,562
Disposal of land	(5,177)	-	-	5,177	-	-
Balance – End of year	4,381,914	25,591	26,332	(215,219)	4,218,618	3,520,557

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

Metrolinx

Statement of Cash Flows

For the year ended March 31, 2022

(in thousands of dollars)

	2022 \$	2021 \$
Cash provided by (used in)		
Operating activities		
Excess of expenses over revenues	(11,103)	(17,692)
Amortization of capital assets and long-term lease	935,787	837,795
Gain on disposal and write-down of capital assets	(68,957)	(10,870)
Amortization of deferred capital contributions	(963,687)	(868,350)
Employee future benefits – net of payments	3,890	8,724
	<u>(104,070)</u>	<u>(50,393)</u>
Change in non-cash working capital		
Investments	3,589	9,192
Accounts and other receivables	58,899	(58,173)
Spare parts and supplies	(3,679)	(337)
Prepaid expenses	15,585	(24,784)
Accounts payable and accrued liabilities	(1,609)	32,339
PRESTO Farecard E-Purse	6,430	8,485
Other assets	(21,259)	(35,440)
	<u>(46,114)</u>	<u>(119,111)</u>
Capital activities		
Purchase of capital assets	(4,043,405)	(2,873,011)
Proceeds from sale of capital assets	104,071	60,392
Deposits on land (note 18)	(255,164)	(253,331)
Advances on capital projects (note 10)	(198,298)	(23,096)
	<u>(4,392,796)</u>	<u>(3,089,046)</u>
Financing activities		
Grants received for purchase of land	709,164	41,562
Capital contributions	3,922,372	3,013,117
	<u>4,631,536</u>	<u>3,054,679</u>
Net change in cash, cash equivalents and restricted cash	192,626	(153,478)
Cash and cash equivalents – Beginning of year	511,671	665,149
Cash and cash equivalents – End of year	<u>704,297</u>	<u>511,671</u>
Supplemental cash flow information		
Non-cash capital activities		
Change in accounts payable and accrued liabilities relating to capital assets	1,197,785	(559,329)
Change in long-term capital payable/contribution due from Province	(346,301)	1,343,646
Assets contributed by the Province of Ontario	-	571
Non-cash financing activities		
Change in capital contributions receivable	(1,063,115)	464,572

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

Metrolinx

Statement of Remeasurement Gains and Losses

For the year ended March 31, 2022

(in thousands of dollars)

	2022 \$	2021 \$
Balance, beginning of year	-	(6,029)
Unrealized gains (losses) attributable to Forward fuel purchase contracts (note 24)	-	1,581
Amounts reclassified to the statement of operations: Forward fuel purchase contracts (note 24)	-	4,448
Net remeasurement gains and (losses)	-	6,029
Balance, end of year	-	-

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

Metrolinx

Notes to Financial Statements

March 31, 2022

(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), to transform mobility and connect communities across the Greater Golden Horseshoe (GGH). 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 GTHA 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, London 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 farecard 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
- through an annual 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 government grants it receives as outlined above.

(in thousands of dollars)

COVID-19 impact

The COVID-19 pandemic continues to impact many transit organizations across the world in 2021-22, including all areas of Metrolinx’s business. Over the past year, Metrolinx ridership and revenue continue to be impacted as the province experienced the third, fourth and fifth waves of COVID-19 cases. In April/May 2021, ridership was impacted by the third pandemic wave that lasted longer than anticipated with lockdown restrictions. In August/September 2021, the Delta-induced fourth wave delayed return to downtown offices and impeded ridership recovery. And just as restrictions began to be slowly lifted in November 2021 and ridership was beginning to return in January 2022, the Omicron-fueled fifth wave and the various public health restrictions, including the stay-at-home order and school closures, further resulted in another ridership drop and prompted Metrolinx to once again reduce its service levels. Following Omicron, ridership and fare revenue rebounded slightly in February and March 2022 with the easing of health and safety restrictions.

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 revenues and expenses, and capital funding for infrastructure renewal and expansion. With the health and safety restrictions in place, as well as delayed return to downtown offices as a result of various COVID-19 waves, ridership levels continue to be significantly lower as compared to pre-pandemic levels which, consequently, has resulted in further significant reductions in operating revenues in fiscal 2021-22.

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 receivable	amortized cost
Contributions due from Province of Ontario – long-term	amortized cost
Derivatives	fair value
Accounts payable and accrued liabilities	amortized cost
PRESTO Farecard E-Purse	amortized cost
Long-term payable	amortized cost

Metrolinx

Notes to Financial Statements

March 31, 2022

(in thousands of dollars)

The fair value of Metrolinx's cash and cash equivalents, investments, accounts and other receivables, contributions receivable, accounts payable and accrued liabilities and PRESTO Farecard E-Purse approximate their carrying values due to the short-term nature of these financial instruments. 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 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.

Metrolinx

Notes to Financial Statements

March 31, 2022

(in thousands of dollars)

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

Construction-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.

Pension plan top-up benefits and other 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.

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.

Metrolinx

Notes to Financial Statements

March 31, 2022

(in thousands of dollars)

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 from commuter services is recognized when the transportation service is provided. Other revenues are recognized when the transaction or event has occurred, Metrolinx expects to obtain future economic benefits and the performance obligation related to the underlying services or goods has been met.

Third party construction revenue and expense

Third party construction revenue comprises revenues from third party reimbursements of capital assets ultimately owned by third parties. Revenue is recognized when a transaction or event has occurred and Metrolinx expects to obtain future economic benefits. Third party construction expense comprises expenditures incurred on capital assets ultimately owned by third parties. Expenses are recognized on an accrual basis.

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. The remediation cost is calculated based on the best available information and is reviewed and revised on an ongoing basis.

(in thousands of dollars)

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 to the most significant estimates are amortization of capital assets, certain accrued liabilities, liabilities for contaminated sites, 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 other organizations under common control of the Province of Ontario.

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. Extreme market volatility in the current fiscal year prevented Metrolinx from entering into any forward purchase contracts and as a result there are no outstanding diesel purchase contracts as at March 31, 2022.

5 PRESTO Farecard E-Purse balances

The balance of funds held in PRESTO Farecard E-Purse in the amount of \$111,655 (2021 – \$105,225) 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.

6 Other assets

Included in other assets is an amount of \$66,144 (2021 – \$66,144) relating to enhanced quality warranties for a period of 30 years. As at March 31, 2022, the underlying assets that the warranties relate to have not been put into service.

Metrolinx

Notes to Financial Statements

March 31, 2022

(in thousands of dollars)

7 Capital assets

			2022	2021
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land	3,559,599	-	3,559,599	2,855,008
Buildings	2,453,483	823,545	1,629,938	1,597,581
Leasehold improvements	109,202	61,927	47,275	52,583
Locomotives and other railway rolling stock	3,730,325	1,431,559	2,298,766	2,314,546
Improvements to railway right-of-way plant	1,633,187	967,936	665,251	686,555
Grade separations, track work and installations	4,467,498	1,270,582	3,196,916	3,115,038
Construction-in-progress	17,435,835	-	17,435,835	13,974,453
Buses	479,292	243,126	236,166	280,463
Parking lots	1,190,171	462,207	727,964	631,722
Computer equipment and software	2,335,675	1,367,494	968,181	999,505
Other	1,766,789	403,526	1,363,263	1,380,256
	<u>39,161,056</u>	<u>7,031,902</u>	<u>32,129,154</u>	<u>27,887,710</u>

Construction-in-progress includes the following:

	2022 \$	2021 \$
Rail corridor expansion	1,904,722	1,755,757
Union Station	637,679	605,958
Rail fleet	48,414	151,263
PRESTO system	45,563	102,703
Light Rail Transit and Bus Rapid Transit	10,953,910	9,183,964
Subways	1,635,830	452,293
Other	2,209,717	1,722,515
	<u>17,435,835</u>	<u>13,974,453</u>

Construction-in-progress relates to projects that are expected to come into service in one to nine years.

Subway projects

Regulations under the Metrolinx Act, 2006 were passed in July 2019 to formalize the Province taking 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). As a result, these subway projects became the sole responsibility of Metrolinx. 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.

Metrolinx

Notes to Financial Statements

March 31, 2022

(in thousands of dollars)

In February 2020, the City and the Province signed a preliminary agreement (Ontario-Toronto Transit Partnership) that noted, amongst other items, that 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, 2022 pertaining to amounts incurred by the TTC prior to September 1, 2019.

8 Accounts and other receivables

Accounts and other receivables comprise the following:

	2022 \$	2021 \$
Recoverable harmonized sales tax	86,144	60,428
Third party reimbursements	55,690	129,425
Other receivables	44,132	55,012
	<hr/>	<hr/>
Sunk project costs recoverable from City of Toronto	185,966 74,787	244,865 74,787
	<hr/>	<hr/>
	260,753	319,652

Included in accounts and other receivables is \$74,787 (2021 – \$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 construction-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 7).

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(in thousands of dollars)

9 Contributions receivable

Contributions receivable comprise the following:

	2022 \$	2021 \$
Contributions due from Province of Ontario	1,735,760	664,637
Contributions due from Municipalities (note 13)	95,461	100,144
Contributions due from Government of Canada	11,839	12,863
Contributions due from other organizations	62	2,363
	<u>1,843,122</u>	<u>780,007</u>

10 Deposits on land and advances on capital projects

Deposits on land and advances on capital projects comprise the following:

	2022 \$	2021 \$
York Region	243,896	249,063
TTC	3,368	3,368
Other land deposits	7,900	900
	<u>255,164</u>	<u>253,331</u>
	2022 \$	2021 \$
York Region	14,512	23,096
Alstom Transport Canada Inc.	116,265	-
Ontario Northland Transportation Commission	39,025	-
Other advances on capital projects	28,496	-
	<u>198,298</u>	<u>23,096</u>

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 AFP.

Pursuant to these agreements, advances were paid to York Region and to the TTC to provide working capital for deposits on land totalling \$247,264 (2021 – \$252,431) and advances on capital projects totalling \$14,512 (2021 – \$23,096) to fund

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(in thousands of dollars)

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 will be applied against the project.

Other advances on capital projects include advances paid to Alstom Transport Canada Inc. and Ontario Northland Transportation Commission for the refurbishment of 150 bi-level rail cars for GO Expansion project totalling \$84,058 (2021 – \$nil) and advances paid to Alstom Transport Canada Inc. for signaling changes for the Ontario Line totalling \$71,232 (2021 – \$nil) and various other advances totalling \$28,496 (2021 – \$nil).

11 Long-term lease

			2022	2021
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Leasehold – Union Station	32,704	7,113	25,591	25,918

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

During the year ended March 31, 2015, Metrolinx and Infrastructure Ontario had entered into an AFP contract with Plenary Infrastructure for the design, build, finance and maintenance of its Whitby Facility (formerly known as the East Rail Maintenance Facility). 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 \$76,593.

During the year ended March 31, 2016, Metrolinx and Infrastructure Ontario entered into an AFP contract with Crosslinx Transit Solutions for the design, build, finance and maintenance of its Eglinton Crosstown LRT. The AFP contract with Crosslinx Transit Solutions is for 30 years at a total amount of \$9,103,676.

During the year ended March 31, 2019, Metrolinx and Infrastructure Ontario entered into an AFP contract with Mosaic Transit Partners General Partnership for the design, build, finance and maintenance of its Finch West LRT. The AFP contract with Mosaic Transit Partners General Partnership is for a period of 35 years at a total amount of \$2,479,323.

During the year ended March 31, 2020, Metrolinx and Infrastructure Ontario entered into an AFP contract with Mobilinx Hurontario General Partnership for the design, build, finance and maintenance of its Hurontario LRT. The AFP contract with Mobilinx Hurontario General Partnership is for a period of 35 years at a total amount of \$4,599,026. As well, a design/build contract was issued to GCRS Davenport General Partnership in the amount of \$175,016 for Davenport Diamond Grade Separation project.

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(in thousands of dollars)

During the year ended March 31, 2022, Metrolinx and Infrastructure Ontario entered into the following contracts:

- Lakeshore West - with Ellisdon Infrastructure LSW RER Inc. \$443,871 to design, build and finance certain infrastructure improvements at the GO Stations, Burloak Drive Grade Separation and the Drury Lane Pedestrian Bridge in order to accommodate the anticipated Regional Express Rail services;
- Eglinton Crosstown West Extension - with West End Connectors Developer General Partnership (WEC) \$729,182 for design, build and finance of the Eglinton Crosstown West Extension (ECWE) Advanced Tunnel 1 project; and
- Scarborough Subway Extension - with Strabag Scarborough Project Inc. \$757,135 for design, build and finance of the Scarborough Subway Extension's Advance Tunnel project.

Costs incurred on these contracts as at March 31, 2022 are as follows and are included in construction-in-progress.

	Hurontario LRT \$	Whitby \$	Eglinton Crosstown LRT \$	Finch West LRT \$	Davenport Diamond \$	Lakeshore West \$	Eglinton Crosstown West Extension \$	Scarborough Subway Extension \$	2022 \$	2021 \$
Cost incurred to date	905,003	518,570	5,816,028	1,181,981	126,136	48,096	363,125	245,437	9,204,376	7,677,244
Less: Amount paid or amount payable within 1 year	235,670	334,625	4,969,864	307,133	65,331	-	278,113	245,312	6,436,048	4,562,615
Long-term payable	669,333	183,945	846,164	874,848	60,805	48,096	85,012	125	2,768,328	3,114,629

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

13 Deferred capital contributions

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

	2022 \$	2021 \$
Balance – Beginning of year	24,484,501	21,460,662
Contributions received or receivable in the period for capital acquisitions		
Province of Ontario	4,666,346	3,862,673
Municipalities	13,042	20,342
Government of Canada	-	-
Other organizations	500	9,174
Amortization of deferred capital contributions	(963,687)	(868,350)
Balance – End of year	<u>28,200,702</u>	<u>24,484,501</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 \$4,374 (2021 – \$30,949) and the cumulative amount is \$1,421,116 (2021 – \$1,416,742). The Province will work with its municipal partners to address the funding shortfalls.

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The City of Toronto has agreed to contribute \$95,461 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 transaction with the City (note 7). Accordingly, the receivable has been classified as a short-term asset as at March 31, 2022.

14 Pension contributions

Metrolinx provides pension benefits for substantially all of its permanent employees through participation in the OMERS multi-employer defined benefit pension plan. The amount expensed in pension contributions for the year ended March 31, 2022 is \$48,046 (2021 – \$42,286).

15 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 March 31, 2022. The pension expense recognized during the year is \$3,530 (2021 – \$4,160).

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.

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

	2022 \$	2021 \$
Accrued benefit obligation	66,552	74,800
Fair value of plan assets	(4,134)	(4,048)
Funded status – plan deficit	62,418	70,752
Unamortized net actuarial gain (loss)	7,589	(1,275)
Accrued benefit liability	70,007	69,477

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Details of the accrued benefit obligation are as follows:

	2022	2021
	\$	\$
Accrued benefit obligation – Beginning of year	74,800	77,916
Current service cost	650	664
Interest cost on accrued benefit obligation	1,961	1,853
Benefit payments	(2,921)	(2,746)
Actuarial gain on accrued benefit obligation	(7,938)	(2,887)
	<hr/>	<hr/>
Accrued benefit obligation – End of year	66,552	74,800

Details of the pension expense are as follows:

	2022	2021
	\$	\$
Current service cost	650	664
Interest cost on accrued benefit obligation	1,961	1,853
Actual return on plan assets	(7)	(11)
Expected return versus actual return on plan assets	7	11
Amortization of actuarial loss	919	1,643
	<hr/>	<hr/>
	3,530	4,160

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

	2022	2021
Discount rate	3.25%	2.65%
Rate of compensation increase	2.5%	2.5%
Inflation per annum	2%	2%
Expected average remaining service life	3 years	4 years

16 Other employee future benefits liability

Metrolinx provides post-retirement life and health benefits, Workplace Safety and 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, 2022. The post-retirement non-pension benefits recognized during the year were \$6,886 (2021 – \$9,862).

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

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(in thousands of dollars)

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:

	2022 \$	2021 \$
Accrued benefit obligation	119,003	142,874
Funded status – plan deficit	119,003	142,874
Unamortized net actuarial gain	47,699	20,468
Accrued benefit liability	166,702	163,342

Details of the accrued benefit obligation are as follows:

	2022 \$	2021 \$
Accrued benefit obligation – Beginning of year	142,874	143,917
Current service cost	4,573	4,662
Interest cost on accrued benefit obligation	3,888	3,642
Benefit payments	(3,526)	(3,199)
Actuarial gain on accrued benefit obligation	(28,806)	(6,148)
Accrued benefit obligation – End of year	119,003	142,874

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

	2022 \$	2021 \$
Current service cost	4,573	4,662
Interest cost on accrued benefit obligation	3,888	3,642
Amortization of actuarial (gain) loss	(1,575)	1,558
	6,886	9,862

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

	2022	2021
Discount rate for post-retirement non-pension benefit	3.3%	2.7%
Discount rate for WSIB liabilities	3.2%	2.4%
Discount rate for retiree severance benefits	3.1%	2%
Expected average remaining service life for post-retirement non-pension benefit	16 years	16 years
Expected average remaining service life for WSIB liabilities	10.5 years	10.5 years
Expected average remaining service life for retiree severance benefits	5 years	5 years
Rate of compensation increase	3%	2.75%
Inflation per annum	2%	2%
Initial Weighted Average Health Care Trend Rate	4.69%	4.24%
Ultimate Weighted Average Health Care Trend Rate	3.18%	3.02%
Dental care benefits increase	2.75%	2.75%

17 Liabilities for contaminated sites

Metrolinx reports environmental liabilities related to the management and remediation of contaminated sites where it is obligated or likely obligated to incur such costs. A contaminated sites liability of \$3,957 (2021 – \$3,600) has been recorded based on environmental assessments or estimations for those sites where an assessment has not been conducted.

18 Net assets invested in capital assets

	2022	2021
	\$	\$
Capital assets	32,129,154	27,887,710
Deposits on land	255,164	253,331
Advances on capital projects	198,298	23,096
Less: Deferred capital contributions used to purchase capital assets	(28,200,702)	(24,484,501)
	<u>4,381,914</u>	<u>3,679,636</u>

19 Internally restricted net assets

The internally restricted net assets are as follows:

	2022	2021
	\$	\$
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.

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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.

20 Commitments

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

	\$
2023	40,629
2024	36,825
2025	32,542
2026	29,987
2027	25,813
2028 and thereafter	<u>538,962</u>
	<u>704,758</u>

b) 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), Alstom, 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 with payments of approximately \$400,000 per year:

- Master Operating Agreement with CN terminating on May 31, 2023;
- Commuter Agreement with CP terminating on December 31, 2024;
- Equipment Maintenance contract with Alstom terminating on December 31, 2024;
- Rail Crew contract with Alstom terminating on December 31, 2024;
- Routine Track and Signal Maintenance contract with PNR terminating on June 30, 2022;
- Rail Corridor Management Service Agreement with TTR terminating on June 30, 2023.

c) Metrolinx has also committed approximately \$5,767,000 for various capital asset additions/projects.

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(in thousands of dollars)

The remaining annual capital and/or service payments relating to AFP contracts in nominal dollars, as at March 31, 2022, are as follows:

	Contract amount \$	Amount disbursed \$	Outstanding obligation \$	Outstanding obligations to be disbursed by March 31					
				2023 \$	2024 \$	2025 \$	2026 \$	2027 \$	2028 and thereafter \$
Eglinton	9,542,259	4,114,617	5,427,642	1,035,962	59,230	118,011	119,830	123,657	3,970,952
Whitby	921,794	378,009	543,785	17,643	17,809	17,980	18,454	18,668	453,231
#401/409 Tunnel	132,965	130,315	2,650	2,650	-	-	-	-	-
Kipling Bus Terminal	102,373	71,759	30,614	30,614	-	-	-	-	-
Rutherford Station	242,066	89,819	152,247	152,247	-	-	-	-	-
Stouffville Station	257,198	100,738	156,460	156,460	-	-	-	-	-
Davenport Diamond	177,600	32,538	145,062	128,364	16,698	-	-	-	-
Finch	2,485,511	293,627	2,191,884	194,222	904,037	31,971	32,284	32,283	997,087
Hurontario	4,601,444	191,050	4,410,394	585,704	312,301	758,546	63,613	63,613	2,626,617
Eglinton West Extension	769,621	120,148	649,473	-	153,154	133,064	363,255	-	-
Scarborough Extension	758,668	1,105	757,563	-	239,762	136,762	381,039	-	-
Lakeshore West	443,871	-	443,871	-	125,561	-	-	121,511	196,799
Total	20,435,370	5,523,725	14,911,645	2,303,866	1,828,552	1,196,334	978,475	359,732	8,244,686

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 from inception.

As at March 31, 2022, Metrolinx had outstanding letters of credit totalling \$53 (2021 – \$53).

21 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.

22 Related party disclosures and transactions and balances

Metrolinx receives government grants from the Province to support its investment in capital infrastructure to be used in the delivery of current and future transportation services and an annual operating subsidy to further support the delivery of transportation services. Balances due from/to the Province are separately disclosed on the statement of financial position.

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(in thousands of dollars)

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

- a) Infrastructure Ontario \$78,843 (2021 – \$85,967) for AFP procurement and transaction advisory services; Ministry of Transportation \$2,938 (2021 – \$14,639) for project services; Ontario Northland Transportation Commission \$47,491 (2021 – \$3,589) for refurbishment services. As at March 31, 2022, accounts payable and accrued liabilities included \$32,822 (2021 – \$49,237) owing to Infrastructure Ontario, \$5,350 (2021 – \$9,995) owing to Ministry of Transportation and \$32,100 (2021 – \$618) owing to Ontario Northland Transportation Commission.
- b) The Ministry owes \$nil (2021 – \$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.

23 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 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.

24 Diesel fuel forward contracts

As at March 31, 2022, Metrolinx has not entered into any future contracts for diesel fuel.