Metrolinx

Financial Statements
March 31, 2023

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, 2023 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, 2023;
- 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 and the Annual Report.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2500, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215, ca_toronto_18_york_fax@pwc.com

"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 29, 2023

Metrolinx

Statement of Financial Position

As at March 31, 2023

(in thousands of dollars)

	2023 $	2022 Restated $ (note 3)
Assets		
Current assets		
Cash and cash equivalents (note 5)	438,312	704,297
Accounts and other receivables (note 8)	239,170	260,753
Contributions receivable (note 9)	2,623,130	1,843,122
Spare parts and supplies	26,907	24,894
Prepaid expenses	62,615	29,760
	3,390,134	2,862,826
Contributions due from Province of Ontario – long-term (note 12)	3,182,580	2,768,328
Other assets (note 6)	90,368	97,403
Capital assets (note 7)	36,590,079	32,283,920
Deposits on land (note 10)	176,634	255,164
Advances on capital projects (note 10)	169,456	198,298
Long-term lease (note 11)	25,264	25,591
	43,624,515	38,491,530
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (notes 17)	3,316,153	2,800,752
PRESTO Farecard E-Purse (note 5)	122,591	111,655
Liabilities for asset retirement obligations – current (note 25)	6,182	12,786
Derivatives (note 24)	2,351	-
	3,447,277	2,925,193
Long-term payable (note 12)	3,182,580	2,768,328
Liabilities for asset retirement obligations – long-term (note 25)	219,837	212,654
Deferred capital contributions (note 13)	31,822,854	28,200,702
Pension plan top-up benefits payable (note 15)	66,111	70,007
Other employee future benefits payable (note 16)	167,174	166,702
	38,905,833	34,343,586
Net Assets		
Invested in capital assets (note 18)	4,881,233	4,311,240
Invested in long-term lease (note 11)	25,264	25,591
Internally restricted (note 19)	26,332	26,332
Deficiency of net unrestricted assets	(211,796)	(215,219)
	4,721,033	4,147,944
Accumulated remeasurement gains and losses (note 24)	(2,351)	-
	43,624,515	38,491,530

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, 2023

(in thousands of dollars)

	2023 $	2022 $
Revenues		
Operating	424,502	193,090
Third party construction revenue	21,650	25,453
Contribution from the Province of Ontario	1,001,887	946,172
Interest income	28,745	7,948
Amortization of deferred capital contributions (note 13)	1,030,054	963,687
	2,506,838	2,136,350
Expenses		
Supplies and services	263,157	234,149
Equipment maintenance	140,046	117,319
Facilities and track	173,352	156,818
Labour and benefits	498,614	410,095
Rail and bus operations	436,029	335,983
Third party construction expense	21,677	26,259
Amortization of capital assets	1,004,680	935,460
Amortization of long-term lease	327	327
Gain on disposal and write-down of capital assets	(9,041)	(68,957)
	2,528,841	2,147,453
Excess of expenses over revenues	(22,003)	(11,103)

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

Metrolinx

Statement of Changes in Net Assets

For the year ended March 31, 2023

(in thousands of dollars)

					2023	2022 Restated (note 3)
	Invested in capital assets $ (note 18)	**Invested in long-term lease $** (note 11)	**Internally restricted net assets $** (note 19)	**Unrestricted deficiency $**	**Total $**	**Total $** (note 3)
Balance – Beginning of year	4,311,240	25,591	26,332	(215,219)	4,147,944	3,520,557
Excess of expenses over revenues	-	-	-	(22,003)	(22,003)	(11,103)
Amortization – net of amortization to revenue	(9,076)	(327)	-	9,403	-	-
Land acquisitions including deposits	595,092	-	-	-	595,092	709,164
Disposal of land	(16,023)	-	-	16,023	-	-
Public Sector Accounting Board adjustment for liabilities for asset retirement obligations	-	-	-	-	-	(70,674)
Balance – End of year	4,881,233	25,264	26,332	(211,796)	4,721,033	4,147,944

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

Metrolinx

Statement of Cash Flows

For the year ended March 31, 2023

(in thousands of dollars)

	2023 $	2022 Restated $ (note 3)
Cash provided by (used in)		
Operating activities		
Excess of expenses over revenues	(22,003)	(11,103)
Amortization of capital assets and long-term lease	1,005,007	935,787
Gain on disposal and write-down of capital assets	(9,041)	(68,957)
Amortization of deferred capital contributions	(1,030,054)	(963,687)
Employee future benefits – net of payments	(3,424)	3,890
	(59,515)	(104,070)
Change in non-cash working capital		
Investments	-	3,589
Accounts and other receivables	21,583	58,899
Spare parts and supplies	(2,013)	(3,679)
Prepaid expenses	(32,855)	15,585
Accounts payable and accrued liabilities	8,793	(1,609)
PRESTO Farecard E-Purse	10,936	6,430
Other assets	7,035	(21,259)
	(46,036)	(46,114)
Capital activities		
Purchase of capital assets	(3,986,410)	(4,043,405)
Proceeds from sale of capital assets	59,515	104,071
Deposits on land (note 18)	(176,634)	(255,164)
Advances on capital projects (note 10)	(169,456)	(198,298)
	(4,272,985)	(4,392,796)
Financing activities		
Grants received for purchase of land	595,092	709,164
Capital contributions	3,457,944	3,922,372
	4,053,036	4,631,536
Net change in cash, cash equivalents and restricted cash	(265,985)	192,626
Cash and cash equivalents – Beginning of year	704,297	511,671
Cash and cash equivalents – End of year	438,312	704,297
Supplemental cash flow information		
Non-cash capital activities		
Change in accounts payable and accrued liabilities relating to capital assets	506,608	1,197,785
Change in liabilities for asset retirement obligations	579	225,440
Change in long-term capital payable	414,252	(346,301)
Non-cash financing activities		
Change in capital contributions receivable	(780,008)	(1,063,115)
Change in contribution due from Province	(414,252)	346,301

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

Metrolinx

Statement of Remeasurement Gains and Losses

For the year ended March 31, 2023

(in thousands of dollars)

	2023 $	2022 $
Balance – Beginning of year	-	-
Unrealized gains (losses) attributable to		
Forward fuel purchase contracts (note 24)	(2,351)	-
Balance – End of year	(2,351)	-

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

(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. In its current state, PRESTO uses smart card technology to replace the need for tickets, tokens, passes or cash, and also offers payment with Debit and Credit cards on almost all Transit Agencies, providing transit users with seamless travel across boundaries.

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. 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.

(in thousands of dollars)

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

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 and highly liquid short-term investments with maturities of three months or less at the time of purchase.

(in thousands of dollars)

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.

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

(in thousands of dollars)

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.

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.

(in thousands of dollars)

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 that may arise. All reserves are approved by the Board of Directors and are disclosed on the statement of financial position as net assets.

Liabilities for contaminated sites

Metrolinx reports environmental liabilities related to the management and remediation of contaminated sites where Metrolinx is directly responsible or accepts responsibility to incur such costs. Metrolinx assessed and developed a complete inventory of all contaminated sites, as defined under PSAS and environmental regulations. The remediation cost is calculated based on the best available information, and is reviewed on an annual basis.

Liabilities for asset retirement obligations

Metrolinx reports liabilities related to legal obligations where Metrolinx is obligated to incur costs to retire a tangible capital asset. An asset retirement obligation (ARO) liability has been recorded for activities to fulfill the retirement of obligations identified based on estimations for the extent and cost of activities to fulfill the requirements of the obligations.

A significant part of the ARO liability results from the removal and disposal of designated substances such as asbestos from Metrolinx's buildings and bridges, and retirement activities legally required related to tanks and leases. The measurement of AROs is also impacted by the activities that occurred to settle all or part of the obligation in the year, or any changes in the legal obligation. On initial recognition of an ARO the cost of the associated asset in productive use is increased by the amount recognized and amortized over the remaining useful life of that asset. Subsequently, revisions to the estimated cost of the obligation will result in changes to the carrying amount of the associated assets that are in productive use and amortized over the remaining useful life of that asset.

To estimate the liabilities for large portfolios of similar buildings with asbestos and other designated substances and retirement activities legally required related to tanks, Metrolinx uses experts' assessments on the extent and nature of the retirement activities for the asset to measure the liability, and this information is extrapolated to a group of similar assets. To estimate the liabilities for bridges with designated substances, Metrolinx uses historical costs to measure the ARO liability and extrapolates the findings.

To estimate the liabilities for the removal of leasehold improvements, Metrolinx uses historical costs or an expert's assessment of an appropriate rate to measure the ARO liability and extrapolates the findings. As more information becomes available on specific assets, the liability is revised to be asset-specific.

Metrolinx discounts significant obligations where there is a high degree of confidence on the amount and timing of cash flows and the obligation will not be settled for at least five years from the reporting date. The discount and inflation rate would be reflective of the risks specific to the asset retirement liability. As at March 31, 2023, all liabilities for asset retirement obligations are reported at current costs in nominal dollars without discounting.

(in thousands of dollars)

Prior Period Adjustment

On April 1, 2022, Metrolinx implemented the Accounting Standard PS 3280 Asset Retirement Obligations. The adjustment has been accounted for on a modified retroactive basis with prior period restatements as follows:

	March 31, 2022 Previously Reported $	**Prior Period Adjustment $**	**March 31, 2022 Restated $**
Statement of financial position			
Capital assets	32,129,154	154,766	32,283,920
Liabilities for asset retirement obligations – current	-	12,786	12,786
Liabilities for asset retirement obligations – long-term	-	212,654	212,654
Net assets – invested in capital assets	4,381,914	(70,674)	4,311,240
Statement of changes in net assets			
Public Sector Accounting Board adjustment for liabilities for asset retirement obligations	-	(70,674)	-
Net assets – End of the year	4,218,618	(70,674)	4,147,944
Statement of cash flows			
Non-cash capital activities			
Change in liabilities for asset retirement obligations	-	225,440	225,440

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 as 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 capital assets valuation, impairment and amortization, certain accrued liabilities, liabilities for asset retirement obligations, 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.

(in thousands of dollars)

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. There are three outstanding diesel purchase contracts as at March 31, 2023.

5 PRESTO Farecard E-Purse balances

The balance of funds held in PRESTO Farecard E-Purse in the amount of $122,591 (2022 – $111,655) 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 $65,042 (2022 – $66,144) relating to enhanced quality warranties for a period of 30 years. As at March 31, 2023, the underlying assets that the warranties relate to have not been put into service.

(in thousands of dollars)

7 Capital assets

			2023	2022	ARO Adjustment (note 3)	2022 Restated
	Cost $	Accumulated amortization $	Net $	Net $	Net $	Net $
Land	4,265,863	-	4,265,863	3,559,599	9,596	3,569,195
Buildings	2,618,116	928,257	1,689,859	1,629,938	8,436	1,638,374
Leasehold improvements	115,027	69,799	45,228	47,275	3,588	50,863
Locomotives and other railway rolling stock	3,778,143	1,607,964	2,170,179	2,298,766	-	2,298,766
Improvements to railway right-of-way plant	1,731,830	1,062,823	669,007	665,251	21,480	686,731
Grade separations, track work and installations	4,794,693	1,474,573	3,320,120	3,196,916	97,126	3,294,042
Construction-in-progress	21,310,334	-	21,310,334	17,435,835	12,046	17,447,881
Buses	437,216	245,579	191,637	236,166	-	236,166
Parking lots	1,342,198	520,917	821,281	727,964	228	728,192
Computer equipment and software	2,454,898	1,659,898	795,000	968,181	-	968,181
Other	1,780,732	469,161	1,311,571	1,363,263	2,266	1,365,529
	44,629,050	8,038,971	36,590,079	32,129,154	154,766	32,283,920

Construction-in-progress includes the following:

	2023 $	2022 $	ARO Adjustment $ (note 3)	2022 Restated $
Rail corridor expansion	2,486,094	1,904,722	-	1,904,722
Union Station	555,330	637,679	-	637,679
Rail fleet	64,296	48,414	-	48,414
PRESTO system	102,410	45,563	-	45,563
Light Rail Transit and Bus Rapid Transit	11,942,386	10,953,910	-	10,953,910
Subways	3,366,113	1,635,830	-	1,635,830
Other	2,793,705	2,209,717	12,046	2,221,763
	21,310,334	17,435,835	12,046	17,447,881

Subway projects

Regulations under the Metrolinx Act, 2006 were passed in July 2019 to formalize the Province taking control of the planning, design and construction of the Scarborough Subway Extension, Yonge North Subway Extension and Relief Line (replaced by the Ontario Line) 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 August 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 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, 2023 pertaining to amounts incurred by the TTC prior to September 1, 2019.

8 Accounts and other receivables

Accounts and other receivables comprise the following:

	2023 $	2022 $
Recoverable harmonized sales tax	70,526	86,144
Third party reimbursements	50,012	55,690
Other receivables	43,845	44,132
	164,383	185,966
Sunk project costs recoverable from City of Toronto	74,787	74,787
	239,170	260,753

Included in accounts and other receivables is $74,787 (2022 – $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, the 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).

9 Contributions receivable

Contributions receivable comprise the following:

	2023 $	2022 $
Contributions due from Province of Ontario	2,511,563	1,735,760
Contributions due from Municipalities (note 13)	95,656	95,461
Contributions due from Government of Canada	11,839	11,839
Contributions due from other organizations	4,072	62
	2,623,130	1,843,122

(in thousands of dollars)

10 Deposits on land and advances on capital projects

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

	2023 $	2022 $
York Region	135,053	243,896
TTC	3,368	3,368
Other land deposits	38,213	7,900
Total deposits on land	176,634	255,164

	2023 $	2022 $
York Region	13,726	14,512
Alstom Transport Canada Inc.	77,432	116,265
Ontario Northland Transportation Commission	37,283	39,025
Crosslinx Transit Solutions General Partnership	10,319	10,020
Kiewit Alberici Union General Partnership	8,775	-
Other advances on capital projects	21,921	18,476
Total advances on capital projects	169,456	198,298

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 the 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 $138,421 (2022 – $247,264) and advances on capital projects totalling $13,726 (2022 – $14,512) 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 will be applied against the project.

Other advances on capital projects include: $77,432 (2022 – $116,265) paid to Alstom Transport Canada Inc., of which $38,763 (2022 – $45,033) was for the refurbishment of 150 bi-level rail cars for GO Expansion and $38,669 (2022 – $71,232) for signaling changes for the Ontario Line; $37,283 (2022 – $39,025) paid to Ontario Northland Transportation Commission for the refurbishment of 150 bi-level rail cars for GO Expansion ; $10,319 (2022 – $10,020) paid to Crosslinx Transit Solutions General Partnership for the ECLRT project in support of community and developer relations; $8,775 (2022 – $nil) paid to Kiewit Alberici Union General Partnership (KAGP) for the construction of utilities, platforms and tracks for GO Expansion; $21,921 (2022 – $18,476) in various other advances.

(in thousands of dollars)

11 Long-term lease

	2023			2022
	Cost $	Accumulated amortization $	Net $	Net $
Leasehold – Union Station	32,704	7,440	25,264	25,591

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

Since 2015, Metrolinx and Infrastructure Ontario have entered into various AFP agreements with contractors. Costs incurred on these contracts as at March 31, 2023 are as follows and are included in construction-in-progress.

	Hurontario LRT $	Whitby $	Eglinton Crosstown LRT $	Finch West LRT $	Ontario Line $	Lakeshore West $	Eglinton Crosstown West Extension $	Scarborough Subway Extension $	2023 $	2022 $
Cost incurred to date	1,244,124	518,570	6,266,990	1,303,133	251,090	106,467	563,583	368,637	10,622,594	9,204,376
Less: Amount paid or amount payable within 1 year	497,582	338,984	5,420,826	407,613	-	82,433	413,749	278,827	7,440,014	6,436,048
Long-term payable	746,542	179,586	846,164	895,520	251,090	24,034	149,834	89,810	3,182,580	2,768,328

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:

	2023 $	2022 $
Balance – Beginning of year	28,200,702	24,484,501
Contributions received or receivable in the period for capital acquisitions		
Province of Ontario	4,632,434	4,666,346
Municipalities	14,770	13,042
Other organizations	5,002	500
Amortization of deferred capital contributions	(1,030,054)	(963,687)
Balance – End of year	31,822,854	28,200,702

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 $14,714 (2022 – $4,374) and the cumulative amount is $1,435,830 (2022 – $1,421,116). The Province will work with its municipal partners to address the funding shortfalls.

(in thousands of dollars)

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, 2023.

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, 2023 is $59,583 (2022 – $48,046).

Because OMERS is a multi-employer plan, Metrolinx does not recognize any share of the pension deficit of $6.7 billion as at December 31, 2022.

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, 2023. The pension expense recognized during the year is $604 (2022 – $3,530).

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:

	2023 **$**	**2022** **$**
Accrued benefit obligation	59,544	66,552
Fair value of plan assets	(5,527)	(4,134)
Funded status – plan deficit	54,017	62,418
Unamortized net actuarial gain	12,094	7,589
Accrued benefit liability	66,111	70,007

(in thousands of dollars)

Details of the accrued benefit obligation are as follows:

	2023 $	2022 $
Accrued benefit obligation – Beginning of year	66,552	74,800
Current service cost	213	650
Interest cost on accrued benefit obligation	2,119	1,961
Benefit payments	(3,152)	(2,921)
Actuarial gain on accrued benefit obligation	(6,188)	(7,938)
Accrued benefit obligation – End of year	59,544	66,552

Details of the pension expense are as follows:

	2023 $	2022 $
Current service cost	213	650
Interest cost on accrued benefit obligation	2,119	1,961
Actual return on plan assets	(45)	(7)
Expected return versus actual return on plan assets	45	7
Amortization of actuarial (gain) loss	(1,728)	919
	604	3,530

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

	2023	2022
Discount rate	4%	3.25%
Rate of compensation increase	3%	2.5%
Inflation per annum	2.25%	2%
Expected average remaining service life	3 years	3 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, 2023. The post-retirement non-pension benefits recognized during the year were $4,921 (2022 – $6,886).

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

(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:

	2023 $	2022 $
Accrued benefit obligation	108,529	119,003
Funded status – plan deficit	108,529	119,003
Unamortized net actuarial gain	58,645	47,699
Accrued benefit liability	167,174	166,702

Details of the accrued benefit obligation are as follows:

	2023 $	2022 $
Accrued benefit obligation – Beginning of year	119,003	142,874
Current service cost	3,414	4,573
Interest cost on accrued benefit obligation	3,950	3,888
Benefit payments	(4,449)	(3,526)
Actuarial gain on accrued benefit obligation	(13,389)	(28,806)
Accrued benefit obligation – End of year	108,529	119,003

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

	2023 $	2022 $
Current service cost	3,414	4,573
Interest cost on accrued benefit obligation	3,950	3,888
Amortization of actuarial gain	(2,443)	(1,575)
	4,921	6,886

(in thousands of dollars)

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

	2023	2022
Discount rate for post-retirement non-pension benefit	4.0%	3.3%
Discount rate for WSIB liabilities	3.9%	3.2%
Discount rate for retiree severance benefits	3.8%	3.1%
Expected average remaining service life for post-retirement non-pension benefit	13 years	13 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	2.75%	3%
Inflation per annum	2%	2%
Initial Weighted Average Health Care Trend Rate	4.69%	4.69%
Ultimate Weighted Average Health Care Trend Rate	3.18%	3.18%
Dental care benefits increase	2.75%	2.75%

17 Accounts payable and accrued liabilities

Accrued liabilities

Within accrued liabilities, Metrolinx has included a reserve related to claims related to the Finch West LRT project.

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 $7,137 (2022 – $3,957) 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

	2023 $	2022 $	ARO Adjustment $ (note 3)	2022 Restated $
Capital assets	36,590,079	32,129,154	154,766	32,283,920
Deposits on land	176,634	255,164	-	255,164
Advances on capital projects	169,456	198,298	-	198,298
Unfunded capital asset additions				
Asset retirement obligation	(226,019)	-	(225,440)	(225,440)
Other	(6,063)	-	-	-
Deferred capital contributions used to purchase capital assets	(31,822,854)	(28,200,702)		(28,200,702)
	4,881,233	4,381,914	(70,674)	4,311,240

(in thousands of dollars)

19 Internally restricted net assets

The internally restricted net assets are as follows:

	2023 $	2022 $
MCOR	21,051	21,051
Employment obligation	889	889
Self-insured retention	2,013	2,013
Stabilization	2,379	2,379
	26,332	26,332

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.

20 Commitments

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

	$
2024	40,131
2025	35,408
2026	32,829
2027	32,679
2028	25,730
2029 and thereafter	460,027
	626,804

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 $383,000 per year:

- Master Operating Agreement with CN terminating on July 31, 2023;
- Commuter Agreement with CP terminating on December 31, 2024;
- Equipment Maintenance contract with Alstom terminating on December 31, 2024;

(in thousands of dollars)

- Rail Crew contract with Alstom terminating on December 31, 2024;
- Routine Track and Signal Maintenance contract with PNR terminating on June 30, 2022; PNR contract negotiations are ongoing and will be extended to June 30, 2024 for East and Central region; and
- Rail Corridor Management Service Agreement with TTR terminating on June 30, 2024.

c) Metrolinx has also committed approximately $7,570,000 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, 2023, are as follows:

				Outstanding obligations to be disbursed by March 31					
	Contract amount $	Amount disbursed $	Outstanding obligation $	2024 $	2025 $	2026 $	2027 $	2028 $	2029 and thereafter $
Lakeshore West	443,874	-	443,874	81,011	44,554	-	121,511	196,798	-
Whitby	921,794	395,651	526,143	17,809	17,980	18,454	18,668	19,046	434,186
#401/409 Tunnel	132,965	130,315	2,650	2,650	-	-	-	-	-
Stouffville Station	261,033	104,133	156,900	156,900	-	-	-	-	-
Rutherford Station	244,957	240,154	4,803	4,803	-	-	-	-	-
Davenport Diamond	178,318	64,267	114,051	114,051	-	-	-	-	-
Eglinton West Extension	771,042	273,528	497,514	134,233	-	363,281	-	-	-
Scarborough Extension	788,961	132,590	656,371	141,414	136,762	378,195	-	-	-
Hurontario	4,600,276	468,474	4,131,802	939,358	758,546	63,613	63,613	63,613	2,243,059
Eglinton	9,835,791	4,557,533	5,278,258	886,584	65,422	118,659	120,513	110,407	3,976,673
Finch	2,487,233	395,269	2,091,964	192,504	829,813	32,284	32,284	32,284	972,795
Ontario Line	14,975,350	-	14,975,350	870,617	870,617	870,617	870,617	899,049	10,593,833
Total	35,641,594	6,761,914	28,879,680	3,541,934	2,723,694	1,845,103	1,227,206	1,321,197	18,220,546

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, 2023, Metrolinx had outstanding letters of credit totalling $53 (2022 – $53).

21 Contingencies

Various lawsuits have been filed against Metrolinx for incidents that 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. In addition, Metrolinx had the following transactions with related parties during the year for the provision of services provided by/to these organizations.

(in thousands of dollars)

a) Infrastructure Ontario: $39,146 (2022 – $78,843) for AFP procurement and transaction advisory services; Ministry of Transportation: $3,671 (2022 – $2,938) for project services; Ontario Northland Transportation Commission: $9,337 (2022 – $47,491) for refurbishment services. As at March 31, 2023, accounts payable and accrued liabilities included $29,864 (2022 – $32,822) owing to Infrastructure Ontario, $659 (2022 – $5,350) owing to Ministry of Transportation and $558 (2022 – $32,100) owing to Ontario Northland Transportation Commission.

b) Metrolinx provided GO VAXX services to the Solicitor General Office for $3,544. As at March 31, 2023, accounts and other receivables included $3,449 (2022 – $nil) owed by the Solicitor General Office.

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, 2023, Metrolinx has entered into three future contracts for 27.7 million litres of diesel fuel at prices ranging from $0.9738 to $0.997 per litre, which mature in fiscal 2023/2024. The change in fair value of the derivative instruments of $2,351 for the year ended March 31, 2023 is recorded as an unrealized loss in the statement of remeasurement gains and losses.

(in thousands of dollars)

25 Liabilities for asset retirement obligations

	2023 $	2022 Restated $ (note 3)
Liabilities for asset retirement obligations – Beginning of year	225,440	219,615
Liabilities incurred during the year	579	5,825
Liabilities for asset retirement obligations – End of year	226,019	225,440

As at March 31, 2023, approximately 49% of liabilities for asset retirement obligations pertained to the removal and disposal of designated substances from Metrolinx's buildings and bridges, and approximately 47% pertained to retirement activities legally required for tanks and leases. The asset retirement obligations will be settled between January 31, 2024 and May 30, 2071.