

# **Metrolinx**

Financial Statements

**March 31, 2024**



## Independent auditor's report

To the Board of Directors of Metrolinx

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### 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, 2024 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, 2024;
- 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.

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### 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.

PricewaterhouseCoopers LLP  
PwC Tower, 18 York Street, Suite 2500, Toronto, Ontario, Canada M5J 0B2  
T.: +1 416 863 1133, F.: +1 416 365 8215, Fax to mail: ca\_toronto\_18\_york\_fax@pwc.com

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



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## **Other information**

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

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.

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## **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.

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## **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 27, 2024

# Metrolinx

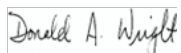
## Statement of Financial Position

As at March 31, 2024

(in thousands of dollars)

	2024 \$	2023 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 5)	593,022	438,312
Accounts and other receivables (note 8)	260,262	239,170
Contributions receivable (note 9)	2,961,263	2,623,130
Spare parts and supplies	36,245	26,907
Prepaid expenses	58,908	62,615
Derivatives (note 24)	305	-
	<hr/>	<hr/>
	3,910,005	3,390,134
<b>Contributions due from Province of Ontario - long-term</b> (note 12)	2,703,655	3,182,580
<b>Other assets</b> (note 6)	92,925	90,368
<b>Capital assets</b> (note 7)	41,972,887	36,590,079
<b>Deposits on land</b> (note 10)	254,748	176,634
<b>Advances on capital projects</b> (note 10)	158,922	169,456
<b>Long-term lease</b> (note 11)	24,937	25,264
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	49,118,079	43,624,515
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (notes 17 and 22)	3,836,499	3,316,153
PRESTO Farecard E-Purse (note 5)	128,301	122,591
Liabilities for asset retirement obligations - current (note 25)	23,795	6,182
Derivatives (note 24)	-	2,351
	<hr/>	<hr/>
	3,988,595	3,447,277
<b>Long-term payable</b> (note 12)	2,703,655	3,182,580
<b>Liabilities for asset retirement obligations - long-term</b> (note 25)	222,586	219,837
<b>Deferred capital contributions</b> (note 13)	36,759,156	31,822,854
<b>Pension plan top-up benefits payable</b> (note 15)	61,065	66,111
<b>Other employee future benefits payable</b> (note 16)	166,108	167,174
	<hr/>	<hr/>
	43,901,165	38,905,833
<b>Net Assets</b>		
<b>Invested in capital assets</b> (note 18)	5,381,020	4,881,233
<b>Invested in long-term lease</b> (note 11)	24,937	25,264
<b>Internally restricted</b> (note 19)	26,332	26,332
<b>Deficiency of net unrestricted assets</b>	(215,680)	(211,796)
	<hr/>	<hr/>
	5,216,609	4,721,033
<b>Accumulated remeasurement gains and losses</b> (note 24)	305	(2,351)
	<hr/>	<hr/>
	49,118,079	43,624,515
<b>Economic dependence</b> (note 2)		
<b>Commitments</b> (note 20)		
<b>Contingencies</b> (note 21)		

Approved by the Board of Directors



Director



Director

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

# Metrolinx

## Statement of Operations

For the year ended March 31, 2024

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(in thousands of dollars)

	2024 \$	2023 Restated \$ (note 3)
<b>Revenue</b>		
Fare revenue	429,191	308,538
Presto non-fare revenue	82,500	69,766
Other non-fare revenue	60,821	57,892
Third party construction revenue	75,803	21,650
Contribution from the Province of Ontario	1,213,296	1,001,887
Interest income	41,095	28,745
Amortization of deferred capital contributions (note 13)	1,134,468	1,030,054
	<u>3,037,174</u>	<u>2,518,532</u>
<b>Expenses</b>		
Supplies and services	410,430	274,851
Equipment maintenance	156,174	140,046
Facilities and track	212,849	173,352
Labour and benefits	586,503	498,614
Rail and bus operations	450,973	436,029
Third party construction expense	101,259	21,677
Amortization of capital assets	1,053,930	1,004,680
Amortization of long-term lease	327	327
Loss/(Gain) on disposal and write-down of capital assets	102,744	(9,041)
	<u>3,075,189</u>	<u>2,540,535</u>
<b>Excess of expenses over revenues</b>	<u>(38,015)</u>	<u>(22,003)</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, 2024

(in thousands of dollars)

					2024	2023
	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)
<b>Balance – Beginning of year</b>	4,881,233	25,264	26,332	(211,796)	4,721,033	4,147,944
Excess of expenses over revenue	-	-	-	(38,015)	(38,015)	(22,003)
Amortization – net of amortization to revenue	(17,520)	(327)	-	17,847	-	-
Land acquisitions including deposits	533,591	-	-	-	533,591	595,092
Disposal of land	(16,284)	-	-	16,284	-	-
<b>Balance – End of year</b>	<b>5,381,020</b>	<b>24,937</b>	<b>26,332</b>	<b>(215,680)</b>	<b>5,216,609</b>	<b>4,721,033</b>

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

# Metrolinx

## Statement of Cash Flows

For the year ended March 31, 2024

(in thousands of dollars)

	2024 \$	2023 \$ (note 3)
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of expenses over revenue	(38,015)	(22,003)
Amortization of capital assets and long-term lease	1,054,257	1,005,007
Loss/(Gain) on disposal and write-down of capital assets	102,744	(9,041)
Amortization of deferred capital contributions	(1,134,468)	(1,030,054)
Employee future benefits – net of payments	(6,113)	(3,424)
	<u>(21,595)</u>	<u>(59,515)</u>
Change in non-cash working capital		
Accounts and other receivables	(21,091)	21,583
Spare parts and supplies	(9,339)	(2,013)
Prepaid expenses	3,707	(32,855)
Accounts payable and accrued liabilities	45,258	8,793
PRESTO Farecard E-Purse	5,710	10,936
Other assets	(2,557)	7,035
	<u>93</u>	<u>(46,036)</u>
<b>Capital activities</b>		
Purchase of capital assets	(6,188,462)	(3,986,410)
Proceeds from sale of capital assets	11,595	59,515
Deposits on land (note 18)	(254,748)	(176,634)
Advances on capital projects (note 10)	(158,922)	(169,456)
	<u>(6,590,537)</u>	<u>(4,272,985)</u>
<b>Financing activities</b>		
Grants received for purchase of land	533,591	595,092
Capital contributions	6,211,563	3,457,944
	<u>6,745,154</u>	<u>4,053,036</u>
<b>Net change in cash, cash equivalents and internally restricted cash</b>	154,710	(265,985)
<b>Cash and cash equivalents – Beginning of year</b>	438,312	704,297
<b>Cash and cash equivalents – End of year</b>	<u>593,022</u>	<u>438,312</u>
<b>Supplemental cash flow information</b>		
Non-cash capital activities		
Change in accounts payable and accrued liabilities relating to capital assets	475,090	506,608
Change in liabilities for asset retirement obligations	20,362	579
Change in long-term capital payable	(478,925)	414,252
Non-cash financing activities		
Change in capital contributions receivable	(338,133)	(780,008)
Change in contribution due from Province	478,925	(414,252)

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



## Metrolinx

### Statement of Remeasurement Gains and Losses

For the year ended March 31, 2024

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(in thousands of dollars)

	2024 \$	2023 \$
<b>Balance, beginning of year</b>	(2,351)	-
<b>Unrealized gains (losses) attributable to</b> Forward fuel purchase contracts (note 24)	305	(2,351)
<b>Amounts reclassified to the statement of operations</b> Forward fuel purchase contracts (note 24)	2,351	-
<b>Net remeasurement gains (losses)</b>	2,656	(2,351)
<b>Balance, end of year</b>	305	(2,351)

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

# Metrolinx

## Notes to Financial Statements

March 31, 2024

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(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 revenue 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 revenue and expenses, and capital funding for infrastructure renewal and expansion.

# Metrolinx

## Notes to Financial Statements

March 31, 2024

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(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
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, 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, internally restricted cash, balances with banks and highly liquid short-term investments with maturities of three months or less at the time of purchase.

# Metrolinx

## Notes to Financial Statements

March 31, 2024

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(in thousands of dollars)

### 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 activities such as 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. Land and permanent easements both have indefinite useful lives and therefore are not subject to amortization.

# Metrolinx

## Notes to Financial Statements

March 31, 2024

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(in thousands of dollars)

### **Public private partnerships**

Public private partnerships (P3s) are arrangements between a private sector entity and Metrolinx in order to build, design, finance, and operate and/or maintain tangible capital assets such as transit infrastructure. The assets are reported as capital assets on the statement of financial position and are initially recognized at cost, which represents fair value at the date of recognition. Cost includes the gross amount of consideration given up to acquire, construct, develop or better a tangible capital asset, along with any directly attributable costs such as interest charges during the asset's construction. Construction-in-progress is recorded based on a percentage of completion, which is provided by Metrolinx's Project Delivery Team, Infrastructure Ontario or an external consultant (e.g., independent certifier).

When Metrolinx has recognized a tangible capital asset in relation to a P3 arrangement and has an obligation to provide consideration to the private sector entity, Metrolinx recognizes a corresponding liability reported as a long-term payable on the statement of financial position. The long-term payable is initially measured at the same amount as the related asset, reduced for any consideration that Metrolinx previously provided to the private sector entity. Other consideration attributable to the P3 agreement, such as operating and maintenance payments, are excluded from the measurement of the long-term payable.

Financial models are used to calculate the value of ongoing maintenance costs during the operating and maintenance (O&M) period. The long-term payable is recorded at amortized cost using the implicit interest rate, which typically corresponds to the interest rate per the P3 agreement. The implicit interest rate must remain consistent throughout the arrangement unless the terms have been renegotiated.

### **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, 2024

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(in thousands of dollars)

### Revenue

All revenue is reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year-end is recognized as unearned revenue and recorded in accounts payable and accrued liabilities.

Depending on the characteristics of a revenue transaction with performance obligations, Metrolinx can either be acting as a principal or an agent. When Metrolinx is acting as a principal, revenue is recognized on a gross basis, with revenue and the related direct expenses recorded on separate lines in the statement of operations. If Metrolinx is acting as the agent, revenue is recognized on a net basis, where revenue less any related discounts, commissions and direct expenses are recorded on one revenue line.

### *Adjustment for adoption of new accounting standard*

On April 1, 2023, Metrolinx implemented the Accounting Standard PS 3400, Revenue. This standard has been implemented on a modified retroactive basis with restatement of prior period financial statements. As a result, in the statement of operations, Metrolinx has disaggregated 2023 operating revenue as follows:

	2023 Previously reported \$	Adjustment for adoption \$	2023 Restated \$
<b>Revenue</b>			
Operating revenue	424,502	(424,502)	-
Fare revenue	-	308,538	308,538
PRESTO non-fare revenue	-	69,766	69,766
Other non-fare revenue	-	57,892	57,892
<b>Expenses</b>			
Supplies and services	263,157	11,694	274,851

### *Fare revenue*

Fare revenue includes fares received from transit operations including GO Transit and UP Express services. Fare revenue is recognized when the transportation service is provided. Fare revenue is generated through ticket vending machines, and the sale of paper tickets, e-tickets, etc. Fare revenue is recognized when the transaction or event has occurred, and the performance obligation related to the underlying services have been met.

### *PRESTO non-fare revenue*

PRESTO non-fare revenue includes fees collected from transit providers for the use of the PRESTO system and is heavily influenced by the fare revenue and ridership of transit providers in the region they operate. PRESTO non-fare revenue is recognized when the transaction or event has occurred, and the performance obligation related to the underlying services or goods have been met.

# Metrolinx

## Notes to Financial Statements

March 31, 2024

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(in thousands of dollars)

### *Other non-fare revenue*

Other non-fare revenue primarily includes revenue from advertising and partnerships, charges for track usage, reserved parking fees, and commercial space rent. Other non-fare revenue is recognized ratably over the term of the agreement, which transcribes to when the transaction(s) or event(s) have occurred, and the performance obligation(s) related to the underlying services or goods have been met. For revenue without performance obligations, revenue is recognized when Metrolinx has the authority to claim or retain an inflow of economic resources and when revenue is expected.

Adoption of the new accounting standard resulted in an adjustment of \$11,694 related to a revenue transaction that was recorded on a net basis in 2023; the offsetting impact is included in supplies and services in the statement of operations. In accordance with the new revenue standard, this has been adjusted to be on a gross basis.

### **Third party construction revenue and expense**

Third party construction revenue comprises revenue 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 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.

# Metrolinx

## Notes to Financial Statements

March 31, 2024

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(in thousands of dollars)

### 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, 2024, all liabilities for asset retirement obligations are reported at current costs in nominal dollars without discounting.

### 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 revenue 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.

### Adoption of new accounting policies and guidelines

On April 1, 2023, Metrolinx adopted two new accounting standards and one new accounting guideline as required by the Public Sector Accounting Board; upon implementation, the financial statements reflect new presentation and disclosure requirements. The impact of the adoption of these standards is as follows:



# **Metrolinx**

## **Notes to Financial Statements**

**March 31, 2024**

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(in thousands of dollars)

PS 3400, *Revenue*, is a new accounting standard establishing guidance on how to account for and report on revenue and requires the identification and disclosure of performance obligations that are associated with revenue. Metrolinx has adopted this standard on a modified retroactive basis with restatement of prior period financial statements. The adoption of this accounting standard has not impacted the measurement of revenue and has only impacted the recognition, presentation and disclosure as shown in note 3.

PS 3160, *Public private partnerships*, is a new accounting standard establishing guidance on how to account for and report on agreements between Metrolinx and private sector companies, where the private sector entity has an obligation to (a) design, build, acquire or better a new or existing asset; (b) finance the transaction past the point of when the asset is ready for use (e.g. in service); and (c) operate and/or maintain the asset. Metrolinx accounts for its public private partnerships by recording these investments as capital assets with a corresponding long-term payable. Metrolinx has adopted this standard on a modified retroactive basis with restatement of prior period financial statements. The adoption of this accounting standard has not impacted the recognition and measurement for public private partnerships and has only impacted the disclosure as shown in notes 3 and 12.

#### **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. There are three outstanding diesel purchase contracts as at March 31, 2024.

#### **5 PRESTO Farecard E-Purse balances**

The balance of funds held in PRESTO Farecard E-Purse in the amount of \$128,301 (2023 – \$122,591) has been included in cash and cash equivalents. The E-Purse balance is held on behalf of the farecard owner and, therefore, a liability is recorded on the statement of financial position.

# Metrolinx

## Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

### 6 Other assets

Included in other assets is an amount of \$66,144 (2023 – \$65,042) relating to enhanced quality warranties for a period of 30 years. As at March 31, 2024, the underlying assets that the warranties relate to have not been put into service.

### 7 Capital assets

	2024		2023	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land	4,651,430	-	4,651,430	4,265,863
Buildings	2,535,861	934,743	1,601,118	1,689,859
Leasehold improvements	122,621	79,372	43,249	45,228
Locomotives and other railway rolling stock	3,764,623	1,732,758	2,031,865	2,170,179
Improvements to railway right-of-way plant	1,483,020	882,835	600,185	669,007
Grade separations, track work and installations	4,849,738	1,520,178	3,329,560	3,320,120
Construction-in-progress	26,979,205	-	26,979,205	21,310,334
Buses	439,818	282,079	157,739	191,637
Parking lots	1,338,885	579,471	759,414	821,281
Computer equipment and software	2,017,676	1,452,952	564,724	795,000
Other	1,767,833	513,435	1,254,398	1,311,571
	<u>49,950,710</u>	<u>7,977,823</u>	<u>41,972,887</u>	<u>36,590,079</u>

Construction-in-progress includes the following:

	2024 \$	2023 \$
Rail corridor expansion	4,081,957	2,486,094
Union Station	575,392	555,330
Rail fleet	79,961	64,296
PRESTO system	84,514	102,410
Light Rail Transit and Bus Rapid Transit	12,776,948	11,942,386
Subways	6,153,438	3,366,113
Other	3,226,995	2,793,705
	<u>26,979,205</u>	<u>21,310,334</u>

#### 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.

# Metrolinx

## Notes to Financial Statements

March 31, 2024

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(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.

On November 26, 2023, the Province and the City signed a letter with the recommended terms indicated in the Ontario-Toronto New Deal Working Group Term Sheet: "City agreement that the ledger on historical transit funding reconciliation exercise is settled and cleared". Accordingly, Metrolinx has recognized a payable of \$52,113 for design costs relating to the projects prior to September 1, 2019, which has been set off against the historical amounts due from the City (notes 8 and 13). For the year ended March 31, 2024, the design costs have been capitalized to construction-in-progress and the remaining historical amounts due from the City of \$118,135 were derecognized and recorded to supplies and services.

### 8 Accounts and other receivables

Accounts and other receivables comprise the following:

	2024 \$	2023 \$
Recoverable harmonized sales tax	102,205	70,526
Third party reimbursements	118,645	50,012
Other receivables	39,412	43,845
	<hr/>	<hr/>
	260,262	164,383
Sunk project costs recoverable from the City of Toronto	-	74,787
	<hr/>	<hr/>
	260,262	239,170
	<hr/>	<hr/>

Included in accounts and other receivables as at March 31, 2023 was \$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, which did not include costs related to any contract amendments or cancellations with third party vendors. As at March 31, 2024, the receivable was settled in connection with the Ontario-Toronto New Deal Working Group Term Sheet (note 7).

### 9 Contributions receivable

Contributions receivable comprise the following:

	2024 \$	2023 \$
Contributions due from Province of Ontario	2,952,716	2,511,563
Contributions due from Municipalities (note 13)	-	95,656
Contributions due from Government of Canada	8,547	11,839
Contributions due from other organizations	-	4,072
	<hr/>	<hr/>
	2,961,263	2,623,130
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# Metrolinx

## Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

### 10 Deposits on land and advances on capital projects

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

	2024 \$	2023 \$
York Region	147,045	135,053
TTC	3,368	3,368
Ontario Line – various	103,436	37,311
Other land deposits	899	902
	<hr/>	<hr/>
Total deposits on land	254,748	176,634
	<hr/>	<hr/>
	2024 \$	2023 \$
York Region	1,591	13,726
Alstom Transport Canada Inc.	44,226	77,432
Ontario Northland Transportation Commission	34,585	37,283
Crosslinx Transit Solutions General Partnership	10,836	10,319
Kiewit Alberici Union General Partnership	7,382	8,775
Toronto Hydro-Electric System Limited	11,129	-
Hydro One Networks	31,942	-
Other advances on capital projects	17,231	21,921
	<hr/>	<hr/>
Total advances on capital projects	158,922	169,456
	<hr/>	<hr/>

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 Light Rail Transit (FWLRT) 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 \$150,413 (2023 – \$138,421) and advances on capital projects totalling \$1,591 (2023 – \$13,726) 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.

Ontario Line land deposits \$103,436 (2023 – \$37,311) for the construction of the Ontario Line capital project. Other land deposits \$899 (2023 – \$902) for construction of Barrie Corridor capital projects.

# Metrolinx

## Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

Other advances on capital projects include: \$44,226 (2023 – \$77,432) paid to Alstom Transport Canada Inc., of which \$38,763 (2023 – \$38,763) was for the refurbishment of 150 bi-level rail cars for GO Expansion and \$5,463 (2023 – \$38,669) for signaling changes for the Ontario Line; \$34,585 (2023 – \$37,283) paid to Ontario Northland Transportation Commission for the refurbishment of 150 bi-level rail cars for GO Expansion; \$10,836 (2023 – \$10,319) paid to Crosslinx Transit Solutions General Partnership for the ECLRT project in support of community and developer relations; \$7,382 (2023 – \$8,775) paid to Kiewit Alberici Union General Partnership (KAGP) for the construction of utilities, platforms and tracks for GO Expansion; \$31,942 (2023 – \$0) paid to Hydro One Networks for utilities relocation for Ontario Line; \$11,129 (2023 – \$0) paid to Toronto Hydro-Electric System Limited for temporary primary service connection of the Tunnel Boring Machine (TBM) Launch Site at Corktown for the Ontario Line project and for the design, supply and installation of THESL infrastructure to provide permanent power for the FWLRT; \$17,231 (2023 – \$21,921) in various other advances.

### 11 Long-term lease

	2024		2023	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Leasehold – Union Station	32,704	7,767	24,937	25,264

### 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, 2024 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 \$	2024 \$	2023 \$
Cost incurred to date	1,592,774	518,570	6,461,043	1,632,853	1,367,449	167,800	696,525	501,636	12,938,650	10,622,594
Less: Amount paid or amount payable within 1 year	770,874	343,521	5,614,879	1,619,381	888,072	127,915	428,322	442,031	10,234,995	7,440,014
Long-term payable	821,900	175,049	846,164	13,472	479,377	39,885	268,203	59,605	2,703,655	3,182,580

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

Metrolinx has five agreements that meet the criteria of a public private partnership per the new accounting standard: the ECLRT, Hazel McCallion Line (HML) – LRT project, FWLRT, East Rail Maintenance Facility (ERMF), and the Rolling Stock, Systems, Operations and Maintenance (RSSOM) contract within the Ontario Line project. The LRT projects and RSSOM have not yet reached substantial completion and therefore assets constructed to date are currently recorded in construction-in-progress. The EMRF project was completed and in service for 2023; therefore, it is recorded as a capital asset.

# Metrolinx

## Notes to Financial Statements

March 31, 2024

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(in thousands of dollars)

Long-term interest during the O&M period will be calculated using the implicit interest rate and is based on the total annual service payment – capital portion less the principal repayment and the Base Relevant Insurance Costs if applicable. Under these agreements, key rights and obligations of Metrolinx are that Metrolinx obtains ownership of the assets constructed upon substantial completion of each project. For ECLRT and FWLRT, key rights and obligations of the private sector company are performing ongoing maintenance to the assets (i.e., LRT lines and maintenance facility). For HML and RSSOM, the Private Partner is also performing ongoing operations of the line in addition to maintenance.

Capital assets have been recognized on the face of the statements in order to account for the LRT assets (various rail, stations, signals, light rail vehicles) and maintenance storage facility/rail. A long-term payable has also been reflected in the statements to account for the future payments to the private companies. During the current reporting period, there were no changes to the terms of the agreements.

Required assumptions made pertain to the basis of recognition, discount rate, and percentage of completion. The discount rate is the implicit contract rate.

### 13 Deferred capital contributions

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

	2024 \$	2023 \$
Balance – Beginning of year	31,822,854	28,200,702
Contributions received or receivable in the period for capital acquisitions		
Province of Ontario	6,046,445	4,632,434
Municipalities	10,473	14,770
Government of Canada	8,550	
Other organizations	5,302	5,002
Amortization of deferred capital contributions	<u>(1,134,468)</u>	<u>(1,030,054)</u>
Balance – End of year	<u>36,759,156</u>	<u>31,822,854</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 \$25,881 (2023 – \$14,714) and the cumulative amount is \$1,461,711 (2023 – \$1,435,830). The Province will work with its municipal partners to address the funding shortfalls.

As at March 31, 2023, a contributions receivable from the City of Toronto of \$95,461 was related to grade separation and utility relocation work performed by Metrolinx on the Georgetown South (GTS) corridor. The receivable was settled in connection with the Ontario-Toronto New Deal Working Group Term Sheet (note 7).

### 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, 2024 is \$75,115 (2023 – \$59,583).

# Metrolinx

## Notes to Financial Statements

March 31, 2024

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(in thousands of dollars)

Because OMERS is a multi-employer plan, Metrolinx does not recognize any share of the pension deficit of \$4.2 billion as at December 31, 2023.

### 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, 2024. The pension expense recognized during the year is \$2,047 (2023 – \$604).

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:

	<b>2024</b>	<b>2023</b>
	\$	\$
Accrued benefit obligation	57,536	59,544
Fair value of plan assets	(5,531)	(5,527)
	<hr/>	<hr/>
Funded status – plan deficit	52,005	54,017
Unamortized net actuarial gain	9,060	12,094
	<hr/>	<hr/>
Accrued benefit liability	<u>61,065</u>	<u>66,111</u>

Details of the accrued benefit obligation are as follows:

	<b>2024</b>	<b>2023</b>
	\$	\$
Accrued benefit obligation – Beginning of year	59,544	66,552
Current service cost	192	213
Interest cost on accrued benefit obligation	2,328	2,119
Benefit payments	(3,079)	(3,152)
Actuarial gain on accrued benefit obligation	(1,449)	(6,188)
	<hr/>	<hr/>
Accrued benefit obligation – End of year	<u>57,536</u>	<u>59,544</u>

# Metrolinx

## Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

Details of the pension expense are as follows:

	<b>2024</b>	<b>2023</b>
	\$	\$
Current service cost	192	213
Interest cost on accrued benefit obligation	2,328	2,119
Actual return on plan assets	(82)	(45)
Expected return versus actual return on plan assets	82	45
Amortization of actuarial gain	(4,567)	(1,728)
	<u>(2,047)</u>	<u>604</u>

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

	<b>2024</b>	<b>2023</b>
Discount rate	4.2%	4%
Rate of compensation increase	3%	3%
Inflation per annum	2.25%	2.25%
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, 2024. The post-retirement non-pension benefits recognized during the year were \$3,920 (2023 – \$4,921).

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

	<b>2024</b>	<b>2023</b>
	\$	\$
Accrued benefit obligation	<u>106,702</u>	<u>108,529</u>
Funded status – plan deficit	106,702	108,529
Unamortized net actuarial gain	<u>59,406</u>	<u>58,645</u>
Accrued benefit liability	<u>166,108</u>	<u>167,174</u>



# Metrolinx

## Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

Details of the accrued benefit obligation are as follows:

	2024 \$	2023 \$
Accrued benefit obligation – Beginning of year	108,529	119,003
Current service cost	3,074	3,414
Interest cost on accrued benefit obligation	4,350	3,950
Benefit payments	(4,987)	(4,449)
Actuarial gain on accrued benefit obligation	(4,264)	(13,389)
	<hr/>	<hr/>
Accrued benefit obligation – End of year	106,702	108,529

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

	2024 \$	2023 \$
Current service cost	3,074	3,414
Interest cost on accrued benefit obligation	4,350	3,950
Amortization of actuarial gain	(3,504)	(2,443)
	<hr/>	<hr/>
	3,920	4,921

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

	2024	2023
Discount rate for post-retirement non-pension benefit	4.2%	4.0%
Discount rate for WSIB liabilities	4.2%	3.9%
Discount rate for retiree severance benefits	4.2%	3.8%
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%	2.75%
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

### 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 \$7,071 (2023 – \$7,137) has been recorded based on environmental assessments or estimations for those sites where an assessment has not been conducted. The contaminated site obligations will be settled between 2024 and 2028.

# Metrolinx

## Notes to Financial Statements

March 31, 2024

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(in thousands of dollars)

### 18 Net assets invested in capital assets

	2024 \$	2023 \$
Capital assets	41,972,887	36,590,079
Deposits on land	254,748	176,634
Advances on capital projects	158,922	169,456
Unfunded capital asset additions		
Asset retirement obligation	(246,381)	(226,019)
Other	-	(6,063)
Deferred capital contributions used to purchase capital assets	(36,759,156)	(31,822,854)
	<u>5,381,020</u>	<u>4,881,233</u>

### 19 Internally restricted net assets

The internally restricted net assets are as follows:

	2024 \$	2023 \$
MCOR	21,051	21,051
Employment obligation	889	889
Self-insured retention	2,013	2,013
Stabilization	2,379	2,379
	<u>26,332</u>	<u>26,332</u>

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

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

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

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

# Metrolinx

## Notes to Financial Statements

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(in thousands of dollars)

### 20 Commitments

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

	\$
2025	47,369
2026	40,909
2027	40,021
2028	31,321
2029	29,902
2030 and thereafter	<u>527,257</u>
	<u>716,779</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), Siemens Mobility, 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 \$542,638 per year:

- Master Operating Agreement with CN terminating on July 31, 2026.
- Commuter Agreement with CP terminating on December 31, 2024; For outer years, Metrolinx is currently in negotiations with CP for a new service agreement.
- Equipment Maintenance contract with Alstom terminating on December 31, 2024 and being replaced by Metrolinx’s commercial agreement with ONxpress Transportation Partners (OOI).
- Rail Crew contract with Alstom terminating on December 31, 2024 and being replaced by Metrolinx’s commercial agreement with ONxpress Transportation Partners (OOI).
- Equipment Maintenance and Rail Crew Contract with ONxpress Transportation Partners (OOI) terminating on April 12, 2047.
- Routine Track and Signal Maintenance contract with PNR terminating on June 30, 2024 for East and Central regions; Siemens (West Region) contract will terminate on June 30, 2026; New PNR contract will begin on July 1st, 2024 and terminating on June 30, 2029 for East region; New Siemens contract will begin on July 1, 2024 and terminating on June 30, 2029 for Central Region.
- Rail Corridor Management Service Agreement with TTR terminating on June 30, 2029.

c) Metrolinx has also committed approximately \$8,110,000 for various capital asset additions/projects.

# Metrolinx

## Notes to Financial Statements

March 31, 2024

(in thousands of dollars)

The remaining annual capital and/or service payments relating to AFP contracts in nominal dollars, as at March 31, 2024, are as follows:

	Contract amount \$	Amount disbursed \$	Outstanding obligation \$	Outstanding obligations to be disbursed by March 31					
				2025 \$	2026 \$	2027 \$	2028 \$	2029 \$	2030 and thereafter \$
Lakeshore West	452,033	82,577	369,456	45,528	-	123,650	200,278	-	-
Whitby	921,794	413,461	508,333	17,980	18,454	18,668	19,046	19,462	414,723
#401/409 Tunnel	135,466	132,904	2,562	2,562	-	-	-	-	-
Stouffville Station	267,174	260,957	6,217	6,217	-	-	-	-	-
Rutherford Station	255,682	251,100	4,582	4,582	-	-	-	-	-
Davenport Diamond	205,053	180,885	24,168	24,168	-	-	-	-	-
Eglinton West									
Extension	800,015	428,322	371,693	638	371,055	-	-	-	-
Scarborough									
Extension	803,555	274,692	528,863	140,643	388,220	-	-	-	-
Hurontario	4,686,734	750,782	3,935,952	194,311	194,311	745,017	64,733	65,691	2,671,889
Eglinton	10,261,423	4,815,341	5,446,082	996,109	149,003	146,877	149,004	146,877	3,858,212
Finch	2,760,708	729,680	2,031,028	914,974	31,325	31,335	31,474	31,905	990,015
Ontario Line	15,255,933	796,423	14,459,510	991,345	885,940	885,940	914,872	914,872	9,866,541
<b>Total</b>	<b>36,805,570</b>	<b>9,117,124</b>	<b>27,688,446</b>	<b>3,339,057</b>	<b>2,038,308</b>	<b>1,951,487</b>	<b>1,379,407</b>	<b>1,178,807</b>	<b>17,801,380</b>

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, 2024, Metrolinx had outstanding letters of credit totaling \$53 (2023 – \$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.

# Metrolinx

## Notes to Financial Statements

March 31, 2024

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(in thousands of dollars)

- a) Transactions during the fiscal year: Infrastructure Ontario: \$42,912 (2023 – \$39,146) for AFP procurement and transaction advisory services; Ministry of Transportation: \$3,081 (2023 – \$3,671) for project services; Ontario Northland Transportation Commission: \$12,774 (2023 – \$9,337) for refurbishment services.
- b) As at March 31, 2024, accounts payable and accrued liabilities included \$26,171 (2023 – \$29,864) owing to Infrastructure Ontario, \$1,005 (2023 – \$659) owing to Ministry of Transportation and \$2,035 (2023 – \$558) owing to Ontario Northland Transportation Commission.

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.
- 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, 2024, Metrolinx has entered into three future contracts for 47.0 million litres of diesel fuel, at prices ranging from \$0.8647 to \$0.9468 per litre, which mature in fiscal 2024-25. The change in fair value of the derivative instruments of \$305 for the year ended March 31, 2024 is recorded as an unrealized gain in the statement of remeasurement gains and losses.

# Metrolinx

## Notes to Financial Statements

March 31, 2024

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(in thousands of dollars)

### 25 Liabilities for asset retirement obligations

	2024 \$	2023 \$
Liabilities for asset retirement obligations – Beginning of year	226,019	225,440
Liabilities incurred during the year	3,857	579
Liabilities settled during the year	(1,155)	-
Revisions in estimated cash flows	17,660	-
	<hr/>	<hr/>
Liabilities for asset retirement obligations – End of year	246,381	226,019

As at March 31, 2024, approximately 50% of liabilities for asset retirement obligations pertained to the retirement activities legally required for tanks and leases, and approximately 46% related to the removal and disposal of designated substances from Metrolinx's buildings and bridges. The asset retirement obligations will be settled between 2024 and 2071.