Ontario Northland

Ontario Northland Transportation Commission
2016-2017 Annual Report

www.ontarionorthland.ca

Table of Contents

Message from the Chair

Ontario Northland's impact to the people and communities of Northern Ontario is truly remarkable. We move goods for northern industries by rail so they can reach large international markets, safely deliver passengers traveling to visit their families in the far north, and extend the life of railway assets with quality remanufacturing services for North America's leading transportation companies. We work with municipalities to attract businesses to the north which support economic development and job creation, provide environmentally friendly transportation solutions, and implement innovative technology solutions that improves customer experiences.

These stories highlight Ontario Northland's impact and reinforce that transportation is essential, ripple throughout the large geographic area we serve. They verify that Ontario Northland is a valued leader in transportation to northeastern Ontario.

The 2016-2017 fiscal year demonstrated that this organization has the ability to plan strategically, meet aggressive targets, and collaborate with many stakeholders to improve transportation in the north.

The company's Motor Coach Services performed exceptionally well; increasing its revenue, reducing expenses, adding a new route from Ottawa to Sudbury, and increasing overall ridership. Accessibility improvements were introduced this year featuring new audio and visual equipment installed on all motor coaches and ramps for scooters.

The Remanufacturing and Repair Centre (RRC) was awarded the contract to refurbish luxury passenger cars, repaired hundreds of freight cars, and overhauled locomotive engines, creating over 75 new jobs in North Bay. The exceptional skill and experience in the RRC has allowed us to be extremely successful in adding new customers from across North America; building on an already impressive reputation for rail refurbishment work.

Our Rail division continues to grow its customer base, attracting over 15 new customers in the last two years, including "off-rail" customers that can now access the North American rail network through innovative multimodal hubs. These hubs are being developed across the rail line and in collaboration with the trucking industry and municipalities, which has increased car loads and attracted industry to Northern Ontario.

Overall, this report showcases Ontario Northland's ability to embrace change, meet targets, and responsibly deliver services despite the challenges presented by climate, geography or limited resources. The positive outcomes that have been reached are a direct result of the passion and pride within the organization. We remain focused on meeting and exceeding our transformation objectives now, more than ever with a strong commitment to cost containment, revenue growth and continuous improvement of our operations.

Tom Laughren
Chair, Ontario Northland Transportation Commission

Highlights

REVENUE
$61.4M

EXPENSES
Operating expenses were reduced by 0.3% this fiscal (before amortization, interest on long-term debt, and employee future benefits)
Operating expenses have been reduced 25% since 2014-15

MOVING PEOPLE:
57,131 passengers travelled on the Polar Bear Express
243,482 passengers travelled on Ontario Northland's motor coaches

MOVING GOODS
29,293 carloads of freight shipped
190,149 express freight shipments between Moosonee and Cochrane weighing over 4 million kilograms
4,121 vehicles transported between Moosonee and Cochrane

CONTINUOUS IMPROVEMENT
$48.8M investment in capital projects to improve infrastructure
150 business processes mapped
20 major projects completed which moved improvement ideas from concept to reality

ECONOMIC IMPACT
Total employment income of $46.7M in 14 communities in Northeastern Ontario
For every $1 of wages there is an estimated $1.47 of estimated value add generated across the region*
Reliable transportation and shipping services provided to over 100 communities, strengthening local economies by providing good jobs, and vital transportation services that connect communities

ENVIRONMENTAL IMPACT
Railways are between four and five times more fuel efficient than trucks and three times more fuel efficient than cars. **
Motor coaches are the most fuel-efficient transportation mode in North America when measured in terms of passenger miles per gallon (MPG) of fuel. Motor coaches provide 206.6 passenger MPG versus a single-occupant automobile at 27.2 passenger MPG***

* Source: Ontario Northland Economic and Social Impact Study,
HDR Corp in association with Dr. Bakhtiar Moazzami, 2008
***Railway Association of Canada, Canada's Railways: Part of the climate change solution 2016*
**** Prevost Reducing Energy Consumption Presentation, June 2016*

Company Overview

The Ontario Northland Transportation Commission (ONTC), an agency of the Province of Ontario, provides reliable and efficient transportation solutions throughout northeastern Ontario.

Our Services

Headquartered in North Bay and operating primarily in northeastern Ontario, ONTC's services include:
- The Polar Bear Express (passenger train service between Cochrane and Moosonee);
- Rail freight services;
- Rail remanufacturing and repair services; and
- Motor Coach Services.

Vision

Efficient and valued transportation solutions for the next 100 years.

Ontario Northland will be the transportation leader in Northern Ontario, providing efficient, valued and vital transportation solutions, including Rail Passenger and Rail Freight services, Motor Coach services, the Cochrane Station Inn, and Remanufacturing and Repair services for passenger cars, freight cars and locomotives.

Our focus will be on business and employee excellence, innovation and collaboration. We will establish cost-effective business practices, transform to a culture of continuous improvement and operate more efficiently and effectively enabling a sustainable Ontario Northland.

As employees we will take pride in our work and our workplace. We will promote a culture of open communication, fairness, diversity and creativity that will move us forward as a secure and valued workforce.

Values

By choosing to live these values, Ontario Northland employees share accountability for helping achieve efficient and valued transportation solutions for the next 100 years:

- Accountability
- Customer Satisfaction
- Positive Team/Work Environment
- Safety
- Continuous Improvement

Corporate Governance

ONTC is an agency of the Government of Ontario. It was established by government in 1902 through legislation (the Ontario Northland Transportation Commission Act).

ONTC is accountable to the Minister of Northern Development and Mines for fulfilling its legislative obligations, the management of the resources it uses, and its standards for any services it provides. Commission members are appointed by the Lieutenant Governor in Council and go through an application process established through the Public Appointments Secretariat.

ONTC and the Ministry of Northern Development and Mines (MNDM) have a Memorandum of Understanding (MOU) that was updated in November 2016. The purpose of the MOU is to set out the mandate of the agency and the accountability relationship between the ONTC and the MNDM. It also defines the responsibilities of the Minister, Deputy Minister, Chair of the Ontario Northland Transportation Commission, Commissioners and the CEO.

Mandate

On November 4, 2016 the Province of Ontario approved a new mandate for the ONTC, and directed that ONTC continue to provide and ensure efficient, safe and reliable transportation services including rail freight, motor coach services, the Cochrane Station Inn and other real estate, the Polar Bear Express passenger train and remanufacturing and repair services for ONTC rail freight, Polar Bear Express and external customers.

The new mandate of the ONTC is to:

a) continue to provide and ensure efficient, safe and reliable services in Northern Ontario to support long term sustainability through transformation efforts, as directed by the Province of Ontario through the Minister from time to time; and

b) that the remanufacturing and repair services provided to external customers will be at full cost recovery and will not adversely affect the provision of the other Services.

Reporting Structure

The President and CEO reports to the ONTC Commission, comprised of a Chair and Commission members, each of whom have been appointed by the Province of Ontario. The Commission, in turn, reports to the Minister of Northern Development and Mines, the ministry responsible for overseeing the ONTC.

Commission Members

Thomas Laughren, Timmins, Chair
(appointment March 11, 2015 for a three year term)

Steven Carmichael, North Bay
(appointment March 11, 2015 for a three year term)

Ewen Cornick, North Bay
(appointment March 11, 2015 for a three year term)

Gaétan Malette, Timmins
(appointment March 11, 2015 for a three year term)

Ila Watson, Sault Ste. Marie
(appointment March 11, 2015 for a three year term)

Principal Officers – Ontario Northland

Corina Moore –President and Chief Executive Officer
John Thib – Vice President of Rail
Chad Evans – Vice President of Corporate Services
Dennis Higgs – Director of Remanufacturing and Repair
Tracy MacPhee – Director of Passenger Services
Donna Jaques – Legal Counsel

Employees

Ontario Northland employs over 715 individuals, who live and work in Northern Ontario and Northwestern Quebec.

2016-2017 in Review

Passenger Services

Motor Coach Services:

Scheduled and charter motor coach services provided $10.8M of revenue to the company, which was a slight increase from the previous year. A decline in diesel fuel prices and the purchase of motor coaches as opposed to leasing contributed to a reduction of almost $1M in operating expenses.

The Ottawa-Sudbury route exceeded expectations during the pilot and has since become part of regular scheduled service. Customer feedback was gathered to improve schedules throughout the service territory and connection times were shortened. Motor Coach services served an additional 10,000 passengers compared to the previous year as a result of these improvements.

Passenger Numbers:	**2016-2017**	**2015-2016**	**2014-2015**
Motor Coach	243,482	235,277	256,324

Polar Bear Express:

The Polar Bear Express contributed $8.2M in revenue to the organization, which was an increase of 3 per cent compared to the previous year. Operating expenses totaled $22.9M.

In previous years, revenue and operating expenses for the Polar Bear Express were captured within Rail Services. Costs associated with the Polar Bear Express are now shown in Passenger Services.

Polar Bear Express freight express shipments, smaller goods that are less than a carload, increased by 228,951 KG, as did the revenue by over $33K from previous fiscal. An additional 397 cars were transported on the train compared to the previous year.

Polar Bear Express ridership saw an increase of 3 per cent this year and continued to improve operationally with 99 per cent on-time arrivals at either Moosonee or Cochrane over the reporting period.

Passenger Numbers:	**2016-2017**	**2015-2016**	**2014-2015**
Polar Bear Express	57,131	55,396	54,605

On-Time Arrival Performance (% based on trains arriving within 30 minutes of schedule)

	2016-2017	**2015-2016**	**2014-2015**
Polar Bear Express	99%	99%	99%

Cochrane Station Inn:

The Station Inn’s occupancy rate for this fiscal period was 49 per cent, a decrease of 11 per cent from the previous year. Hotel occupancy throughout the region reported a decline due to a decline in construction and mining.

Rail Services

Rail freight revenues decreased slightly compared to last year totalling $38M.

Operating expenses for Rail Services totalled $33.3.M, which was a slight increase of 0.4 per cent compared to the previous year.

Over 29,293 freight car loads were shipped during this period, an increase of 1.1 per cent from the previous year due to new customers and an increase in demand from existing customers.

Carloads Shipped*

2016-2017	2015-2016	2014-2015
29,293	27,511	28,455

Capital Investment

An investment total of $43.9M of capital was made to maintain rail infrastructure and equipment. $20.6M was allocated to rail freight infrastructure and equipment and $23.3M in freight and passenger services infrastructure and equipment. The projects included the continued renewal of the Moose River Bridge and large bridge repair projects in the Island Falls, Temagami, Ramore and Kirkland Lake subdivisions. Three crossing upgrades were performed in Bass Lake, and two in North Bay. In addition, rail and tie renewals were made across the system, and over 20 culvert replacements.

As a result of sales efforts and customer outreach, the Rail division attracted new customers and re-established existing relationships in the lumber industry. Last year’s establishment of an agricultural multimodal facility in Earlton resulted in positive results with area farmers doubling their car loads this fiscal.

Remanufacturing and Repair

The division contributed $4.1M in revenue from external repair work this fiscal year. This is largely attributed to new work including repairs to hundreds of freight cars, locomotive engine overhauls, and an 11 car refurbishment contract from CANARAIL to refurbish Rocky Mountaineer luxury passenger rail cars. Two of the 11 cars were delivered in early spring 2017 and the additional nine over the next three years.

Work continued on the Polar Bear Express project, with the first passenger car delivered in the fall of 2016. RRC welcomed Premier of Ontario Kathleen Wynne and the honourable Michael Gravelle, Minister of Northern Development and Mines in August of 2016 to unveil the first refurbished passenger car for the Polar Bear Express. The Polar Bear Express project is set to complete the full train which includes passenger, dining and baggage cars by April 2019.

The increased activity in the division and vacancies due to retirements resulted in approximately 75 new hires in North Bay.

Operating expenses for external work totalled $4.1M, an increase from last year due to additional upfront costs for new work.

Capital investments included a wheel boring mill upgrade and air filtration system.

Corporate Services

Corporate Services provides back office support to the operating groups, delivering services that enhance operational effectiveness in order to reduce costs, increase revenues and implement efficiencies. Overall, Corporate Services expenses have decreased by $3M attributed to a real estate strategy, increased workforce reducing the need for contracted outside services and a reduction in long-term disability. The industry-based knowledge in Finance, Human Resources, Information Technology Services (ITS), Legal, Project Management, Facilities Management and Marketing and Communications supported the operational divisions in achieving their goals.

Performance Highlights:

- Produced the first ever 10-year capital plan based on internal expertise and collaboration with third party experts.
- Updated Memorandum of Understanding (MOU) between MNDM and Ontario Northland that reflects a renewed commitment to the organization.
- Submission of 2017-2019 business plan to MNDM and Treasury Board according to transformation goals
- Finance training provided to all managers as part of a new approach to budgeting and accountability by providing education on budgeting process, forecasting and updating budget information in real time.
- Employee Self Service Portal implemented, improving efficiency and accuracy as well as reducing paper based employee information such as pay stubs and T4 printed documents
- Labour agreement reached with Teamsters – Motor Coach
- First corporate magazine ‘Northern Connections’ showcasing employees and business partners.
- Spike Driving Competition event held in Englehart attracting hundreds of spectators
- Eight media releases, three internal newsletters and over 250 social media posts successfully enhanced the organization’s image.
- Implemented new technology solutions that provide real-time accurate information related to operations and enhancements to customer service, allowing the agency to be more competitive.
- Real estate strategy to organize and rationalize real estate property holdings
- New track inspection system has been installed and is being used for real time inspection records, planning and decision making.

Ontario Northland Transportation Commission

Consolidated Financial Statements

For the year ended March 31, 2017

Ontario Northland Transportation Commission
Consolidated Financial Statements
For the year ended March 31, 2017

Contents

Management's Responsibility

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

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

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

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

T. Laughren
Chair

C. Moore
President and CEO

North Bay, Ontario
June 26, 2017

Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

Independent Auditor's Report

To the Ontario Northland Transportation Commission
and to the Minister of Northern Development and Mines

I have audited the accompanying consolidated financial statements of the Ontario Northland Transportation Commission, which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statements of changes in net assets, operations, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ontario Northland Transportation Commission as at March 31, 2017 and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Toronto, Ontario
June 26, 2017

Bonnie Lysyk, MBA, CPA, CA, LPA
Auditor General

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

March 31	2017	2016
Assets		
Current		
Cash and cash equivalents	**$ 1,008**	$ -
Accounts receivable (Net of allowance - $73; 2016 - $84)	**21,479**	46,279
Inventory	**14,210**	12,071
Prepaid expenses	**459**	367
	37,156	58,717
Restricted cash (Note 4, 7 and 11)	**2,271**	6,874
Capital assets (Note 5)	**376,009**	340,673
Accrued pension benefit asset (Note 6a)	**39,197**	39,303
	$ 454,633	$ 445,567
Liabilities and Net Assets		
Current		
Bank overdraft	**$ -**	$ 117
Accounts payable and accrued liabilities	**19,255**	35,544
Current portion of long-term debt (Note 9)	**406**	386
Deferred revenue	**65**	66
	19,726	36,113
Deferred government contributions (Note 4 and 7)	**2,185**	2,169
Deferred government capital contributions (Note 8)	**268,557**	227,988
Long-term debt (Note 9)	**2,159**	2,565
Accrued non-pension benefit obligation (Note 6b)	**86,183**	86,652
Liability for contaminated sites (Note 10)	**3,500**	3,500
	382,310	358,987
Net assets		
Unrestricted	**72,237**	81,875
Internally restricted – Reserve for Self Insurance (Note 4 and 11)	**86**	4,705
	72,323	86,580
	$ 454,633	$ 445,567

Contingencies (Note 15) / **Commitments** (Note 16)

Approved on behalf of the Commission:

______________________________ Chair

______________________________ President and CEO

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

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

For the year ended March 31		2017		2016
Unrestricted Net Assets				
Balance, beginning of year	**$**	**81,875**	$	80,494
Transfer from (to) Reserve for Self Insurance (Note 11)		**4,619**		(49)
(Deficiency) excess of revenues over expenses for the year		**(14,257)**		1,430
Balance, end of year	**$**	**72,237**	$	81,875

Internally Restricted - Reserve for Self Insurance (Note 11)				
Balance, beginning of year	**$**	**4,705**	$	4,656
Transfers (to) from Unrestricted Net Assets		**(4,619)**		49
Balance, end of year	**$**	**86**	$	4,705

Total Net Assets	**$**	**72,323**	$	86,580

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

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

For the year ended March 31		2017		2016
Revenues				
Sales and other (Note 13)	$	**61,435**	$	62,514
Expenses (Note 13)				
Labour and Benefits (Note 6)		**60,659**		63,592
Materials and Parts		**15,516**		13,699
Services		**7,998**		9,425
Supplies and Equipment		**4,475**		4,196
Other (Note 18)		**14,254**		8,827
Interest on long-term debt		**140**		163
Loss (gain) on sale of capital assets		**1,466**		(315)
Investment income		**(35)**		(49)
Amortization of capital assets		**14,109**		15,507
		118,582		115,045
Deficiency of revenues over expenses before government funding		**(57,147)**		(52,531)
Government Operating Contributions (Note 12)		**35,224**		45,256
Amortization of deferred capital contributions (Note 8)		**7,666**		8,705
(Deficiency) excess of revenues over expenses for the year	$	**(14,257)**	$	1,430

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

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

Year ended March 31	2017	2016
Cash provided by (used in)		
Operating activities		
(Deficiency) excess of revenues over expenses for the year	**$ (14,257)**	$ 1,430
Items not affecting cash		
Amortization of capital assets	**14,109**	15,507
Amortization of deferred capital contributions	**(7,666)**	(8,705)
Loss (gain) on disposal of capital assets	**1,466**	(315)
Employee future benefit expense	**14,807**	17,220
	8,459	25,137
Changes in non-cash working capital balances		
Accounts receivable	**24,800**	(3,123)
Inventory	**(2,139)**	1,342
Prepaid expenses	**(92)**	24
Accounts payable and accrued liabilities	**(16,288)**	(5,294)
Deferred government contributions and deferred revenue	**15**	(344)
	14,755	17,742
Capital activities		
Purchase of capital assets	**(52,019)**	(41,509)
Proceeds from sale of capital assets	**589**	778
	(51,530)	(40,731)
Financing activities		
Principal repayment of long-term debt	**(386)**	(366)
Deferred capital contributions	**48,753**	36,997
Pension contributions paid	**(11,063)**	(13,934)
Non-pension benefits paid	**(4,107)**	(3,824)
	33,197	18,873
Decrease in cash and cash equivalents during the year	**(3,478)**	(4,116)
Cash and cash equivalents, beginning of year	**6,757**	10,873
Cash and cash equivalents, end of year	**$ 3,279**	$ 6,757
Represented by		
Cash and cash equivalents (bank overdraft)	**$ 1,008**	$ (117)
Restricted cash and cash equivalents (Note 4)	**2,271**	6,874
	$ 3,279	$ 6,757

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

1. Nature of Organization

The Ontario Northland Transportation Commission (the “Commission”), an Operational Enterprise of the Province of Ontario (the “Province”), delivers a variety of services, including rail freight, passenger rail and motor coach, primarily in the north-eastern portion of Northern Ontario.

The Commission generates revenues from the provision of transportation services. The Commission also receives an annual operational subsidy as well as capital subsidy from the Province of Ontario. The ability of the Commission to continue to offer its services and fulfill its mandate is dependent on the ongoing subsidies it receives from the Province.

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

2. Significant Accounting Policies

These consolidated financial statements are prepared in accordance with the standards applicable for government not-for-profit organizations found in the Public Sector Accounting Handbook. They include the accounts of the Commission and its wholly-owned subsidiaries, Ontario Northland International Consulting Services Inc. and Nipissing Central Railway Company.

Revenue Recognition

Revenue from all sources is recognized when all of the following conditions are met:

a) services are provided or products delivered to customers
b) there is clear evidence that an arrangement exists, and
c) collection is reasonably assured.

Rail services revenues are generally recognized on completion of movements, with interline movements being treated as complete when the shipment is turned over to the connecting carrier.

Contract revenues are generally recorded on a percentage of completion basis as work reaches predetermined project milestones.

2. Significant Accounting Policies (continued)

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

- Unrestricted contributions are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.
- Externally restricted contributions related to operating expenditures are recognized as revenue when the related expenditures are incurred.
- The Province reimburses the Commission for the cost of certain capital assets purchased for use in operations. The Commission records the contributions as deferred capital contributions. Deferred capital contributions are amortized to revenue on a straight-line basis at rates corresponding to those of the related capital assets.

Capital Assets

Capital assets are stated at acquisition cost less accumulated amortization. Amortization is provided using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives for principal categories of capital assets are as follows:

Land	No amortization
Roadway	20 to 50 years
Buildings	50 years
Equipment	3 to 33 years
Coaches	10 to 12 years

No amortization is provided on assets under construction until they are placed in use.

Employee Future Benefits

Pension Plans - The Commission maintains a contributory defined benefit pension plan for its employees. It provides for pensions based on years of service and average pensionable earnings and is generally applicable from the first day of the month following employment. A Supplementary Employee Retirement Plan (SERP) also exists for employees who earn a lifetime pension amount in excess of the Canadian Income Tax Act's maximum. The obligations under the plan are determined using the accrued benefit method reflecting projected benefits for services rendered to date. The plans are not indexed; however, there have been a variety of ad hoc increases made to pensioners.

Non-Pension Benefit Plans - The Commission offers non-pension post retirement benefits such as group life, health care and long-term disability to employees through defined benefit plans. The costs associated with these future benefits are actuarially determined using the projected benefits method prorated on service and best estimate assumptions. In addition, as a Schedule 2 employer under the Workplace Safety and Insurance Board (WSIB), the Commission recognizes workers compensation benefits on an accrual basis using actuarial calculations provided by the WSIB for benefits in force, benefits not yet awarded and administrative loading costs.

2. Significant Accounting Policies (continued)

Employee Future Benefits (continued)

Both Pension and Non-Pension expenses consist of current service costs, interest and adjustments arising from plan amendments, changes in assumptions and net actuarial gains or losses. These expenses are recorded in the year in which employees render services to the Commission. Past services pension costs were charged to net assets on transition to P5-3250. Actuarial gains and losses are amortized on a straight-line basis over the EARSL of the employees covered by the plans (approximately 13 years). Past service costs are recognized in the period of plan amendment.

Pension fund assets are valued using current market values.

Inventory

Materials and supplies, with the exception of used rail and wheel-sets, are valued at the lower of cost and net realizable value by using the weighted-average costing methodology. Used rail is shown at unamortized book value determined at the time of retirement. Wheel-sets are valued at standard cost. The Commission uses the same cost formulas for all inventories having a similar nature and use to the Commission. When net realizable value is less than carrying cost, inventory is written down accordingly. When circumstances which previously caused inventories to be written down no longer exist, that previous impairment is reversed.

Impairment of Capital Assets

Capital assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the capital asset may not contribute to the Commission's ability to deliver services. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, both the asset and any related deferred capital contributions are written down by the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the Commission uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

Foreign Currency Translation

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

2. Significant Accounting Policies (continued)

Accounting Estimates

The preparation of the consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the useful lives of capital assets, valuation allowances for accounts receivable and inventory, liability for contaminated sites, and obligations for pension and non-pension post employment benefits. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the consolidated financial statements in future periods could be significant. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the consolidated statement of operations in the year in which they become known.

Cash and Cash Equivalents

Cash includes cash on hand, balances with banks, and internally restricted cash.

Financial Instruments

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

Fair value

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

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

Amortized cost

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

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

Writedowns on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the statement of operations.

(dollars in thousands)

2. Significant Accounting Policies (continued)

Liabilities for Contaminated Sites

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

3. Inventory

The cost of inventory expensed to operations and used in capital projects for 2017 was $12,357 (2016 - $9,478).

4. Restricted Cash

		2017		2016
Externally restricted – Deferred Contributions (Note 7)	**$**	**2,185**	$	2,169
Internally restricted – Reserve for Self Insurance (Note 11)		**86**		4,705
	$	**2,271**	$	6,874

(dollars in thousands)

5. Capital Assets

	2017			2016
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Rail Services				
Roadway	**$ 443,671**	**$ 163,290**	**$ 280,381**	$ 256,345
Buildings	**51,019**	**24,359**	**26,660**	23,178
Equipment	**92,094**	**60,443**	**31,651**	26,282
Under construction	**21,731**	**-**	**21,731**	19,483
Motor Coach Services				
Buildings	**2,910**	**686**	**2,224**	2,246
Coaches	**10,684**	**1,332**	**9,352**	7,607
Refurbishment				
Buildings	**3,999**	**847**	**3,152**	3,230
Equipment	**1,082**	**224**	**858**	873
Development				
Buildings	**-**	**-**	**-**	1,429
	$ 627,190	**$ 251,181**	**$ 376,009**	$ 340,673

(dollars in thousands)

6. Employee Future Benefits

The Commission is the administrator of its contributory pension plan which covers all permanent staff. The pension fund assets primarily include marketable securities, real estate and corporate and government bonds, which are invested by professional investment managers. The Commission's pension plans have an annual measurement date of December 31st.

The accrued pension benefit asset and non-pension benefit obligation and expenses are determined annually by independent actuaries in accordance with accepted actuarial practices and Canadian public sector accounting standards using management's best estimates. The date of the most recent actuarial valuation for the contributory pension plans for funding purposes was January 1, 2014. In accordance with existing pension regulations, annual valuations will be completed for the Commission's pension plans. The date of the most recent report for accounting purposes for the non-pension post employment benefit plan was December 31, 2016.

The pension plan's asset target percentage allocation and average asset allocation as at March 31, 2017, by category are as follows:

		Target	**2017**	2016
Equity securities	– Domestic	20% - 30%	**26.7%**	26.9%
	– Foreign	10% - 30%	**20.7%**	24.3%
Debt securities		35% - 55%	**49.1%**	45.4%
Real estate		0% - 15%	**1.8%**	1.8%
Short-term and other		0% - 15%	**1.7%**	1.6%
Total			**100%**	100%

(dollars in thousands)

6. Employee Future Benefits (continued):

a. Reconciliation of accrued benefit obligation to accrued benefit asset (liability):

Pension Plans:

	Pension	SERP	2017 Total	2016 Actual
Accrued benefit obligation	$ (553,202)	$ (3,514)	$ (556,716)	$ (540,195)
Plan assets at fair value	523,157	-	523,157	524,801
Funded status - plan (deficit) surplus	(30,045)	(3,514)	(33,559)	(15,394)
Unamortized net actuarial loss	71,554	1,202	72,756	54,697
Accrued benefit asset (liability) net of valuation allowance, end of year	$ 41,509	$ (2,312)	$ 39,197	$ 39,303

	Pension	SERP	2017 Total	2016 Actual
Accrued benefit asset, beginning of year	$ 41,513	$ (2,210)	$ 39,303	$ 35,072
Employee future benefit expense	(10,851)	(318)	(11,169)	(9,703)
Funding contributions	10,847	216	11,063	13,934
Accrued benefit asset, end of year	$ 41,509	$ (2,312)	$ 39,197	$ 39,303

(dollars in thousands)

6. Employee Future Benefits (continued):

b. Reconciliation of accrued benefit obligation to accrued benefit asset (liability)

Non-Pension Benefit Plans:

	2017	2016
Accrued benefit obligation, end of year	**$ (88,246)**	$ (87,343)
Unamortized net actuarial gain	**2,063**	691
Accrued benefit liability, end of year	**$ (86,183)**	$ (86,652)
Accrued benefit liability, beginning of year	**$ (86,652)**	$ (82,959)
Benefit expense	**(3,638)**	(7,517)
Benefits paid	**4,107**	3,824
Accrued benefit liability, end of year	**$ (86,183)**	$ (86,652)

Included in the accrued non-pension benefit liability are workers' compensation benefits in the amount of $ 15,296 (2016 - $15,675). This amount has been determined from the most recent available actuarial calculations provided by the Workplace Safety and Insurance Board as at December 31, 2016.

c. Components of Net Periodic Pension Benefit Expense

	2017	2016
Current service cost less employee contributions	**$ 5,581**	$ 5,050
Interest on accrued benefit obligation	**29,137**	29,735
Expected return on plan assets	**(28,107)**	(29,006)
Amortization of net actuarial loss	**4,558**	3,924
	$ 11,169	$ 9,703

(dollars in thousands)

6. Employee Future Benefits (continued):

d. Components of Net Periodic Non-Pension Benefit Expense

	2017	2016
Current service cost	**$ 2,334**	$ 3,759
Interest on accrued benefit obligation	**2,662**	2,530
Amortization of net actuarial (gains) losses	**(1,358)**	1,228
	$ 3,638	$ 7,517

Total pension and non-pension benefit expense included in Labour and Benefits on the Statement of Operations is $14,807 (2016 - $17,220).

e. Weighted Average Assumptions

	2017	2016
Discount rate - pension	**5.25%**	5.50%
Discount rate - non pension	**3.61%**	3.55%
Discount rate – long-term disability	**3.61%**	3.55%
Discount rate - WSIB	**4.50%**	4.75%
Expected long-term rate of return on plan assets	**5.25%**	5.50%
Rate of compensation increase		
2016	**1.2 %**	1.2%
2017 to 2019	**2.0 %**	2.0%
2020	**2.5 %**	2.5%
2021 & thereafter	**3.0%**	3.0%
Average remaining service period (years)	**12**	12
Drug cost increases (grading down to 5% in 2020)	**6.50%**	7.50%
Medical and hospital cost increases	**5.00%**	5.00%
Dental cost increases	**4.50%**	4.50%
Vision care cost increases	**0%**	0%

(dollars in thousands)

7. Deferred Contributions

Deferred contributions are restricted funds received from the Province to be used only on future expenditures relating to refurbishment bids for new contracts. These contributions will be recognized as revenue in the fiscal year the related expenditures are incurred.

The change in the deferred contributions balance is as follows:

	2017	2016
Balance, beginning of year	**$ 2,169**	$ 2,068
Interest income	**16**	101
Balance, end of year	**$ 2,185**	$ 2,169

8. Deferred Capital Contributions

Deferred capital contributions represent the unamortized capital contributions received from the Province to fund the acquisition of capital assets. The amortization of deferred capital contributions is recorded as revenue in the consolidated statement of operations using rates similar to those used to amortize the related assets acquired.

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

	2017	2016
Balance, beginning of year	**$ 227,988**	$ 199,696
Contributions from the Province	**48,753**	36,997
Amortization to revenue	**(7,666)**	(8,705)
Retirements and transfers	**(518)**	-
Balance, end of year	**$ 268,557**	$ 227,988

(dollars in thousands)

9. Long-term Debt

	2017	2016
Loan from Ontario Financing Authority, bearing interest at 5.22 % per annum, repayable in blended monthly payments of $30 for 15 years beginning February 1, 2005	**$ 962**	$ 1,269
Loan from Ontario Financing Authority, bearing interest at 4.90% per annum, repayable in blended monthly payments of $13 for 25 years beginning February 1, 2006.	**1,603**	1,682
	2,565	2,951
Less current portion	**406**	386
Long-term debt	**$ 2,159**	$ 2,565

Interest on long-term debt was $140 (2016 - $159).

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

2017-2018	$ 406
2018-2019	428
2019-2020	390
2020-2021	96
2021-2022	101
Thereafter	1,144
	$ 2,565

10. Contaminated sites

The liability for remediation results from specific minerals contaminating soil in a former transloading operation. Based on engineering studies completed to date, the estimated liability is $3,500 (2016 - $3,500). This liability is subject to measurement uncertainty and the Commission will be conducting further studies in the future. Changes to this estimated liability will be recorded in the year they become known.

(dollars in thousands)

11. Internally Restricted Net Assets – Reserve for Self Insurance

The Commission follows the policy of self-insuring for damages from rolling stock derailments and for cargo damage. Annually the Commission gives consideration to transferring funds from its' unrestricted net assets to the Reserve for Self Insurance (the "Reserve") to finance such costs. Interest earned on the reserve balance and claims expensed in the reserve balance are recorded as revenue and expenses in the consolidated statement of operations then transferred to/from the Reserve.

Periodically, the Commission borrows cash from the Reserve for its temporary use. The Commission pays interest to the Reserve at the bank's prime rate less 1.75% on these temporary borrowings.

The Reserve was significantly depleted in the year. The Commission and the Province are working on an implementation plan to deal with the self insurance fund and any related funding.

12. Government Contributions

A Memorandum of Understanding between the Commission and the Minister of Northern Development and Mines dated November 4, 2016, defines the amount of operating and capital contributions provided each fiscal year.

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

	2017	2016
Ministry of Northern Development and Mines:		
Rail - Passenger Service and Moosonee Branch	**$ 17,144**	$ 15,984
Rail and Other System Operations	**11,448**	19,390
Pension deficit funding pressure	**5,852**	9,882
	$ 34,444	$ 45,256
Special Operating – Ontera towers (Note 18)	**780**	-
Subtotal	**35,224**	45,256
Capital contributions (Note 8)	**48,753**	36,997
Total Government contributions	**$ 83,977**	$ 82,253

13. Segmented Information Disclosures

The Commission is a diversified operational enterprise of the Province of Ontario that provides a wide range of services to its customers in Northeastern Ontario such as rail and motor coach transportation, refurbishment and freight services. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

Rail Services

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

Polar Bear Services

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

Motor Coach Services

Motor coach services provides shipping solutions and passenger transportation to connect communities throughout Northeastern Ontario.

Remanufacturing and Repair

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

Administration

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

(dollars in thousands)

13. Segmented Information Disclosures (continued)

	Rail Services	Polar Bear Services	Motor Coach Services	Remanufacturing and Repair	Administration	Government Operating Contributions	2017 Total
Revenues	37,977	8,198	10,809	4,130	321	-	61,435
Expenses							
Labour and fringe benefits	18,072	14,293	5,396	2,149	5,942	-	45,852
Materials and parts	7,547	4,049	2,193	1,582	145	-	15,516
Services	2,743	1,651	2,040	188	1,376	-	7,998
Supplies and equipment	1,972	1,454	553	129	367	-	4,475
Other	2,973	1,453	1,152	84	2,710	-	8,372
	33,307	22,900	11,334	4,132	10,540	-	82,213
Excess (deficiency) revenues over expenses before items below:	4,670	(14,702)	(525)	(2)	(10,219)	-	(20,778)
Derailments	5,102	-	-	-	-	-	5,102
Demolition – Ontera towers	-	-	-	-	780	-	780
Interest on long-term debt	59	-	81	-	-	-	140
(Gain) loss on sale of capital assets	(316)	1,059	(35)	-	758	-	1,466
Investment income	-	-	-	-	(35)	-	(35)
Amortization of capital assets	9,571	2,942	788	362	446	-	14,109
Employee future benefits	10,213	873	1,742	129	1,850	-	14,807
Deficiency of revenues over expenses before government funding	(19,959)	(19,576)	(3,101)	(493)	(14,018)	-	(57,147)
Government operating contributions	-	-	-	-	-	35,224	35,224
Amortization of deferred capital contributions	4,122	2,432	738	49	325	-	7,666
Excess (deficiency) of revenues over expenses	(15,837)	(17,144)	(2,363)	(444)	(13,693)	35,224	(14,257)

(dollars in thousands)

Year ended March 31, 2017

13. Segmented Information Disclosures (continued)

	Rail Services	Polar Bear Services	Motor Coach Services	Remanufacturing and Repair	Administration	Government Operating Contributions	2016 Total
Revenues	38,898	7,546	10,564	4,723	783	-	62,514
Expenses							
Labour and fringe benefits	18,387	12,958	5,638	772	8,617	-	46,372
Materials and parts	6,894	4,037	2,262	351	155	-	13,699
Services	2,579	1,944	2,765	165	1,972	-	9,425
Supplies and equipment	2,029	1,265	468	48	386	-	4,196
Other	3,275	1,349	1,244	326	2,633	-	8,827
	33,164	21,553	12,377	1,662	13,763	-	82,519
Excess (deficiency) revenues over expenses before items below:	5,734	(14,007)	(1,813)	3,061	(12,980)	-	(20,005)
Interest on long-term debt	75	-	84	-	4	-	163
(Gain) loss on sale of capital assets	(645)	-	330	-	-	-	(315)
Investment income	-	-	-	-	(49)	-	(49)
Amortization of capital assets	8,804	2,777	1,108	20	2,798	-	15,507
Employee future benefits	11,925	1,410	1,543	258	2,084	-	17,220
Excess (deficiency) of revenues over expenses before government funding	(14,425)	(18,194)	(4,878)	2,783	(17,817)	-	(52,531)
Government operating contributions	-	-	-	-	-	45,256	45,256
Amortization of deferred capital contributions	3,211	2,210	614	20	2,650	-	8,705
Excess (deficiency) of revenues over expenses	(11,214)	(15,984)	(4,264)	2,803	(15,167)	45,256	1,430

14. Foreign Currency Translation

Included in Rail revenue is a foreign currency gain of $1,994 (2016 - gain of $2,245) arising mainly from rail traffic settlements between Canada and the U.S.A.

15. Contingencies

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

16. Commitments

The Commission is also obligated to certain job guarantee agreements with a significant number of its unionized employees. To the extent of any actual claims under these agreements, the Commission would maintain provisions for such items. Due to the nature of these agreements, the exposure for future payments may be material. However, such exposure would be based on certain actions of the Commission that have not occurred and as such no provision has been made as at the year-end date.

17. Economic Dependence - customers

The Rail Services Division derives substantially all of its revenue from four major customers.

18. Other Expenses

Included in Other expenses for the year are the following:

i. During the year the Commission incurred $5,102 in costs related to primarily two separate derailments that occurred along its rail line. These costs include labour, benefits, parts and third party contractor costs. The costs were incurred to clean up, do environmental testing, and perform track repairs.

ii. During the year the Commission incurred $780 in costs relating to the demolition of communication towers in northern Ontario. These towers were originally sold as part of the Ontera disposition in fiscal 2015, however they were transferred back to the Commission in fiscal 2017. Due to environmental concerns the towers were demolished during the year and an on-going environmental assessment is being performed over the next year. The Province provided contributions towards these expenses in the amount of $780.

(dollars in thousands)

19. Settlement Expenses

In connection with the cancellation of the Northlander passenger train operation in 2012, a wage settlement agreement was negotiated with the United Steelworkers, the bargaining agent for those employees. The agreement was signed in August 2013 and will result in wage continuation and maintenance of basic rates payments extending into August 2017 amounting to $2,913. In the current fiscal year $616 was paid out relating to this obligation.

20. Financial Instrument Classification

The following table provides cost and fair value information of financial instruments by category. The maximum exposure to credit risk would be the carrying value as shown below.

	2017		
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	$ 1,008	$ -	$ 1,008
Accounts receivable	-	21,479	21,479
Accounts payable and accrued liabilities	-	19,255	19,255
Long-term debt	-	2,565	2,565
	$ 1,008	$ 43,299	$ 44,307

(dollars in thousands)

20. Financial Instrument Classification (continued)

	2016		
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	$ 2,052	$ -	$ 2,052
Accounts receivable	-	46,279	46,279
Accounts payable and accrued liabilities	-	35,544	35,544
Long-term debt	-	2,951	2,951
	$ 2,052	$ 84,774	$ 86,826

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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

	2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	**$ 1,008**	**$ -**	**$ -**	**$ 1,008**

	2016			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 2,052	$ -	$ -	$ 2,052

There were no transfers between Level 1 and 2 for the years ended March 31, 2017 and 2016. There were no transfers in or out of Level 3.

(dollars in thousands)

21. Financial Instrument Risk Management

Credit risk

Credit risk is the risk of financial loss to the Commission if a debtor fails to make payments of interest and principal when due. The Commission is exposed to this risk relating to its cash and accounts receivable. The Commission holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, the Commission's cash accounts are insured up $400,000 (2016 - $400,000).

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

March 31, 2017					**Past Due**
	Total	**Current**	**1-30 days**	**31-60 days**	**over 61 days**
Government receivables	**$ 10,144**	**$ 6,055**	**$ 4,089**	**$ -**	**$ -**
Customer receivables	**11,408**	**7,836**	**1,326**	**162**	**2,085**
Gross receivables	**21,552**	**13,891**	**5,415**	**162**	**2,085**
Less: impairment allowances	**(73)**	**-**	**-**	**-**	**(73)**
Net receivables	**$ 21,479**	**$ 13,891**	**$ 5,415**	**$ 162**	**$ 2,012**

March 31, 2016					Past Due
	Total	Current	1-30 days	31-60 days	over 61 days
Government receivables	$ 37,395	$ 37,395	$ -	$ -	$ -
Customer receivables	8,961	7,827	195	180	759
Other receivables	7	7	-	-	-
Gross receivables	46,363	45,229	195	180	759
Less: impairment allowances	(84)	-	-	-	(84)
Net receivables	$ 46,279	$ 45,229	$ 195	$ 180	$ 675

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

21. Financial Instrument Risk Management (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

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

Currency risk

Currency risk relates to the Commission operating in different currencies and converting non-Canadian earnings at different points in time when adverse changes in foreign currency rates occur. The Commission maintains a USD bank account to receive USD from customers and to pay USD to suppliers and other carriers. There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Commission is exposed to this risk through its interest bearing long-term debt.

The Commission's long-term debt as described in Note 8 would not be impacted as the inherent rate of the debt has been fixed.

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

Equity risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Commission is not exposed to this risk.

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

Liquidity risk

Liquidity risk is the risk that the Commission will not be able to meet all cash outflow obligations as they come due. The Commission mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and regular reports to the Province of Ontario.

(dollars in thousands)

21. Financial Instrument Risk Management (continued)

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

				2017
	Within 6 months	**6 months to 1 year**	**1-5 years**	**> 5 years**
Accounts payable	**$ 19,255**	**$ -**	**$ -**	**$ -**
Long-term debt	**203**	**203**	**1,120**	**1,039**
Total	**$ 19,458**	**$ 203**	**$ 1,120**	**$ 1,039**

				2016
	Within 6 months	6 months to 1 year	1-5 years	> 5 years
Accounts payable	$ 35,544	$ -	$ -	$ -
Long-term debt	193	193	1,320	1,245
Total	$ 35,737	$ 193	$ 1,320	$ 1,245

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

22. Comparative Figures

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

2016-2017 Annual Report
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