The Owen Sound Transportation Company Limited

Financial Statements
For the year ended March 31, 2021

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Contents

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Independent Auditor's Report

To the Members of The Owen Sound Transportation Company Limited

Opinion

We have audited the financial statements of the Owen Sound Transportation Company Limited (the OSTC), which comprise the statement of financial position as at March 31, 2021, statements of operations and accumulated surplus, changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the OSTC as at March 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 are independent of the OSTC in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 OSTC'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 OSTC or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the OSTC'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 OSTC'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 OSTC 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Owen Sound, Ontario
October 15, 2021

The Owen Sound Transportation Company Limited
Statement of Financial Position

March 31	2021	2020
Financial assets		
Cash and cash equivalents (Note 2)	$ 4,636,543	$ 2,365,620
Accounts receivable (Note 3)	1,172,883	2,164,861
Inventory held for resale	110,960	72,746
	5,920,386	4,603,227
Liabilities		
Accounts payable and accrued liabilities	615,755	714,440
Deferred revenue (Note 5)	385,978	-
Employee future benefit obligations (Note 8)	1,396,298	1,276,847
Workers' safety insurance obligations (Note 7)	355,580	340,102
	2,753,611	2,331,389
Net financial assets	3,166,775	2,271,838
Contingencies (Note 12)		
Non-financial assets		
Inventory for own use	84,597	287,005
Tangible capital assets (Note 9)	22,277,843	21,713,198
	22,362,440	22,000,203
Accumulated surplus (Note 10)	$25,529,215	$ 24,272,041

Approved on Behalf of the Company:

______________________________ Chair

______________________________ President & CEO

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

The Owen Sound Transportation Company Limited
Statement of Operations and Accumulated Surplus

For the year ended March 31	2021 Budget (Note 11)	2021 Actual	2020 Actual
Revenues			
Ministry of Transportation contribution (Note 15)	$ 12,138,000	$ 7,106,229	$ 4,971,167
Vehicles	3,601,500	2,321,584	3,769,097
Passenger revenue	2,832,300	1,551,807	2,899,820
Cafeteria	977,500	-	1,047,397
Pelee Island ferry service management fee (Note 15)	520,000	480,000	478,750
Interest, freight and other	279,520	216,653	378,591
Tuck and terminal gift shop revenue	262,000	25,109	302,579
	20,610,820	11,701,382	13,847,401
Expenses			
Salaries and wages	4,399,640	3,797,547	4,277,139
General and administrative expenses	2,017,735	1,758,080	2,005,291
Amortization	-	1,204,547	1,164,199
Repairs and maintenance	979,700	1,174,442	1,428,789
Employee benefits	935,025	997,556	1,122,170
Fuel	1,192,750	737,345	1,370,828
Services	1,059,255	394,590	1,098,396
Utilities	257,875	270,284	240,369
Tools and operating supplies	148,600	109,817	139,774
	10,990,580	10,444,208	12,846,955
Annual surplus (Note 11)	9,620,240	1,257,174	1,000,446
Accumulated surplus, beginning of the year	24,272,041	24,272,041	23,271,595
Accumulated surplus, end of the year	$ 33,892,281	$25,529,215	$ 24,272,041

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

The Owen Sound Transportation Company Limited
Statement of Changes in Net Financial Assets

For the year ended March 31	2021 Budget (Note 11)	2021 Actual	2020 Actual
Annual surplus (Page 5)	$ 9,620,240	$ 1,257,174	$ 1,000,446
Acquisition of tangible capital assets	(9,575,000)	(1,769,192)	(2,060,410)
Amortization of tangible capital assets	-	1,204,547	1,164,199
	(9,575,000)	(564,645)	(896,211)
	45,240	692,529	104,235
Change in inventories for own use	-	202,408	(70,120)
Increase in net financial assets	45,240	894,937	34,115
Net financial assets, beginning of the year	2,271,838	2,271,838	2,237,723
Net financial assets, end of the year	$ 2,317,078	$ 3,166,775	$ 2,271,838

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

The Owen Sound Transportation Company Limited
Statement of Cash Flows

For the year ended March 31	2021	2020
Cash provided by (used in)		
Operating activities		
Annual surplus	$ 1,257,174	$ 1,000,446
Items not affecting cash		
Amortization	1,204,547	1,164,199
Change in workers' safety insurance obligations (Note 7)	15,478	17,816
Change in employee future benefit obligations (Note 8)	119,451	119,658
	2,596,650	2,302,119
Changes in non-cash working capital balances		
Accounts receivable	991,978	519,235
Inventory held for resale	(38,214)	12,164
Inventory for own use	202,408	(70,120)
Accounts payable and accrued liabilities	(98,685)	410,141
Deferred revenue	385,978	-
	4,040,115	3,173,539
Investing activities		
Purchase of capital assets	(1,769,192)	(2,060,410)
Change in cash and cash equivalents during the year	2,270,923	1,113,129
Cash and cash equivalents, beginning of the year	2,365,620	1,252,491
Cash and cash equivalents, end of the year	$ 4,636,543	$ 2,365,620

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

March 31, 2021

1. Summary of Significant Accounting Policies

Nature of Business

The Owen Sound Transportation Company Limited ("OSTC"), an operational enterprise agency of the Province of Ontario, owns and operates a seasonal vehicle and passenger ferry, the M.S. Chi-Cheemaun, from Tobermory to Manitoulin Island and the M.V. Niska, from Moosonee to Moose Factory Island. It also provides vessel management services for the Ministry of Transportation for three vessels, the M.V. Pelee Islander, M.V. Pelee Islander 2, and the M.V. Jiimaan, operating on the Pelee Island service, and a daily air service between the Ontario mainland and Pelee Island during the winter months when the ferry service is not in operation.

OSTC's one issued and outstanding common share is held by the Ministry of Transportation.

Management Responsibility

The financial statements have been prepared by management. Management is responsible for the integrity, reliability, comparability and presentation of the financial information. The Board of Directors reviews and approves the financial statements.

Basis of Accounting

The financial statements have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

The accrual basis of accounting recognizes the effect of transactions and events in the period in which the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and balances with banks.

Inventory

Inventory of goods held for resale is recorded at the lower of cost and net realizable value. Cost is determined based on a first-in first-out methodology.

Inventory for own use is recorded at the lower of cost and replacement cost.

1. Summary of Significant Accounting Policies - (continued)

Tangible Capital Assets

Purchased tangible capital assets are recorded at cost less accumulated amortization. Costs include all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments that extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to OSTC's ability to provide services, or the value of future economic benefits associated with the capital asset is less than its net book value, the carrying value of the capital asset is reduced to reflect the decline in the asset's value. Construction in progress is not amortized until construction is substantially complete and the assets are ready for use.

Amortization is calculated using the straight-line method over the estimated service lives of the assets. The estimated service lives for principal categories of assets are as follows:

Land improvements	10 years
Buildings and improvements	20 years
Equipment and other	5 years
Marine vessels	30 years

Financial Instruments

Financial instruments are recorded at fair value at initial recognition.

In subsequent periods, financial instruments are reported at cost or at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

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

Impairment of financial assets measured at amortized cost 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 write-down being recognized in the statement of operations.

Bank Indebtedness

Bank indebtedness includes short-term overdrafts.

1. Summary of Significant Accounting Policies - (continued)

Income Taxes	As an agency of the Province of Ontario, OSTC is exempt from income taxes and, accordingly, no tax provision is recorded in these financial statements.
Employee Future Benefits	OSTC's eligible employees are eligible to participate in the defined benefit Ontario Public Service Pension Plan (OPS). The contributions to the pension plan, a multi-employer defined benefit plan are expensed when due. In addition, eligible employees are also entitled to non-pension post-retirement benefits such as group life, health care and long-term disability as part of the OPS multiple-employer group plan. The costs associated with these future benefits are actuarially determined using the projected benefits method pro-rated on service and best estimate assumptions. 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 OSTC.
Workers' Safety and Insurance	OSTC is a Schedule 2 employer with respect to workers' safety insurance. As such, OSTC is individually liable for reimbursing the WSIB costs relating to its workers' WSIB claims. The estimated future benefits are determined using actuarial calculations and OSTC recognizes its obligation for these benefits on an accrual basis.
Liability 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 organization 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. Management is not aware of any contaminated sites.

1. Summary of Significant Accounting Policies - (continued)

Revenue Recognition	Vehicle and passenger revenues are generally recognized on the date the service is provided.
	Cafeteria, tuck and terminal gift shop and other revenue is recorded upon sale of goods or provision of service when collection is reasonably assured.
	Interest is recognized in the period earned.
	Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when the transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.
Foreign Currency Translation	Foreign currency accounts are translated into Canadian dollars as follows:
	At the transaction date, each asset, liability, revenue and expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in income in the current period.
Use of Estimates	Preparation of the financial statements in accordance 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. Estimates are used when accounting for items such as accrued grant receivables, accrued liabilities, employee future benefits, workers' safety insurance obligations and useful life of tangible capital assets. By their nature, these estimates are subject to measurement uncertainty and actual results could differ from management's best estimates as additional information becomes available in the future.

March 31, 2021

2. Cash and Cash Equivalents

	2021	2020
Cash on hand	$ 13,850	$ 16,200
Bank	4,591,107	2,349,076
In transit	31,586	344
	$ 4,636,543	$ 2,365,620

On March 31, 2021, the company had deposits of $4,613,079 in a Canadian Chartered Bank. The Canadian Deposit Insurance Corporation insures deposits up to a maximum of $100,000 per depositor per financial institution.

3. Accounts Receivable

	2021	2020
Ministry of Transportation	$ 912,706	$ 1,967,566
HST and other	260,177	197,295
	$ 1,172,883	$ 2,164,861

4. Bank Indebtedness

OSTC has negotiated a demand operating line of credit with a Canadian Chartered Bank, bearing interest at the bank's prime rate less 0.5%. The maximum draws that could be advanced on this operating line are $2,000,000. At March 31, 2021 the company had undrawn credit capacity under this facility of $2,000,000.

5. Deferred Revenue

In 2021 OSTC began collecting payment for passenger and vehicle revenue at the time of booking (previously collected on the day the service was provided). Therefore revenue cannot be recognized when funds are received and must be deferred until the service has been provided. All amounts in deferred revenue relate to prepaid passenger and vehicle revenue for the summer 2021 sailing season.

6. Pension Agreement

The company makes contributions to the Contributory Pension Plan of the Ontario Public Service Pension Plan, which is a multi-employer plan, on behalf of 30 members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan. The employer amount contributed to the Plan for 2021 by the Owen Sound Transportation Company Limited was $158,008 (2020 - $174,496). Members contribute 7.4% (2020 - 7.4%) of their earnings between the Year's Basic Exemption (YBE) and the Year's Maximum Pensionable Earnings (YMPE) as defined under the Canada Pension Plan plus 10.5% (2020 - 10.5%) of all other earnings.

The Plan is a multi-employer plan, therefore, any pension plan surpluses or deficits are a joint responsibility of all Plan members and their employees. As a result, the company does not recognize any share of the Plan's pension surplus or deficit. The last available report for the Plan was December 31, 2020. At that time the plan reported a $3.46 billion actuarial deficit (2019 - $2.48 billion actuarial deficit), based on actuarial liabilities of $34.5 billion (2019 - $31.8 billion) and actuarial assets of $31.0 billion (2019 - $29.3 billion). Ongoing adequacy of the current contribution rates will need to be monitored as financial market fluctuations may lead to increased future funding requirements.

7. WSIB Future Benefit and Commitment

As OSTC is an employer included under Schedule 2 of the Workplace Safety and Insurance Act, it self-insures the entire risk of its own WSIB claims and is individually liable for reimbursing the WSIB for all costs relating to its workers' WSIB claims.

	2021	2020
Accrued benefit obligation	$ 168,697	$ 157,194
Unamortized actuarial gain	186,883	182,908
WSIB future benefit	$ 355,580	$ 340,102

Actuarial valuations for accounting purposes are performed for the WSIB future benefits using the projected benefit method. The most recent actuarial report was prepared as at March 31, 2019.

March 31, 2021

7. WSIB Future Benefit and Commitment (continued)

The actuarial valuation was based on a number of assumptions including, discount rates, wage increases, and WSIB payment rates. The assumptions used reflect management's best estimates. The WSIB benefit liability was determined using a discount rate of 3.75%, average lost time injury payment rate of 50%, a WSIB administrative rate of 30% and an average lost time injury count of 1.

	2021	2020
Current period benefit cost	$ 26,639	$ 25,740
Amortization of losses	3,975	3,975
WSIB benefit expense	30,614	29,715
Interest costs	5,998	5,532
Benefits paid	(21,134)	(17,431)
Total expense for the year	$ 15,478	$ 17,816

8. Retirement and Post-Employment Benefits

The company provides certain benefits, including retirement benefits and other post-employment benefits, to its employees. The post-employment benefit at March 31 includes the following components:

	2021	2020
Current period benefit cost	$ 1,725,702	$ 1,676,067
Unamortized actuarial loss	(329,404)	(399,220)
Non-pension post-retirement benefits	$ 1,396,298	$ 1,276,847

Non-Pension Benefits

Payments for these benefits totalled $131,589 (2020 - $169,323) which include payments for current and retired employees. Actuarial valuations for accounting purposes are performed for the non-pension post-retirement benefits using the projected benefit method, pro-rated on services. The most recent actuarial report was prepared as at March 31, 2019.

March 31, 2021

8. Retirement and Post-Employment Benefits - (continued)

The actuarial valuation was based on a number of assumptions about future events, such as inflation rates, medical inflation rates, wage increases, employee turnover and mortality rates. The assumptions used reflect management's best estimates. The post-employment benefit liability was determined using a discount rate of 4.00%. For extended health care costs, a 6.42% annual rate of increase was assumed for 2021, decreasing to a rate of 3.75% per year for 2029. For dental costs, a 3.75% annual rate of increase was assumed.

	2021	2020
Current period benefit cost	$ 51,174	$ 48,241
Amortization of actuarial loss	69,816	69,816
Retirement benefit expense	120,990	118,057
Interest costs	66,701	64,752
Benefits paid	(68,240)	(63,151)
Total expense for the year	$ 119,451	$ 119,658

9. Tangible Capital Assets

At March 31, 2021, there were $1,632,090 (2020 - $2,060,410) Chi-Cheemaun Ferry capital assets that were not being amortized due to installation not being complete.

In 2021, OSTC purchased $1,511,327 (2020 - $2,050,927) worth of tangible capital assets with capital funding. Capital funding of $Nil (2020 - $557,240) was received for projects that did not meet the capitalization requirements and were expensed as a result. OSTC used $101,940 (2020 - $9,483) of its own operating funds to cover additional capital costs.

March 31, 2021

9. Tangible Capital Assets - (continued)

2021	Land	Land Improvements	Buildings and Improvements	Equipment and Other	Chi-Cheemaun Ferry	Niska Ferry	Total
Cost, beginning of the year	$ 76,100	$ 20,200	$ 2,887,677	$ 722,855	$ 34,274,742	$ 4,547,694	$ 42,529,268
Additions	-	-	24,772	135,693	1,592,973	15,754	1,769,192
Cost, end of the year	76,100	20,200	2,912,449	858,548	35,867,715	4,563,448	44,298,460
Accumulated amortization, beginning of the year	-	12,120	1,623,749	673,403	17,491,762	1,015,036	20,816,070
Amortization	-	1,010	166,008	28,275	821,046	188,208	1,204,547
Accumulated amortization, end of the year	-	13,130	1,789,757	701,678	18,312,808	1,203,244	22,020,617
Net carrying amount, end of the year	$ 76,100	$ 7,070	$ 1,122,692	$ 156,870	$ 17,554,907	$ 3,360,204	$ 22,277,843

March 31, 2021

9. Tangible Capital Assets - (continued)

							2020
	Land	Land Improvements	Buildings and Improvements	Equipment and Other	Chi-Cheemaun Ferry	Niska Ferry	Total
Cost, beginning of the year	$ 76,100	$ 20,200	$ 2,873,506	$ 715,734	$ 32,280,254	$ 4,503,064	$ 40,468,858
Additions	-	-	14,171	7,121	1,994,488	44,630	2,060,410
Cost, end of the year	76,100	20,200	2,887,677	722,855	34,274,742	4,547,694	42,529,268
Accumulated amortization, beginning of the year	-	11,110	1,438,134	632,867	16,736,847	832,913	19,651,871
Amortization	-	1,010	185,615	40,536	754,915	182,123	1,164,199
Accumulated amortization, end of the year	-	12,120	1,623,749	673,403	17,491,762	1,015,036	20,816,070
Net carrying amount, end of the year	$ 76,100	$ 8,080	$ 1,263,928	$ 49,452	$ 16,782,980	$ 3,532,658	$ 21,713,198

10. Accumulated Surplus

Accumulated surplus consists of the following categories:

	2021	2020
Invested in tangible capital assets (Note 9)	$22,277,843	$ 21,713,198
Unfunded WSIB benefits (Note 7)	(355,580)	(340,102)
Unfunded future employee benefits (Note 8)	(1,396,298)	(1,276,847)
General surplus (Note 11)	5,003,250	4,175,792
Accumulated surplus	$25,529,215	$ 24,272,041

11. Budgets

Under Canadian public sector accounting principles, budget amounts are to be reported on the consolidated statement of operations and accumulated surplus and changes in net financial assets for comparative purposes. The 2021 budget amounts for OSTC approved by the Board of Directors have been reclassified to conform to the presentation of the consolidated statements of operations and accumulated surplus and changes in net financial assets. The following is a reconciliation of the budget approved by the Board of Directors.

	2021 Budget	2021 Actual	2020 Actual
Annual surplus (Page 5)	$ 9,620,240	$ 1,257,174	$ 1,000,446
Amortization	-	1,204,547	1,164,199
Change in unfunded liabilities	-	134,929	137,474
	9,620,240	2,596,650	2,302,119
Capital acquisitions, disposals and write-down	(9,575,000)	(1,769,192)	(2,060,410)
	45,240	827,458	241,709
Prior year general surplus	4,175,792	4,175,792	3,934,083
General surplus (Note 10)	$ 4,221,032	$ 5,003,250	$ 4,175,792

March 31, 2021

12. Contingencies

OSTC has not reached a collective agreement with Unifor Local 444 Union for the Pelee Island Transportation Service employees. The most recent contract (previously with Seafarer's International Union of Canada) expired on December 31, 2018. Unifor Local 444 Union has also established two new bargaining units with employees who were previously non unionized. The OSTC has not reached a collective agreement with the new bargaining units. The outcome is not determinable at the present time.

13. Financial Instrument Classification

OSTC's financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities.

2021	Fair Value	Cost	Total
Cash and cash equivalents	$ 4,636,543	$ -	$ 4,636,543
Accounts receivable	$ -	$ 1,172,883	$ 1,172,883
Accounts payable and accrued liabilities	$ -	$ (615,755)	$ (615,755)

2020	Fair Value	Cost	Total
Cash and cash equivalents	$ 2,365,620	$ -	$ 2,365,620
Accounts receivable	$ -	$ 2,164,861	$ 2,164,861
Accounts payable and accrued liabilities	$ -	$ (714,440)	$ (714,440)

The only financial instruments that are measured subsequent to initial recognition at fair value are cash and cash equivalents.

14. Commitments

OSTC has entered into an agreement ending March 31, 2023 with a contractor to provide marine services on behalf of OSTC for the ferry service between Moosonee and Moose Factory Island. The agreement requires OSTC to pay $290,114 per season, increased annually by 2.5%.

March 31, 2021

15. Government Funding

Under the terms of a memorandum of understanding with the Ministry of Transportation, OSTC receives both operational and capital funding from the Province of Ontario. The operational contributions are received for the Owen Sound and Moosonee operations based on an approved operating plan and are cash flowed to OSTC on a quarterly basis. These amounts totalled $2,363,000 (2020 - $2,363,000). In addition, OSTC received $3,000,000 in revenue shortfall funding and $231,902 in COVID-19 supplemental funding.

Capital contributions are paid to OSTC on submission of invoices for capital items consistent with its approved capital plan. These amounts totalled $1,511,327 (2020 - $2,050,927). Additional capital funding of $Nil (2020 - $557,240) was received for projects that did not meet the capitalization requirements. Capital and operating payments received during the year totalled $7,106,229 (2020 - $4,917,167).

In addition, OSTC has an agreement with the Ministry of Transportation to manage and operate the Pelee Island ferry service on Lake Erie between the ports of Kingsville, Leamington and Pelee Island in Ontario and the port of Sandusky in the State of Ohio. Pursuant to this agreement, OSTC received $480,000 in management fees for the 2020 sailing season.

The amended 5 year agreement, ending March 2023, requires the Ministry to pay the OSTC a management fee of $400,000 annually, with annual increases to reflect changes in the Consumer Price Index, up to a maximum of 3% in any year to a maximum of $480,000.

The revenue and expenses related to operating this service are not reflected in these financial statements.

16. Economic Dependence

OSTC is dependent on the continuing contributions from the Ministry of Transportation to carry on its operations.

March 31, 2021

17. Impacts of Covid-19

The impact of Covid-19 in Canada and on the global economy is significant. As the impacts of Covid-19 continue, there could be further impact on the OSTC, its employees, suppliers and other third party business associates that could impact the timing and amounts realized on the OSTC's assets and future ability to deliver services and projects. At this time, the full potential impact of Covid-19 on the OSTC is not known. Given the dynamic nature of these circumstances and the duration of disruption, the related financial impact cannot be reasonably estimated at this time. The OSTC's ability to deliver non-essential services will depend on the legislative mandates from the various levels of government. The OSTC will continue to focus on collecting receivables and managing expenditures to ensure it is able to continue providing essential services to the residents of Ontario.

18. Segment Information

OSTC is an operational enterprise agency of the Province of Ontario which owns and operates seasonal vehicle and passenger ferries. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

M.S. Chi-Cheemaun
The M.S. Chi-Cheemaun is a ferry that runs from Tobermory to Manitoulin Island.

M.V. Niska 1
The M.V. Niska 1 is a landing craft style ferry that runs between Moosonee and Moose Factory Island on the Moose River, in Northern Ontario.

For the year ended March 31	M.S. Chi-Cheemaun	M.V. Niska 1	2021 Total	2020 Total
Revenue				
MTO contribution	$ 6,638,303	$ 467,926	$ 7,106,229	$ 4,971,167
Ferry services	3,888,962	9,537	3,898,499	8,018,893
Pelee Island ferry service management fee	480,000	-	480,000	478,750
Interest, freight and other	68,927	147,727	216,654	378,591
	11,076,192	625,190	11,701,382	13,847,401
Expenses				
Salaries and wages	3,705,596	91,951	3,797,547	4,277,139
General and administrative	1,610,182	147,898	1,758,080	2,005,291
Amortization	1,016,339	188,208	1,204,547	1,164,199
Repairs and maintenance	1,104,392	70,050	1,174,442	1,428,789
Employee benefits	997,556	-	997,556	1,122,170
Fuel	717,962	19,383	737,345	1,370,828
Services	155,916	238,674	394,590	1,098,396
Utilities	267,581	2,703	270,284	240,369
Tools and operating supplies	109,104	713	109,817	139,774
	9,684,628	759,580	10,444,208	12,846,955
Annual surplus	1,391,564	(134,390)	1,257,174	1,000,446
Amortization	1,016,339	188,208	1,204,547	1,164,199
Capital purchases	(1,753,438)	(15,754)	(1,769,192)	(2,060,410)
Unfunded liabilities	134,929	-	134,929	137,474
Operating surplus	$ 789,394	$ 38,064	$ 827,458	$ 241,709

19. Financial Instrument Risk Management

Credit Risk

Credit risk is the risk of financial loss to OSTC if a debtor fails to make payments when due. OSTC is exposed to this risk relating to its cash and accounts receivable. OSTC holds its cash with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, OSTC's cash accounts are insured up to $100,000.

The maximum exposure to credit risk is outlined in Note 4.

Accounts receivable are primarily due from CRA and MTO. Credit risk is mitigated by the financial solvency of the Provincial government.

OSTC measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the OSTC's historical experience regarding collections. At March 31, 2021 there is no impairment allowance.

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.

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; interest rate risk, currency risk and equity risk. OSTC is not exposed to significant currency or equity risk as it does not transact materially in foreign currency or hold equity financial instruments.

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.

OSTC is not exposed to this risk as it does not hold any interest bearing investments.

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 OSTC will not be able to meet all cash outflow obligations as they come due. OSTC mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise. OSTC is exposed to this risk relating to its accounts payable and accrued liabilities.

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.