

TTC AUDIT COMMITTEE REPORT NO.

MEETING DATE November 18, 2009

SUBJECT Accounting Standards Applicable to the Toronto Transit Commission effective 2011

INFORMATION ITEM

RECOMMENDATION

It is recommended that the Audit Committee receive the following update related to a change in the accounting standards that will be applicable to the Commission in 2011.

BACKGROUND

To date, the Audit Committee has received several reports relating to the changing accounting standards effective January 1, 2011. The most recent update was submitted on April 20, 2009. At that time, however, the specific new standards remained undetermined because the Public Sector Accounting Board (PSAB) was still in the process of reviewing responses to its Invitation to Comment. This report provides an update on recent developments.

DISCUSSION

Issuance of Exposure Draft

After review of the responses to the Invitation to Comment, PSAB issued an Exposure Draft on July 3, 2009 called *Financial Reporting by Certain Government Organizations*. While the final standards have not as yet been released as of the writing of this report, it is staff's understanding that the Commission will be required to adopt the Public Sector Accounting Standards effective January 1, 2011. These are the same accounting standards used by the City for its financial statements.

Impact on the Commission's Financial Reporting

While not exhaustive, the appended chart highlights some of the key changes that are expected as a result of the adoption of Public Sector Accounting Standards. While the new standards applicable to the Commission's individual subsidiaries (Toronto Coach Terminal Inc., Toronto Transit Commission Insurance Company and Toronto Transit Consultants Limited) have not as yet been announced, consolidated financial statements will be presented in the PSA format. Once the new standards for the subsidiaries are known, they will be reported to their respective Audit Committees.

Upcoming course of action

Commission staff will develop a plan (including additional resources, if required) to convert to the new accounting standards once the applicable 2011 accounting standards are formally confirmed by the CICA (expected in November 2009) and will continue to inform the Audit Committee of developments as they occur.

ITEM	TTC CURRENT STANDARDS	PSA STANDARDS	IMPACT ON TTC
Employee Future Benefits – Plan Amendments	Amortized over average remaining service life of employees (8 to 12 years)	Immediate expense of full cost associated with plan amendment.	Significant accounting expense impact in the year of a plan amendment.
Employee Future Benefits – Transitional Obligation	Amortizing certain medical post-retirement liabilities over 14 years. (14 years was the average service life remaining of employees in 2000 when the additional obligation was identified.)	There is no provision for a transitional obligation in PSA Standards.	Expensing of remaining transitional obligation of \$8.21M will be required upon the adoption of PSA standards in 2011. This expense will be offset by an equivalent long-term receivable from the City pursuant to the existing accounting treatment for post-retirement benefit liabilities.
Income Statement (Statement of Operations) Presentation	The Income Statement reports both current year and prior year actual results.	Income Statement will be renamed to a Statement of Operations and will include current year budget information.	Captions currently used on the Income Statement are based on expense category (e.g. wages, materials) and are presented on a consolidated basis. (i.e. Commission, Wheel-Trans, Toronto Coach Terminal combined.) Captions used for budget presentations are generally segregated by department and are presented and approved on a non-consolidated basis. A reconciliation between these two records or a change in format will be required.