TTC AUDIT COMMITTEE
REPORT NO.

MEETING DATE April 19, 2011

SUBJECT Draft Consolidated Financial Statements of Toronto Transit Commission for the Year Ended December 31, 2010

FOR ACTION

RECOMMENDATION

It is recommended that the Audit Committee:

1) approve the draft consolidated financial statements of the Toronto Transit Commission for the year ended December 31, 2010; and

2) approve the forwarding of the consolidated financial statements to a regular meeting of the Commission for formal approval, and then to City Council for information through the Audit Committee of the City of Toronto.

BACKGROUND

The mandate and responsibilities of the Audit Committee include a requirement to "….review the annual Financial Statements and consider whether they are complete and consistent with information known to Committee members…".

DISCUSSION

The draft consolidated financial statements of the Toronto Transit Commission for the year ended December 31, 2010 have been prepared by Management. They have been audited by PricewaterhouseCoopers LLP ("PWC"), as indicated by the draft Auditors' Report (or 'Opinion') included with the attached statements. The Auditor's Report provides an opinion that the consolidated financial statements present fairly, in all material respects, the financial position of the Commission in accordance with generally accepted accounting principles. Upon receipt of the approval from the Audit Committee, the draft unqualified opinion will be finalized on PWC letterhead with the addition of the appropriate signature below the Opinion.

It should be noted that these statements are presented on a consolidated basis. In essence, this means that all of the financial transactions during the year and the account balances at year-end of the Commission and all of its subsidiaries have been combined into one set of financial statements. The individual statements of operation and balance sheets for the Commission, Wheel-Trans ("WT"), Toronto Transit Consultants Limited ("TTCL"), Toronto Coach Terminal Inc. ("TCTI"), and TTC Insurance Company ("TTCIC") can be seen in the Supplementary Schedule, at the back of the financial statements.

Both staff and PWC auditors would be pleased to answer any questions that you may have about the financial statements for 2010.

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April 6, 2011
42-129
Attachment: Draft 2010 Consolidated Toronto Transit Commission Financial Statements

DRAFT – APRIL 11

Consolidated Financial Statements of

TORONTO TRANSIT COMMISSION

Year ended December 31, 2010

DRAFT – AUDITORS REPORT
To the Chair and Members of the Toronto Transit Commission

We have audited the accompanying consolidated financial statements of the **Toronto Transit Commission** which comprise the consolidated balance sheet as at December 31, 2010 and the consolidated statements of operations and accumulated equity and cash flows for the year then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Toronto Transit Commission as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other matter
The consolidated financial statements as at December 31, 2009 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated March 25, 2010.

The accompanying consolidated financial statements schedule as at and for the year ended December 31, 2010 is presented as supplementary information only and is not a required part of the basic consolidated financial statements. The information in this schedule has been subject to audit procedures only to the extent necessary to express an opinion on the consolidated financial statements of the Toronto Transit Commission.

DRAFT

Chartered Accountants, Licensed Public Accountants
Toronto, Canada
April 19, 2011

TORONTO TRANSIT COMMISSION

Consolidated Balance Sheet
As at December 31

	2010 ($000s)	2009 ($000s)
ASSETS		
Current		
Cash and cash equivalents	62,809	52,767
Accounts receivable		
City of Toronto (note 5)	355,370	338,446
Other	59,245	34,645
Prepaid expenses	3,478	3,429
	480,902	429,287
Long-term		
Net capital assets (note 6)	4,896,804	4,505,552
Spare parts	96,068	91,104
Receivable from City of Toronto (note 5)	149,132	117,168
Other assets (note 7)	2,548	2,549
	5,625,454	5,145,660
LIABILITIES AND ACCUMULATED EQUITY		
Current		
Accounts payable and accrued liabilities	329,528	267,111
Deferred passenger revenue	63,852	66,010
Unsettled accident claims (note 8)	38,745	33,395
	432,125	366,516
Long-term		
Net capital contributions (note 10)	4,752,261	4,374,099
Employee benefits (note 11)	320,721	296,690
Unsettled accident claims (note 8)	104,139	92,299
Environmental liabilities (note 9)	6,218	6,485
	5,615,464	5,136,089
Commitments and contingencies (note 15)		
Accumulated equity	9,990	9,571
	5,625,454	5,145,660

See accompanying notes to the consolidated financial statements

Approved: ______________________________
Commissioner

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Commissioner

TORONTO TRANSIT COMMISSION

Consolidated Statement of Operations and Accumulated Equity
Year ended December 31

	2010 ($000s)	2009 ($000s)
REVENUE		
Passenger services	934,889	839,327
Advertising	18,904	15,717
Property rental	18,489	16,649
Outside city services	17,679	18,176
Miscellaneous	7,554	5,464
Total revenue	997,515	895,333
EXPENSES		
Wages, salaries and benefits (note 11)	1,100,013	1,021,240
Depreciation	542,319	632,786
Amortization of capital contributions (note 10)	(530,997)	(609,276)
Materials, services and supplies	162,129	157,689
Vehicle fuel	76,611	80,527
Accident claims	47,204	55,908
Electric traction power	33,211	32,168
Wheel-Trans contract services	32,658	27,864
Utilities	16,468	16,244
Total expenses	1,479,616	1,415,150
Net operating costs	(482,101)	(519,817)
Operating subsidies (note 12)	482,575	519,382
Net operating surplus (deficit)	474	(435)
Accumulated equity, beginning of year	9,571	10,006
Transfer to related party (note 5)	(55)	-
Accumulated equity, end of year	9,990	9,571

See accompanying notes to the consolidated financial statements

TORONTO TRANSIT COMMISSION

Consolidated Statement of Cash Flows
Year ended December 31

	2010	2009
	($000s)	($000s)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from passenger services	932,731	852,447
Operating subsidies received	491,902	482,380
Other cash received	54,025	57,764
Cash paid for wages, salaries and benefits	(1,042,816)	(1,003,262)
Cash paid to suppliers	(347,984)	(313,452)
Cash paid for accident claims	(30,014)	(25,018)
Cash provided by operating activities	57,844	50,859
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital asset acquisitions	(896,369)	(715,479)
Cash used in investing activities	(896,369)	(715,479)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital subsidies received	848,567	661,483
Cash provided by financing activities	848,567	661,483
Increase (decrease) in cash and cash equivalents during the year	10,042	(3,137)
Cash and cash equivalents, beginning of the year	52,767	55,904
Cash and cash equivalents, end of the year	62,809	52,767

See accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS

The Toronto Transit Commission (the "Commission") was established on January 1, 1954 to consolidate and co-ordinate all forms of local transportation within the City of Toronto (the "City"), except railways and taxis. As confirmed in the City of Toronto Act (1997), the Commission shall plan for the future development of local passenger transportation so as to best serve its inhabitants and the City, and City Council is not entitled to exercise a power related to local transportation, except as it relates to the Toronto Islands. However, from a funding perspective, the Commission functions as one of the agencies, boards, and commissions of the City and is dependent upon the City for both operating and capital subsidies (notes 12 and 13). The Commission also operates Wheel-Trans, a transit service for people with disabilities, which is also subsidized by the City. The Commission is not subject to income and capital taxes, receives an 11.24% rebate for the Harmonized Sales Tax, and receives exemption from certain property taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation
These consolidated financial statements are prepared in accordance with the standards applicable to government business type organizations found in the Canadian Institute of Chartered Accountants ("CICA") Handbook, unless otherwise directed to specific accounting standards of the Public Sector Accounting Board.

(b) Basis of consolidation
The consolidated financial statements include the operations of Wheel-Trans and the financial statements of the Commission's subsidiaries, Toronto Transit Consultants Limited ("TTCL") (renamed Toronto Transit Infrastructure Limited on March 8, 2011) and Toronto Coach Terminal Inc. ("TCTI") and TCTI's subsidiary, TTC Insurance Company Limited (the "Insurance Co.").

(c) Measurement uncertainty
The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Specifically, employee benefit liabilities are subject to the assumptions described in note 11, depreciation expense is based on the asset lives described in note 2h and accident claims liabilities are subject to assumptions on discount rates and amounts reserved for incurred but not reported claims. Actual results could differ from the amounts estimated.

(d) Subsidies
Operating subsidies are based on the operating budget approved by the City and are recognized in the period to the extent that net operating costs are incurred. Subsidies provided for the purchase of capital assets are amortized on the same basis as the related assets.

(e) Revenue
Revenue is recognized when cash, tickets and tokens are used by the passenger to secure a ride. An estimate of tickets and tokens sold, which will be used after the year end, is included in deferred passenger revenue. Revenue from passes is recognized in the period in which the passes are valid. An estimated value of passes sold, but only valid after year end, is included in deferred passenger revenue. Other revenue is recognized when the services have been provided.

(f) Cash and cash equivalents
Cash and cash equivalents consist of cash on hand and money market instruments, such as treasury bills and bankers' acceptances, which have original maturities at acquisition of three months or less and are readily convertible to cash on short notice.

(g) Spare parts
Spare parts are valued at weighted-average cost, net of allowance for obsolete and excess parts.

(h) Capital assets and depreciation
Capital assets are recorded at cost less accumulated depreciation. Depreciation is calculated using the straight-line method, based on the estimated useful lives of major assets, as follows:

Asset	Years
Subway	20-65
Rolling stock	20-30
Buses	8-18
Buildings	20-40
Other equipment	5-25
Trackwork	10-25
Power distribution system	25-30

Land purchased directly by the City, for the Commission's use, is accounted for in the City's records.

In addition to direct costs attributable to capital projects, the Commission capitalizes certain internal costs which are related to the acquisition, construction, major rehabilitation, or development of those related capital assets.

(i) Long-term investments
Long-term investments classified as held to maturity are recorded at amortized cost based on the effective interest rate method and written down for declines in value that are other than temporary.

(j) Unsettled accident claims
The Commission has a self-insurance program for automobile and general liability claims. When the claims are reported, the case reserves are initially estimated on an individual basis by adjusters and lawyers employed by the Commission. A provision is made, on a present value basis, for claims incurred, for claims incurred-but-not-reported, and for internal and external adjustment expenses.

(k) Employee future benefit plans
The Commission's contributions to a multi-employer, defined benefit/defined contribution hybrid pension plan are expensed when contributions are due. As such, the accounting policies described in the remaining portion of this section do not apply to the pension plan.

The projected benefits method prorated on service is used to determine the accrued benefit obligations of the Commission's defined benefit supplemental pension and post-retirement benefit plans because these benefits are affected by future salary levels and health care cost escalations. Management's best estimates of retirement ages of employees, future salary levels, expected health care cost escalations, and plan investment performance are used in the valuation.

The accrued benefit obligations of the post-employment benefit plans are recognized when the event that obligates the Commission occurs. The obligations include income replacement, health and dental benefit claims, and fees and taxes paid to independent administrators of these plans, all calculated on a present value basis.

Accrued benefit obligations and costs are determined using discount rates that are consistent with the market rates of high quality debt instruments, with cash flows that match the expected benefit payments.

The expected return on assets is based on the fair value of the assets for the supplemental pension plan.

For the supplemental pension and post-retirement benefit plans, the excess of the net actuarial gain or loss over 10% of the greater of the benefit obligation and the fair value for plan assets, is amortized over the average remaining service period of active employees. The average remaining service periods of active employees are 3 years (2009 – 9 years) for the supplemental pension plans and 13 years (2009 – 13 years) for the post-retirement benefit plans.

The net actuarial gain or loss for post-employment benefits arising from changes in actuarial assumptions are amortized on a straight-line basis over the average expected period during which benefits will be paid, which are 10 years (2009 – 10 years) for workplace safety insurance benefits and 9 years (2009 – 9 years) for long-term disability benefits. Experience gains and losses related to post–employment benefits are recognized immediately and are included in the plan's current service cost.

Past service costs arising from a plan amendment or plan initiation are amortized on a straight-line basis over 7 to 11 years (2009 – 7 to 11 years), which represents the average remaining service life of active employees as of the effective date of the amendment or initiation.

On January 1, 2000, the Commission adopted the new accounting standard of the CICA Handbook Section 3461, using the prospective application method. The transitional obligation, arising from the changes in accounting policies, is amortized on a straight-line basis over 11 to 14 years, which represents the expected average remaining service life of the employee groups covered by the benefit plans at the date of the change.

(l) Environmental provision

The Commission includes in its liabilities a provision for the cost of compliance with environmental legislation. Those conditions that have been clearly identified as being in non-compliance with environmental legislation and with costs that can be reasonably determined have been accrued. The estimated amounts of future restoration costs are reviewed regularly, based on available information and governing legislation.

(m) Financial instruments

The Commission has designated its financial instruments as follows:

i) Cash and cash equivalents as held for trading.

ii) Current accounts receivable and the long-term receivable from the City of Toronto as loans and receivables.

iii) The City of Toronto and Province of Ontario bonds (included in other assets – see note 7) as held to maturity.

iv) Accounts payable and accrued liabilities as other liabilities.

Cash and cash equivalents are recorded at cost which approximates fair market value. All of the other financial instruments are recorded at amortized cost.

3. FINANCIAL INSTRUMENTS

Fair value

The main categories of financial instruments held by the Commission include cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. The fair values of the current accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the relatively short time period to maturity of these instruments. The fair value of the long-term receivable from the City of Toronto cannot be determined since there are no fixed terms of repayment. The fair value of other assets is described in note 7.

Risk management

Credit risk
86% (2009 – 91%) of the Commission's current accounts receivable are due from the City of Toronto. Of the other current accounts receivable, which total $59.2 million (2009 - $34.6 million), $34.4 million (2009 – $16.9 million) is due from federal and provincial government entities, other municipalities and transit agencies. In addition, substantially all of the other current accounts receivable was billed within 30 days of the balance sheet date. Management therefore believes that the Commission's credit risk is low.

Currency risk
The Commission has limited foreign currency risk with respect to its financial instruments as substantially all of the Commission's financial assets and financial liabilities are denominated in Canadian dollars. The Commission is exposed to some foreign currency risk as some contracts for the future purchase of supplies and capital assets are denominated in U.S. dollars. The Commission does not have a policy of hedging future foreign currency payments.

Liquidity risk
The Commission has $329.5 million (2009 - $267.1 million) of financial liabilities that are due within one year or less. The Commission has a combination of cash on hand and receivables from the City of Toronto that will be sufficient to satisfy these liabilities.

4. CAPITAL DISCLOSURES

In managing capital, the Commission focuses on ensuring the availability of sufficient liquid assets to fund its operations and capital program. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual results compared to the budget. As at December 31, 2010, the Commission had met its objective of having sufficient liquid assets available to meet its current obligations.

5. RECEIVABLE FROM CITY OF TORONTO AND RELATED PARTY TRANSACTIONS

The Commission is related to the City and its agencies, boards, and commissions in terms of the City's ability to affect the operating, investing, and financing policies of these entities. The Commission enters into transactions with these related parties in the normal course of business. The accounts receivable from the City and its related entities primarily consist of subsidy billings. In order to simplify the reconciliation of the Commission's accounts to those of the City, the total receivable is presented net of certain accounts payable to the City.

The current receivable from the City is as follows:

	2010	**2009**
		($000s)
Subsidies receivable	365,878	368,033
Other current receivables	24,117	7,641
Other current payables	(34,625)	(37,228)
Total current receivable	355,370	338,446

In addition to the above current receivables, the Commission has a long-term receivable from the City which relates to the funding of the following items:

	2010	2009
		($000s)
Non-cash employee benefits	94,748	79,830
Non-cash accident claims expenses	48,166	30,853
Future environmental costs (note 9)	6,218	6,485
Total long-term receivable	149,132	117,168

The non-cash employee benefits receivable represents the delayed payment of operating subsidy for the non-cash portion of the post-retirement dental and medical benefit expenses. The non-cash accident claims receivable represents the delayed payment of operating subsidy for the non-cash portion of the accident claim expenses. All of the long-term receivables are non-interest bearing and it is expected that these receivables will decrease in years when the cash outflow for these items exceeds the accounting expense.

Transactions with the City and its related entities, other than the subsidies (which are disclosed in notes 12 and 13), include the purchase of hydro for $44.8 million (2009 - $42.8 million), and other services, supplies and payment of property taxes in the amount of $39.2 million (2009 - $55.8 million). These expenses were incurred at fair value agreed to by the related entities.

In 2010, the Commission transferred land, with a net book value of $0.1 million to Build Toronto. This transfer has been reflected in accumulated equity.

6. NET CAPITAL ASSETS

The cost of capital assets, net of accumulated depreciation, is as follows:

	2010	2009
		($000s)
Subway	2,635,742	2,585,294
Rolling stock	1,612,974	1,594,704
Buses	1,437,436	1,346,280
Buildings	1,004,055	934,840
Other equipment	643,317	654,451
Trackwork	628,453	600,973
Power distribution system	210,317	198,060
Construction in progress	1,537,760	883,798
Land	20,149	20,205
	9,730,203	8,818,605
Less accumulated depreciation	4,833,399	4,313,053
Net capital assets	4,896,804	4,505,552

These costs include the capitalization of certain internal costs. Land purchased directly by the City for the Commission's use is accounted for in the City's records. At June 1, 2010, the insured value of all of the Commission’s assets, not including land, was approximately $11.2 billion (2009 - $10.5 billion).

7. OTHER ASSETS

Other assets consist of two bonds, as follows:

	2010	**2009**
		($000s)
City of Toronto bond (8.65%; June 8, 2015 maturity)	546	546
Province of Ontario bond (5.375%; December 2, 2012 maturity)	2,002	2,003
Total other assets	2,548	2,549

At December 31, 2010, the fair value of the bonds is $2.8 million (2009 - $2.9 million).

8. UNSETTLED ACCIDENT CLAIMS

Unsettled accident claims consist of automotive and general claims as follows:

	2010	**2009**
		($000s)
Current Portion		
Automotive	34,913	29,440
General	3,832	3,955
Current Portion	**38,745**	**33,395**
Long-Term Portion		
Automotive	92,529	81,513
General	11,610	10,786
Long-Term Portion	**104,139**	**92,299**
Total Provision for Accident Claims	**142,884**	**125,694**

The Insurance Co. was established in 1994 in order to provide insurance coverage for compulsory automobile personal injury and accident benefit claims for the Commission. At December 31, 2010, $127.4 million (2009 - $111.0 million) of the unsettled accident claims liability is related to the Insurance Co.'s payable for all automobile claims incurred. This payable is guaranteed by the City. The Commission has purchased insurance from third-party insurers to cover tort claims in excess of $5 million on any one accident.

9. ENVIRONMENTAL LIABILITIES

As an operator of diesel buses that are refuelled on property and an enterprise that repairs and rebuilds buses and other rolling stock, the Commission and its subsidiaries are subject to various federal, provincial, and municipal laws and regulations related to the environment. Environmental advisors and specialists are retained to support the TTC's investigative and remedial efforts.

The Commission expects that expenditures of approximately $2.3 million will be paid during the upcoming year (2009 - $1.9 million) and therefore this amount is included in accounts payable and accrued liabilities. In addition, the consolidated balance sheet includes a long-term provision for environmental costs of $6.2 million (2009 - $6.5 million) to cover the estimated costs of remediating sites with known contamination for which the Commission is responsible. Nevertheless, given that the estimate of environmental liabilities is based on a number of difficult to determine assumptions, such as the anticipated results of monitoring, actual costs may vary. The estimated amounts of future remediation costs are reviewed regularly, based on available information and governing legislation.

10. NET CAPITAL CONTRIBUTIONS

The net capital contributions are as follows:

	2010	2009
		($000s)
Balance, beginning of year	4,374,099	4,241,396
Capital subsidies (note 13)	909,159	741,979
Amortization	(530,997)	(609,276)
Balance, end of year	4,752,261	4,374,099
Accumulated amortization recorded to date	4,454,668	3,942,045

11. EMPLOYEE FUTURE BENEFITS

Description of benefit plans
The Commission has a number of benefit plans which provide employees with pension, post-retirement, and post-employment benefits.

The Commission participates in a multi-employer, defined benefit/defined contribution hybrid pension plan (the "hybrid pension plan") that covers substantially all of its employees. The pension plan is operated by the Toronto Transit Commission Pension Fund Society (the "Society"), a separate legal entity. The Society provides pensions to members, based on the length of service and average base year (pensionable) earnings. The Society also administers defined benefit supplemental plans designed to pay employees and executives the difference between their earned pension under the by-laws of the Society and the maximum allowable pension under the Income Tax Act (Canada).

Post-retirement benefits, consisting of basic health care and dental coverage, are available to employees retiring from the Commission with at least ten years of service and receiving a pension from the Society. Dental benefits are limited to employees retiring on or after January 1, 2003.

Post-employment benefits are available to active employees in the form of long-term disability ("LTD") and workplace safety insurance ("WSI") plans. The long-term disability plan is self-insured by the Commission and is administered by an independent insurance carrier. As a Schedule 2 employer under the Ontario Workplace Safety and Insurance Act, the Commission fully finances its WSI costs.

Measurement dates and dates of actuarial valuations
The accrued benefit obligations and the fair value of assets are measured as at December 31 of each year.

For the supplemental pension plan, the effective date of the most recent actuarial valuation for funding purposes was January 1, 2009. The next actuarial valuation for funding purposes is expected to be performed as at January 1, 2012. The effective date of the most recent valuation for accounting purposes was December 31, 2010.

For the post-retirement benefit plans, the effective date of the most recent actuarial valuation was January 1, 2009. This valuation was used to project the accrued benefit obligations and costs for the current year end. The next actuarial valuation for the post-retirement benefit plans is expected to be performed as at January 1, 2012.

For the post-employment benefit plans, the effective date of the most recent actuarial valuation was

September 30, 2010 for the WSI plan and November 30, 2010 for the LTD plan. These valuations were used to project the accrued benefit obligations and costs for the current year end. The next actuarial valuation for the post-employment benefit plans is expected to be performed as at September 30, 2011 for the WSI plan and November 30, 2011 for the LTD plan.

Reconciliation of funded status to the liability recorded in the consolidated financial statements:

	Defined Benefit Supplemental Pension Plans	Post-Retirement Plans	Post-Employment Plans	2010 Total
			($000s)	
Accrued benefit obligations	4,008	223,029	168,762	395,799
Fair value of plan assets	(6,145)	-	-	(6,145)
Funded status – plan deficit (surplus)	(2,137)	223,029	168,762	389,654
Balance of unamortized amounts:				
Actuarial gains/(losses)	3,843	(38,328)	(25,668)	(60,153)
Past service costs	(21)	-	(548)	(569)
Transitional obligation	(1)	(8,210)	-	(8,211)
Accrued benefit liability	1,684	176,491	142,546	320,721

	Defined Benefit Supplemental Pension Plans	Post-Retirement Plans	Post-Employment Plans	2009 Total
			($000s)	
Accrued benefit obligations	9,060	191,298	150,990	351,348
Fair value of plan assets	(5,825)	-	-	(5,825)
Funded status – plan deficit	3,235	191,298	150,990	345,523
Balance of unamortized amounts:				
Actuarial gains/(losses)	439	(19,583)	(17,148)	(36,292)
Past service costs	(64)	(800)	(641)	(1,505)
Transitional obligation	(76)	(10,960)	-	(11,036)
Accrued benefit liability	3,534	159,955	133,201	296,690

The defined benefit supplemental pension plan assets consist of 49% (2009 – 47%) equity index pooled funds and 51% (2009 – 53%) deposit in a Canada Revenue Agency non-interest bearing refundable tax account.

The assets in the defined benefit supplemental pension earned a return of $0.3 million in 2010 ($0.4 million return in 2009) which compares to an expected return of $0.2 million ($0.2 million for 2009). The difference of $0.1 million in 2010 ($0.2 million in 2009) has been included in the actuarial gains/losses for the year. The interest cost for the defined benefit supplemental pension plan in the following table is shown net of the expected return.

Reconciliation of the change in the employee future benefit liabilities including costs recognized in the year:

	Defined Benefit Supplemental Pension Plans	Post-Retirement Plans	Post-Employment Plans	Hybrid Pension Plan	**2010** Total
			($000s)		
Accrued benefit liability:					
Balance, beginning of the year	3,534	159,955	133,201	-	296,690
Current service cost	(73)	6,497	24,939	84,530	115.893
Interest cost	98	11,778	6,941	-	18,817
Amortization:					
Actuarial (gains)/losses	(1,725)	381	1,709	-	365
Past service costs	42	800	93	-	935
Transitional obligation	75	2,750	-	-	2,825
Cash payments	(267)	(5,670)	(24,337)	(84,530)	(114,804)
Balance, end of the year	1,684	176,491	142,546	-	320,721

	Defined Benefit Supplemental Pension Plans	Post-Retirement Plans	Post-Employment Plans	Hybrid Pension Plan	**2009** Total
			($000s)		
Accrued benefit liability:					
Balance, beginning of the year	3,388	136,151	124,216	-	263,755
Current service cost	99	4,811	24,031	76,398	105,339
Interest cost	338	11,232	7,563	-	19,133
Amortization:					
Actuarial (gains)/losses	(137)	6,805	(2,400)	-	4,268
Past service costs	42	3,700	93	-	3,835
Transitional obligation	75	2,750	1,185	-	4,010
Cash payments	(271)	(5,494)	(21,487)	(76,398)	(103,650)
Balance, end of the year	3,534	159,955	133,201	-	296,690

The total cost for the above benefits, including the hybrid pension plan, is $138,835 (2009 - $136,585). Approximately $125,646 or 90.5% (2009 - $123,700 or 90.6%) of the total cost is included in wages, salaries and benefits on the consolidated statement of operations and accumulated equity. The remaining $13,189 or 9.5% (2009 – $ 12,885 or 9.4%) has been charged to capital assets, in accordance with the Commission's capitalization policies.

Cash payments include contributions to the supplemental and hybrid pension plans. The cash payment to the hybrid pension plan includes contributions to meet the minimum funding requirements, in accordance with pension legislation. The members and the Commission each made required contributions of $82.6 million in 2010 (2009 - $74.3 million), which represented 8.75% (2009 – 8.25%) of members' covered earnings up to the Canada Pension Plan yearly maximum pensionable earnings of $47,200 in 2010 (2009 - $46,300) and 10.35% (2009 – 9.85%) of covered earnings in excess of this amount. In addition, the Commission contributed $1.9 million in 2010 (2009 - $2.1 million) for an early retirement provision.

Cash payments to the post-retirement and post-employment plans consist of income replacement, health and dental benefit claims, and administration fees and related taxes paid to the various administrators of these plans.

Significant assumptions used in accounting for employee future benefits

	2010	2009
Accrued benefit obligations as at December 31:		
Discount rate for Post-Retirement Plans	5.55%	6.25%
Discount rate for Post-Employment Plans	4.40%	5.00%
Rate of increase in earnings	3.50%	3.50%
Benefit costs for the years ended December 31:		
Discount rate for Post-Retirement Plans	6.25%	7.40%
Discount rate for Post-Employment Plans	5.00%	7.40%
Rate of increase in earnings	3.50%	3.50%
Rate of return on assets	4.00%	4.20%

The Commission's annual rate of growth for post-retirement health care costs, primarily drug costs, was estimated at 10.1% for males and 7.8% for females. These rates consist of a 3% per annum drug trend rate and an aging factor of 6.9% for males and 4.7% for females (up to age 65). An annual rate of growth of 11.65% (2009 - 12%), decreasing to 5% in 19 years (2009- 20 years), was used to estimate drug costs for the post-employment plans.

Sensitivity analysis
Health care cost trend rate assumptions have a significant effect on the amounts reported for the health care related plans. A one-percentage-point change in the assumed health care cost trend rates would have the following effects for 2010:

	Increase	(Decrease)
		($000s)
Total costs	4,700	(3,700)
Accrued benefit obligations	40,000	(32,600)

12. OPERATING SUBSIDIES

The sources of operating subsidies are as follows:

	2010			2009
	Conventional	Wheel-Trans	Total	Total
- Province of Ontario				($000s)
Gas tax (note 13(b))	91,600	-	91,600	91,600
- City of Toronto	306,760	84,215	390,975	427,782
Total operating subsidies (for Commission's consolidated financial statements)	398,360	84,215	482,575	519,382

Between 1971 and 1980, the City and the Province of Ontario (the "Province") covered the Commission's operating shortfalls on a shared basis. From 1981 until 1993, a more formalized "Users' Fair Share" formula was used, with the Commission establishing its fares each year to cover 68% of total estimated operating expenses (as defined for provincial subsidy purposes). The City provided an operating subsidy equal to the remaining expenses. The City in turn obtained a subsidy from the Province equal to 16% of eligible expenses, plus additional subsidies for certain specified costs. Between 1994 and 1997, modified "flat-line" subsidies were provided by the City and the Province. However, between January 1, 1998 and December 31, 2003, the Province did not provide operating subsidies for public transit. Subsequent to 2003, the City allocated to the Commission's budget an amount of provincial subsidy from the gas tax (see note 13(b)). In 2010, the amount allocated was $91.6 million (2009 - $91.6 million). Currently, the total City operating subsidy amount is established as part of the City's annual budget process.

City of Toronto subsidy (for information only)				
		2010		2009
	Conventional	Wheel-Trans	Total	Total
Operating subsidy from the				($000s)
City of Toronto (see above)	306,760	84,215	390,975	427,782
City special costs	2,985	-	2,985	3,048
Long-term receivable (accident claims)	(17,308)	(5)	(17,313)	(30,853)
Long-term receivable (employee benefits)	(14,276)	(642)	(14,918)	(21,487)
Total City operating subsidies (in accounts of the City of Toronto)	278,161	83,568	361,729	378,490

City special costs represent subsidies reflected in the City's budget that are not included in the Commission's operating subsidy but relate to the Commission. They include rents and taxes on commuter parking lots and costs associated with certain subsidized passengers.

The long-term receivables reflect the delayed payment of operating subsidy for the non-cash portion of the post-retirement medical and dental benefit expenses and accident claims (note 5).

13. CAPITAL SUBSIDIES

Capital subsidies, which are recorded as net capital contributions (note 10), are as follows:

	2010	2009
Source of capital subsidies:		($000s)
- City of Toronto	422,992	332,854
- Province of Ontario	260,640	195,065
- Federal Government of Canada	213,754	207,747
- Other	11,773	6,313
Total capital subsidies	909,159	741,979

(a) City of Toronto

The City is responsible for ensuring full funding of the Commission's capital program. In accordance with the Municipal Act, any funding for the Commission's capital program from other governments flows through the City. As such, the Commission has claimed from the City a total 2010 capital subsidy of $897.4 million (2009 - $735.7 million). Amounts claimed from the City do not include a $0.2 million expenditure (2009 - $2.0 million recovery) for property purchased and owned by the City but for the jurisdictional use of the Commission. Other funding of $11.8 million (2009 - $6.3 million) includes specific purpose third-party agreements with organizations such as Waterfront Toronto.

The following disclosures regarding subsidy claims from the Provincial and Federal governments are based on the City's and the Commission's understanding of the various agreements and commitments.

Toronto York Spadina Extension Project
The City acts as the banker for the Toronto York Spadina Subway Extension ("TYSSE") project which is being constructed into York Region under a joint funding relationship with the Province through the Move Ontario Trust ("MOT"), the Federal Government under the Building Canada Funding program, and the municipalities of the City of Toronto and the Region of York. In 2010, $185.9 million (2009 - $94.7 million) was recognized as subsidy with respect to this project and the amount is presented in the above table as a City of Toronto subsidy. The City will recover these funds from the project's funding partners.

The Province approved funding of $870 million (March 2006 and January 2008) for the TYSSE into York Region with a project cost of $2.6 billion and this funding was deposited in the MOT. On March 6, 2007, the Federal Government announced that it would contribute funding for the TYSSE into York Region with the amount capped at $697 million for the project.

The Commission incurs project expenditures and then submits a capital billing for the full project cost to the City. Each month the Executive Task Force, which is the joint Toronto/York governing body, submits a funding request to each of the MOT and the municipalities (City of Toronto and Region of York) to claim for each party's appropriate share of project funding. The MOT is also billed for a working capital draw covering two months of payments to ensure that sufficient funds are available to cover ongoing project cash flows. Funding claims are prepared each month to the Federal Government and payments flow to the City, upon submission of appropriate contracts and claims prepared by the Commission.

(b) Province of Ontario
Capital subsidies claimed under the various provincial programs are as follows:

	2010	**2009**
Source of capital subsidies:		($000s)
- Vehicle funding programs	72,976	18,296
- Gas tax	69,047	72,469
- Metrolinx	50,813	59,389
- Canada Strategic Infrastructure Fund	35,619	32,537
- LRT Car Project	30,081	11,724
- Transit Technology Infrastructure Program	2,104	650
Total provincial capital subsidies	260,640	195,065

Vehicle Funding Programs
The Ontario Bus Replacement Program ("OBRP") was modified in early 2008, when the Province announced changes by committing to provide up to 33.3% of conventional bus contract payments amortized over a 12 year bus life. As a result, the City had taken out debt to fund the bus expenditures (11/12ths and declining) over the amortized funding life. In its March 25, 2010 budget, the Province cancelled the OBRP program effective immediately and paid its outstanding obligations to the City for 2008 ($21.6 million) and 2009 ($23.0 million) as well as to provide funds for the 2010 bus contract commitments ($18.7 million). These payments were made in June 2010 upon execution of a letter of acknowledgement in full settlement of the Province's OBRP obligations to the City. Funding of $64.3 million is recognized under this program in 2010 (2009 - $4.2 million), including accumulated interest of $1.0 million. These funds will be utilized to offset the outstanding debt obligation and will be applied over the next 10 by the City against the remaining debt amortization runoff schedule.

In addition, the Province provided funding of $150 million to address the Commission's unique rolling stock requirements which was paid unconditionally to the City on March 30, 2007. These funds were placed in the Ontario Rolling Stock Infrastructure Reserve Fund ("ORSIF") to be drawn for transit vehicle requirements. Funding of $136.5 million has been recognized by the Commission for the eligible expenditures to date, including $8.7 million for 2010 (2009 - $14.1 million).

Provincial Gas Tax
In October 2004, the Province introduced gas tax funding to municipalities for public transit. Commencing at 1¢/litre, the funding is based on a province-wide 70% ridership and 30% population allocation base, updated annually. The funding rate increased to 1½¢/litre, effective October 2005, and then to 2¢/litre, effective October 2006. Of the anticipated $160.6 million (2009 - $164.1 million) in provincial gas tax funding, the City has directed $91.6 million for 2010 (2009 - $91.6 million) toward the Commission's operating needs (note 12) with the remainder of $69.0 million (2009 - $72.5 million) applied to capital needs.

Metrolinx (Quick Wins)
In its March 2008 budget, the Province confirmed the Quick Wins funding package of projects as previously approved by Metrolinx in November 2007. Provincial payments totalling $452.5 million were received by the City in March 2008 and placed in a City reserve to be applied against the approved Quick Wins projects. Funding of $125.1 million has been recognized by the Commission for the eligible expenditures to date, including $79.5 million applied to capital projects in 2010 (2009 - $37.8 million), with the remaining funds attributable to the subway capacity projects.

Metrolinx (Transit City)
On April 1, 2009, the Province of Ontario announced funding for the following Transit City lines: SRT ($1.4 billion), Finch West LRT ($1.2 billion), and Eglinton Crosstown LRT ($4.6 billion). Subsequently, on May 15, 2009, the Province of Ontario and the Government of Canada announced $950 million in funding for the Sheppard East LRT. It was intended that the City would not be required to contribute toward the cost of these lines. While discussions with Metrolinx had resulted in consensus at the staff level in mid-2010 with respect to the development of a series of agreements required to confirm the timing, scope, magnitude, and governance issues associated with each of these lines and to set out the TTC's responsibilities for program and project management, recent events have altered that plan. Following the Municipal election in October 2010, the mandate of the new Mayor has been to implement underground transit initiatives and the Transit City Plans are currently under review. The Transit City office has been renamed as Transit Expansion and the full impact of these decisions is not currently known, however it is anticipated that full recovery of costs from Metrolinx will continue to occur through the City of Toronto. Project funding of $77.4 million has been drawn through the City for 2010 expenditures (2009 - $21.6 million) for costs incurred by the Commission in 2010 and the eligible expenditures to date are $106.1 million on the approved lines. Since Metrolinx will retain ownership of the asset, these amounts along with any associated capital assets, have not been recognized on the consolidated financial statements. This decision is based on the finalization of the interim funding arrangement and protocols in 2010 which detailed who would own the capital assets and how the new lines would be funded, noting that the final Master agreements have not yet been executed. The life-to-date TCP expenditures of $106.1 million were removed from construction in progress in 2010, of which $28.7 million was flowed through Metrolinx in prior years.

Canada Strategic Infrastructure Fund
Provincial funding under the Canada Strategic Infrastructure Fund ("CSIF") will amount to $350 million in total for the years 2004 to 2012 (see note 13(c)). The Provincial share of $303.3 million CSIF commitment (net of the GTA Farecard Project share of $46.7 million which will be addressed upon approval of the GTA Farecard Project) was paid in full to the City. Funds were placed in the City's CSIF Reserve Fund to be applied to eligible CSIF expenditures over the term of the agreement. Funding of $283.3 million has been recognized by the Commission for the eligible expenditures to date, including $35.6 million for 2010 (2009 - $32.5 million).

LRT Car Project
On June 19, 2009 the Province of Ontario confirmed that it would provide one-third funding for the 204 LRT Car Project (up to $417 million) and this funding is expected to flow on the basis of contract

milestone payments. Details of the agreement have not yet been confirmed, however, funding of $41.8 million has been recognized against the project to date including $30.1 million for 2010 (2009 - $11.7 million).

Transit Technology Infrastructure Program
The Province paid out previously announced commitments under the Transit Technology Infrastructure Program ("TTIP") in full in March 2007 when the Province provided an unconditional payment to the City of $31.1 million. These funds were placed in a City reserve fund to be applied to eligible TTIP expenditures. Funding of $27.6 million has been recognized by the Commission for eligible project expenditures to date, including $2.1 million for 2010 (2009 - $0.7 million).

(c) Federal Government of Canada
Capital subsidies claimed under the various federal programs are as follows:

	2010	2009
Source of capital subsidies:		($000s)
- Gas tax funding	154,367	162,892
- Canada Strategic Infrastructure Fund	31,579	33,407
- Infrastructure Stimulus Fund	27,805	4,832
- Other (PTCT, Transit-Secure)	3	6,616
Total federal capital subsidies	213,754	207,747

Federal Gas Tax
In June 2005, a joint announcement by the Federal, Provincial, and City of Toronto governments and the Association of Municipalities of Ontario was made in connection with the signing of two federal gas tax funding agreements under the "New Deal for Cities and Communities". The gas tax funding is allocated on a per capita basis for environmentally sustainable municipal infrastructure, growing from 2½¢/litre in 2008 to 5¢/litre in 2009. In 2008 the Federal Government announced that gas tax funding had been made a permanent measure and in 2009 an extended framework agreement for the 4 year period 2010-2013 was based on updated 2006 Census population. Ontario's allocation of this to municipalities is based on population and the City was allocated $154.4 million in 2010 (2009 – $162.9 million) under this program. This amount was allocated to the Commission.

Canada Strategic Infrastructure Fund
On March 30, 2004, the Federal and Provincial governments and the City of Toronto jointly announced funding of $1.050 billion ($350 million each) under CSIF, to fund strategic capital project requirements during the period March 2004 to 2012. While a CSIF memorandum of understanding was signed by the City in December 2004, the contribution agreement was not signed until March 19, 2008. While funding has been addressed for most of 2008/2009, additional requirements are being addressed for subsequent claims and to date, federal funding for the eligible expenditures incurred to date amounts to $283.3 million, of which $31.6 million has been accrued in 2010 (2009 - $33.4 million).

Federal Infrastructure Stimulus
On September 11, 2009 the Federal Government announced Federal Infrastructure Stimulus Funding for the City of Toronto ($190.0 million) of which $60.4 million was approved for 19 specific TTC capital projects to March 31, 2011. Program extensions have been approved to October 31, 2011 for 16 projects with no increase in approved funding. Funding of $32.6 million has been recognized by the Commission for the eligible expenditures to date of which $27.8 million was claimed in 2010 (2009 $4.8 million).

Other

Public Transit Capital Trust

Approved funding was fully drawn in 2009 under both the Public Transit Capital Trust ("PTCT") and the Passenger Rail and Transportation Security ("Transit-Secure") programs. The remaining interest balance was applied in 2010 to fully deplete the PTCT reserve.

14. CITY OF TORONTO RESERVES AND RESERVE FUNDS

In its accounts, the City maintains interest bearing Reserve Funds, and non-interest bearing Reserves comprised of funds set aside by City Council for specific purposes. Seven of these Reserve Funds and one Reserve have been established specifically for matters related to the Commission. In addition, $3 million is held in the City's Capital Financing Reserve on behalf of the Commission. Contributions to and draws from these Reserves and Reserve Funds are made by the Commission, or the City, upon approval by City Council. As a result, contributions to and draws from the Reserves and Reserve Funds do not necessarily correspond to the year in which the related expenditure was incurred by the Commission. In 2010, the average interest rate applicable to Reserve Funds was 0.35% (2009 – 0.5%).

In order to facilitate the reconciliation to the City's balances, only those contributions and withdrawals that had been approved by City Council as of the date of the consolidated financial statements are reported in the table.

The balances and transactions related to the Reserves and Reserve Funds are presented in the following table.

Reserves and Reserve Fund originating from Commission operating surpluses or operating subsidies

($000s)				**2010**	**2009**
	Stabilization	Land Acquisition	City's Capital Financing	Total	Total
Balance, beginning of the year	24,666	642	2,971	28,279	28,276
Draws	-	-	-	-	-
Interest earned	-	2	-	2	3
Balance, end of the year	24,666	644	2,971	28,281	28,279

Stabilization Reserve

The Stabilization Reserve was created to stabilize the funding of the Commission's operating expenditures over time. Any operating deficits, to the limit of the reserve balance and after approval from City Council, may be covered by a draw from this reserve.

Land Acquisition Reserve Fund

The Land Acquisition Reserve Fund was created to fund future land acquisitions by the City for the Commission's use.

City's Capital Financing Reserve

The $3 million balance in the City's Capital Financing Reserve represents assessed liquidated damages against the Commission's bus supplier and were contributed to the reserve with City Council approval in July 2007.

Reserve funds for transit capital funding originating through the Province of Ontario

($000s)	CSIF	PTCT	ORSIF	OBRP	TTIP	MO2020	2010 Total	2009 Total
Balance, beginning of the year	71,074	--	29,483	-	6,307	416,892	523,756	611,907
Provincial contributions	-	-	-	64,166	-	-	64,166	4,237
Draws	(35,619)	(3)	(8,725)	(64,251)	(2,104)	(79,499)	(190,201)	(95,472)
Interest earned	244	3	106	85	22	1,564	2,024	3,084
Balance, end of the year	35,699	-	20,864	-	4,225	338,957	399,745	523,756

During 2010, the City received payments of $64,166 which flowed to reserve for transit capital related to the OBRP from the Province of Ontario (2009 - $NIL). Advance payments from Metrolinx for Transit City projects of $84.6 million offset by applications on account to TC projects of $38.4 million (net of $46.2 million) are excluded from this reserve tracking as they are separately managed by the City and will be adjusted through a Metrolinx TCP reserve in 2011 (2009 - $NIL).

Canada Strategic Infrastructure (CSIF) Reserve Fund

A provincial payment of $275.6 million was received in March 2007 for the remaining provincial commitment under CSIF for funding of Commission strategic capital projects. Of the total payment received, $254.8 million has been applied to accumulated funding recognized by the Commission to date, of which $35.6 million was drawn from the reserve fund in 2010 (2009 - $32.5 million).

Public Transit Capital Trust (PTCT) Reserve Fund

The fund has been fully drawn with $231.0 million having been applied to accumulated funding recognized by the Commission (including earned interest), of which a remaining minor amount of interest earnings was applied to projects in 2010 (2009 - $6.2 million).

Ontario Rolling Stock Infrastructure (ORSIF) Reserve Fund

A provincial payment of $150.0 million was received in March 2007 in support of Toronto's unique rolling stock requirements. Of the total payment received, $136.5 million has been applied to accumulated funding recognized by the Commission to date, including $8.7 million drawn from the reserve fund in 2010 (2009 - $14.1 million).

Ontario Bus Replacement Program (OBRP) Reserve Fund

Since the Province began amortizing bus funding payments over the 12-year bus life effective in 2008, no bus funding had flowed through the reserve, with the deferred payments covered by City debt. In 2010, the Province paid its outstanding unamortized obligation for 2008 and 2009 bus funding and these payments as well as payment for the full 2010 bus funding commitment flowed through the reserve and was applied to bus funding.

Transit Technology Infrastructure Program (TTIP) Reserve Fund

A provincial payment of $31.1 million was received in March 2007 in support of inter-regional transit improvements. Of the total payment received, $27.6 million has been applied to accumulated funding recognized by the Commission to date including $2.1 million drawn from the reserve fund in 2010 (2009 - $0.7 million).

MoveOntario 2020 (MO2020) Reserve Fund
Provincial payments totalling $452.5 million were received in March 2008 in support of the Metrolinx approved Quick Wins projects. Of the total payment received, $125.1 million has been applied to accumulated funding recognized by the Commission to date for capital expenditures, including $79.5 million drawn from the reserve fund in 2010 (2009 - $37.8 million). Of the amount remaining in the reserve fund, there is also $57.0 million in Capital Reserve funding which was received for 2009 capital which, based on direction from the City, will be applied against the cost of capital debt and remains unapplied at the end of 2010.

15. COMMITMENTS AND CONTINGENCIES

(a) In the normal course of its operations, labour relations, and completion of capital projects, the Commission and its subsidiaries are subject to various arbitrations, litigations, and claims. Where the potential liability is determinable, management believes that the ultimate disposition of the matters will not materially exceed the amounts recorded in the accounts. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to claims will be recorded in the period during which the liability is determinable.

(b) A class-action lawsuit claiming $100 million in damages was issued on March 24, 2010 against the City of Toronto, and the Commission. The lawsuit alleges that merchants and landlords along St. Clair Avenue West suffered business losses due to the St. Clair streetcar project. On April 6, 2011 the Ontario Superior Court of Justice dismissed the class action lawsuit, pending a 60 day postponement to permit claims to be made under the Expropriations Act through the Ontario Municipal Board. At this time, the Plaintiff can appeal the Court decision and the outcome of any appeal is not determinable. As a result, no quantification of this claim has been included on the Commission's consolidated financial statements.

(c) In February 2005, December 2007, December 2008 and October 2009, the Commission approved the awarding of contracts for the purchase of low-floor buses from DaimlerChrysler Commercial Buses North America Ltd. The delivery requirement is, in total, 694 diesel-electric hybrid buses and 395 diesel buses at a total value of $755.5 million. At December 31, 2010, 95 of the 395 diesel busses are still to be delivered and the outstanding commitment is $89.4 million.

(d) In August 2006, the Commission approved purchasing 234 subway cars or 39 trainsets from Bombardier Transportation Canada Inc. In September 2006, City Council approved proceeding with this procurement and the contract was awarded on December 21, 2006. In May 2010, the Commission approved purchasing an additional 10 subway trainsets for the Toronto-York Spadina Subway line extension and 21 H6 replacement trainsets for a total contract cost of $1,167.8 million. The first trainset was delivered in October 2010. At December 31, 2010, the Commission had incurred costs of $635.5 million (included in construction in progress – note 6), and the outstanding commitment is $532.4 million.

(e) In October 2008 and September 2010, the Commission approved the award of a contract to American Bus Products Inc. for the supply of 198 Wheel-Trans low-floor para-transit buses at a total cost of $70.6 million. At December 31, 2010, 110 buses had been delivered at a cost of $36.1 million and the outstanding commitment is $34.5 million.

(f) On June 26, 2009 the Commission approved funding for the design and supply of 204 Light Rail Vehicles ("LRV") and the contract was awarded to Bombardier Transportation Canada Inc., at a total cost of $980.4 million. The first delivery of the LRVs is scheduled for 2012 and all 204 cars are to be delivered by 2018. At December 31, 2010, the Commission had incurred costs of $130.6 million (included in construction in progress – note 6), and the outstanding commitment is $849.8 million.

(g) The Commission has contracts for the construction and implementation of various capital projects. At December 31, 2010, these contractual commitments are approximately $640.6 million (2009 - $274.8 million). Of this amount, contractual commitments of $342.9 million (2009 – 105.9 million) relate to the Toronto York Spadina Subway Extension project and $68.8 million (2009 - $1.0 million) relate to Metrolinx projects.

(h) The Commission leases certain premises under operating lease agreements. The approximate future minimum annual lease payments are as follows:

	($000s)
2011	9,600
2012	9,700
2013	7,600
2014	4,000
2015	2,500
2016 and thereafter	1,400

16. FUTURE ACCOUNTING CHANGES

In September 2009, the Public Sector Accounting Board approved an amendment to the Introduction to the Public Sector Accounting Standards, whereby other government organizations including the Commission will be required to adopt either International Financial Reporting Standards or Public Sector Accounting Standards effective January 1, 2011. Management has determined that the Public Sector Accounting Standards would be most appropriate for the Commission.

17. COMPARATIVE FIGURES

Certain prior-year figures have been reclassified to conform to the current year's presentation.

TORONTO TRANSIT COMMISSION
CONSOLIDATED FINANCIAL STATEMENTS SCHEDULE
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2010

($000s)	TORONTO TRANSIT COMMISSION (TTC)	WHEEL-TRANS (WT)	TORONTO TRANSIT CONSULTANTS LIMITED (TTCL)
STATEMENT OF OPERATIONS AND ACCUMULATED EQUITY			
Revenue			
Passenger services	(929,790)	(5,099)	-
Advertising	(18,904)	-	-
Outside city services	(17,679)	-	-
Property rental	(17,462)	-	-
Miscellaneous	(3,665)	-	(1)
Total revenue	(987,500)	(5,099)	(1)
Expenses			
Wages, salaries and benefits	1,051,229	45,875	-
Depreciation	541,749	-	-
Amortization of capital contributions	(530,997)	-	-
Materials, services and supplies	153,854	7,328	-
Vehicle fuel	73,971	2,640	-
Accident claims	46,717	471	-
Electric traction power	33,211	-	-
Wheel-Trans contract services	-	32,658	-
Utilities	16,126	342	-
Interest expense net	-	-	-
Total expenses	1,385,860	89,314	-
Net operating costs/(income)	398,360	84,215	(1)
Operating subsidy from the Province	(91,600)	-	-
Operating subsidy from the City	(306,760)	(84,215)	-
Net operating (surplus)/deficit	-	-	(1)
Accumulated (equity)/deficit, beginning of the year	(14,196)	-	(61)
Asset Transfer (Build Toronto)	55		
Accumulated (equity)/deficit, end of the year	(14,141)	-	(62)
Not on the Commission's consolidated financial statements – Reconciliation to the City operating subsidy (See note 12)			
Operating subsidy from the City (as above)	306,760	84,215	-
Operating subsidies – long-term payable for accident claims	(17,308)	(5)	-
Operating subsidies – long-term payable for employee benefits	(14,276)	(642)	-
City special costs	2,985	-	-
(Draw from) the City's TTC Stabilization Reserve Fund	-	-	-
Total City operating subsidy	278,161	83,568	-
BALANCE SHEET			
Current Assets			
Cash and cash equivalents	55,855	-	162
Accounts receivable			
City of Toronto	355,338	-	-
Other	59,671	-	-
Advances to subsidiary	-	-	-
Indemnity receivable from the Commission	-	-	-
Prepaid expenses	3,468	-	-
	474,332	-	162
Long-term Assets			
Net capital assets	4,890,675	-	-
Spare parts	96,068	-	-
Receivable from City of Toronto	149,132	-	-
Investment in subsidiary	2,548	-	-
Other assets	16,162	-	-
	5,628,917	-	162
Current Liabilities			
Accounts payable and accrued liabilities	(328,890)	-	-
Deferred passenger revenue	(63,852)	-	-
Unsettled accident claims	(38,735)	-	-
Due to parent	-	-	-
	(431,477)	-	-
Long-term Liabilities			
Net capital contributions	(4,752,261)	-	-
Employee benefits	(320,721)	-	-
Unsettled accident claims	(104,099)	-	-
Environmental liabilities	(6,218)	-	-
	(5,614,776)	-	-
Capital Stock	-	-	(100)
Accumulated (equity)/deficit	(14,141)	-	(62)
	(5,628,917)	-	(162)

TORONTO COACH TERMINAL INC. (TCTI)	TTC INSURANCE COMPANY LIMITED (TTCIC)	TOTAL BEFORE INTERCOMPANY ELIMINATIONS	INTERCOMPANY ELIMINATIONS	**CONSOLIDATED FINANCIAL STATEMENTS**
-	-	(934,889)	-	(934,889)
-	-	(18,904)	-	(18,904)
-	-	(17,679)	-	(17,679)
(1,161)	-	(18,623)	134	(18,489)
(4,225)	(16)	(7,907)	353	(7,554)
(5,386)	(16)	(998,002)	487	(997,515)
2,909	-	1,100,013	-	1,100,013
570	-	542,319	-	542,319
-	-	(530,997)	-	(530,997)
1,081	16	162,279	(150)	162,129
-	-	76,611	-	76,611
-	-	47,188	16	47,204
-	-	33,211	-	33,211
-	-	32,658	-	32,658
-	-	16,468	-	16,468
353	-	353	(353)	-
4,913	16	1,480,103	(487)	1,479,616
(473)	-	482,101	-	482,101
-	-	(91,600)	-	(91,600)
-	-	(390,975)	-	(390,975)
(473)	-	(474)	-	(474)
4786	-	(9,471)	(100)	(9,571)
		55		55
4,313	-	(9,890)	(100)	(9,990)
-	-	390,975	-	-
-	-	(17,313)	-	-
-	-	(14,918)	-	-
-	-	2,985	-	-
-	-	-	-	-
-	-	361,729	-	-
4,192	2,600	62,809	-	62,809
-	-	355,338	32	355,370
63	7	59,741	(496)	59,245
2,500	-	2,500	(2,500)	-
-	127,442	127,442	(127,442)	-
10	-	3,478	-	3,478
6,765	130,049	611,308	(130,406)	480,902
6,129	-	4,896,804	-	4,896,804
-	-	96,068	-	96,068
-	-	149,132	-	149,132
-	-	2,548	-	2,548
100	-	16,262	(16,262)	-
12,994	130,049	5,772,122	(146,668)	5,625,454
(650)	(7)	(329,547)	19	(329,528)
-	-	(63,852)	-	(63,852)
(10)	(127,442)	(166,187)	127,442	(38,745)
(15,607)	(2,500)	(18,107)	18,107	-
(16,267)	(129,949)	(577,693)	145,568	(432,125)
-	-	(4,752,261)	-	(4,752,261)
-	-	(320,721)	-	(320,721)
(40)	-	(104,139)	-	(104,139)
-	-	(6,218)	-	(6,218)
(16,307)	(129,949)	(5,761,032)	145,568	(5,615,464)
(1000)	(100)	(1,200)	1,200	-
4,313	-	(9,890)	(100)	(9,990)
(12,994)	(130,049)	(5,772,122)	146,668	(5,625,454)