



STAFF REPORT ACTION REQUIRED

Draft Consolidated Financial Statements of Toronto Transit Commission for the Year Ended December 31, 2015

Date:	May 25, 2016
To:	TTC Audit & Risk Management Committee
From:	Chief Executive Officer

Summary

The TTC is required to prepare annual financial statements, to arrange for them to be audited by external auditors and, to forward them to the City.

TTC's 2015 consolidated financial statements present TTC's 2015 financial results and financial position as of December 31, 2015.

Recommendations

It is recommended that the Audit & Risk Management Committee

1. Approve the report; and
2. Approve forwarding a copy of the approved consolidated financial statements of the TTC to the TTC Board and then to the City Clerk for appropriate handling.

Implementation Points

This report must be approved at the May 25, 2016 TTC Audit & Risk Management Committee Meeting to ensure timely submission to the May 31, 2016 TTC Board Meeting and then to the June 29, 2016 Audit Committee Meeting of the City of Toronto.

Financial Summary

There are no financial implications resulting from the adoption of this report.

Accessibility/Equity Matters

This report and its recommendations have no accessibility or equity issues or impacts.

Decision History

TTC's Corporate Policy 6.2.0 *Financial Reporting to the Board*, paragraph 4.1 states that annual audited financial statements must be included in the TTC's Annual Report.

Furthermore, at its meeting on November 12, 2015, the TTC Audit & Risk Management Committee approved that the terms of reference of the Audit & Risk Management Committee which includes a requirement to "review with management and the external auditors the annual financial statements, and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles" as set out in item 2

at: http://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Committee_meetings/Audit_Risk_Management/2015/November_12/Agenda/index.jsp

Comments

The draft consolidated financial statements of the Toronto Transit Commission for the year ended December 31, 2015 have been prepared by Management. They have been audited by PricewaterhouseCoopers LLP ("PWC"), as indicated by the draft Auditor's 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 TTC in accordance with Canadian Public Sector Accounting Standards (PSAS). After the financial statements are approved by the Audit Committee and Board, and PWC completes its file documentation, the draft unqualified opinion will be finalized on PWC letterhead.

Key Components of the Consolidated Financial Statements

The attached consolidated financial statements consist of five main statements and 18 notes that provide context to the numbers that are presented on the statements. The five statements presented are:

1) Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position is considered to be the equivalent of the private sector's balance sheet. This statement focuses on the TTC's assets (financial and non-financial) and liabilities. The difference between the liabilities and financial assets is the TTC's net debt, which represents the net amount that will be funded from future revenue.

2) Consolidated Statement of Operations and Accumulated Surplus

The Consolidated Statement of Operations and Accumulated Surplus is considered to be the equivalent of the private sector's Statement of Income and Retained Earnings. It provides a summary of the revenues and expenses for the year.

3) Consolidated Statement of Remeasurement Gains and Losses

The Consolidated Statement of Remeasurement Gains and Losses outlines the changes in fair value of financial instruments designated to the fair value category (i.e. derivatives) and, of these financial instruments measured at fair value, the amounts settled and reclassified to the Statement of Operations.

4) Consolidated Statement of Change in Net Debt

This statement outlines the items that have caused a change to the net debt amount that is presented on the Consolidated Statement of Financial Position.

5) Consolidated Statement of Cash Flows

This statement outlines the key cash inflows and outflows to explain the change in the cash balance on a year over year basis.

Accounting Surplus – As Reported in the Consolidated Financial Statements

The accounting surplus for the year as reported in the Consolidated Statement of Operations is comprised of the following items, which are explained further starting on page 4:

Item	\$ Millions
Capital subsidy revenue	1,449.4
Depreciation expense for assets that were funded through capital subsidy	(270.4)
Other expenses funded through capital subsidy	(6.0)
Capital from current	19.2
Entities under the control of TTC	0.3
Rounding	(0.1)
Total	1,192.4

Reconciliation of Accounting Surplus in Consolidated Financial Statements to Reduced Operating Subsidy Requirement

The following table reconciles the accounting surplus to the reduced operating subsidy requirement.

\$ Millions	2015
Surplus per Consolidated Financial Statements	1,192.4
Adjustments for Non-Operating:	
Capital Subsidy Revenue Net of Amortization	(1,179.0)
Other Expenses funded through Capital Subsidy	6.0
Capital from Current	(19.2)
Other Entities Under Control of TTC	(0.3)
Rounding	0.1
Subtotal	0.0
Operating Subsidy Revenue per Financial Statements	(649.9)
City Special Costs	(3.6)
Adjustments for Future Recoverable Amounts:	
Post-Retirement Benefits	42.0
Accident Claims	27.7
Operating Subsidy Required	(583.8)
Operating Subsidy Available	591.8
Reduced Operating Subsidy Requirement	8.0

Explanations for the components of the accounting surplus are as follows:

1) Capital Subsidy Revenue and Depreciation Expense: \$1,179.0M (net)

Capital subsidies are used to acquire or construct capital assets. Under PSAS, these subsidies must be recognized as revenue, in the year that the TTC qualified for the funding (i.e. the year in which the capital asset was acquired or constructed). In 2015, the TTC recognized \$1,449.4M in capital subsidy revenue.

The cost of these capital assets, however, is not immediately recorded as an expense as the assets will serve the TTC for several years. Instead, a depreciation expense is recorded in the Consolidated Statement of Operations over several years as the assets are used and gradually wear out. In 2015, the TTC recorded \$270.4M of depreciation expense which is an estimate of the decline in value of TTC's assets in 2015 due to age and use.

The difference between the capital subsidy revenue of \$1,449.4M noted above and the depreciation expense for subsidized assets of \$270.4M, is the source of \$1,179.0M of the accounting surplus, however this amount does not represent surplus funds. The full \$1,449.4M was spent on the capital assets acquired or constructed this year.

Typically, operating budget reports do not include the capital subsidy revenue or the depreciation expense for the related assets because these subsidies are incorporated into the capital budget process and because depreciation expense is an accounting expense that is not linked to any cash requirement.

2) Other Expenses Funded Through Capital Subsidy: \$6.0M

Other expenses include environmental expenses and the write-down of capital projects both of which were funded through capital subsidy.

3) Capital from Current: \$19.2M

Included in TTC's operating subsidy revenue was funding to acquire 50 buses. Similar to capital subsidy revenue, the Capital from Current subsidy must be recognized as revenue in the year the capital assets are acquired. As these vehicles age, depreciation expense will be recorded in the Consolidated Statement of Operations.

4) Entities Under the Control of TTC: \$0.3M (net surplus)

Budgets and periodic financial reports are presented separately for the TTC conventional transit system, Wheel-Trans operations, Toronto Coach Terminal Inc., TTC Insurance Company Ltd. and the TTC Sick Benefit Association. However PSAS requires these financial statements to be presented on a consolidated (i.e. combined) basis. Therefore the results for all entities controlled by the TTC are reported in aggregate. As a result, the \$0.3M surplus reported by the Toronto Coach Terminal Inc. is reported in these consolidated financial statements and forms part of the TTC's consolidated surplus for the year.

Reduced Operating Subsidy Requirements for the Year

It is important to note that the accounting surplus presented on the consolidated financial statements is unrelated to the 2015 operating budgets reduced subsidy requirements (i.e. budget surplus). The TTC had reduced operating subsidy requirements of \$10.1M for conventional transit and a budget deficit of (\$2.1M) for Wheel-Trans. The net amount of \$8.0M represented the amount by which the operating subsidy available from the City of Toronto exceeded the amount that was actually required and used by the TTC. This is summarized in the table on the following page.

\$ Millions	TTC Conventional Transit	Wheel- Trans	Total
2015 Operating Expenses ¹	1,651.3	117.7	1,769.0
2015 Operating Revenue	1,178.7	6.5	1,185.2
Current Operating Subsidy Required	472.6	111.2	583.8
Current Operating Subsidy Available	482.7	109.1	591.8
Reduced Operating Subsidy Requirement	10.1	(2.1)	8.0

The above information provides some context to the amount presented in the attached consolidated financial statements. Both staff and PWC auditors would be pleased to answer any further questions that you may have about the financial statements for 2015.

Contact

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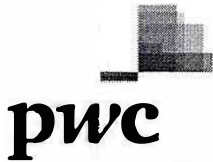
Attachments

Draft TTC Consolidated Financial Statements for the Year-Ended December 31, 2015

¹ When compared to the amount reported on the Consolidated Statement of Operations, this amount excludes: depreciation related to subsidized capital assets; environmental expenses funded through capital subsidy; write-down of capital projects previously funded through capital subsidy; the costs of certain employee post-retirement benefits and accident claims that are funded through the long-term receivable but includes the City's Special Costs and Capital from Current (details can be found on the Consolidated Financial Statements Schedule at the end of the Financial Statements).

**Consolidated Financial Statements of
TORONTO TRANSIT COMMISSION
Year ended December 31, 2015**

DRAFT



May @, 2016

Independent Auditor's Report

To the Members of the Board of the Toronto Transit Commission

We have audited the accompanying consolidated financial statements of the Toronto Transit Commission, which comprise the consolidated statement of financial position as at December 31, 2015 and the consolidated statement of operations and accumulated surplus, remeasurement gains and losses, net debt and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

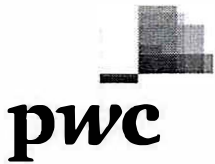
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain 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 consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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

**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, 2015 and the results of its operations, remeasurement gains and losses, net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other matter

The accompanying consolidated financial statements schedule as at and for the year ended December 31, 2015 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 Professional Accountants, Licensed Public Accountants**

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

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Consolidated Statement of Financial Position

As at

\$000s	December 31, 2015	December 31, 2014
Financial Assets		
Cash and Cash Equivalents (note 4)	93,021	86,315
Subsidies Receivable (note 5)	1,180,129	909,710
Accounts Receivable	93,170	99,040
Portfolio Investments (note 6)	2,259	2,521
Total Financial Assets	1,368,579	1,097,586
Liabilities		
Accounts Payable and Accrued Liabilities	744,049	555,415
Deferred Passenger Revenue	89,770	78,190
Unsettled Accident Claims (note 8)	198,023	170,329
Employee Future Benefits (note 9)	581,326	526,655
Environmental Liabilities (note 10)	5,703	6,750
Derivatives (note 7)	18,410	17,037
Total Liabilities	1,637,281	1,354,376
Net Debt	(268,702)	(256,790)
Non-Financial Assets		
Tangible Capital Assets (note 11)	9,238,897	8,052,088
Spare Parts and Supplies Inventory	138,295	123,564
Prepaid Expense	2,962	1,517
Total Non-Financial Assets	9,380,154	8,177,169
Accumulated Surplus	9,111,452	7,920,379
Accumulated Surplus is comprised of:		
Accumulated Operating Surplus (note 12)	9,129,862	7,937,416
Accumulated Remeasurement Losses	(18,410)	(17,037)
	9,111,452	7,920,379

See accompanying notes to the consolidated financial statements

Approved: _____
Commissioner

Commissioner

Consolidated Statement of Operations and Accumulated Surplus
For the year ended December 31

\$000s	2015 Budget (note 16)	2015	2014
Operating Revenue			
Passenger Services	1,146,570	1,115,051	1,092,495
Advertising	26,138	26,168	26,083
Outside City Services	17,604	17,176	17,091
Property Rental	21,408	22,629	21,971
Miscellaneous	2,138	5,577	6,580
Total Operating Revenue	1,213,858	1,186,601	1,164,220
Subsidy Revenue			
Operating Subsidies (note 13)	633,389	649,853	537,599
Capital Subsidies (note 14)	1,569,522	1,449,355	1,181,745
Total Subsidy Revenue	2,202,911	2,099,208	1,719,344
Total Revenue	3,416,769	3,285,809	2,883,564
EXPENSES			
Conventional Transit Service	1,990,196	1,962,482	1,890,458
Wheel-Trans	126,572	130,187	123,718
Other Functions	564	694	697
Total Expenses (note 15)	2,117,332	2,093,363	2,014,873
Surplus for the year	1,299,437	1,192,446	868,691
Accumulated surplus, beginning of the year		7,937,416	7,068,725
Accumulated surplus, end of the year		9,129,862	7,937,416

See accompanying notes to the consolidated financial statements

Consolidated Statement of Remeasurement Gains and Losses
For the year ended December 31

\$000s	2015	2014
Accumulated Remeasurement Gains / (Losses), beginning of year	(17,037)	3,887
Unrealized gains / (losses) in the current year (note 7)	(17,110)	(18,262)
Amounts reclassified to Statement of Operations	15,737	(2,662)
Accumulated Remeasurement Gains / (Losses), end of year	(18,410)	(17,037)

See accompanying notes to the consolidated financial statements

Consolidated Statement of Net Debt
For the year ended December 31

\$000s	2015 Budget (note 16)	2015 Actual	2014 Actual
Surplus for the year	1,299,437	1,192,446	868,691
Change in capital assets			
Acquisitions	(1,595,194)	(1,488,896)	(1,206,524)
Amortization	303,342	301,565	334,248
Disposals	-	-	8,248
Write-downs	-	522	202
Total Change in Capital Assets	(1,291,852)	(1,186,809)	(863,826)
Change in Spare Parts and Supplies	-	(14,731)	(3,484)
Change in Prepaid Expenses	-	(1,445)	235
Change in remeasurement gains / (losses) for the year	-	(1,373)	(20,924)
Change in Net Debt	7,585	(11,912)	(19,308)
Net Debt, beginning of year		(256,790)	(237,482)
Net Debt, end of year		(268,702)	(256,790)

See accompanying notes to the consolidated financial statements

Consolidated Statement of Cash Flows
For the year ended December 31

\$000s	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from passenger services	1,126,631	1,091,390
Operating subsidies received	584,783	480,251
Non-passenger revenue received	65,574	72,291
Cash paid for wages, salaries and benefits	(1,235,573)	(1,183,071)
Cash paid to suppliers	(443,024)	(445,326)
Cash paid for accident claims	(29,599)	(22,679)
Cash (used in) provided by operating activities	68,792	(7,144)
CASH FLOWS FROM CAPITAL ACTIVITIES		
Capital asset acquisitions	(1,316,592)	(1,161,444)
Capital asset disposal proceeds	424	947
Capital subsidies received	1,254,082	1,148,369
Cash used in capital activities	(62,086)	(12,128)
Increase / (decrease) in cash and cash equivalents during the year	6,706	(19,272)
Cash and cash equivalents, beginning of the year	86,315	105,587
Cash and cash equivalents, end of the year	93,021	86,315

See accompanying notes to the consolidated financial statements

**Notes to the Consolidated Financial Statements
for the Year Ended December 31, 2015**

1. NATURE OF OPERATIONS

The Toronto Transit Commission (the "TTC") 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 outlined in the City of Toronto Act (2006), the TTC 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 TTC functions as one of the agencies and commissions of the City and is dependent upon the City for both operating and capital subsidies (notes 13 and 14). The TTC also operates Wheel-Trans, a paratransit service for people with disabilities, which is also subsidized by the City. The TTC's subsidiaries include the Toronto Transit Infrastructure Limited, Toronto Coach Terminal Inc. and its subsidiary, the TTC Insurance Company Limited. Since the TTC Sick Benefit Association is controlled by the TTC, its results are also consolidated. The TTC, which 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 by the TTC in accordance with the standards applicable for other government organizations found in the Chartered Professional Accountants (CPA) Public Sector Accounting Handbook.

b. Basis of Consolidation

The consolidated financial statements include the operations of Wheel-Trans and the financial results of the TTC's subsidiaries, Toronto Transit Infrastructure Limited ("TTIL") and Toronto Coach Terminal Inc. ("TCTI") and TCTI's subsidiary, TTC Insurance Company Limited (the "Insurance Co."). The results of the TTC Sick Benefit Association ("SBA"), which is controlled by the TTC, have also been consolidated.

c. Measurement Uncertainty

The preparation of the consolidated financial statements in conformity with public sector accounting standards 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, future employee benefits are subject to the assumptions described in note 9 and other contingencies are described in note 18a. Also, management makes their best estimate on the fair value of certain pension investments described in note 9 as the final audited fair values are not available at the time of preparation of the financial statements. Amortization 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 as described in note 8. Deferred revenue is based on estimated value of fare media sold, but not yet used before year end. Actual results could differ from the amounts estimated.

d. Subsidy Revenue

Operating subsidies are authorized by the City after the TTC's operating budget has been approved. Operating subsidy revenue is recognized by the TTC in the period to the extent that net operating costs are incurred. Capital subsidies are recognized in revenue when the City authorizes the capital subsidy and the cost is incurred. The eligibility criteria and related stipulations must also have been met except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability, which can be influenced by a number of factors, including stipulations of the transfer.

e. Operating Revenue and Deferred Passenger Revenue

Operating revenue from passenger services is recognized when cash, tickets, tokens and Presto cards are used by the passenger to secure a ride. Revenue from passes are recognized in the period in which they are valid. An estimate of tickets and tokens sold which will be used after the year end and an estimate of passes sold but only valid after year end are included in deferred passenger revenue. All 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 funds on deposit with a major financial institution.

g. Spare Parts and Supplies Inventory

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

h. Tangible Capital Assets and Amortization

Tangible capital assets are recorded at cost less accumulated amortization. In addition to direct costs attributable to capital projects, the TTC capitalizes certain internal costs, which are directly related to the acquisition, construction, betterment, or development of those related capital assets. Amortization is calculated using the straight-line method, based on the estimated useful lives of major assets, as follows:

Asset	Years
Subways	20-65
Buildings & Structures	20-40
Rolling Stock	6-30
Buses	6-18
Trackwork	15-30
Other Equipment	5-26
Traction Power Distribution System	24-25

Capital assets are amortized from the date that they enter service. One-half year of the amortization expense is recorded in the year of acquisition and assets under construction are not depreciated until the asset is substantially complete and available for productive use. Land purchased directly by the City, for the TTC's use, is accounted for in the City's records.

i. Portfolio Investments

Portfolio investments consist of bonds that are recorded at cost. Discounts or premiums on investments are amortized on an effective interest rate method until maturity of the investment to which this item is related. Investment income is reported as revenue in the period earned.

j. Unsettled Accident Claims

The TTC has a self-insurance program for automobile and general liability claims. Estimated costs to settle automobile and general liability claims are actuarially determined, based on available loss information and projections of the present value of estimated future expenditures developed from the TTC's historical experience. The provision for estimated future expenditures includes expected internal and external adjustment expenses, an estimate of claims incurred, but not reported and a provision for adverse deviations.

k. Employee Future Benefit Plans

The TTC's employee benefits plans include post-employment plans (workplace safety and insurance benefit plan and long term disability benefit plan), post-retirement plans (medical and dental benefits) and pension plans.

The costs of the post-employment benefit plans are recognized when the event that obligates the TTC occurs. Costs include projected future income replacement payments, health care continuation costs, taxes and fees paid to independent administrators, calculated on a present value basis.

The costs and obligations of the post-retirement benefit plans and pension plans are calculated using the projected benefits prorated on service method and management's best estimates of retirement ages of employees, future salary levels, expected health care cost escalations, and plan investment performance.

The net asset or liability related to each employee future benefit plan reflects the year-end difference between the value of the accrued benefit obligation and the value of the plan assets (if funded), net of unamortized gains and losses and the valuation allowance. Plan assets are valued using year-end fair market values.

Accrued benefit obligations and costs are determined using discount rates that are consistent with the City's long-term borrowing rates for the post-employment and post-retirement plans. For the TTC's funded pension plans, the discount rate is the plan's expected rate of return on plan assets.

Actuarial gains and losses arise from changes in actuarial assumptions or when actual experience differs from what was assumed. For post-employment benefit plans, the net actuarial gain or loss is deferred and amortized on a straight-line basis over the average expected period during which benefits will be paid unless there is a related plan amendment or curtailment. For workplace safety insurance benefits, the amortization period is 10 years (December 31, 2014 – 10 years) and for long-term disability benefits, the amortization period is 13.1 years (December 31, 2014 – 12.4 years). The amortization of the gain/loss begins in the year after the actuarial gain/loss arises.

A post-retirement benefit plan actuarial gain or loss is deferred and amortized over the expected average remaining service life of the employees unless there is a plan amendment or curtailment. The amortization period for the pension plan is 13.3 years (December 31, 2014 – 13.2 years), for the post-retirement medical and post-retirement dental plans the amortization period is 13.8 years (December 31, 2014 – 10.9 years) and for the supplemental funded pension plan, the amortization period is 6.0 years (December 31, 2014 – 6.3 years). The amortization of the actuarial gain or loss begins in the year after the gain or loss arises for all post-retirement plans except the TTC pension plan. Amortization begins in the year of the actuarial gain or loss for the TTC pension plan. This policy is expected to reduce the long term expense volatility that results from the accounting requirement to defer and amortize actuarial losses.

Past service costs arising from a plan amendment or plan initiation are recognized in the period of a plan amendment. Prior service costs or gains are offset by net actuarial gains or losses, if any, as of the end of the calendar year in which the prior service costs or gains arise. Unamortized amounts that remain after offsetting with prior period service costs or gains continue to be amortized in their original amount. Also, unamortized actuarial gains or losses related to settled or curtailed plans are recognized in the period of the plan settlement or curtailment.

I. Environmental Liabilities

An environmental liability is recognized when a site has been identified as being non-compliant with environmental legislation, the TTC accepts responsibility, it is expected that future economic benefits will be given up and a reasonable estimate of costs can be determined. The estimated amounts of future costs are reviewed regularly, based on available information and governing legislation.

m. Financial Instruments

The TTC has designated its financial instruments as follows:

- i) Cash and Cash Equivalents (note 4)
- ii) Subsidies Receivable from the City of Toronto (note 5)
- iii) Accounts Receivable
- iv) Portfolio Investments, in bonds (note 6)
- v) Accounts Payable and certain Accrued Liabilities
- vi) Financial Derivatives (note 7)

Cash and Cash Equivalents are recorded at cost which approximates fair market value. Financial Derivatives are recorded at fair value. All other financial instruments are recorded at amortized cost.

The fair values of the Accounts Receivable, operating and capital portions of the Subsidies 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 other recoverable amounts within Subsidies Receivable from the City of Toronto cannot be determined since there are no fixed terms of repayment. The fair value of Portfolio Investments is described in note 6.

PS3450, Financial Instruments, requires disclosure of a three-level hierarchy for fair value measurement based on the transparency of inputs to the valuation of a financial asset or financial liability as at the financial statement date. The three levels are defined as follows:

Level 1 – fair value is based on quoted market prices in markets for identical financial assets or financial liabilities. Level 1 financial assets generally include equity investments traded in an active market.

Level 2 – fair value is based on observable inputs, either directly or indirectly, other than quoted prices included within Level 1.

Level 3 – fair value is based on non-observable market data inputs.

TTC's financial derivatives are the only financial instruments recorded at fair value and they are classified as Level 2.

3. FINANCIAL RISK MANAGEMENT

Credit Risk

Credit risk is the risk of loss due to a counterparty's inability to meet its obligations. As at December 31, 2015, TTC's credit risk exposure consists mainly of the carrying amounts of Cash and Cash Equivalents, Portfolio Investments, Accounts Receivable and Subsidies Receivable.

Cash and Cash Equivalents and Portfolio Investments are invested with the City of Toronto or a major financial institution and are therefore assessed as low risk.

Approximately 23 percent of TTC's Accounts Receivable and 100% of Subsidies Receivable are due from the City of Toronto (December 31, 2014 – 14% and 100%, respectively). Of the other Accounts Receivable, which total \$71.7 million (December 31, 2014 - \$85.4 million), \$49.0 million is due from federal and provincial governments, other municipalities and transit agencies (December 31, 2014 - \$58.8 million). Impairment risk on receivables from these governments and government organizations is low. Of the remaining \$22.7 million (December 31, 2014 - \$26.6 million) receivables due from non-governments and non-government organizations, \$4.8 million is past due (December 31, 2014 - \$3.4 million).

Although past due, the \$4.8 million is deemed collectible and has the following aging:

1-30 days past due: \$1.6 million (December 31, 2014 - \$2.1 million)

31-60 days past due: \$0.1 (December 31, 2014 - \$nil)

61-90 days past due: nil (December 31, 2014 - \$0.2 million)

90+ days past due: \$3.1 million (December 31, 2014 -\$1.1 million)

Credit risk is further lowered as TTC's best practice is to obtain an advance deposit or letter of credit when entering a significant agreement with a non-government entity. Furthermore, past due receivables are routinely monitored and subject to collection action.

To assess and manage its exposure to credit risk, TTC reviews and reports impairment balances annually. TTC therefore believes that its credit risk is low and there are no notable concentrations of risk.

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in currency or foreign exchange rates. The TTC has limited foreign currency risk with respect to its financial instruments as substantially all of TTC's financial assets and financial liabilities are denominated in Canadian dollars. The TTC 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. As of the balance sheet date, TTC has \$5.0 million in U.S. dollar financial liabilities (December 31, 2014 -\$3.2 million), which is more than offset by TTC's U.S. dollar cash balance of \$5.4 million (December 31, 2014 -\$5.3 million). Therefore TTC's currency risk is low and there are no notable concentrations of risk.

Liquidity Risk

Liquidity risk is the risk that the TTC will encounter difficulty in meeting obligations associated with its financial liabilities and other contractual obligations. TTC's accounts payables and accrued liabilities amount to \$744.0 million (December 31, 2014 -\$555.4 million) and, excluding non-financial liabilities, \$208.9 million is due within one year or less (December 31, 2014 -\$222.3 million). The TTC has a combination of cash on hand and receivables from governments and government organizations, including the City of Toronto, as described above within the statement of credit risk, which will be sufficient to satisfy these liabilities. Construction holdbacks of \$176.7 million (December 31, 2014 - \$150.1 million) are also excluded from the \$208.9 million (December 31, 2014 - \$222.3 million) due within a year; however, they are fully recoverable from the City of Toronto as referred to in note 5. Therefore TTC's liquidity risk is low and there are no notable concentrations of risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. TTC's interest rate risk is low as the TTC does not hold debt and all portfolio investments have fixed interest rates (note 6) and will be held to maturity.

Other Price Risk

The TTC is exposed to fuel price risk arising from fluctuations in fuel costs. To manage its exposure to fuel prices, TTC enters into fuel swap contracts with financial institutions (note 7). As of December 31, 2015, approximately 86% of 2016's diesel fuel requirement has been hedged using the fuel swap agreements (December 31, 2014 – 86%).

4. CASH AND CASH EQUIVALENTS

In connection with the City guarantee referred to in note 8, the TTC Insurance Company Limited, is required to maintain cash or securities available for payment of accident claims liabilities equal to one month's claims and operating expenses (all self-insured retention payments are processed through the TTC). The cash and cash equivalents amount restricted for this purpose is approximately \$2.6 million as at December 31, 2015 (December 31, 2014 – \$2.1 million).

5. SUBSIDIES RECEIVABLE

Subsidies from the City of Toronto consist of operating subsidies as described in note 13 and capital subsidies as described in note 14. Subsidies receivable as at December 31 comprise the following amounts, all of which are due from the City of Toronto:

\$000s	2015	2014
Subsidies to be collected within one year		
Capital Subsidy Receivable	378,697	362,328
Operating Subsidy Receivable	89,146	93,772
Total subsidies to be collected within one year	467,843	456,100
Other recoverable amounts		
Employee Benefits	281,583	239,581
Accident Claims Expenses	86,188	58,494
Construction Related	341,740	150,085
Future Environmental Costs (note 10)	2,775	5,450
Total Other Recoverable amounts	712,286	453,610
Total Subsidies Receivable	1,180,129	909,710

The TTC expects to collect the capital and operating subsidy receivable within one year.

The amount related to non-cash employee benefits and accident claim expenses represents the delayed payment of operating subsidy for the non-cash portion of these expenses.

Subsidy receivable related to construction will be collected in the year the vendors are paid. Subsidy receivable for future environmental costs will be collected in the year in which the related work is performed.

6. PORTFOLIO INVESTMENTS

Portfolio investments as at December 31 consist of the following:

\$000s	2015	2014
Bank of Nova Scotia Notes (2.25%; May 8, 2015 maturity)	-	1,975
City of Toronto bond (8.65%; June 8, 2015 maturity)	-	546
Municipality of Metropolitan Toronto Bond (2.45%; February 6, 2025 maturity)	2,259	-
Total Portfolio Investments	2,259	2,521

At December 31, 2015, the fair value of the bonds is \$2.3 million (December 31, 2014 – \$2.5 million).

7. FINANCIAL DERIVATIVES

TTC's financial derivatives consist of heating fuel swaps with financial institutions which help manage TTC's exposure to fluctuating fuel prices by setting a fixed price for a future purchase of a fixed quantity of fuel. Heating fuel swaps are used because they are an openly traded commodity that most closely relates to the diesel fuel consumed by TTC. The TTC does not purchase or hold any derivative financial instrument for speculative purposes. Several derivative agreements were in place and used throughout the year and continue to exist as of December 31, 2015. Derivative instruments are required to be measured at fair value on initial recognition and changes in the fair value of the derivative instruments are recognized in the statement of remeasurement gains and losses. The derivative contracts are included in the statement of financial position on a present value basis. As heating oil is an openly traded commodity, the fair value of these derivatives is primarily derived using the quoted price of heating oil on the New York Mercantile Exchange (NYMEX) as of December 31, 2015.

8. UNSETTLED ACCIDENT CLAIMS

The TTC Insurance Company Limited ("Insurance Co.") was established in 1994 in order to provide insurance coverage for compulsory automobile personal injury and accident benefit claims for the TTC. At December 31, 2015, \$182.2 million (December 31, 2014 – \$155.4 million) of the unsettled accident claims liability is related to the Insurance Co.'s payable for all automobile claims incurred. This portion of the TTC's accident claim liability is guaranteed by the City. The TTC has purchased insurance from third-party insurers to cover tort claims in excess of \$5.0 million on any one accident. The remainder of the unsettled accident claims liability, \$15.8 million, (December 31, 2014 – \$14.9 million) relates to general liability claims of \$20.0 million (December 31, 2014 – \$18.8 million), less \$4.2 million, (December 31, 2014 – \$3.9 million) of expected HST rebates.

The ultimate cost of these liabilities will vary from the best estimate made by management for a variety of reasons, including additional information with respect to the facts and circumstances of the claims incurred. The liability includes a reserve established for each file as well as an incurred but not reported ("IBNR") provision to account for the fact that full information on case files may not be available at the valuation date, or losses have been incurred but are not yet reported. Therefore, the TTC relies upon historical information and statistical

models, to estimate the IBNR liability. The TTC also uses reported claims trends, claims severity, exposure growth and other factors in estimating its IBNR reserve. The time required to learn of and settle claims is an important consideration in establishing the TTC's reserves. The TTC revises these reserves as additional information becomes available.

This provision is discounted to take into account the time value of money and a provision for adverse deviation ("PFAD") is added, as recommended by standard actuarial practice. Assumptions regarding the anticipated timing of future payments and an appropriate discount rate are made by management. As uncertainty exists with respect to the determination of these discounted estimates, an explicit PFAD is made for potential claims development. A PFAD is selected based on guidance developed by the Canadian Institute of Actuaries.

The following table summarizes the effects of the time value of money and PFAD on the liability for unpaid claims and claims adjustment costs.

Unpaid claims and claims adjustment costs:	Undiscounted	Time Value of Money	Discounted (before PFAD)	PFAD	Discounted
\$000s					
As at December 31, 2015	185,602	(5,370)	180,232	17,791	198,023
As at December 31, 2014	161,710	(7,487)	154,223	16,106	170,329

As at December 31, 2015, the interest rate used to determine the time value of money was 1.0% and reflected the market yield (December 31, 2014 – 1.4%).

9. EMPLOYEE FUTURE BENEFITS

Description of benefit plans

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

Post-employment benefit plans

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 TTC and is administered by an independent insurance carrier. As a Schedule 2 employer under the Ontario Workplace Safety and Insurance Act, the TTC fully finances its WSI costs.

For the post-employment benefit plans, the effective date of the most recent actuarial valuation was September 30, 2015 for the WSI plan and November 30, 2015 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, 2016 for the WSI plan and November 30, 2016 for the LTD plan.

Post-retirement, non-pension benefit plans

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

For the post-retirement benefit plans, the effective date of the most recent actuarial valuation was January 1, 2015. 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, 2018.

Supplemental pension plans

The TTC and plan members participate in supplemental pension plans. These plans provide pension benefits which the TTC pension plan cannot provide because of the limits imposed by the Income Tax Act. These pension benefits automatically reflect changes that are made to the TTC Pension plan.

The funded supplemental pension plan has been accounted for as a defined benefit plan and the TTC has recognized 100% of the plan's pension expense, assets and obligation. The funded supplemental pension plan's assets consist of 56% (December 31, 2014 – 55%) cash and equity index pooled funds which are carried at market and 44% (December 31, 2014 – 45%) deposit in a Canada Revenue Agency non-interest bearing refundable tax account. The effective date of the most recent actuarial valuation for funding purposes was January 1, 2015. The next actuarial valuation for funding purposes is expected to be performed as at January 1, 2016. The effective date of the most recent valuation for accounting purposes was December 31, 2015.

TTC Pension Fund

The TTC participates in a defined benefit pension plan ("TTC Pension Fund"). The TTC Pension Fund is administered by the Toronto Transit Commission Pension Fund Society (the "Society"), a separate legal entity. The Board of Directors of the Society consists of 10 voting members, five of whom are appointed from the Toronto Transit Commission and five are appointed from the Amalgamated Transit Union Local 113 (ATU). Pursuant to the Sponsors Agreement between ATU and the TTC, the TTC Pension Fund was registered as a Jointly Sponsored Pension Plan (JSPP) effective January 1, 2011.

The plan is accounted for as a joint defined benefit plan as the TTC and its employees jointly share the risks in the plan and share control of decisions related to the plan administration and to the level of benefits and contributions on an ongoing basis. The TTC is required to account for its portion of the plan (i.e. 50%) and has therefore, recognized 50% of the pension expense incurred during the year and 50% of the plan's assets and obligation.

The plan covers substantially all employees of the TTC who have completed six months of continuous service. Under the Plan, contributions are made by the Plan members and matched by the TTC. The contribution rates are set by the Board, subject to the funding requirements determined in the actuarial report and subject to the limitations in the Sponsors Agreements between the TTC and the ATU.

The plan provides pensions to members, based on a formula that factors in the length of credited service and best four years of pensionable earnings up to a base year. A formula exists that sets a target for pensioner increases. The Board of Directors of the Society make decisions with respect to affordable pension formula updates, pension indexing and plan improvements based on the results of the most recent funding valuation and the priorities set out in the plan's by-laws and funding policy.

Effective January 1, 2015, the base year for the TTC pension plan and the funded supplemental pension plans was updated to December 31, 2014 from December 31, 2013. In addition, an adhoc increase of up to 2% (December 31, 2014 - 2%) was granted to all pensioners. The TTC's share of the prior service cost of these plan amendments have been reflected in the consolidated statement of operations.

The effective date of the most recent actuarial valuation for funding purposes for the TTC Pension Fund was January 1, 2015. The next required actuarial valuation for funding purposes will be performed as at January 1, 2018. The effective date of the most recent valuation for accounting purposes was December 31, 2015.

The continuity of the change in the employee benefit liabilities/(asset) including expenses recognized in 2015 is as follows:

(\$000s)	Post- Employment Plans	Post- Retirement Non-Pension Plans	Supplemental Pension Plans	Total Employee Benefit Liabilities	TTC Pension Fund
Accrued benefit liability (asset) balance, beginning of the year	218,705	308,179	(229)	526,655	-
Current service cost	29,817	25,196	62	55,075	73,410
Interest cost	5,039	15,639	52	20,730	(22,111)
Amortization of actuarial (gains)/losses:	(2,718)	15,766	245	13,293	(62,462)¹
Plan amendments	-	-	1,152	1,152	47,553
Change in valuation allowance					72,006
Total Expenses	32,138	56,601	1,511	90,250	108,396
Benefits paid	(24,932)	(8,945)	(190)	(34,067)	-
Employer contributions	-	-	(1,512)	(1,512)	(108,396)
Accrued benefit liability (asset) balance, end of the year	225,911	355,835	(420)	581,326	-

¹ Includes recognition of an unamortized gain of \$47,553 applied against the cost of the plan amendments.

The continuity of the change in the employee benefit liabilities/(asset) including expenses recognized in 2014 is as follows:

(\$000s)	Post- Employment Plans	Post- Retirement Non-Pension Plans	Supplemental Pension Plans	Total Employee Benefit Liabilities	TTC Pension Fund
Accrued benefit liability (asset) balance, beginning of the year	213,219	272,665	94	485,978	-
Current service cost	25,997	17,085	(1)	43,081	64,625
Interest cost	6,092	15,796	564	22,452	(22,920)
Amortization of actuarial (gains)/losses:	(2,906) ²	8,878	203	6,175	(94,411) ¹
Plan amendments	(38)	1,358	1,117	2,437	74,375
Change in valuation allowance	-	-	-	-	82,636
Total Expenses	29,145	43,117	1,883	74,145	104,305
Benefits paid	(23,659)	(7,603)	(206)	(31,468)	-
Employer contributions	-	-	(2,000)	(2,000)	(104,305)
Accrued benefit liability (asset) balance, end of the year	218,705	308,179	(229)	526,655	-

¹ Includes recognition of an unamortized gain of \$74,375 applied against the cost of the plan amendments.

² Includes recognition of an unamortized loss of \$38 applied against the plan amendment savings.

The following table summarizes the employee future benefit costs included in the consolidated Statement of Operations:

(\$000s)	2015	2014
Cost of TTC Pension Fund contributions	108,396	104,305
Net cost of TTC Pension	108,396	104,305
Cost of other benefit plans	90,250	74,145
Total cost of plans	198,646	178,450
Less: costs allocated to capital assets	(23,816)	(21,382)
Total employee future benefit costs included Wage, Salaries and Benefits in Note 15 and in the consolidated Statement of Operations	174,830	157,068

The TTC's portion of the assets in the TTC Pension Fund is carried at market value. As the TTC cannot withdraw the surplus to reduce its contributions, the expected benefit of a surplus is nil and therefore, a valuation allowance of \$379.8 million (December 31, 2014 - \$307.8 million) is required to reduce the accrued benefit asset to either the value of the net unamortized actuarial losses (if any) or to the value of the fund surplus less net unamortized gains.

Reconciliation of funded status to the employee benefit liabilities and asset as at December 31, 2015 is as follows:

(\$000s)	Post- Employment Plans	Post- Retirement Non-Pension Plans	Supplemental Pension Plans	Total Employee Benefit Liabilities	TTC Pension Fund
Fair value of plan assets	-	-	11,984	11,984	2,904,957
Accrued benefit obligations	197,945	486,073	12,808	696,826	2,512,295
Funded status—(deficit)/ surplus	(197,945)	(486,073)	(824)	(684,842)	392,662
Unamortized (gains)/losses	(27,966)	130,238	1,244	103,516	(12,857)
Accrued benefit (liability)/ asset	(225,911)	(355,835)	420	(581,326)	379,805
Valuation Allowance	-	-	-	-	(379,805)
Employee benefit (liability)	(225,911)	(355,835)	420	(581,326)	-

Reconciliation of funded status to the employee benefit liabilities and asset as at December 31, 2014 is as follows:

(\$000s)	Post- Employment Plans	Post- Retirement Non-Pension Plans	Supplemental Pension Plans	Total Employee Benefit Liabilities	TTC Pension Fund
Fair value of plan assets	-	-	10,209	10,209	2,749,268
Accrued benefit obligations	192,422	463,216	11,260	666,898	2,297,967
Funded status—(deficit)/ surplus	(192,422)	(463,216)	(1,051)	(656,689)	451,301
Unamortized (gains)/losses	(26,283)	155,037	1,280	130,034	(143,502)
Accrued benefit (liability)/ asset	(218,705)	(308,179)	229	(526,655)	307,799
Valuation Allowance	-	-	-	-	(307,799)
Employee benefit (liability)	(218,705)	(308,179)	229	(526,655)	-

The continuity of the change in the accrued benefit obligation including costs recognized in 2015 is as follows:

(\$000s)	Post- Employment Plans	Post- Retirement Non-Pension Plans	Supplement al Pension Plans	Total Employee Benefit Liabilities	TTC Pension Fund
Balance, beginning of the year	192,422	463,216	11,260	666,898	2,297,967
Current service cost	29,817	25,196	62	55,075	73,410
Interest cost	5,039	15,639	452	21,130	135,651
Loss/(gain) on the obligation	(4,401)	(9,033)	356	(13,078)	77,267
Employee contributions	-	-	110	110	-
Benefits paid	(24,932)	(8,945)	(584)	(34,461)	(119,553)
Plan amendments	-	-	1,152	1,152	47,553
Balance, end of the year	197,945	486,073	12,808	696,826	2,512,295

The continuity of the change in the accrued benefit obligation including costs recognized in 2014 is as follows:

(\$000s)	Post- Employment Plans	Post- Retirement Non-Pension Plans	Supplement al Pension Plans	Total Employee Benefit Liabilities	TTC Pension Fund
Balance, beginning of the year	181,061	362,824	9,260	553,145	1,998,497
Current service cost	25,997	17,085	(1)	43,081	64,625
Interest cost	6,092	15,796	895	22,783	130,216
Loss/(gain) on the obligation	2,969	73,756	416	77,141	138,340
Employee contributions	-	-	128	128	-
Benefits paid	(23,659)	(7,603)	(555)	(31,817)	(108,086)
Plan amendments	(38)	1,358	1,117	2,437	74,375
Balance, end of the year	192,422	463,216	11,260	666,898	2,297,967

The continuity of the plan assets for the funded pension plans in 2015 is as follows:

(\$000s)	Supplemental Pension Plan	TTC Pension Fund
Balance, beginning of the year	10,209	2,749,268
Employee contributions	110	-
Employer contributions	1,512	108,396
Expected return on plan assets	400	157,762
Excess (shortfall) on return on plan assets	146	9,084
Benefits paid	(393)	(119,553)
Balance, end of the year	11,984	2,904,957

The continuity of the plan assets for the funded pension plans in 2014 is as follows:

(\$000s)	Supplemental Pension Plan	TTC Pension Fund
Balance, beginning of the year	7,947	2,452,060
Employee contributions	128	-
Employer contributions	2,000	104,305
Expected return on plan assets	330	153,136
Excess (shortfall) on return on plan assets	153	147,853
Benefits paid	(349)	(108,086)
Balance, end of the year	10,209	2,749,268

Significant assumptions used in accounting for employee benefits are as follows:

	2015	2014
Accrued benefit obligations as at December 31:		
Discount rate for post-employment plans	2.3%	2.8%
Discount rate for post-retirement, non-pension plans	3.5%	3.4%
Discount rate for supplemental pension plans	2.95% to 3.75%	3.4% to 4.0%
Discount rate for TTC Pension Fund	5.50%	5.75%
Rate of increase in earnings	1.18% to 3.25%	1.18% to 3.25%
Benefit costs for the years ended December 31:		
Discount rate for post-employment plans	2.8%	3.6%
Discount rate for post-retirement, non-pension plans	3.4%	4.4%
Discount rate for supplemental pension plans	3.4% to 4.0%	4.25% to 4.4%
Discount rate for TTC Pension Fund	5.75%	6.25%
Rate of increase in earnings	1.18% to 3.25%	2.0% to 3.25%
Expected rate of return on assets, supplemental pension plan	4.0%	4.25%
Actual rate of return on assets, supplemental pension plan	5.1%	5.5%
Expected rate of return on assets, TTC Pension Fund	5.75%	6.25%
Actual rate of return on assets, TTC Pension Fund	6.1%	12.3%

The TTC's annual rate of growth for post-retirement drug costs was estimated at 14% for males and 12% for females. These rates consist of a drug trend rate of 6.8% per annum grading down to 4.5% per annum in 2030 and an aging factor of 6.9% for males and 4.7% for females (up to age 65). The annual rate of growth for post-retirement dental costs was estimated at 4.0% per annum.

Total financial status of the TTC Pension Fund as at December 31 is as follows:

(\$000s)	2015	2014
Fair value of plan assets	5,809,914	5,498,535
Accrued benefit obligations	5,024,589	4,595,935
Funded status - surplus	785,325	902,600

10. 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 TTC 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.

Effective January 1, 2015, TTC adopted Public Sector Accounting Standard PSAB 3260, Liability for Contaminated Sites with no significant impact on its consolidated statement of financial position or consolidated statement of operations and accumulated surplus.

The amount accrued represents the estimated costs of remediating, monitoring and containing known contamination on sites for which the TTC is responsible. The estimate of environmental liabilities is based on a number of factors, such as the site conditions, type of contaminants and the anticipated results of monitoring and therefore the actual costs may vary. The estimated amounts of future costs are reviewed regularly, based on available information and governing legislation.

11. TANGIBLE CAPITAL ASSETS

The cost of tangible capital assets is as follows:

\$000s	Cost December 31, 2015				
	Beginning	Additions	Disposals	Write-downs	Ending
Subways	2,483,683	207,261	-	-	2,690,944
Buildings &	1,355,342	413,065	-	-	1,768,407
Rolling Stock	2,057,260	246,002	(7,593)	-	2,295,669
Buses	1,603,818	113,759	(50,470)	-	1,667,107
Trackwork	1,637,881	154,711	-	-	1,792,592
Other Equipment	804,792	56,401	(2,291)	-	858,902
Traction Power	435,691	38,958	-	-	474,649
Land	12,854	-	-	-	12,854
Construction in	3,455,219	258,739	-	(407)	3,713,551
Total	13,846,540	1,488,896	(60,354)	(407)	15,274,675

\$000s	Cost December 31, 2014				
	Beginning	Additions	Disposals	Write-downs	Ending
Subways	2,420,009	63,674	-	-	2,483,683
Buildings & Structures	1,231,325	124,017	-	-	1,355,342
Rolling Stock	1,953,778	219,052	(115,570)	-	2,057,260
Buses	1,478,969	159,968	(35,119)	-	1,603,818
Trackwork	1,589,727	48,154	-	-	1,637,881
Other Equipment	752,683	53,292	(1,183)	-	804,792
Traction Power	399,007	36,684	-	-	435,691
Land	12,854	-	-	-	12,854
Construction in Progress	2,953,738	501,683	-	(202)	3,455,219
Total	12,792,090	1,206,524	(151,872)	(202)	13,846,540

The accumulated amortization for tangible capital assets is:

\$000s	Accumulated Amortization December 31, 2015				
	Beginning	Amortization	Disposals	Write-downs	Ending
Subways	1,228,423	40,379	-	-	1,268,802
Buildings & Structures	521,298	42,809	-	-	564,107
Rolling Stock	939,983	70,233	(7,593)	-	1,002,623
Buses	993,472	63,730	(50,470)	115	1,006,847
Trackwork	1,233,549	43,449	-	-	1,276,998
Other Equipment	604,930	31,365	(2,291)	-	634,004
Traction Power	272,797	9,600	-	-	282,397
Total	5,794,452	301,565	(60,354)	115	6,035,778

\$000s	Accumulated Amortization December 31, 2014				
	Beginning	Amortization ¹	Disposals	Write-downs	Ending
Subways	1,173,087	55,336	-	-	1,228,423
Buildings & Structures	477,420	43,878	-	-	521,298
Rolling Stock	970,243	77,062	(107,322)	-	939,983
Buses	949,577	79,014	(35,119)	-	993,472
Trackwork	1,188,426	45,123	-	-	1,233,549
Other Equipment	580,600	25,513	(1,183)	-	604,930
Traction Power	264,475	8,322	-	-	272,797
Total	5,603,828	334,248	(143,624)	-	5,794,452

Based on above, net book value as at December 31 is:

\$000s	Net Book Value 2015	Net Book Value 2014
Subways	1,422,142	1,255,260
Buildings & Structures	1,204,300	834,044
Rolling Stock	1,293,046	1,117,277
Buses	660,260	610,346
Trackwork	515,594	404,332
Other Equipment	224,898	199,862
Traction Power Distribution	192,252	162,894
Land	12,854	12,854
Construction in Progress	3,713,551	3,455,219
Total	9,238,897	8,052,088

These costs include the capitalization of certain internal costs as described in note 2h.

12. ACCUMULATED OPERATING SURPLUS

Accumulated Operating Surplus as at December 31 consists of:

\$000s	2015	2014
Invested in Tangible Capital Assets	9,118,758	7,926,685
Accumulated surplus (deficit) from TTC subsidiaries	(3,037)	(3,410)
Accumulated surplus generated through operating budget	14,141	14,141
Total	9,129,862	7,937,416

¹ The 2014 Accumulated Amortization schedule was reclassified based on a reallocation of amortization among the asset classes. This has no impact on the overall total amortization and net book value.

The amount reported in the table regarding tangible capital assets represents the net book value of capital assets, that have been funded through past capital subsidy and capital from current (see note 13). The variance between this amount and the amount reported in note 11, (\$120.1 million (2014 – \$125.4 million)) represents the net book value of capital assets that have been funded by the TTC. Of this, \$116.8 million (2014 – \$121.6 million) will be recovered through future operating subsidies. The remaining \$3.3 million (2014 – \$3.8 million) represents the net book value of capital assets used for the operation of the Toronto Coach Terminal.

13. OPERATING SUBSIDIES

The sources of operating subsidies for the year ended December 31 are as follows:

\$000s			2015	2014
	Conventional	Wheel-Trans	Total	Total
- Province of Ontario Gas tax (note 14(b))	91,600	-	91,600	91,600
- City of Toronto	427,011	112,070	539,081	445,999
- City of Toronto - Capital from Current	19,172	-	19,172	-
Total operating subsidies	537,783	112,070	649,853	537,599

The total City operating subsidy amount is established as part of the City's annual budget process. The City allocated to the TTC's budget \$91.6 million (2014 – \$91.6 million) from the provincial gas tax (see note 14(b)).

City of Toronto subsidy				
\$000s			2015	2014
	Conventional	Wheel-Trans	Total	Total
Operating subsidy from the City of Toronto (see above)	427,011	112,070	539,081	445,999
City of Toronto - Capital from current	19,172	-	19,172	-
City special costs	3,608	-	3,608	3,596
Future recoverable amounts				
Accident Claims	(26,603)	(1,091)	(27,694)	(13,892)
Employee Benefits	(40,122)	(1,880)	(42,002)	(31,253)
	383,066	109,099	492,165	404,450
Net contributions to/(draws from):				
TTC Stabilization Reserve Fund	(8,975)	(300)	(9,275)	-
City Tax Rate Stabilization Reserve	(286)	-	(286)	-
Total City operating subsidies (in accounts of the City of Toronto)	373,805	108,799	482,604	404,450

Capital from current represents operating subsidy used for the acquisition of 50 buses. These costs have been recorded as tangible capital assets.

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

The future recoverable amounts reflect the delayed payment of operating subsidy for the non-cash portion of certain employee future benefits and accident claims (note 5).

For details related to the TTC Stabilization Reserve Fund, see note 17 City of Toronto Reserves and Reserve Funds.

In 2015, a total of \$0.9 million was drawn from the City Tax Rate Stabilization Reserve and used to cover some of the costs of the Pan Am Games of which \$0.3 million of the total was included in operating subsidy revenue and the balance of \$0.6 million was included in passenger revenue.

14. CAPITAL SUBSIDIES

Capital subsidies for the year ended December 31 are as follows:

\$000s	2015	2014
Source of capital subsidies:		
- City of Toronto	1,153,042	893,367
- Province of Ontario	135,487	110,440
- Federal Government of Canada	153,560	154,263
- Other	7,266	23,675
Total capital subsidies	1,449,355	1,181,745

a. City of Toronto

The City is responsible for ensuring full funding of the TTC's capital program. In accordance with the Municipal Act, any funding for the TTC's capital program from other governments flows through the City. As such, the TTC has claimed from the City a total 2015 capital subsidy of \$1,442.1 million (2014 – \$1,158.1 million). Amounts claimed from the City do not include a \$0.1 million expenditure (2014 – \$0.3 million) for property purchased and owned by the City, but for the jurisdictional use of the TTC.

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

Toronto York Spadina Extension Project

The City acts as the bank 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 2015, \$405.8 million (2014 – \$280.4 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 TTC 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 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 and approval of appropriate contracts and claims prepared by the TTC.

b. Province of Ontario

Capital subsidies claimed under the various provincial programs for the year ended December 31 are as follows:

\$000s	2015	2014
Source of capital subsidies:		
- Metrolinx Quick Wins	44,846	32,380
- Gas Tax	75,983	72,089
- LRV Car Project	14,658	5,971
- Canada Strategic Infrastructure Fund	-	-
Total provincial capital subsidies	135,487	110,440

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 \$415.0 million has been recognized by the TTC for the eligible expenditures to date, including \$44.8 million applied to capital projects in 2015 (2014 – \$32.4 million), with the remaining funds attributable to the subway capacity projects.

Metrolinx (Transit Expansion)

On April 1, 2009, the Province of Ontario announced funding for the following Transit Expansion 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. 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. Full recovery of costs from Metrolinx will continue to occur through the City of Toronto. Project funding of \$11.5 million has been drawn through the City for 2015 expenditures (2014 – \$10.2 million) for costs incurred by the TTC in 2015 and the eligible expenditures to date are \$276.6 million on the approved lines. Since Metrolinx will retain ownership of the assets, these amounts along with any associated capital assets, have not been recognized on the consolidated financial statements.

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 1.5¢/litre, effective October 2005, and then to 2¢/litre, effective October 2006. Of the anticipated \$167.6 million (2014 – \$163.7 million) in Provincial Gas Tax funding available in 2015, the City has directed \$91.6 million (2014 – \$91.6 million) toward the TTC's operating needs (note 13) with the remainder of \$76.0 million (2014 – \$72.1 million) applied to capital needs.

LRV Car Project

On June 19, 2009 the Province of Ontario confirmed that it would provide one-third funding for the 204 LRV Car Project (up to \$417 million) and this funding is expected to flow on the basis of contract milestone payments. A Transfer Payment Agreement between the Province, City of Toronto and TTC was signed in January 2013. Funding of \$166.4 million has been recognized against the project to date including \$14.7 million for 2015 (2014 – \$6.0 million).

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 the Canada Strategic Infrastructure Fund (CSIF). Provincial funding under CSIF was originally \$350 million in total for the years 2004 to 2014 and included \$46.7 million for the GTA Farecard project. In 2012, Metrolinx assumed ownership of the GTA Farecard Project through Presto and the GTA Farecard portion was allocated to them. The Provincial share of \$303.3 million CSIF commitment (net of the GTA Farecard Project share of \$46.7 million) 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 \$304.4 million has been recognized by the TTC for the eligible expenditures to date, of which \$nil was drawn in 2015 (2014 - \$nil) (see note 17).

c. Federal Government of Canada

Capital subsidies claimed under the various federal programs for the year ended December 31 are as follows:

\$000s	2015	2014
Source of capital subsidies:		
- Gas tax funding	152,201	152,201
- Canada Strategic Infrastructure Fund	1,359	2,062
Total federal capital subsidies	153,560	154,263

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 2.5¢/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 was signed for the 4-year period 2010-2013 (based on updated 2006 Census population). In 2014, a new, permanent agreement for the 10-year period 2014-2023 was signed and 2014-2018 allocations are based on the updated 2011 Census population. Allocations from 2019-2023 will be updated to reflect the 2016 Census data. Ontario’s allocation of this funding to municipalities is based on population and the City received \$152.2 million in 2015 (2014 –\$152.2 million) under this program. This amount was allocated to the TTC.

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 including \$46.7 million for the GTA Farecard Project) under CSIF, to fund strategic capital project requirements during the period March 2004 to 2012. This has since been extended to March 31, 2016. In 2012, Metrolinx assumed ownership of the GTA Farecard project and therefore \$46.5 million of the original \$350 million was allocated to Metrolinx. In March 2015 a request to extend the CSIF program was submitted to the Minister for consideration. As at December 31, 2015, the outcome of this request remains pending. To date, federal funding for the eligible expenditures incurred amounts to \$300.2 million, of which \$1.4 million has been accrued in 2015 (2014 - \$2.1 million).

d. Other

Other funding of \$7.3 million (2014 – \$23.7 million) includes specific purpose third-party agreements with organizations such as Waterfront Toronto.

15. EXPENDITURES BY OBJECT

Expenditures by object for the year ended December 31 comprise the following:

\$000s	2015	2014
Wages, salaries and benefits	1,303,060	1,223,395
Materials, services and supplies	221,270	220,439
Vehicle fuel	92,732	98,182
Accident claims	57,293	36,571
Electric traction power	47,924	42,993
Wheel-Trans contract services	46,464	38,106
Utilities	23,055	20,939
Amortization (Operating Budget)	31,126	29,835
Amortization (Assets funded through capital subsidy)	270,439	304,413
Total Expenditures	2,093,363	2,014,873

16. BUDGET DATA

Budget data presented in these consolidated financial statements is based upon the 2015 operating and capital budgets approved by the TTC Board and the Board of the Toronto Coach Terminal Inc. Adjustments are required to provide comparative budget values for the year-end actual results based on an accrual basis of accounting. The chart below reconciles the approved budget with the budget figures as presented in these consolidated financial statements.

	Conventional	Wheel-Trans	Other	Total
Total expenses, per approved current year budget	1,685,856	115,313	564	1,801,733
Other Recoverable Expenses	43,430	1,730	-	45,160
Amortization of previously subsidized assets	260,910	9,529	-	270,439
Total budgeted expenses per consolidated financial statements	1,990,196	126,572	564	2,117,332

Other Recoverable Expenses are certain non-cash employee benefits and accident claim expenses that will be funded in the future (see note 5).

17. 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. Contributions to and draws from these Reserves and Reserve Funds are made by the TTC, 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 TTC. In 2015, the average interest rate applicable to Reserve Funds was approximately 0.5% (2014 – 0.9%).

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 two tables.

Reserve and Reserve Fund originating from TTC operating surpluses or operating subsidies

\$000s	Stabilization Reserve	Land Acquisition	Long Term Liability	2015 Total	2014 Total
Balance, beginning of the year	24,666	667	10,824	36,157	25,328
Contributions	-	-	-	-	10,812
Draws	(9,275)	-	-	(9,275)	-
Interest earned	-	4	60	64	17
Balance, end of the year	15,391	671	10,884	26,946	36,157

Stabilization Reserve

The Stabilization Reserve was created to stabilize the funding of TTC'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. In 2015, \$9.275 million was drawn and used primarily to cover the cost of one-time 2015 lump sum payments in accordance with the current collective bargaining agreements.

Land Acquisition Reserve Fund

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

Long Term Liability Reserve Fund

The Long Term Liability Reserve Fund was created in 2014 to ensure funding for the TTC's long-term liability for unsettled accident claims.

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

\$000s	PGT	CSIF	Quickwins	2015 Total	2014 Total
Balance, beginning of year	-	15,470	102,815	118,285	149,677
Provincial contributions	167,583	-	-	167,583	163,281
Draws	(167,583)	-	(46,057)	(213,640)	(196,068)
Interest earned	-	85	587	672	1,395
Balance, end of year	-	15,555	57,345	72,900	118,285

Provincial Gas Tax

Of \$167.6 million (2014 – \$163.7 million) in Provincial Gas Tax available, the City has directed \$91.6 million for 2015 (2014 – \$91.6 million) toward the TTC's operating needs (note 13) with the remainder of \$76.0 million (2014 – \$72.1 million) applied to capital needs (note 14).

Canada Strategic Infrastructure (CSIF) Reserve Fund

A provincial commitment of \$303.3 million was received for the CSIF program to fund TTC strategic capital projects. Of the total payment received in 2007, \$210.1 million was allocated to the CSIF reserve fund. Over the life of the program, of the total payment received plus accumulated interest, \$304.4 million has been applied to accumulated funding recognized by the TTC to date, of which \$nil was drawn from the reserve fund in 2015 (2014 – \$nil).

MoveOntario 2020 (Quickwins) 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, plus accumulated interest of \$21.0 million, \$415.0 million has been applied to accumulated funding recognized by the TTC to date for capital expenditures, including \$44.8 million drawn from the reserve fund in 2015 (2014 - \$32.4 million). An additional \$1.2 million was drawn from the reserve in 2015 by City Transportation for cycling infrastructure. The amount of \$57.3 million remaining in the reserve fund includes \$57.0 million in Capital Reserve funding which was received for 2009 capital expenditures but, based on direction from the City, is planned to be applied against the cost of capital debt in 2017 and therefore remains unapplied at the end of 2015.

18. COMMITMENTS AND CONTINGENCIES

- a. In the normal course of its operations, labour relations, and completion of capital projects, the TTC 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. In February 2005, December 2007, December 2008 and October 2009 the Board 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 \$718.2 million. At December 31, 2013, 694 hybrid and 395 diesel buses had been delivered at a cost of \$717.3 million which remained consistent as at December 31, 2014. The outstanding commitment of \$0.9 million was extinguished as of December 31, 2015 and no further commitment remains.
- c. In August 2006, the Board 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 Board approved purchasing an additional 10 subway trainsets for the Toronto-York Spadina Subway line extension and an additional 21 trainsets to replace H6 trainsets. In March 2014, the Board approved a further purchase of 10 trainsets for future ridership growth, bringing the delivery requirement to 80 trainsets. In June 2015, an amendment to the contract was authorized by the Board for the modification of four 6-car trainsets into six 4-car trainsets for service on Line 4 to support the conversion to ATC-equipped trainsets. The additional 2 trainsets realized from the conversion will be used to meet ridership growth on Line 2 and brings the total delivery requirement to 82 trainsets. At December 31, 2015, the contract value is in total, \$1,448.7 million with 71 trainsets delivered to TTC at a cost of \$1,356.9 million and the outstanding commitment is \$91.7 million.
- d. On April 27, 2009, the Board approved the award for the design and supply of 204 Light Rail Vehicles (LRV). In June 2009 the contract was awarded to Bombardier Transportation Canada Inc. As of December 31, 2015 the total cost of the contract remained unchanged at \$1,009.3 million. As of December 31, 2015, 17 LRV's have been delivered to TTC, two prototypes for testing which will be retrofitted and returned to TTC for revenue services and fifteen revenue service vehicles. The balance of deliveries will continue in 2016 with all 204 cars scheduled for delivery by 2019. At December 31, 2015, the TTC had incurred costs of \$530.3 million, and the outstanding commitment is \$479.0 million.
- e. On January 17, 2012 the City approved funding for the purchase of 27 60-foot articulated low floor clean diesel buses. In July 2012, the Board approved proceeding with this procurement and the contract was awarded to Nova, a Division of Volvo Group Canada. In March 2013, the Board approved an amendment to the contract authorizing the purchase of an additional 126 60-foot articulated low floor clean diesel buses. On April 30, 2014 a subsequent contract was awarded to Nova for 55 40-foot low floor clean diesel buses. In February 2015, the Board approved a further purchase of 50 40-foot low floor clean diesel buses and in July 2015, an additional 108 40-foot low floor clean diesel buses bringing the total delivery requirement to 366 buses. At December 31, 2015 the contract values total \$266.2 million with 258 buses delivered at a cost of \$201.9 million. The outstanding commitment is \$64.3 million.
- f. The TTC has contracts for the construction and implementation of various capital projects. At December 31, 2015, these contractual commitments are approximately \$555.3 million (2014 - \$1,788.8 million). Of this amount, \$176.5 million (2014 - \$196.4 million) was established as multi-component shared projects for Toronto Waterfront, Toronto-York Spadina Subway Extension project (TYSSE) and TTC; \$239.0 million (2014 - \$428.4 million) relate to the TYSSE project and \$139.8 million (2014 - \$1,164.0 million) relate to various TTC construction projects.

- g. The TTC could be exposed to significant or material contractual cancellation penalties if any of its commenced capital projects do not continue as planned.
- h. The TTC leases certain premises under operating lease agreements. The approximate future minimum annual lease payments are as follows:

	\$000s
2016	20,129
2017	17,804
2018	14,383
2019	11,011
2020	10,009
Thereafter	23,343
Total	<u>96,679</u>

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Supplementary Schedules
Year ended December 31, 2015

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CONSOLIDATED FINANCIAL STATEMENTS – As at and for the Year ended December 31, 2015

\$000s	TORONTO TRANSIT COMMISSION (TTC)	WHEEL-TRANS (WT)	TORONTO TRANSIT INFRASTRUCTURE LIMITED (TTIL)
STATEMENT OF OPERATIONS			
REVENUE			
Passenger services	1,108,542	6,509	-
Advertising	26,168	-	-
Outside City Services	17,176	-	-
Property rental	21,429	-	-
Miscellaneous	5,806	-	-
Total Operating Revenue	1,179,121	6,509	-
SUBSIDIES			
Operating Subsidy	537,783	112,070	-
Capital Subsidy	1,449,355	-	-
Total Subsidy Revenue	1,987,138	112,070	-
EXPENSES			
Wages, salaries and benefits	1,246,566	56,620	-
Materials, services and supplies	209,483	11,656	-
Vehicle fuel	89,346	3,386	-
Accident Claims	55,169	2,089	-
Electric traction power	47,924	-	-
Wheel-Trans contract services	-	46,464	-
Utilities	22,612	443	-
Depreciation (Operating budget)	30,568	-	-
Depreciation (Subsidized assets) ¹	270,439	-	-
Total Expenses	1,972,107	120,658	-
Surplus (deficit) for the year	1,194,152	(2,079)	-
WT Deficit	(2,079)	2,079	-
Accumulated surplus (deficit), beginning of the year	7,940,826	-	1
Accumulated Surplus (deficit), end of the Year	9,132,899	-	1
Not on TTC Financial Statements			
Operating subsidies from the City (as above)	537,783	112,070	-
Operating subsidy - long-term payable for accident claims	(26,603)	(1,091)	-
Operating subsidy - long-term payable for employee	(40,122)	(1,880)	-
City special costs	3,608	-	-
(Draw from) the City's TTC Stabilization Reserve Fund	(8,975)	(300)	-
(Draw from) City Tax Rate Stabilization Reserve	(286)	-	-
Total City Operating Subsidy - Current	465,405	108,799	-
Statement of Financial Position			
Financial Assets			
Cash and cash equivalents	89,734	-	1
Subsidies Receivable	1,180,129	-	-
Accounts Receivable	93,013	-	-
Portfolio Investments	2,259	-	-
Advances to and investment in subsidiary	9,516	-	-
Indemnity receivable from the TTC	-	-	-
Total Financial Assets	1,374,651	-	1
Liabilities			
Accounts payable and accrued liabilities	743,797	-	-
Deferred passenger revenue	89,770	-	-
Future Employee Benefit Liabilities	581,326	-	-
Unsettled accident claims	198,023	-	-
Environmental Liabilities	5,703	-	-
Due to parent	-	-	-
Derivative Investments	18,410	-	-
Total Liabilities	1,637,029	-	-
Net Debt			
	(262,378)	-	1
Non-Financial Assets			
Tangible Capital Assets	9,235,610	-	-
Spare parts and supplies inventory	138,295	-	-
Prepaid Expenses	2,962	-	-
Accrued Pension Benefit Asset	-	-	-
Total Non-Financial Assets	9,376,867	-	-
Capital Stock	-	-	-
Accumulated Surplus (deficit)	9,114,489	-	1

¹ For the Consolidated Statement of Financial Position presentation, \$9,529 of the total depreciation on subsidized assets was allocated to Wheel-Trans.

TORONTO COACH TERMINAL INC. CONSOLIDATED (TCTI)	SICK BENEFIT ASSOCIATION (SBA)	TOTAL BEFORE INTERCOMPANY ELIMINATIONS	INTERCOMPANY ELIMINATIONS	CONSOLIDATED FINANCIAL STATEMENTS
-	-	1,115,051	-	1,115,051
-	-	26,168	-	26,168
-	-	17,176	-	17,176
1,200	-	22,269	-	22,629
43	131	5,980	(403)	5,577
1,243	131	1,187,004	(403)	1,186,601
-	-	649,853	-	649,853
-	-	1,449,355	-	1,449,355
-	-	2,099,208	-	2,099,208
5	-	1,303,191	(131)	1,303,060
307	131	221,577	(307)	221,270
-	-	92,732	-	92,732
-	-	57,258	35	57,293
-	-	47,924	-	47,924
-	-	46,464	-	46,464
-	-	23,055	-	23,055
558	-	31,126	-	31,126
-	-	270,439	-	270,439
870	131	2,093,766	(403)	2,093,363
373	-	1,192,446	-	1,192,446
-	-	-	-	-
(3,503)	92	7,937,416	-	7,937,416
(3,130)	92	9,129,862	-	9,129,862
-	-	649,853	-	-
-	-	(27,694)	-	-
-	-	(42,002)	-	-
-	-	3,608	-	-
-	-	(9,275)	-	-
-	-	(286)	-	-
-	-	574,204	-	-
3,219	67	93,021	-	93,021
-	-	1,180,129	-	1,180,129
35	2,766	95,814	(2,644)	93,170
-	-	2,259	-	2,259
-	-	9,516	(9,516)	-
182,212	-	182,212	(182,212)	-
185,466	2,833	1,562,951	(194,372)	1,368,579
279	2,741	746,817	(2,768)	744,049
-	-	89,770	-	89,770
-	-	581,326	-	581,326
182,212	-	380,235	(182,212)	198,023
-	-	5,703	-	5,703
8,392	-	8,392	(8,392)	-
-	-	18,410	-	18,410
190,883	2,741	1,830,653	(193,372)	1,637,281
(5,417)	92	(267,702)	(1,000)	(268,702)
3,287	-	9,238,897	-	9,238,897
-	-	138,295	-	138,295
-	-	2,962	-	2,962
-	-	-	-	-
3,287	-	9,380,154	-	9,380,154
1,000	-	1,000	(1,000)	-
(3,130)	92	9,111,452	-	9,111,452