TORONTO TRANSIT COMMISSION
REPORT NO.

MEETING DATE: May 28, 2014

SUBJECT: Draft Consolidated Financial Statements of Toronto Transit Commission for the Year Ended December 31, 2013

ACTION ITEM

RECOMMENDATION

It is recommended that the Board:

1) Approve the draft consolidated financial statements of the Toronto Transit Commission, which include the results of TTC's subsidiaries, for the year ended December 31, 2013; and

2) Forward a copy of the approved consolidated financial statements to the City Council after the report is reviewed by the Audit Committee of the City of Toronto on June 27, 2014.

BACKGROUND

The Board's Audit Committee will review the consolidated financial statements of the TTC at its meeting on May 28, 2014.

DISCUSSION

The draft consolidated financial statements of the Toronto Transit Commission for the year ended December 31, 2013 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 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 19 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 Commission'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 (New for 2013)**
   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. This statement is a new PSAS requirement which became effective for TTC, as an Other Government Organization, effective with the fiscal year beginning January 1, 2013.

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.

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 2013 operating budgets reduced subsidy requirements (i.e. non-required budgeted subsidy). The TTC had reduced operating subsidy requirements of $46.0M for conventional transit and $1.7M for Wheel-Trans. This 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 as follows:

$ Millions	TTC Conventional Transit	Wheel-Trans	Total
2013 Operating Expenses[1]	1,485.1	100.8	1,585.9
2013 Operating Revenue	1,120.1	5.7	1,125.8
Current Operating Subsidy Required	365.0	95.1	460.1
Current Operating Subsidy Available	411.0	96.8	507.8
Reduced Operating Subsidy Requirement	**46.0**	**1.7**	**47.7**

The budget for operating subsidy on the consolidated statement of operations is $536.8M and the actual operating subsidy recognized is $467.7M (refer to page 6 of the attached financial statements). The difference between these amounts and the information presented in the table above relate to the portion of environmental expenses funded through capital subsidy, write-down of capital projects as well as accident claims and employee benefits that are funded through the long-term receivables. These expenses were $21.4M under budget.

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:

Item	$ Millions
Capital subsidy revenue	1,054.5
Depreciation expense for assets that were funded through capital subsidy	(289.9)
Entities under the control of TTC	0.2
Other expenses funded through capital subsidy	(31.0)
Total	**733.8**

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

Capital Subsidy Revenue and Depreciation Expense: $764.6M (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 2013, the TTC recognized $1,054.5M in capital subsidy revenue.

The cost of these capital assets, however, is not immediately recorded as an expense as the

[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 and 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 (details can be found on the Consolidated Financial Statements Schedule at the end of the Financial Statements).

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 2013, the TTC recorded $289.9M of depreciation expense which is an estimate of the decline in value of TTC's assets in 2013 due to age and use.

The difference between the capital subsidy revenue ($1,054.5M) noted above and the depreciation expense for subsidized assets ($289.9M), is the source of $764.6M of the accounting surplus, however this amount does not represent surplus funds. The full $1,054.5M 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.

Entities Under the Control of TTC: ($0.2M) (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 $0.2K surplus reported by the Toronto Coach Terminal Inc. is reported in these consolidated financial statements and form part of the TTC's consolidated surplus for the year.

Other Expenses Funded Through Capital Subsidy: ($31.0M)
The Conventional Transit Service expenses include $2.5M of environmental expenses that were funded through the capital subsidy noted above and $28.5M in write-down of capital projects that were funded through capital subsidy in the year originally acquired or constructed.

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 2013.

Following the TTC Board's approval of these statements, two Commissioners will sign off on the consolidated statement of financial position.

In accordance with the City of Toronto Act, 2006, the TTC's consolidated financial statements should be routed to City Council, through the City's Audit Committee.

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Attachment: Draft 2013 Consolidated Toronto Transit Commission Financial Statements

Consolidated Financial Statements of

TORONTO TRANSIT COMMISSION

Year ended December 31, 2013

pwc

May XX, 2014

Independent Auditor's Report

To the Members of the Board of
the Toronto Transit Commission

We have audited the accompanying consolidated financial statements of Toronto Transit Commission, which comprise the consolidated statement of financial position as at December 31, 2013 and the consolidated statement of operations and accumulated surplus, remeasurement gains and losses, net debt and cash flows for the years 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.

pwc

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Toronto Transit Commission as at December 31, 2013 and the results of its operations, remeasurement gains and losses, its net debt and cash flows for the years 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, 2013 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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Consolidated Statement of Financial Position
As at

$000's	December 31, 2013	December 31, 2012
Financial Assets		
Cash and Cash Equivalents (Note 4)	105,587	104,271
Subsidies Receivable (Note 5)	836,729	795,351
Accounts Receivable	75,399	84,084
Portfolio Investments (Note 6)	2,531	2,541
Derivatives (Note 7)	3,887	-
Total Financial Assets	**1,024,133**	**986,247**
Liabilities		
Accounts Payable and Accrued Liabilities	525,405	512,013
Deferred Passenger Revenue	79,295	77,000
Unsettled Accident Claims (Note 8)	156,437	169,821
Employee Future Benefits (Note 9)	485,978	448,066
Environmental liabilities (Note 10)	14,500	15,275
Total Liabilities	**1,261,615**	**1,222,175**
Net Debt	**(237,482)**	**(235,928)**
Non-Financial Assets		
Tangible Capital Assets (Note 11)	7,188,262	6,460,217
Spare Parts and Supplies Inventory	120,080	107,803
Prepaid Expense	1,752	2,821
Total Non-Financial Assets	**7,310,094**	**6,570,841**
Accumulated Surplus	**7,072,612**	**6,334,913**
Accumulated surplus is comprised of:		
Accumulated operating surplus (Note 12)	7,068,725	6,334,913
Accumulated remeasurement gains	3,887	-
	7,072,612	**6,334,913**

See accompanying notes to the consolidated financial statements

Approved: ____________________ ____________________

Commissioner Commissioner

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

$000's	2013 Budget (Note 16)	2013	2012
Operating Revenue			
Passenger Services	1,068,546	1,056,423	1,023,423
Advertising	26,035	25,992	26,097
Outside City Services	18,284	16,851	17,722
Property Rental	21,912	20,451	20,512
Miscellaneous	1,620	6,937	7,758
Total Operating Revenue	**1,136,397**	**1,126,654**	**1,095,512**
Subsidy Revenue			
Operating Subsidies (Note 13)	536,845	467,732	480,571
Capital Subsidies (Note 14)	1,539,308	1,054,467	1,216,022
Total Subsidy Revenue	**2,076,153**	**1,522,199**	**1,696,593**
Total Revenue	**3,212,550**	**2,648,853**	**2,792,105**
EXPENSES			
Conventional Transit Service	1,846,076	1,799,791	1,811,854
Wheel-Trans	116,259	114,550	111,524
Other Functions	568	700	3,263
Total Expenses (Note 15)	**1,962,903**	**1,915,041**	**1,926,641**
Surplus for the year	**1,249,647**	**733,812**	**865,464**
Accumulated surplus, beginning of the year		6,334,913	5,469,449
Accumulated surplus, end of the year		**7,068,725**	**6,334,913**

See accompanying notes to the consolidated financial statements

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

$000's	2013
Accumulated Remeasurement Gains / (Losses), beginning of year	-
Transition Remeasurements	869
Accumulated Remeasurement Gains (Jan 1, 2013)	869
Unrealized gains in the current year (Note 7)	4,900
Amounts reclassified to Statement of Operations	(1,882)
Accumulated Remeasurement Gains, end of year	**3,887**

See accompanying notes to the consolidated financial statements

Consolidated Statement of Net Debt
For the year ended December 31

$000's	2013 Budget	2013 Actual	2012 Actual
Surplus for the year	1,249,647	733,812	865,464
Change in capital assets			
Acquisitions	(1,562,679)	(1,075,309)	(1,234,978)
Amortization	321,142	318,793	289,159
Disposals	-	8,633	50
Write-downs	-	19,838	616
Total Change in Capital Assets	(1,241,537)	(728,045)	(945,153)
Change in Pension Benefit Asset	-	-	84,884
Change in Spare Parts and Supplies	-	(12,277)	(6,198)
Change in Prepaid Expenses	-	1,069	2,200
Effect of remeasurement gains / (losses) for the year	-	3,887	-
Change in Net Debt	8,110	(1,554)	1,197
Net Debt, beginning of year		(235,928)	(237,125)
Net Debt, end of year		**(237,482)**	**(235,928)**

See accompanying notes to the consolidated financial statements

Consolidated Statement of Cash Flows
For the year ended December 31

$000's	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from passenger services	1,058,717	1,024,273
Operating subsidies received	491,298	450,089
Non-passenger revenue received	67,013	71,398
Cash paid for wages, salaries and benefits	(1,144,022)	(1,112,029)
Cash paid to suppliers	(385,294)	(312,944)
Cash paid for accident claims	(35,944)	(24,578)
Cash provided by operating activities	51,768	96,209
CASH FLOWS FROM CAPITAL ACTIVITIES		
Capital asset acquisitions	(1,038,184)	(1,215,996)
Capital asset disposal proceeds	1,764	1,957
Capital subsidies received	985,968	1,161,726
Cash (used in) capital activities	(50,452)	(52,313)
Increase in cash and cash equivalents during the year	1,316	43,896
Cash and cash equivalents, beginning of the year	104,271	60,375
Cash and cash equivalents, end of the year	105,587	104,271

See accompanying notes to the consolidated financial statements

Notes to the Consolidated Financial Statements

for the Year Ended December 31, 2013

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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 transit 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. 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, through the regular billing process, and the eligibility criteria and related stipulations has 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 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. 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 money market instruments, such as 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 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	4-26
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 both 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, 2012 – 10 years) and for long-term disability benefits, the amortization period is 12.76 years (December 31, 2012 – 12.25 years). The amortization of the post-employment actuarial 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, post-retirement medical and post-retirement dental plans, varies from 10.9 to 13.6 years (December 31, 2012 – 10.9 to 12.9 years) and for the supplemental funded pension plan, the amortization period is 6 years (December 31, 2012 – 4.4 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.

l. Environmental provision

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 remediation costs are reviewed regularly, based on available information and governing legislation.

m. Financial instruments

In 2013, TTC adopted the new PSAB standard PS3450, Financial Instruments, applicable to Government Organizations with fiscal years beginning on or after April 1, 2012. In accordance with the standard's transition guidance, the financial statements of prior periods, including comparative information have not been restated.

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.

n. Foreign Currency Translation

In 2013, TTC adopted the new PSAB standard PS2601, Foreign Currency Translation, applicable to Government Organizations with fiscal years beginning on or after April 1, 2012. This standard is not materially applicable to TTC's financial statements as TTC has limited foreign currency exposure, described in Note 3.

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, 2013, 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 in place with major financial institutions and the federal and provincial governments and are therefore assessed as low risk.

Two percent of TTC's Accounts Receivable and 100% of Subsidies Receivable are due from the City of Toronto. Of the other Accounts Receivable, which total $73.8 million, $48.8 million is due from federal and provincial governments, other municipalities and transit agencies. Impairment risk on receivables from these governments and government organizations is low. Of the remaining $25.0 million, receivables due from non-governments and non-government organizations, $4.9 million is past due. Although past due, the $4.9 million is deemed collectible and has the following aging:

1-30 days past due: $1.0 million

31-60 days past due: $1.6 million

61-90 days past due: $1.3 million

90+ days past due: $1.0 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 $2.4 million in U.S. dollar financial liabilities which is more than offset by TTC's U.S. dollar cash balance of $2.8 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 financial liabilities amount to $525.4 million and, of this amount, at least $235.1 million is due within one year or less. 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, that will be sufficient to satisfy these liabilities. Construction holdbacks of $106 million are excluded from the $235.1 million in financial liabilities 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, 2013, approximately 45% of 2014's diesel fuel supply has been hedged using the fuel swap agreements.

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 $3.4 million as at December 31, 2013 (December 31, 2012 - $3.0 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:

$000's	2013	2012
Subsidies to be collected within one year		
Capital Subsidy Receivable	383,088	356,241
Operating Subsidy Receivable	81,569	116,329
Total subsidies to be collected within one year	**464,657**	**472,570**
Other recoverable amounts		
Employee Benefits	208,328	183,994
Accident Claims Expenses	44,602	57,742
Construction Holdbacks	106,042	67,170
Future Environmental Costs (note 10)	13,100	13,875
Total Other Recoverable amounts	**372,072**	**322,781**
Total Subsidies Receivable	**836,729**	**795,351**

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 holdbacks will be collected in the year that the holdback is released to the vendor. 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 two bonds, as follows:

$000's	2013	2012
Bank of Nova Scotia Notes (2.25%; May 8, 2015 maturity)	1,985	1,995
City of Toronto bond (8.65%; June 8, 2015 maturity)	546	546
Total portfolio investments	**2,531**	**2,541**

At December 31, 2013, the fair value of the bonds is $2.6 million (December 31, 2012 - $2.6 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, 2013. 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, 2013.

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, 2013, $141.5 million (December 31, 2012 - $154.7 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 million on any one accident. The remainder of the unsettled accident claims liability, $14.9 million, (December 31, 2012 - $15.1 million) relates to general liability claims, net 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**	**PFAD**	**Discounted**
$000's				
As at December 31, 2013	153,886	(11,591)	14,142	156,437
As at December 31, 2012	164,358	(9,870)	15,333	169,821

As at December 31, 2013, the interest rate used to determine the time value of money was 2.33% and reflected the market yield (December 31, 2012 – 1.95%).

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, 2013 for the WSI plan and November 30, 2013 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, 2014 for the WSI plan and November 30, 2014 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, 2012. 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, 2015.

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 55% (December 31, 2012 – 51%) cash and equity index pooled funds which are carried at market and 45% (December 31, 2012 – 49%) 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, 2013. The next actuarial valuation for funding purposes is expected to be performed as at January 1, 2014. The effective date of the most recent valuation for accounting purposes was December 31, 2013.

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 is 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 Commission 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 Commission and the ATU.

The TTC Pension 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. Plan improvements may be adopted by the Board depending on the Plan's funded status.

Effective January 1, 2013, the base year for the TTC pension plan and the funded supplemental pension plans was updated to December 31, 2010 from December 31, 2008. In addition, a 2% (December 31, 2012 - 1%) ad hoc increase 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, 2013. The next required actuarial valuation for funding purposes will be performed as at January 1, 2016. The effective date of the most recent valuation for accounting purposes was December 31, 2013.

The continuity of the change in the employee benefit liabilities including expenses recognized in 2013 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 balance, beginning of the year	202,308	245,012	746	**448,066**	**-**
Current service cost	30,922	15,238	(25)	**46,135**	**64,326**
Interest cost	5,211	12,158	277	**17,646**	**(8,339)**
Amortization of actuarial (gains)/losses:	(1,822)	7,133	(93)	**5,218**	**(80,167)**[1]
Plan amendments	-	-	520	**520**	**60,852**
Change in valuation allowance	-	-	-	**-**	**65,405**
Total Expenses	34,311	34,529	679	**69,519**	**102,077**
Benefits paid	(23,400)	(6,876)	(201)	**(30,477)**	-
Employer contributions	-	-	(1,130)	**(1,130)**	**(102,077)**
Accrued benefit liability balance, end of the year	213,219	272,665	94	**485,978**	-

[1] Includes recognition of an unamortized gain of $60,852 applied against the cost of the plan amendments.

The continuity of the change in the employee benefit liabilities/(asset) including expenses recognized in 2012 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	181,486	217,687	738	**399,911**	**(84,884)**
Current service cost	33,551	14,678	39	**48,268**	**64,485**
Interest cost	5,790	11,470	620	**17,880**	**1,153**
Amortization of actuarial (gains)/losses:	1,797	7,276	(1,129)[1]	**7,944**[1]	**(47,097)**[2]
Plan amendments	2,644	-	745	**3,389**	**31,280**
Change in valuation allowance	-	-	-	**-**	**133,013**
Total Expenses	43,782	33,424	275	**77,481**	**182,834**
Benefits paid	(22,960)	(6,099)	(184)	**(29,243)**	**-**
Employer contributions	-	-	(83)	**(83)**	**(97,950)**
Accrued benefit liability balance, end of the year	202,308	245,012	746	**448,066**	-

[1] Includes recognition of net unamortized gain of $745 applied against the cost of the plan amendments.
[2] Includes recognition of net unamortized gain of $31,280 applied against the cost of the plan amendments.

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

($000s)	**2013**	**2012**
Cost of TTC Pension Fund contributions	102,077	97,950
TTC Pension accounting expense/(income) in excess of contributions	-	84,884
Net cost of TTC Pension	102,077	182,834
Cost of other benefit plans	69,519	77,481
Total cost of plans	171,596	260,315
Less: costs allocated to capital assets	(20,561)	(18,752)
Total costs included in the consolidated Statement of Operations	**151,035**	**241,563**

As shown in the table below, the gross cost of the employee future benefits in 2013 was $171,596,000 (December 31, 2012 - $175,431,000). Of this amount, $20,561,000 (December 31, 2012 – $18,752,000) was charged to capital assets in accordance with the TTC's capitalization policies. The remainder of $151,035,000 (2012- $156,679,000) is the amount included in Wages, Salaries and Benefits reported in Note 15. The impact of the TTC Pension Fund accounting expense of $0 (2012 – $84,884,000) was added for a total employee future benefit cost of $151,035,000 (December 31, 2012 – $241,563,000).

The following table summarizes the employee future benefit costs as included in note 15, expenditure by object.

($000s)	**2013**	**2012**
Cost of TTC Pension Fund contributions	102,077	97,950
Cost of other benefit plans	69,519	77,481
Gross cost of employee benefits	171,596	175,431
Less: Portion of benefit costs charged to tangible capital assets	(20,561)	(18,752)
Employee future benefit costs included in *Wage, Salaries and Benefits* in note 15	151,035	156,679
Employee future benefit costs included in *Pension Fund Accounting Expense In Excess of Contributions* in note 15	-	84,884
Total costs included in the consolidated Statement of Operations	**151,035**	**241,563**

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 $225.2 million (December 31, 2012 - $159.8 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, 2013 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	-	-	7,947	**7,947**	**2,452,060**
Accrued benefit obligations	181,061	362,824	9,260	**553,145**	**1,998,497**
Funded status–(deficit)/ surplus	(181,061)	(362,824)	(1,313)	**(545,198)**	**453,563**
Unamortized (gains)/losses	(32,158)	90,159	1,219	**59,220**	**(228,400)**
Accrued benefit (liability)/ asset	(213,219)	(272,665)	(94)	**(485,978)**	**225,163**
Valuation Allowance					**(225,163)**
Employee benefit (liability)/asset	(213,219)	(272,665)	(94)	**(485,978)**	**-**

Reconciliation of funded status to the employee benefit liabilities and asset as at December 31, 2012 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	-	-	6,286	**6,286**	**2,135,795**
Accrued benefit obligations	179,807	323,377	6,939	**510,123**	**1,916,632**
Funded status–(deficit)/ surplus	(179,807)	(323,377)	(653)	**(503,837)**	**219,163**
Unamortized (gains)/losses	(22,501)	78,365	(92)	**55,772**	**(59,405)**
Accrued benefit (liability)/ asset	(202,308)	(245,012)	(745)	**(448,065)**	**159,758**
Valuation Allowance					**(159,758)**
Employee benefit liability	(202,308)	(245,012)	(745)	**(448,065)**	**-**

The continuity of the change in the accrued benefit obligation including costs recognized in 2013 is as follows:

($000s)	Post-Employment Plans	Post-Retirement Non-Pension Plans	Supplemental Pension Plans	**Total Employee Benefit Liabilities**	**TTC Pension Fund**
Balance, beginning of the year	179,807	323,377	6,939	**510,123**	**1,916,632**
Current service cost	30,922	15,238	(25)	**46,135**	**64,326**
Interest cost	5,211	12,158	563	**17,932**	**114,533**
Loss/(gain) on the obligation	(11,479)	18,927	1,701	**9,149**	**(57,973)**
Employee contributions	-	-	96	**96**	**-**
Benefits paid	(23,400)	(6,876)	(534)	**(30,810)**	**(99,873)**
Plan amendments	-	-	520	**520**	**60,852**
Balance, end of the year	181,061	362,824	9,260	**553,145**	**1,998,497**

The continuity of the change in the accrued benefit obligation including costs recognized in 2012 is as follows:

($000s)	Post-Employment Plans	Post-Retirement Non-Pension Plans	Supplemental Pension Plans	**Total Employee Benefit Liabilities**	**TTC Pension Fund**
Balance, beginning of the year	198,261	281,336	6,633	**486,230**	**1,885,744**
Current service cost	33,551	14,678	39	**48,268**	**64,485**
Interest cost	5,790	11,470	862	**18,122**	**111,230**
Loss/(gain) on the obligation	(37,479)	(1,560)	(985)	**(40,024)**	**(81,947)**
Valuation adjustment	-	23,552	-	**23,552**	-
Employee contributions	-	-	84	**84**	**-**
Benefits paid	(22,960)	(6,099)	(439)	**(29,498)**	**(94,160)**
Plan amendments	2,644	-	745	**3,389**	**31,280**
Balance, end of the year	179,807	323,377	6,939	**510,123**	**1,916,632**

The continuity of the plan assets for the funded pension plans in 2013 is as follows:

($000s)	Supplemental Pension Plan	TTC Pension Fund
Balance, beginning of the year	6,286	2,135,795
Employee contributions	96	-
Employer contributions	1,130	102,077
Expected return on plan assets	286	122,872
Excess on return on plan assets	482	191,189
Benefits paid	(333)	(99,873)
Balance, end of the year	7,947	2,452,060

The continuity of the plan assets for the funded pension plans in 2012 is as follows:

($000s)	Supplemental Pension Plan	**TTC Pension Fund**
Balance, beginning of the year	6,068	**1,912,489**
Employee contributions	84	-
Employer contributions	84	**97,950**
Expected return on plan assets	241	**110,077**
Excess on return on plan assets	64	**109,439**
Benefits paid	(255)	**(94,160)**
Balance, end of the year	6,286	**2,135,795**

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

	2013	2012
Accrued benefit obligations as at December 31:		
Discount rate for post-employment plans	3.6%	3.1%
Discount rate for post-retirement, non-pension plans	4.4%	3.8%
Discount rate for supplemental pension plans	4.25% to 4.4%	3.8% to 4.25%
Discount rate for TTC Pension Fund	6.25%	5.75%
Rate of increase in earnings	2.0% to 3.25%	2.0% to 3.25%
Benefit costs for the years ended December 31:		
Discount rate for post-employment plans	3.1%	3.1%
Discount rate for post-retirement, non-pension plans	3.8%	3.8%
Discount rate for supplemental pension plans	3.8% to 4.25%	3.8% to 4.0%
Discount rate for TTC Pension Fund	5.75%	5.75%
Rate of increase in earnings	2.0% to 3.25%	3.0% to 3.75%
Expected rate of return on assets, supplemental pension plan	4.25%	4.0%
Actual rate of return on assets, supplemental pension plan	11.4%	5.1%
Expected rate of return on assets, TTC Pension Fund	5.75%	5.75%
Actual rate of return on assets, TTC Pension Fund	14.8%	11.5%

The TTC's annual rate of growth for post-retirement drug costs was estimated at 14.4% for males and 12% for females. These rates consist of a drug trend rate of 7% per annum (decreasing to 4.5% per annum over 15 years) 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)	2013	2012
Fair value of plan assets	4,904,119	4,271,590
Accrued benefit obligations	3,996,993	3,833,264
Funded status - surplus	907,126	438,326

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.

The amount accrued represents the estimated costs of remediating, monitoring and containing sites with known contamination for which the TTC is responsible. The estimate of environmental liabilities is based on a number of 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.

11. TANGIBLE CAPITAL ASSETS

The cost of tangible capital assets is as follows:

($000s)			Cost December 31, 2013		
	Beginning	**Additions**	**Disposals**	**Write-downs**	**Ending**
Subways	2,366,079	53,930	-	-	2,420,009
Buildings & Structures	1,146,151	85,174	-	-	1,231,325
Rolling Stock	1,696,210	338,676	(81,108)	-	1,953,778
Buses	1,447,953	36,397	(5,381)	-	1,478,969
Trackwork	1,546,987	42,740	-	-	1,589,727
Other Equipment	700,004	54,048	(1,369)	-	752,683
Traction Power	360,347	38,660	-	-	399,007
Land	12,854	-	-	-	12,854
Construction in Progress	2,541,161	425,684	-	(13,107)	2,953,738
Total	**11,817,746**	**1,075,309**	**(87,858)**	**(13,107)**	**12,792,090**

($000s)			Cost December 31, 2012		
	Beginning	**Additions**	**Disposals**	**Write-downs**	**Ending**
Subways	2,313,731	52,348	-	-	2,366,079
Buildings & Structures	1,113,437	32,714	-	-	1,146,151
Rolling Stock	1,518,944	219,028	(41,762)	-	1,696,210
Buses	1,397,178	67,490	(16,715)	-	1,447,953
Trackwork	1,499,363	47,624	-	-	1,546,987
Other Equipment	650,296	53,104	(3,396)	-	700,004
Traction Power	340,030	20,317	-	-	360,347
Land	12,854	-	-	-	12,854
Construction in Progress	1,799,424	742,353	-	(616)	2,541,161
Total	**10,645,257**	**1,234,978**	**(61,873)**	**(616)**	**11,817,746**

The accumulated amortization for tangible capital assets is:

($000s)	Accumulated Amortization December 31, 2013				
	Beginning	Amortization	Disposals	Write-downs	Ending
Subways	1,128,162	44,925	-	-	1,173,087
Buildings & Structures	442,669	34,751	-	-	477,420
Rolling Stock	970,580	65,407	(72,475)	6,731	970,243
Buses	890,394	64,564	(5,381)	-	949,577
Trackwork	1,146,437	41,989	-	-	1,188,426
Other Equipment	521,065	60,904	(1,369)	-	580,600
Traction Power	258,222	6,253	-	-	264,475
Total	**5,357,529**	**318,793**	**(79,225)**	**6,731**	**5,603,828**

($000s)	Accumulated Amortization December 31, 2012			
	Beginning	Amortization	Disposals	Ending
Subways	1,084,578	43,584	-	1,128,162
Buildings & Structures	409,993	32,676	-	442,669
Rolling Stock	960,758	51,584	(41,762)	970,580
Buses	844,226	62,883	(16,715)	890,394
Trackwork	1,106,143	40,294	-	1,146,437
Other Equipment	471,421	52,990	(3,346)	521,065
Traction Power Distribution	253,074	5,148	-	258,222
Total	**5,130,193**	**289,159**	**(61,823)**	**5,357,529**

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

($000s)	Net Book Value 2013	Net Book Value 2012
Subways	1,246,922	1,237,917
Buildings & Structures	753,905	703,482
Rolling Stock	983,535	725,630
Buses	529,392	557,559
Trackwork	401,301	400,550
Other Equipment	172,083	178,939
Traction Power Distribution	134,532	102,125
Land	12,854	12,854
Construction in Progress	2,953,738	2,541,161
Total	**7,188,262**	**6,460,217**

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:

$000's	2013	2012
Invested in Tangible Capital Assets	7,058,330	6,324,811
Accumulated surplus (deficit) from TTC subsidiaries	(3,746)	(4,039)
Accumulated surplus generated through operating budget	14,141	14,141
Total	**7,068,725**	**6,334,913**

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. The variance between this amount and the amount reported in note 11, ($129,932 (2012 - $135,406)) represents the net book value of capital assets that have been funded by the TTC. Of this, $125,530 (2012 - $130,451) will be recovered through future operating subsidies. The remaining $4,402 (2012- $4,955) 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:

$000's		2013		2012
	Conventional	Wheel-Trans	Total	Total
- Province of Ontario Gas tax (note 14(b))	91,600	-	91,600	91,600
- City of Toronto	279,937	96,195	376,132	388,971
Total operating subsidies	**371,537**	**96,195**	**467,732**	**480,571**

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 (2012 - $91.6 million) from the provincial gas tax (see note 14(b)).

City of Toronto subsidy

$000's		2013		2012
	Conventional	Wheel-Trans	Total	Total
Operating subsidy from the City of Toronto (see above)	279,937	96,195	376,132	388,971
City special costs	3,549	-	3,549	3,474
Future Recoverable amounts				
Accident Claims	13,140		13,140	5,393
Employee Benefits	(23,230)	(1,105)	(24,335)	(24,376)
Total City operating subsidies (in accounts of the City of Toronto)	**273,396**	**95,090**	**368,486**	**373,462**

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).

14. CAPITAL SUBSIDIES

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

$000's	2013	2012
Source of capital subsidies:		
- City of Toronto	710,846	771,261
- Province of Ontario	155,377	243,467
- Federal Government of Canada	157,839	163,256
- Other	30,405	38,038
Total capital subsidies	**1,054,467**	**1,216,022**

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 2013 capital subsidy of $1,024.1 million (2012 - $1,178.0 million). Amounts claimed from the City do not include a $2.5 million expenditure (2012 – $0.4 million) for property purchased and owned by the City but for the jurisdictional use of the TTC. Other funding of $30.4 million (2012 - $38.0 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 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 2013, $366.6 million (2012 - $422.6 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:

$000's	2013	2012
Source of capital subsidies:		
- Metrolinx Quick Wins	58,648	106,611
- Gas Tax	71,617	74,988
- LRT Car Project	21,548	36,735
- Vehicle funding programs	-	13,180
- Canada Strategic Infrastructure Fund	3,564	8,770
- Transit Technology Infrastructure Program	-	3,183
Total provincial capital subsidies	**155,377**	**243,467**

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 $337.7 million has been recognized by the TTC for the eligible expenditures to date, including $58.6 million applied to capital projects in 2013 (2012 - $106.6 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 $0.6 million has been drawn through the City for 2013 expenditures (2012 - $66.7 million) for costs incurred by the TTC in 2013 and the eligible expenditures to date are $254.9 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 1½¢/litre, effective October 2005, and then to 2¢/litre, effective October 2006. Of the anticipated $163.6 million (2012 - $166.6 million, including the unapplied funds in reserve from the 2011 gas tax of $4.4 million) in Provincial Gas Tax available, the City has directed $91.6 million for 2013 (2012 - $91.6 million) toward the TTC's operating needs (note 13) with the remainder of $72.0 million (2012 - $75 million, including the unapplied funds in reserve from the 2011 gas tax of $4.4 million) directed to capital needs. In 2013, $71.6 million was applied to capital additions and recognized as capital subsidy revenue for the year ended December 31, 2013 and the balance of $0.4 million (2012 – nil) will be applied to future needs.

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. In 2012 the Province drafted the Transfer Payment Agreement and was approved and signed in January 2013. Funding of $145.8 million has been recognized against the project to date including $21.5 million for 2013 (2012 - $36.7 million).

Vehicle Funding Programs

In 2007, the Province provided funding of $150 million to address the TTC's unique rolling stock requirement which was paid 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. As at December 31, 2012, funding in this reserve was fully drawn and exhausted (2012 - $13.2 million recognized).

Canada Strategic Infrastructure Fund

Provincial funding under the Canada Strategic Infrastructure Fund ("CSIF") was originally $350 million in total for the years 2004 to 2014 (see note 14(c)). The Provincial share of $303.3 million CSIF commitment (net of the GTA Farecard Project 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, including $3.6 million for 2013 (2012 - $8.8 million). In 2012, Metrolinx assumed ownership of the GTA Farecard Project through Presto and the GTA Farecard portion of $46.7 million was allocated to them.

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. As at December 31, 2012, funding in this reserve was fully drawn and exhausted (2012 - $3.2 million recognized).

c. Federal Government of Canada

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

$000's	2013	2012
Source of capital subsidies:		
- Gas tax funding	154,367	154,367
- Canada Strategic Infrastructure Fund	3,472	8,889
Total federal capital subsidies	**157,839**	**163,256**

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 2013 (2012 – $154.4 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) under CSIF, to fund strategic capital project requirements during the period March 2004 to 2012. This has since been extended to March 31, 2014. To date, federal funding for the eligible expenditures incurred amounts to $296.8 million, of which $3.5 million has been accrued in 2013 (2012 - $8.9 million). Metrolinx has assumed ownership of the GTA Farecard project and therefore $46.5 million of the original $350 million will be allocated to Metrolinx.

15. EXPENDITURES BY OBJECT

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

$000's	2013	2012
Wages, salaries and benefits	1,171,560	1,158,352
Materials, services and supplies	213,880	178,414
Vehicle fuel	95,457	93,529
Accident claims	22,560	36,566
Electric traction power	40,220	35,286
Wheel-Trans contract services	34,337	32,728
Utilities	18,234	17,723
Amortization (Operating Budget)	28,846	27,194
Amortization (Assets funded through capital subsidy)	289,947	261,965
Pension Fund Society Expense in excess of employer contributions	-	84,884
Total Expenditures	**1,915,041**	**1,926,641**

16. BUDGET DATA

Budget data presented in these consolidated financial statements is based upon the 2013 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	1,537,469	102,369	568	1,640,406
Other Recoverable Expenses	31,360	1,190	-	32,550
Amortization of previously subsidized assets	277,247	12,700	-	289,947
Total budgeted expenses per consolidated financial statements	**1,846,076**	**116,259**	**568**	**1,962,903**

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 2013, the average interest rate applicable to Reserve Funds was 0.9% (2012 – 0.82%). Two of the Reserve Funds, the Ontario Stock Infrastructure Reserve Fund (ORSIF) and the Transit Technology Infrastructure Program (TTIP) were fully drawn in 2012.

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	2013 Total	2012 Total
Balance, beginning of the year	24,666	656	25,322	25,316
Draws	-	-	-	-
Interest earned	-	6	6	6
Balance, end of the year	**24,666**	**662**	**25,328**	**25,322**

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.

Land Acquisition Reserve Fund

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

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

($000s)	PGT	CSIF	MO2020	2013 Total	2012 Total
Balance, beginning of year	-	18,716	190,753	209,469	343,397
Provincial contributions	163,625	-	-	163,625	161,579
Draws	(163,217)	(3,564)	(58,648)	(225,429)	(298,332)
Interest earned	-	178	1,834	2,012	2,825
Balance, end of year	**408**	**15,330**	**133,939**	**149,677**	**209,469**

Provincial Gas Tax

Of $163.6 million (2012 - $166.6 million, including the unapplied funds in reserve from the 2011 gas tax of $4.4 million) in Provincial Gas Tax available, the City has directed $91.6 million for 2013 (2012 - $91.6 million) toward the TTC's operating needs (note 13) with the remainder of $72.0 million (2012 - $75 million, including the unapplied funds in reserve from the 2011 gas tax of $4.4 million) of the allocation applied to capital needs. In 2013, $71.6 million was applied to capital needs (note 14) and the balance of $0.4 million (2012 – nil) will be applied to future needs.

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 TTC strategic capital projects. Of the total payment received, $304.4 million has been applied to accumulated funding recognized by the TTC to date, of which $3.6 million was drawn from the reserve fund in 2013 (2012 - $8.8 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, $279.1 million has been applied to accumulated funding recognized by the TTC to date for capital expenditures, including $58.6 million drawn from the reserve fund in 2013 (2012 - $106.6 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 2013.

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. The outstanding commitment is $0.9 million which is expected to be extinguished by the end of 2014.

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 21 H6 replacement trainsets for a total contract cost of $1,198.3 million. At December 31, 2013, 46 trainsets had been delivered at a cost of $1,015.0 million (included in construction in progress - note 11) and the outstanding commitment is $183.3 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, 2013 the total cost of the contract is $1,000.8 million, Three LRV prototypes have been delivered for testing and the balance of deliveries will commence in 2014 with all 204 cars scheduled for delivery by 2018. At December 31, 2013 the TTC had incurred costs of $460.4 million (included in construction in progress – note 11), and the outstanding commitment is $540.4 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 bringing the total delivery requirement to153 buses for a total contract cost of $138.9 million At December 31, 2013, 11 buses had been delivered including 1 prototype and incurred costs are $7.3 million. The balance of deliveries is scheduled for 2014 and the outstanding commitment is $131.6 million.

f. The TTC has contracts for the construction and implementation of various capital projects. At December 31, 2013, these contractual commitments are approximately $1,122.8 million (2012– $1,375.6 million). Of this amount, contractual commitments of $676.4 million (2012 – $924.9 million) relate to the Toronto York Spadina Subway Extension project, $43.8 million (2012 - $51.8 million) relate to the Toronto Water Front projects and $402.6 million (2012 - $398.9 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)
2014	13,740
2015	10,704
2016	8,691
2017	6,115
2018	2,617
Thereafter	-
Total	41,867

19. COMPARATIVE AMOUNTS

The comparative consolidated financial statements have been regrouped from statements previously presented to conform with the presentation adopted in 2013.

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Supplementary Schedules

Year ended December 31, 2013

CONSOLIDATED FINANCIAL STATEMENTS – As at and for the Year ended December 31, 2013

($000s)	TORONTO TRANSIT COMMISSION (TTC)	WHEEL-TRANS (WT)	TORONTO TRANSIT INFRASTRUCTURE LIMITED (TTIL)
STATEMENT OF OPERATIONS			
REVENUE			
Passenger services	1,050,768	5,655	-
Advertising	25,992	-	-
Outside City Services	16,851	-	-
Property rental	19,251	-	-
Miscellaneous	7,379	-	-
Total Operating Revenue	1,120,241	5,655	-
SUBSIDIES			
Operating Subsidy	371,537	96,195	-
Capital Subsidy	1,054,467	-	-
Total Subsidy Revenue	1,426,004	96,195	-
EXPENSES			
Wages, salaries and benefits	1,117,967	53,732	-
Materials, services and supplies	204,464	9,405	-
Vehicle fuel	91,759	3,698	-
Accident Claims	22,217	303	-
Electric traction power	40,220	-	-
Wheel-Trans contract services	-	34,337	-
Utilities	17,859	375	-
Depreciation (Operating Budget)	28,293	-	-
Depreciation subsidized assets	289,947	-	-
PFS (Income)	-	-	-
Total Expenses	1,812,726	101,850	-
Surplus (deficit) for the year	733,519	-	-
Accumulated surplus (deficit), beginning of the year	6,338,952	-	1
Accumulated Surplus (deficit), end of the Year	7,072,471	-	1
Not on TTC Financial Statements			
Operating subsidies from the City (as above)	371,537	96,195	-
Operating subsidy - long-term payable for accident claims	13,140	-	-
Operating subsidy - long-term payable for employee	(23,230)	(1,105)	-
City special costs	3,549	-	-
Total City Operating Subsidy - Current	364,996	95,090	-
Statement of Financial Position			
Financial Assets			
Cash and cash equivalents	101,623	-	1
Subsidies Receivable	836,729	-	-
Accounts Receivable	75,367	-	-
Portfolio Investments	2,531	-	-
Derivative Investments	3,887	-	-
Advances to and investment in subsidiary	11,916	-	-
Indemnity receivable from the TTC	-	-	-
Total Financial Assets	1,032,053	-	1
Liabilities			
Accounts payable and accrued liabilities	525,177	-	-
Deferred passenger revenue	79,295	-	-
Future Employee Benefit Liabilities	485,978	-	-
Unsettled accident claims	156,437	-	-
Environmental Liabilities	14,500	-	-
Due to parent	-	-	-
Total Liabilities	1,261,387	-	-
Net Debt	(229,334)	-	1
Non-Financial Assets			
Tangible Capital Assets	7,183,860	-	-
Spare parts and supplies inventory	120,080	-	-
Prepaid Expenses	1,752	-	-
Accrued Pension Benefit Asset	-	-	-
Total Non-Financial Assets	7,305,692	-	-
Capital Stock	-	-	-
Accumulated Surplus (deficit)	7,076,358	-	1

TORONTO COACH TERMINAL INC. CONSOLIDATED (TCTI)	SICK BENEFIT ASSOCIATION (SBA)	TOTAL BEFORE INTERCOMPANY ELIMINATIONS	INTERCOMPANY ELIMINATIONS	CONSOLIDATED FINANCIAL STATEMENTS
-	-	1,056,423	-	1,056,423
-	-	25,992	-	25,992
-	-	16,851	-	16,851
1,200	-	20,451	-	20,451
62	275	7,716	(779)	6,937
1,262	275	1,127,433	(779)	1,126,654
-	-	467,732	-	467,732
-	-	1,054,467	-	1,054,467
-	-	1,522,199	-	1,522,199
5	273	1,171,977	(417)	1,171,560
411	2	214,282	(402)	213,880
-	-	95,457	-	95,457
-	-	22,520	40	22,560
-	-	40,220	-	40,220
-	-	34,337	-	34,337
-	-	18,234	-	18,234
553	-	28,846	-	28,846
-	-	289,947	-	289,947
-	-	-	-	-
969	275	1,915,820	(779)	1,915,041
293	-	733,812	-	733,812
(4,132)	92	6,334,913	-	6,334,913
(3,839)	92	7,068,725	-	7,068,725
-	-	467,732	-	-
-	-	13,140	-	-
-	-	(24,335)	-	-
-	-	3,549	-	-
-	-	460,086	-	-
3,898	65	105,587	-	105,587
-	-	836,729	-	836,729
5	2,502	77,874	(2,475)	75,399
-	-	2,531	-	2,531
-	-	3,887	-	3,887
-	-	11,916	(11,916)	-
141,462	-	141,462	(141,462)	-
145,365	2,567	1,179,986	(155,853)	1,024,133
259	2,475	527,911	(2,506)	525,405
-	-	79,295	-	79,295
-	-	485,978	-	485,978
141,462	-	297,899	(141,462)	156,437
-	-	14,500	-	14,500
10,885	-	10,885	(10,885)	-
152,606	2,475	1,416,468	(154,853)	1,261,615
(7,241)	92	(236,482)	(1,000)	(237,482)
4,402	-	7,188,262	-	7,188,262
-	-	120,080	-	120,080
-	-	1,752	-	1,752
-	-	-	-	-
4,402	-	7,310,094	-	7,310,094
1,000	-	1,000	(1,000)	-
(3,839)	92	7,072,612	-	7,072,612