TORONTO COACH TERMINAL INC.
REPORT NO.

MEETING DATE: June 21, 2012

SUBJECT: CONSOLIDATED FINANCIAL STATEMENTS OF TORONTO COACH TERMINAL INC. FOR THE YEAR ENDED DECEMBER 31, 2011

ACTION ITEM

RECOMMENDATION

It is recommended that the Board:

(i) Approve the attached consolidated financial statements of the Toronto Coach Terminal Inc. (TCTI) for the year ended December 31, 2011; and

(ii) Forward a copy of the approved consolidated financial statements to the Shareholder for information; and to the City Manager, as requested by the City Budget Committee at its meeting held on March 27, 2012.

BACKGROUND

The Toronto Coach Terminal's Audit Committee reviewed the consolidated financial statements of TCTI at its meeting on April 30, 2012. After due consideration, the Audit Committee approved the submission of the consolidated financial statements for the year ended December 31, 2011 to the Special Meeting of Directors for approval.

DISCUSSION

The consolidated financial statements for the year ended December 31, 2011 are hereby submitted for approval.

In December 2009, the Canadian Institute of Chartered Accountants ("CICA") amended the Public Sector Accounting Standards. Under the new standards, the Terminal is now classified as an "other government organization" and has elected to adopt the Public Sector Accounting Standards ("PSAS").

The financial statements for 2010, originally prepared under Canadian generally accepted accounting principles (GAAP) at that time, have been retrospectively restated using accounting policies permissible under PSAS.

The financial statement presentation for assets and liabilities is now based on the concept of net debt. Under this model, the Balance Sheet has been replaced with a Statement of Financial Position, and a Statement of Change in Net Debt has been added. In addition, expenditures on the Statement of Operations have been reclassified to present expenditures by function as opposed to the expenditures by object. Presentation of expenditures by object is found in note 7(b).

In past years, TCTI made an election not to consolidate the results of its investment in its subsidiary, the TTC Insurance Company (TTCIC) and instead chose to account for this investment on a cost basis. However, under PSAS, the option to account for the wholly-owned investment at cost is no longer available, and TCTI is now required to consolidate TTCIC's results in its financial statements.

Other than the changes in the financial statement presentation, there was no impact on the Statement of Operations and Accumulated Deficit as at January 1, 2010 and December 31, 2010, with adoption of PSAS.

Formal approval of these consolidated financial statements should be signified by the signatures of two directors on the Statement of Financial Position.

Staff would be pleased to answer any questions that you may have about the financial statements for 2011.

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Consolidated Financial Statements of

TORONTO COACH TERMINAL INC.

Year ended December 31, 2011

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Independent Auditor's Report

To the Chair and Members of the Toronto Coach Terminal Inc.

We have audited the accompanying consolidated financial statements of the Toronto Coach Terminal Inc., which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the consolidated statements of net debt as at December 31, 2011 and December 31, 2010 and the consolidated statements of operations and accumulated surplus 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 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 the 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Toronto Coach Terminal Inc. as at December 31, 2011, December 31, 2010 and January 1, 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Canada
May 18, 2012

TORONTO COACH TERMINAL INC.

Consolidated Statement of Financial Position
(in thousands of Canadian dollars)

As at	Dec 31 2011	Dec 31 2010	Jan 1 2010
FINANCIAL ASSETS			
Cash and cash equivalents (Note 9)	8,570	6,792	6,074
Accounts receivable	60	70	38
Indemnity receivable from the TTC (Note 11)	144,772	127,442	110,953
Total Financial Assets	153,402	134,304	117,065
LIABILITIES			
Accounts payable and accrued liabilities	713	706	1,384
Advances from parent (Note 5)	16,134	15,607	15,212
Insurance Liabilities (Note 12)	144,772	127,442	110,953
Total Liabilities	161,619	143,755	127,549
NET DEBT	(8,217)	(9,451)	(10,484)
NON-FINANCIAL ASSETS			
Tangible capital assets (Note 4)	5,569	6,129	6,698
Prepaid expenses	3	9	0
	5,572	6,138	6,698
Capital Stock (Note 10)	1,000	1,000	1,000
Accumulated (Deficit)	(3,645)	(4,313)	(4,786)

See accompanying notes to the consolidated financial statements

On behalf of the Board:

____________________ Director

____________________ Director

TORONTO COACH TERMINAL INC.

Consolidated Statement of Operations and Deficit
Years ended December 31
(in thousands of Canadian dollars)

	2011 BUDGET	2011 ACTUAL	2010 ACTUAL
	(unaudited) (Note 6)		
REVENUE			
Commissions and fees on ticket sales	3,853	4,072	4,020
Property rental	1,356	1,389	1,161
Miscellaneous	281	292	250
Total revenue	5,490	5,753	5,431
EXPENSES			
Customer Service and Information (Note 7)	2,140	2,129	2,085
Terminal and Building Management (Note 7)	3,140	2,925	2,856
Insurance Company Management	26	31	16
Total expenses	5,306	5,085	4,957
Annual Surplus	184	668	474
Accumulated (Deficit), beginning of year	(4,313)	(4,313)	(4,787)
Accumulated (Deficit), end of year	(4,129)	(3,645)	(4,313)

See accompanying notes to the consolidated financial statements

TORONTO COACH TERMINAL INC.

Consolidated Statement of Change in Net Debt
Years ended December 31
(in thousands of Canadian dollars)

	2011 BUDGET (unaudited) (Note 6)	2011 ACTUAL	2010 ACTUAL
Annual Surplus	184	668	474
Amortization of tangible capital assets	574	560	569
Change due to tangible capital assets	574	560	569
Change in prepaid expenses	-	6	(10)
Decrease in net debt	758	1,234	1,033
Net debt - Beginning of year	(9,451)	(9,451)	(10,484)
Net debt - End of year	(8,693)	(8,217)	(9,451)

See accompanying notes to the consolidated financial statements

TORONTO COACH TERMINAL INC.

Consolidated Statement of Cash Flows
Years ended December 31
(in thousands of Canadian dollars)

	2011	2010
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Cash received from commissions	4,072	4,020
Cash paid to employees	(2,810)	(2,893)
Cash paid to suppliers	(1,175)	(1,788)
Cash received for interest	101	40
Other cash received	1,590	1,339
Net cash flows from operating activities	1,778	718
Net increase in cash and cash equivalents during the year	1,778	718
Cash and cash equivalents, beginning of year	6,792	6,074
Cash and cash equivalents, end of year	8,570	6,792

See accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS

Toronto Coach Terminal Inc. (the "Company") was incorporated in Ontario by Letters Patent dated June 28, 1927. The Company owns and operates a coach terminal located in the City of Toronto (the "City") and is wholly owned by the Toronto Transit Commission (the "TTC"). The Company wholly owns the TTC Insurance Company Ltd. ("Insurance Co."). The Insurance Company was incorporated on March 9, 1994 under the Ontario Corporations Act and provides insurance coverage for compulsory automobile personal injury and accident benefit claims for the TTC.

2. ADOPTION OF AND TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS

In December 2009, the Canadian Institute of Chartered Accountants ("CICA") amended the Public Sector Accounting Standards. Under the new standards, the Company is now an "other government organization" and given the nature of its operations, has elected to adopt Public Sector Accounting Standards. These financial statements are the first financial statements prepared in accordance with Public Sector Accounting Standards (PSAS). In accordance with PS 2125 – First-Time Adoption by Government Organizations, the updated accounting policies have been applied retroactively, with a transition date of January 1, 2010. None of the optional exemptions available under PS 2125 were elected by, nor applicable to, the Company.

The adoption of Public Sector Accounting Standards had no impact on the financial statements of the Company or its subsidiary, the Insurance Company, as at January 1, 2010 and December 31, 2010. However, since under PSAS the Company is required to consolidate its subsidiary, the opening and comparative results have been restated to incorporate the consolidation of the Insurance Co.

The Company adopted the recommendations of Section PS 1201 - Financial Statement Presentation. Financial statement presentation for assets and liabilities is now based on the concept of net debt. Under this model, the Balance Sheet has been replaced with a Statement of Financial Position, and a Statement of Change in Net Debt has been added. In addition, expenditures on the Statement of Operations have been reclassified to present expenditures by function as opposed to expenditures by object. Presentation of expenditures by object is found in note 7. Since the company holds all investments in the form of cash and cash equivalents, a Statement of Remeasurement Gains and Losses has not been presented.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation
These financial statements are prepared in accordance with the Public Sector Accounting Handbook. The Company has elected to early adopt PS 3450 Financial Instruments.

(b) Basis of consolidation
The consolidated financial statements include the financial results of the Company's subsidiary, TTC Insurance Company Limited.

(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 at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period.

Specifically, the recognized amounts of insurance liabilities are based on the Company's best information and judgment. These estimates and other judgments are continuously evaluated based on management's experience and expectations about future events. Any variation in the ultimate insurance liability incurred will be offset by a corresponding change in the indemnity receivable and recognized in the current period. In addition, depreciation expense is based on the asset lives described in note 3e.

(d) **Cash and Cash Equivalents**
Cash and cash equivalents consist of funds on deposit with a chartered bank.

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

Asset	Rate
Buildings	30 years
Furniture, fixtures and other equipment	5 to 15 years

(f) **Commissions and fees on ticket sales**
Revenue is recognized when bus tickets are sold to passengers that secure a ride on one of the Company's tenant carrier buses.

(g) **Property rental**
The Company earns rental revenue for the use of the Company's bus platforms, office and retail space and parking facilities. Revenue is recognized in accordance with the various rental agreements which are usually based on a fixed rate per month or fee per use.

(h) **Miscellaneous Revenue**
Miscellaneous Revenue is mainly comprised of locker revenue, which is earned through the rental of lockers to bus passengers travelling on inter-city coach services. Revenue is recognized when the lockers are used.

(i) **Insurance Liabilities**
Insurance liabilities reflect an actuarial assessment of the automobile claims liability on the basis mandated by the Financial Services Commission of Ontario. When a claim is reported, a case reserve is established by adjusters and lawyers employed by the TTC. The liability includes an actuarially estimated provision for claims incurred but not yet reported and internal and external adjustment expenses. Claims provisions are first discounted to reflect the time value of money and provisions for adverse deviations are added in accordance with accepted actuarial practice and the requirements of the Financial Services Commission of Ontario.

4. TANGIBLE CAPITAL ASSETS

The tangible capital assets of the Company consist of the following:

(in $000s)	Cost	Opening Accumulated Depreciation	2011 Depreciation	Closing Accumulated Depreciation	Net Book Value 2011
Land	886	-	-	-	886
Buildings	15,107	9,926	552	10,478	4,629
Furniture, fixtures & other equipment	695	633	8	641	54
	16,688	10,559	560	11,119	5,569

(in $000s)	Cost	Opening Accumulated Depreciation	2010 Depreciation	Closing Accumulated Depreciation	Net Book Value 2010
Land	886	-	-	-	886
Buildings	15,107	9,374	552	9,926	5,181
Furniture, fixtures & other equipment	695	616	17	633	62
	16,688	9,990	569	10,559	6,129

5. ADVANCES FROM PARENT

The advance from parent consists of the following:

(in $000s)	2011	2010
Current liability	518	445
Accrued interest on loan	10,177	9,723
Demand loan payable, at prime	5,439	5,439
Total advances from parent	16,134	15,607

Interest expense on the demand loan amounted to $455,000 (2010 - $382,000).

6. BUDGET DATA

Budget data presented in these consolidated financial statements is based upon the 2011 operating budget approved by the Board of Directors of the Toronto Coach Terminal Inc.

7. SEGMENT DISCLOSURES AND EXPENDITURES BY OBJECT

(a) The following tables provide a breakdown of the consolidated statement of financial position, based upon the two segments of the Company, the Coach Terminal ("TCTI") and the Insurance Company ("TTCIC"). The figures exclude TCTI's investment of $100,000 (2010 - $100,000) in TTCIC and TCTI's advance to TTCIC of $2.9 million (2010 - $2.5 million), as they are eliminated upon consolidation.

(in $000s) 2011	TCTI	TTCIC	Total
Financial Assets			
Cash	5,566	3,004	8,570
Accounts Receivable	57	3	60
Indemnity receivable from the TTC	-	144,772	144,772
Total Financial Assets	5,623	147,779	153,402
Liabilities			
Accounts payable and accrued liabilities	706	7	713
Advances from parent	16,134	-	16,134
Insurance Liabilities	-	144,772	144,772
Total Liabilities	16,840	144,779	161,619
Non-Financial Assets			
Prepaid expenses	3	-	3
Tangible capital assets	5,569	-	5,569
Total Non-Financial Assets	5,572	-	5,572
Capital Stock	1,000	-	1,000
Accumulated (Deficit)	(3,645)	-	(3,645)

(in $000s) 2010	TCTI	TTCIC	Total
Financial Assets			
Cash	4,192	2,600	6,792
Accounts Receivable	63	7	70
Indemnity receivable from the TTC	-	127,442	127,442
Total Financial Assets	4,255	130,049	134,304
Liabilities			
Accounts payable and accrued liabilities	700	6	706
Advances from parent	15,607	-	15,607
Insurance Liabilities	-	127,442	127,442
Total Liabilities	16,307	127,448	143,755
Non-Financial Assets			
Prepaid expenses	9	-	9
Tangible capital assets	6,129	-	6,129
Total Non-Financial Assets	6,138	-	6,138
Capital Stock	1,000	-	1,000
Accumulated (Deficit)	(4,313)	-	(4,313)

(b) The following tables provide a breakdown of the consolidated statement of operations and deficit by function and by expenditure object:

2011 (in $000s)	Customer Service	Terminal/Bldg. Management	TCTI Total	TTCIC Total	Consolidated Total
Revenues					
Commissions & fees on ticket sales	-	-	4,072	-	4,072
Property rental	-	-	1,389	-	1,389
Miscellaneous	-	-	261	31	292
Total Revenue	-	-	5,722	31	5,753
Expenses					
Wages, salaries and benefits	2,002	894	2,896	-	2,896
Materials, services and supplies	127	653	780	31	811
Property taxes	-	363	363	-	363
Depreciation	-	560	560	-	560
Interest expense	-	455	455	-	455
Total Expenses	2,129	2,925	5,054	31	5,085
Annual Surplus	-	-	668	-	668
Accumulated (Deficit)	-	-	(3,645)	-	(3,645)

2010 (in $000s)	Customer Service	Terminal/Bldg. Management	TCTI Total	TTCIC Total	Consolidated Total
Revenues					
Commissions & fees on ticket sales	-	-	4,020	-	4,020
Property rental	-	-	1,161	-	1,161
Miscellaneous	-	-	234	16	250
Total Revenue	-	-	5,415	16	5,431
Expenses					
Wages, salaries and benefits	1,990	919	2,909	-	2,909
Materials, services and supplies	95	597	692	16	708
Property taxes	-	389	389	-	389
Depreciation	-	569	569	-	569
Interest expense	-	382	382	-	382
Total Expenses	2,085	2,856	4,941	16	4,957
Annual Surplus	-	-	474	-	474
Accumulated (Deficit)	-	-	(4,313)	-	(4,313)

8. FINANCIAL INSTRUMENTS

The main categories of financial instruments held by the Company include cash and cash equivalents, indemnity receivable from the TTC, and advances from parent.

The indemnity receivable from the TTC corresponds with the insurance liabilities. This receivable arose from the indemnity agreement described in note 11(c). The payment of this receivable by the TTC is also covered by a separate guarantee agreement issued by the City. The Company considers the carrying value of the indemnity receivable to be approximately equivalent to the fair value. The maturity of the Indemnity Receivable from the TTC is directly linked to the maturity of Company's insurance liabilities, resulting in the Company having low liquidity and interest risk. The Company has low credit risk due to the guarantee agreement between the City and the Company.

The carrying value of the advances from parent approximates its fair value as interest is accrued at the prime rate and compounded annually. The carrying values of the accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the relatively short time period to maturity of these instruments.

9. CASH AND CASH EQUIVALENTS

Pursuant to the guarantee agreement with the City described in note 11(d), the Insurance Co. is required to maintain cash or securities available for payment of current 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 $3,000,000 (2010 - $2,600,000).

10. CAPITAL STOCK

The capital stock includes 10,000 common shares with a par value of $100 each.

11. LICENCE AND INDEMNITY RECEIVABLE

The Insurance Co. received a licence on July 12, 1994 from the Ontario Insurance Commission, now incorporated into the Financial Services Commission of Ontario, in order to transact the business of automobile insurance in the Province of Ontario. The Insurance Co. was granted the said licence subject to the following conditions:

(a) the Insurance Co. maintain, in aggregate, a paid-up capital and unimpaired surplus of not less than $100,000;

(b) the Insurance Co. limit exclusively its underwriting to the automobile insurance risks of the TTC under the Compulsory Automobile Insurance Act or any successor thereto;

(c) the indemnity agreement between the TTC and the Insurance Co. whereby the Insurance Co. is to be reimbursed by the TTC for all current and future costs and expenditures including all claims under the policies, continue and be in full force and effect; and

(d) the complete and full guarantee of the TTC's liabilities and obligations under the indemnity agreement which the Insurance Co. has received from the City remains in full force and effect.

As a result of the indemnity agreement and the City guarantee, the Insurance Co. has negligible insurance risk, as any change in the Insurance Co's insurance liabilities would be offset by a corresponding change in the balance of the indemnity receivable.

12. INSURANCE LIABILITIES

Insurance liabilities are established to reflect all liabilities associated with the insurance policies issued to the TTC. 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.

Case Reserves

Insurance liabilities are based on the case reserves set by claims adjusters for each individual claim. These specialists apply their knowledge and expertise, after taking available information regarding the circumstances of the claim into account, to set individual case reserve estimates. The Company bases such estimates on the facts available at the time the reserves are established.

Incurred But Not Reported

An incurred but not reported provision ("IBNR") is then added to the case reserves as uncertainty exists on reported claims, because, for example, 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 Company relies upon historical information and statistic models, to estimate the IBNR liability. The Company 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 Company's reserves. The Company revises theses reserves as additional information becomes available.

Time Value of Money and Provision for Adverse Deviation

The 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 PFADs on the insurance liabilities and claims adjustment costs.

Unpaid claims and claims adjustment costs:	Undiscounted	Time Value of Money	PFAD	Discounted
As at December 31, 2011	137,331,000	(5,605,000)	13,046,000	144,772,000
As at December 31, 2010	123,171,000	(7,094,000)	11,365,000	127,442,000

As at December 31, 2011, the interest rate used to determine the time value of money was 1.35% (December 31 2010 – 2.15%) and reflected the market yield.

Based on the indemnity agreement described in note 11(c), there is no net impact on the Company as a result of changes in the amount of the insurance liability as any increase would be offset by an increase in the indemnity receivable.

13. SUBSEQUENT EVENTS

On February 29, 2012, the Company's Board of Directors approved in principle an arrangement to lease the Toronto Coach Terminal to Greyhound Canada and Coach Canada. The expected rental rate will be $1.2 million per year (plus applicable taxes), and the lease is likely to start in mid-2012. The initial lease is expected to be for a five year term with an option for two 2-year extensions.