2014 ANNUAL REPORT

CONNECTING TORONTO

TORONTO TRANSIT COMMISSION

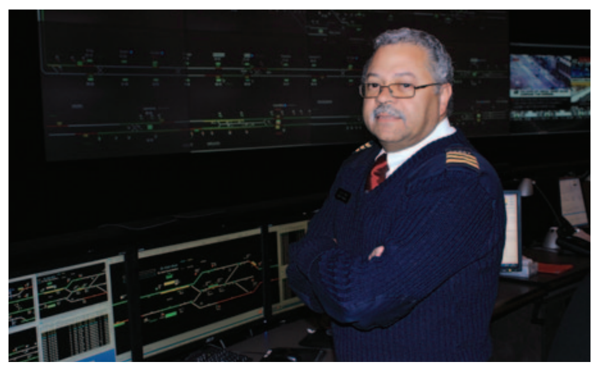
TTC People

The TTC's greatest asset is its employees – an empowered, customer-focused workforce that values teamwork and pride in a job well done. Here are just a few of those people as featured in the TTC's Toronto Moves page of the Metro commuter newspaper.

Name: Biagio Serra
Position: Wheel-Trans Reservationist
Years of Service: 26
I'd like to think that after all the years of serving our customers that they can hear the "smile" in my voice as I assist them in planning their daily trips. Having a disability myself has given me the strength, understanding and empathy for our customers as they face their own challenges.

Name: Dominic Frasca
Position: Janitor
Years of Service: 25
I do my work with passion, giving it my all, every day. All of this is possible thanks to the help of my co-workers. When interacting with the public, I try to be courteous and respectful, providing the best information and assistance possible. It is an honour working for the TTC. I love my job.

Name: Rocco Pagniello
Position: Bus Operator
Years of service: 40
When I arrived in Canada in 1967, I worked for a construction company that was building Warden Station. I admired the military style TTC uniform and hoped one day, I would have an opportunity to wear it. Six years later, I was hired as a TTC Operator and never looked back. I love interacting with customers, especially returning lost items. In my 40-year career, I've never had a sick day. I couldn't have done it without the support of my wife and family.



Name: Gary Gale
Position: Tower Controller – Transit Control Centre
Years of service: 25
Working for the TTC has been a phenomenal experience. After the last 21 years at the Control Centre, I have been exposed to all types of incidents and emergencies. I could never see myself do anything else. I love and look forward to the adrenaline rush that comes with providing our customers with safe, reliable service in the face of any disruption. I enjoy knowing that I make a difference in our customer's daily lives.

The TTC Board

as at December 2014

Josh Colle
Chair

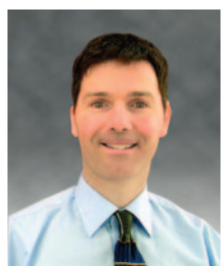
Maureen Adamson
Vice-Chair

Board Members

John Campbell

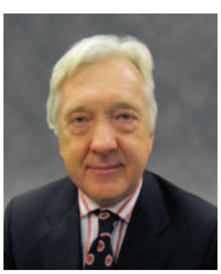
Shelley Carroll

Vincent Crisanti



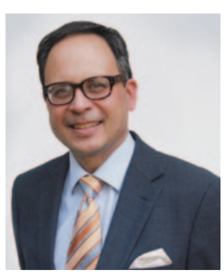
Glenn
De Baeremaeker

Nick Di Donato



Alan Heisey Q.C.

Joe Mihevc



Denzil
Minnan-Wong

Anju Virmani

Chairs' Letters

To: Mayor John Tory and Councillors of the City of Toronto

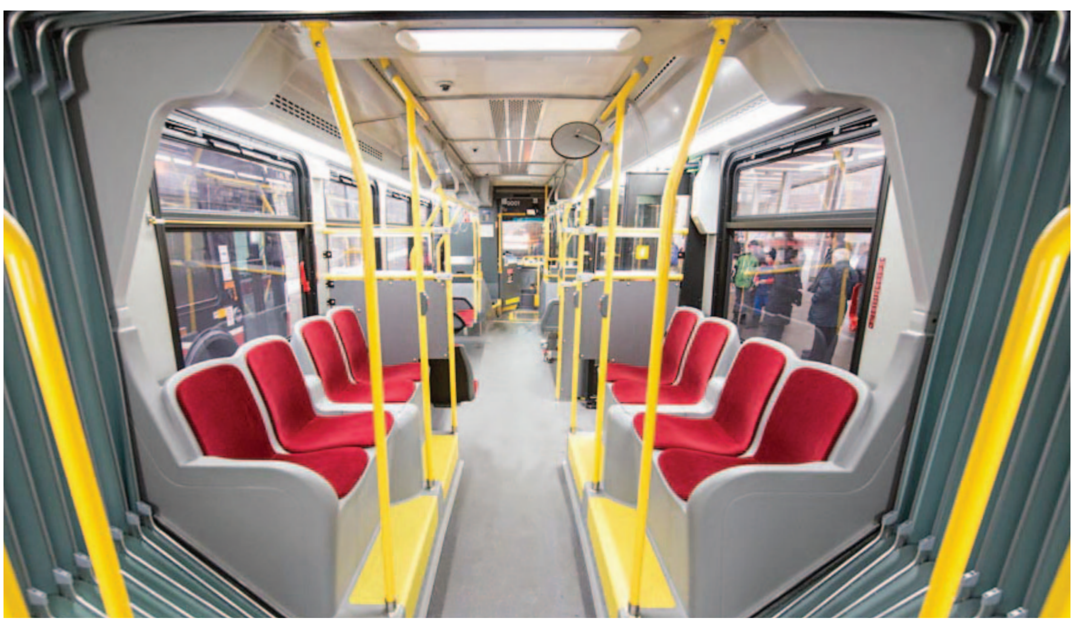
It is my privilege to submit the 2014 Annual Report for the Toronto Transit Commission. In 2014, the TTC set an all-time record of 534.8 million rides, surpassing its previous record total of 525.2 million in 2013. TTC ridership has now risen each year for the last 11 years.

Nearly 10 million more customer trips were taken in 2014 compared to 2013, edging the system ever closer to its next ridership milestone – 30 billion riders. As the TTC carries one billion customers approximately every 22 months, the 30 billionth rider will likely be welcomed this summer.

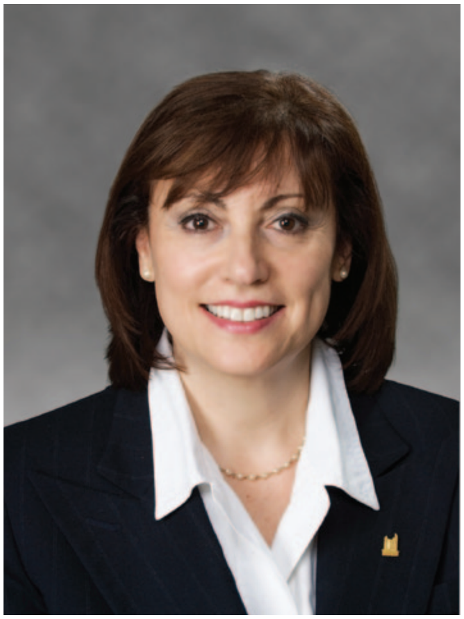
I would like to thank Chair Maria Augimeri, Chair Karen Stintz, and my fellow Commissioners for guiding the TTC through a year of accomplishments and challenges, and our TTC employees for their hard work and professionalism as they continue to serve the residents of Toronto.

I look forward to working with my Commission colleagues, TTC employees, and our customers in an effort to become a more effective organization, improve TTC services, and build a transit system of which Toronto can be proud.

Josh Colle
Chair (as at December 2014)
March 2015



As TTC Chair in 2014, I had the privilege of celebrating the 60th anniversary of the Yonge Subway. The original Yonge line, from Eglinton to Union, opened on March 30, 1954. The subway was Canada's first, and the first post-war subway to be built in North America. Today, Toronto's subway network carries well over 200 million people annually.



I would like to thank my fellow Commissioners who served with me in 2014: Maureen Adamson (Vice-Chair), Raymond Cho, Josh Colle, Glenn De Baeremaeker, Nick Di Donato, Alan Heisey, John Parker, James Pasternak, Karen Stintz and Anju Virmani, and Peter Milczyn, who was elected as a member of the Legislative Assembly of Ontario in June 2014.

I would like to congratulate and express my confidence in Councillor Josh Colle (Ward 15 Eglinton-Lawrence), who was appointed by City Council, following last fall's municipal election, as the new Chair of the TTC on December 3, 2014. He leads the new 11-member Board joined by Councillors: John Campbell (Ward 4 Etobicoke Centre), Shelley Carroll (Ward 33 Don Valley East), Vincent Crisanti (Ward 1 Etobicoke North), Glenn De Baeremaeker (Ward 38 Scarborough Centre), Joe Mihevc (Ward 21 St. Paul's) and Denzil Minnan-Wong (Ward 34 Don Valley East and Deputy Mayor), together with citizen members, Alan Heisey, Anju Virmani, Nick Di Donato and Maureen Adamson.

Maria Augimeri

Maria Augimeri
Chair (February-December 2014)
March 2015

CEO's Statement

To: TTC Chair and Commissioners, Mayor John Tory and Councillors of the City of Toronto

It is my pleasure to present the Toronto Transit Commission's 2014 Annual Report. Having completed the second year of our Five-Year Corporate Plan, I am pleased to say that we are making steady progress in our journey to make the TTC a transit system that makes Toronto proud.

Last year was a busy and challenging year for the TTC, as we met many major milestones on the road to modernizing the organization from top to bottom. We are operating an all-Toronto Rocket train fleet on Line 1, we continue to expand accessibility to our conventional system and we delivered on all but one of our 39 time-bound Customer Charter commitments.

The Union Station second platform officially opened for service, doubling platform capacity at the station. The new platform has transformed the look, feel and operation of one of our busiest hubs. The modernization of Union Station will be fully completed in time for the Pan Am and Parapan Am Games this summer.

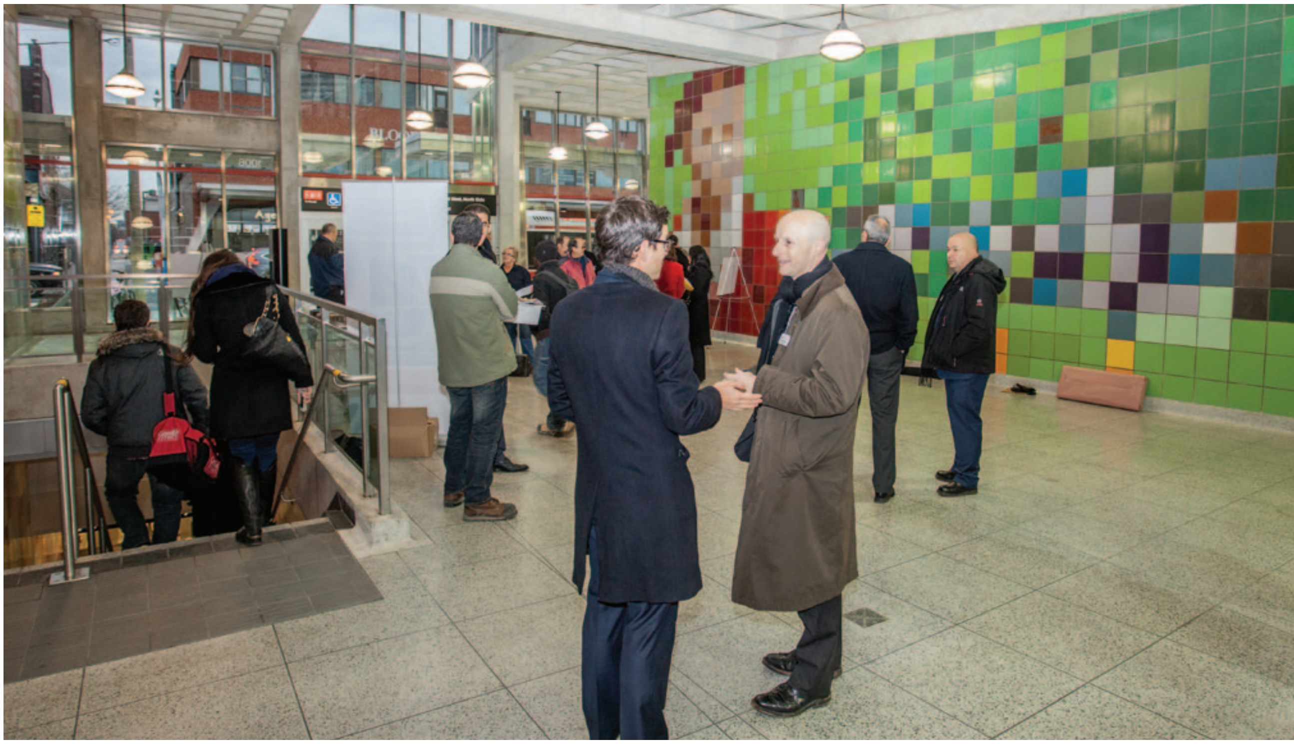
In 2014, the TTC Board unanimously approved the Opportunities to Improve Transit Service in Toronto report, which outlined nine bus and streetcar service initiatives that can be implemented in the short- to medium-term to improve the quality, reliability, comfort and convenience of our service. The funding for this unprecedented $90-million investment in TTC service was included in the City's 2015 budget. These initiatives will enable us to meet surging ridership, to decrease wait times and to reduce crowding levels across the network.

The first of the new low-floor, modern streetcars were launched into revenue service on the 510 Spadina route on August 31. It was a historic and proud day for the TTC as our streetcar service finally became accessible to all customers. Further progress was made as these new vehicles were fitted with PRESTO smartcard technology, and the 510 route was converted to a proof-of-payment route – with all streetcar routes to follow by the end of 2015.

The subway system also became easier to access as elevators entered service at Dufferin and Lawrence West stations in late 2014, giving us our 33rd and 34th accessible stations, respectively. At Dufferin, the TTC's Station Modernization Program refurbished the station's facilities and fixtures that were showing signs of wear and age after four decades.

Throughout the year, we continued our all-out focus on tackling the basics of running a reliable transit service. We still have a great deal of work to do before TTC service is as reliable and extensive as it needs to be to serve our growing city. And of equal importance is our ongoing push to transform the culture at the TTC to be truly customer-led, to embrace accountability and to make every interaction with the TTC consistently excellent. The TTC Executive Team, management and supervisory staff, the frontline workforce and I are determined to continue to improve all facets of what we do throughout 2015.

Andy Byford
Chief Executive Officer
March 2015



2014 Corporate Plan Achievements

In 2014, a number of key initiatives were achieved towards our five year corporate plan.

- Introduced Duty Station Manager
- Improved Wheel-Trans Accessibility
- Implemented System Cleanliness to Stations
- Established Support Persons ID
- Launched Narrowcasting at Operating Divisions
- Established Corporate Emergency Plan
- Carried-out Wheel-Trans Survey
- Accommodated Customer Call Volume
- Developed a P.O.P. and Fare Enforcement Strategy
- Deployed New Uniforms
- Created Case for a Revenue Protection Team
- Created Subway Car Fleet and Facility Plan
- Initiated New Streetcar Deployment
- Created Bus Fleet and Facility Plan
- Created Streetcar Fleet and Facility Plan
- Held Town Hall meetings
- Conducted Employee Engagement Survey
- Completed Subway Station Track Level Cleaning
- Completed Subway Station Wall Cleaning
- Pilot Increase Subway Run Time
- Pilot Double Step Backs at end of Terminal
- Completed Emergency Management Simulations
- Completed Station Modernization at Dufferin Station

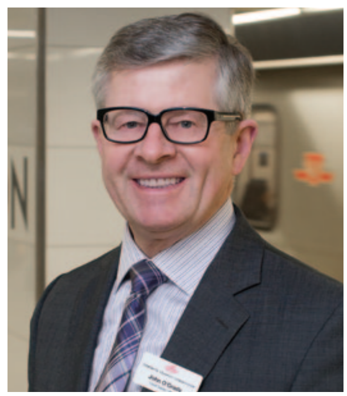
Executive Team

Andy Byford
Chief Executive Officer

Chris Upfold
Deputy Chief Executive Officer/
Chief Customer Officer

Susan Reed Tanaka
Chief Capital Officer

Rick Leary
Chief Service Officer

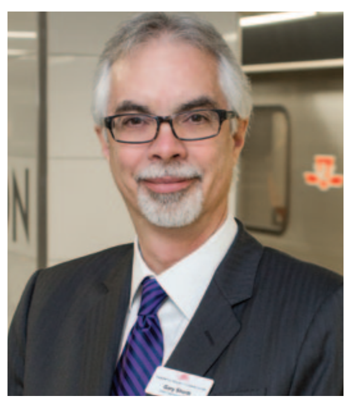


John O'Grady
Chief Safety Officer

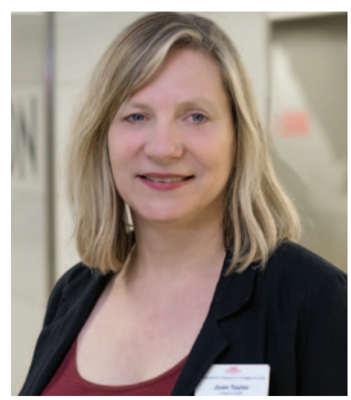
Gemma Piemontese
Chief People Officer

Vincent Rodo
Chief Financial and
Administration Officer

Brad Ross
Executive Director of
Corporate Communications



Gary Shortt
Chief Operating Officer



Joan Taylor
Chief of Staff

60 Years Yonge 1954-2014

It was dubbed "S" Day. On March 30, 1954, the TTC opened a new era in transportation for the nation with the operation of Canada's First Subway. The original Yonge line stretched 7.4 kilometres from Eglinton to Union, with 10 more stations in between: Davisville, St Clair, Summerhill, Rosedale, Bloor, Wellesley, College, Dundas, Queen and King.

Light winked green, first train began to roll

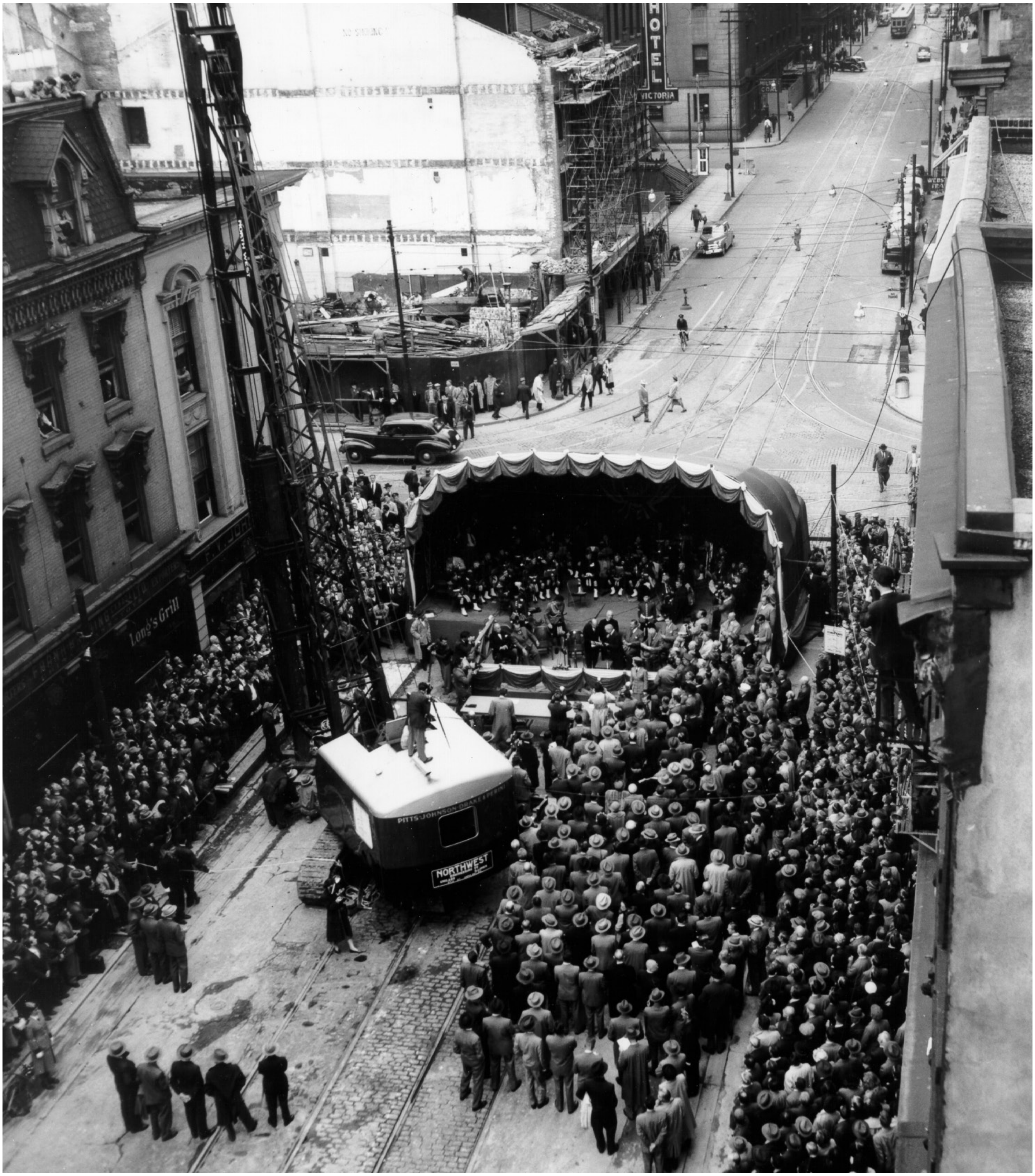
Above: On March 30, 1954: Canada's First Subway opened for business from Eglinton Station to Union Station. The subway was built at a cost of $67 million – including subway cars. Opening ceremonies began at 10 a.m. The line opened to the public at 1:30 p.m. Ontario Premier Leslie Frost and Toronto Mayor Allan Lamport officially started subway service with the pull of a switch.

Despite predictions of a late snowfall in Toronto, March 30, 1954 turned out to be a clear, crisp day. A crowd of about 5,000 gathered around a special canvas band shell on Chaplin Crescent, opposite Davisville Station (later the site of the William C. McBrien Building, the TTC's current head office). Torontonians also gathered eagerly at the 12 new Yonge Street subway stations – Eglinton, Davisville, St Clair, Summerhill, Rosedale, Bloor, Wellesley, College, Dundas, Queen, King and finally Union – for their first subway ride.

At 10 a.m., the Royal Regiment of Canada struck up the band for the throngs of spectators awaiting the main players: Ontario Premier Leslie Frost, Toronto Mayor Allan Lamport, Metropolitan Toronto Chairman Fred Gardiner and TTC Chairman William C. McBrien. The Toronto Telegram described the day's key moment: "A high point of the opening ceremony came when the Mayor and Premier Frost joined to push a gleaming stainless steel switch that activated a symbolic signal light. The light winked green and the first train began to roll."

A train of freshly painted red and gold-lined cars left Eglinton Station for Union on the new 7.4-km (4.6-mile) Yonge Subway. Everything smelled new. Chrome rails sparkled. Tiles gleamed. The blue lamps in the tunnels flashed by brightly. Forty seconds between stations (Eglinton to Union in 12 minutes). People had never travelled so fast between intersections on the surface – not with Yonge Street traffic choking travel time the way it did.

More than 250,000 passengers rode the subway that day. One newspaper reporter described the first ride as "a cross between a streetcar ride, a train ride and a drop down a laundry chute."



Above: On September 8, 1949: Construction began on the Yonge project, a 4.6-mile subway running under Yonge Street from Front Street to Eglinton Avenue. Construction comprised of 3.2 miles of cut-and-cover and 1.4 miles of open cut.

The subway employed thousands

This was Canada's first Rapid Transit system. The subway – as it was to be better known – was hailed for bringing greater comfort and convenience through its enclosed, weather-protected stations and more regular, traffic-free service. Four-and-a-half years earlier, thousands had crammed onto Yonge Street – this time between Wellington and Front – to watch Lieutenant Governor Ray Lawson push the lever to drive the first soldier pile into the ground. With that, construction had begun on the Yonge Subway.

"The difficulties faced in constructing a subway through the very heart of a busy and populous city are most apparent, and of necessity there was substantial temporary inconvenience to many of our businessmen and other citizens. The Commission cannot pay too high a tribute to the forbearance and public spirit, which those most affected manifested under these trying circumstances," were the words of William C. McBrien.

Construction was expected to employ thousands and was considered an important contribution to the post-war period. That was Sept. 8, 1949.

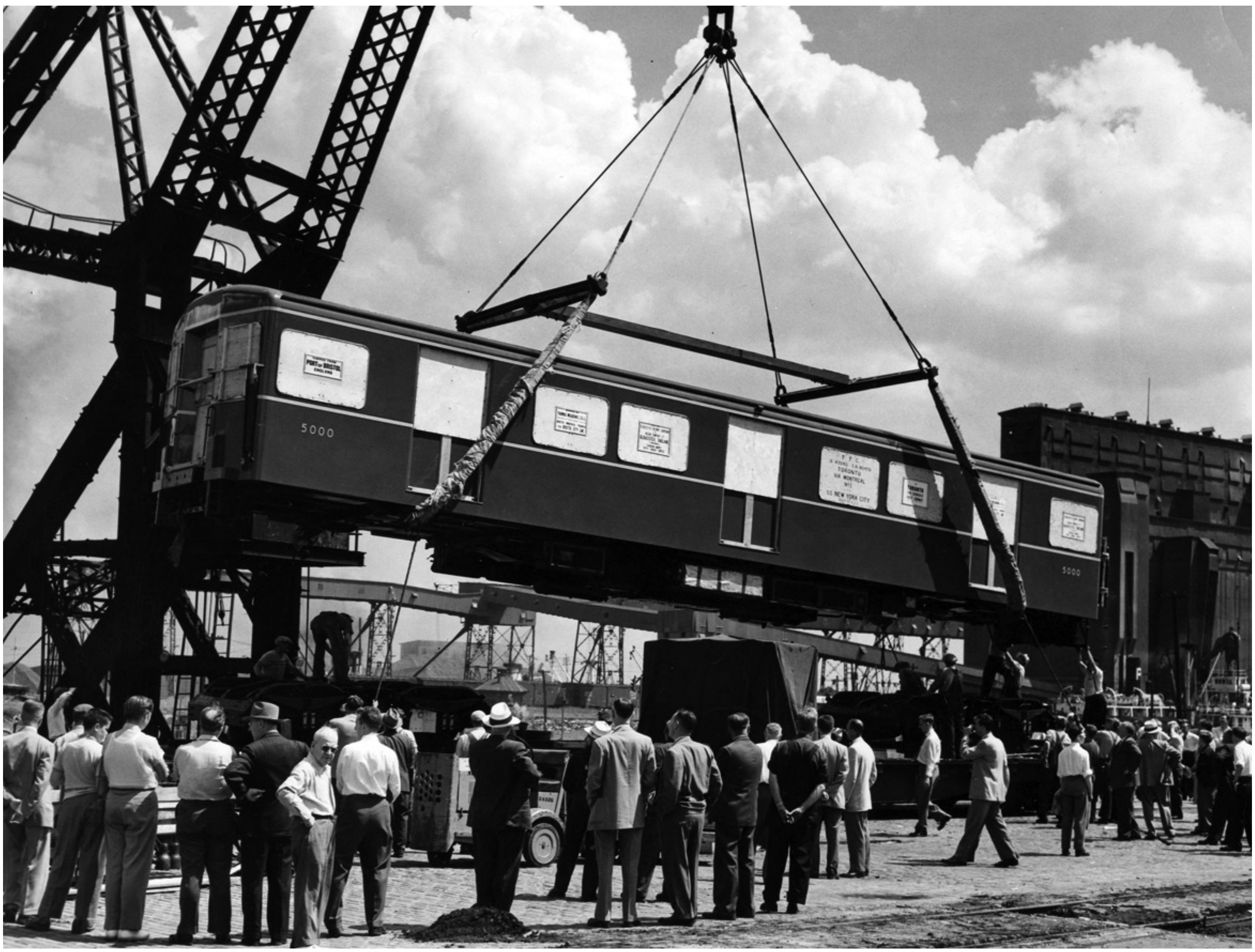
It was "another step in the forward march of Toronto's progress." Another link in the city's transportation network, which also included Canada's coast-to-coast railway, a major railway centre, a busy port and the nation's most hectic airport.

Above: On March 30, 1954, official opening ceremonies took place on Chaplin Crescent, opposite Davisville Station. More than 5,000 people were in attendance with Ontario Premier Leslie Frost, Toronto Mayor Allan Lamport, Metro Chairman Fred Gardiner and TTC Chairman William C. McBrien.

No longer just a dream

Into Toronto's first subway went 24,000 tons of steel, 4,200 tons of rail, 240,000 tons of gravel, 170,000 tons of sand and 1.4 million bags of cement. And out of it came 3,000 jobs a year – 21,000 person years of work.

The Telegram called it "a magnificent feat of planning, engineering, administration and organization" ... "It's Dream No Longer – Seeing's Believing!"



Above: Canada's first two of 140 subway cars (Gloucester-built 5000 and 5001) arrived in Montreal from England in July 1953. The cars were transshipped to Toronto by rail. The TTC initially ordered 104 cars at a cost of $11.5 million. That year the CNE included a popular TTC exhibit, which featured the G-cars at a mock-up station. The last of the red G-cars was retired from service in 1990.

Consolidated Financial Statements of

TORONTO TRANSIT COMMISSION

Year ended December 31, 2014

May 27, 2015

Independent Auditor's Report

To the Members of the Board of the Toronto Transit Commission

We have audited the accompanying consolidated financial statements of the Toronto Transit Commission, which comprise the consolidated statement of financial position as at December 31, 2014 and the consolidated statement of operations and accumulated surplus, remeasurement gains and losses, net debt and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215, www.pwc.com/ca

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Toronto Transit Commission as at December 31, 2014 and the results of its operations, remeasurement gains and losses, net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other matter
The accompanying consolidated financial statements schedule as at and for the year ended December 31, 2014 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Consolidated Statement of Financial Position
As at

$000s	December 31, 2014	December 31, 2013
Financial Assets		
Cash and Cash Equivalents (note 4)	86,315	105,587
Subsidies Receivable (note 5)	909,710	836,729
Accounts Receivable	99,040	75,399
Portfolio Investments (note 6)	2,521	2,531
Derivatives (note 7)	-	3,887
Total Financial Assets	**1,097,586**	**1,024,133**
Liabilities		
Accounts Payable and Accrued Liabilities	555,415	525,405
Deferred Passenger Revenue	78,190	79,295
Unsettled Accident Claims (note 8)	170,329	156,437
Employee Future Benefits (note 9)	526,655	485,978
Environmental Liabilities (note 10)	6,750	14,500
Derivatives (note 7)	17,037	-
Total Liabilities	**1,354,376**	**1,261,615**
Net Debt	**(256,790)**	**(237,482)**
Non-Financial Assets		
Tangible Capital Assets (note 11)	8,052,088	7,188,262
Spare Parts and Supplies Inventory	123,564	120,080
Prepaid Expense	1,517	1,752
Total Non-Financial Assets	**8,177,169**	**7,310,094**
Accumulated Surplus	**7,920,379**	**7,072,612**
Accumulated Surplus is comprised of:		
Accumulated Operating Surplus (note 12)	7,937,416	7,068,725
Accumulated Remeasurement Gains / (Losses)	(17,037)	3,887
	7,920,379	**7,072,612**

Commitments and contingencies (note 18)
See accompanying notes to the consolidated financial statements

Approved: Commissioner   Commissioner

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

$000s	2014 Budget	2014	2013
	(note 16)		
Operating Revenue			
Passenger Services	1,106,739	1,092,495	1,056,423
Advertising	26,053	26,083	25,992
Outside City Services	17,364	17,091	16,851
Property Rental	21,383	21,971	20,451
Miscellaneous	1,733	6,580	6,937
Total Operating Revenue	**1,173,272**	**1,164,220**	**1,126,654**
Subsidy Revenue			
Operating Subsidies (note 13)	568,451	537,599	467,732
Capital Subsidies (note 14)	1,625,982	1,181,745	1,054,467
Total Subsidy Revenue	**2,194,433**	**1,719,344**	**1,522,199**
Total Revenue	**3,367,705**	**2,883,564**	**2,648,853**
EXPENSES			
Conventional Transit Service	1,918,970	1,890,458	1,799,791
Wheel-Trans	126,280	123,718	114,550
Other Functions	562	697	700
Total Expenses (note 15)	**2,045,812**	**2,014,873**	**1,915,041**
Surplus for the year	**1,321,893**	**868,691**	**733,812**
Accumulated surplus, beginning of the year		7,068,725	6,334,913
Accumulated surplus, end of the year		**7,937,416**	**7,068,725**

See accompanying notes to the consolidated financial statements

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

$000s	2014	2013
Accumulated Remeasurement Gains / (Losses), beginning of year	3,887	-
Transition Remeasurements	-	869
Accumulated Remeasurement Gains (Jan 1)	3,887	869
Unrealized gains / (losses) in the current year (note 7)	(18,652)	4,900
Amounts reclassified to Statement of Operations	(2,272)	(1,882)
Accumulated Remeasurement Gains / (Losses), end of year	**(17,037)**	**3,887**

See accompanying notes to the consolidated financial statements

Consolidated Statement of Net Debt
For the year ended December 31

$000s	2014 Budget (note 16)	2014 Actual	2013 Actual
Surplus for the year	1,321,893	868,691	733,812
Change in capital assets			
Acquisitions	(1,651,401)	(1,206,524)	(1,075,309)
Amortization	336,877	334,248	318,793
Disposals	-	8,248	8,633
Write-downs	-	202	19,838
Total Change in Capital Assets	(1,314,524)	(863,826)	(728,045)
Change in Spare Parts and Supplies	-	(3,484)	(12,277)
Change in Prepaid Expenses	-	235	1,069
Change in remeasurement gains / (losses) for the year	-	(20,924)	3,887
Change in Net Debt	7,369	(19,308)	(1,554)
Net Debt, beginning of year		(237,482)	(235,928)
Net Debt, end of year		**(256,790)**	**(237,482)**

See accompanying notes to the consolidated financial statements

Consolidated Statement of Cash Flows
For the year ended December 31

$000s	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from passenger services	1,091,390	1,058,717
Operating subsidies received	480,251	491,298
Non-passenger revenue received	72,291	67,013
Cash paid for wages, salaries and benefits	(1,183,071)	(1,144,022)
Cash paid to suppliers	(445,326)	(385,294)
Cash paid for accident claims	(22,679)	(35,944)
Cash (used in) provided by operating activities	**(7,144)**	**51,768**
CASH FLOWS FROM CAPITAL ACTIVITIES		
Capital asset acquisitions	(1,161,444)	(1,038,184)
Capital asset disposal proceeds	947	1,764
Capital subsidies received	1,148,369	985,968
Cash used in capital activities	**(12,128)**	**(50,452)**
Increase / (decrease) in cash and cash equivalents during the year	(19,272)	1,316
Cash and cash equivalents, beginning of the year	105,587	104,271
Cash and cash equivalents, end of the year	**86,315**	**105,587**

See accompanying notes to the consolidated financial statements

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2014

1. NATURE OF OPERATIONS

The Toronto Transit Commission (the “TTC”) was established on January 1, 1954 to consolidate and co-ordinate all forms of local transportation within the City of Toronto (the “City”), except railways and taxis. As outlined in the City of Toronto Act (2006), the TTC shall plan for the future development of local passenger transportation so as to best serve its inhabitants and the City, and City Council is not entitled to exercise a power related to local transportation, except as it relates to the Toronto Islands. However, from a funding perspective, the TTC functions as one of the agencies and commissions of the City and is dependent upon the City for both operating and capital subsidies (notes 13 and 14). The TTC also operates Wheel-Trans, a paratransit service for people with disabilities, which is also subsidized by the City. The TTC’s subsidiaries include the Toronto Transit Infrastructure Limited, Toronto Coach Terminal Inc. and its subsidiary, the TTC Insurance Company Limited. Since the TTC Sick Benefit Association is controlled by the TTC, its results are also consolidated. The TTC, which is not subject to income and capital taxes, receives an 11.24% rebate for the Harmonized Sales Tax, and receives exemption from certain property taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation

These consolidated financial statements are prepared by the TTC in accordance with the standards applicable for other government organizations found in the Chartered Professional Accountants (CPA) Public Sector Accounting Handbook.

b. Basis of Consolidation

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

c. Measurement Uncertainty

The preparation of the consolidated financial statements in conformity with public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Specifically, future employee benefits are subject to the assumptions described in note 9 and other contingencies are described in note 18a. Also, management makes their best estimate on the fair value of certain pension investments described in note 9 as the final audited fair values are not available at the time of preparation of the financial statements. Amortization expense is based on the asset lives described in note 2h and accident claims liabilities are subject to assumptions on discount rates and amounts reserved for incurred, but not reported claims as described in note 8. Deferred revenue is based on estimated value of fare media sold, but not yet used before year end. Actual results could differ from the amounts estimated.

d. Subsidy Revenue

Operating subsidies are authorized by the City after the TTC’s operating budget has been approved. Operating subsidy revenue is recognized by the TTC in the period to the extent that net operating costs are incurred. Capital subsidies are recognized in revenue when the City authorizes the capital subsidy, 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 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, 2013 – 10 years) and for long-term disability benefits, the amortization period is 12.4 years (December 31, 2013 – 12.8 years). The amortization of the gain/loss begins in the year after the actuarial gain/loss arises.

A post-retirement benefit plan actuarial gain or loss is deferred and amortized over the expected average remaining service life of the employees unless there is a plan amendment or curtailment. The amortization period for the pension plan, post-retirement medical and post-retirement dental plans, varies from 10.9 to 13.2 years (December 31, 2013 – 10.9 to 13.6 years) and for the supplemental funded pension plan, the amortization period is 6.3 years (December 31, 2013 – 6.0 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

The TTC has designated its financial instruments as follows:

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

Cash and Cash Equivalents are recorded at cost which approximates fair market value. Financial Derivatives are recorded at fair value. All other financial instruments are recorded at amortized cost. The fair values of the Accounts Receivable, operating and capital portions of the Subsidies Receivable and Accounts Payable and Accrued Liabilities approximate their carrying values due to the relatively short time period to maturity of these instruments. The fair value of the other recoverable amounts within Subsidies Receivable from the City of Toronto cannot be determined since there are no fixed terms of repayment. The fair value of Portfolio Investments is described in note 6.

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

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

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

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

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

3. FINANCIAL RISK MANAGEMENT

Credit risk

Credit risk is the risk of loss due to a counterparty's inability to meet its obligations. As at December 31, 2014, 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.

14 percent of TTC's Accounts Receivable and 100% of Subsidies Receivable are due from the City of Toronto (December 31, 2013 – 2% and 100%, respectively). Of the other Accounts Receivable, which total $85.4 million (December 31, 2013 - $73.8 million), $58.8 million is due from federal and provincial governments, other municipalities and transit agencies (December 31, 2013 - $48.8 million). Impairment risk on receivables from these governments and government organizations is low. Of the remaining $26.6 million (December 31, 2013 - $25.0 million), receivables due from non-governments and non-government organizations, $3.4 million is past due (December 31, 2013 - $4.9 million).

Although past due, the $3.4 million is deemed collectible and has the following aging:

1-30 days past due: $2.1 million (December 31, 2013 - $1.0 million)
31-60 days past due: $nil (December 31, 2013 - $1.6 million)
61-90 days past due: $0.2 million (December 31, 2013 - $1.3 million)
90+ days past due: $1.1 million (December 31, 2013 - $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 $3.2 million in U.S. dollar financial liabilities (December 31, 2013 - $2.4 million), which is more than offset by TTC's U.S. dollar cash balance of $5.3 million (December 31, 2013 - $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 non-derivative financial liabilities amount to $555.4 million (December 31, 2013 - $525.4 million) and, of this amount, $222.3 million is due within one year or less (December 31, 2013 - $235.1 million). The TTC has a combination of cash on hand and receivables from governments and government organizations, including the City of Toronto, as described above within the statement of credit risk, which will be sufficient to satisfy these liabilities. Construction holdbacks of $150.1 million (December 31, 2013 - $106 million) are excluded from the $222.3 million in financial liabilities due within a year (December 31, 2013 - $235.1 million); 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, 2014, approximately 86% of 2015's diesel fuel requirement has been hedged using the fuel swap agreements (December 31, 2013 – 45%).

4. CASH AND CASH EQUIVALENTS

In connection with the City guarantee referred to in note 8, the TTC Insurance Company Limited, is required to maintain cash or securities available for payment of accident claims liabilities equal to one month's claims and operating expenses (all self-insured retention payments are processed through the TTC). The cash and cash equivalents amount restricted for this purpose is approximately $2.1 million as at December 31, 2014 (December 31, 2013 – $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:

$000s	2014	2013
Subsidies to be collected within one year		
Capital Subsidy Receivable	362,328	383,088
Operating Subsidy Receivable	93,772	81,569
Total subsidies to be collected within one year	**456,100**	**464,657**
Other recoverable amounts		
Employee Benefits	239,581	208,328
Accident Claims Expenses	58,494	44,602
Construction Holdbacks	150,085	106,042
Future Environmental Costs (note 10)	5,450	13,100
Total Other Recoverable amounts	**453,610**	**372,072**
Total Subsidies Receivable	**909,710**	**836,729**

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:

$000s	2014	2013
Bank of Nova Scotia Notes (2.25%; May 8, 2015 maturity)	1,975	1,985
City of Toronto bond (8.65%; June 8, 2015 maturity)	546	546
Total Portfolio Investments	**2,521**	**2,531**

At December 31, 2014, the fair value of the bonds is $2.5 million (December 31, 2013 – $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, 2014. 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, 2014.

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, 2014, $155.4 million (December 31, 2013 – $141.5 million) of the unsettled accident claims liability is related to the Insurance Co.'s payable for all automobile claims incurred. This portion of the TTC's accident claim liability is guaranteed by the City. The TTC has purchased insurance from third-party insurers to cover tort claims in excess of $5.0 million on any one accident. The remainder of the unsettled accident claims liability, $14.9 million, (December 31, 2013 – $14.9 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**
$000s				
As at December 31, 2014	161,710	(7,487)	16,106	170,329
As at December 31, 2013	153,886	(11,591)	14,142	156,437

As at December 31, 2014, the interest rate used to determine the time value of money was 1.4% and reflected the market yield (December 31, 2013 – 2.33%).

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, 2014 for the WSI plan and November 30, 2014 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, 2015 for the WSI plan and November 30, 2015 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, 2013 – 55%) cash and equity index pooled funds which are carried at market and 45% (December 31, 2013 – 45%) deposit in a Canada Revenue Agency non-interest bearing refundable tax account. The effective date of the most recent actuarial valuation for funding purposes was January 1, 2014. The next actuarial valuation for funding purposes is expected to be performed as at January 1, 2015. The effective date of the most recent valuation for accounting purposes was December 31, 2014.

TTC Pension Fund

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

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

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

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

Effective January 1, 2014, the base year for the TTC pension plan and the funded supplemental pension plans was updated to December 31, 2013 from December 31, 2010. In addition, an adhoc increase of up to 2% (December 31, 2013 - 2%) was granted to all pensioners. The TTC's share of the prior service cost of these plan amendments have been reflected in the consolidated statement of operations.

The effective date of the most recent actuarial valuation for funding purposes for the TTC Pension Fund was January 1, 2014. The next required actuarial valuation for funding purposes will be performed as at January 1, 2017. The effective date of the most recent valuation for accounting purposes was December 31, 2014.

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

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

[1] Includes recognition of an unamortized gain of $74,375 applied against the cost of the plan amendments.
[2] Includes recognition of an unamortized loss of $38 applied against the plan amendment savings.

The continuity of the change in the employee benefit liabilities/(asset) 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 (asset) 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 (asset) 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 following table summarizes the employee future benefit costs included in the consolidated Statement of Operations and Accumulated Surplus:

($000s)	**2014**	**2013**
Cost of TTC Pension Fund contributions	104,305	102,077
TTC Pension accounting expense in excess of contributions	-	-
Net cost of TTC Pension	104,305	102,077
Cost of other benefit plans	74,145	69,519
Total cost of plans	178,450	171,596
Less: costs allocated to capital assets	(21,382)	(20,561)
Total employee future benefit costs included Wage, Salaries and Benefits in Note 15 and in the consolidated Statement of Operations	**157,068**	**151,035**

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 $307.8 million (December 31, 2013 - $225.2 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, 2014 is as follows:

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

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)	(213,219)	(272,665)	(94)	**(485,978)**	**-**

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

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

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

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

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 (shortfall) on return on plan assets	482	191,189
Benefits paid	(333)	(99,873)
Balance, end of the year	7,947	2,452,060

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

	2014	2013
Accrued benefit obligations as at December 31:		
Discount rate for post-employment plans	2.8%	3.6%
Discount rate for post-retirement, non-pension plans	3.4%	4.4%
Discount rate for supplemental pension plans	3.4% to 4%	4.25% to 4.4%
Discount rate for TTC Pension Fund	5.75%	6.25%
Rate of increase in earnings	1.18% to 3.25%	2% to 3.25%
Benefit costs for the years ended 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%
Expected rate of return on assets, supplemental pension plan	4.25%	4.25%
Actual rate of return on assets, supplemental pension plan	5.5%	11.4%
Expected rate of return on assets, TTC Pension Fund	6.25%	5.75%
Actual rate of return on assets, TTC Pension Fund	12.3%	14.8%

The TTC's annual rate of growth for post-retirement drug costs was estimated at 14% for males and 12% for females. These rates consist of a drug trend rate of 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)	2014	2013
Fair value of plan assets	5,498,535	4,904,119
Accrued benefit obligations	4,595,935	3,996,993
Funded status - surplus	902,600	907,126

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

$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 Distribution	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**

The accumulated amortization for tangible capital assets is:

$000s		Accumulated Amortization December 31, 2014			
	Beginning	Amortization	Disposals	Write-downs	Ending
Subways	1,173,087	46,342	-	-	1,219,429
Buildings & Structures	477,420	38,763	-	-	516,183
Rolling Stock	970,243	72,977	(107,322)	-	935,898
Buses	949,577	74,974	(35,119)	-	989,432
Trackwork	1,188,426	42,245	-	-	1,230,671
Other Equipment	580,600	51,262	(1,183)	-	630,679
Traction Power Distribution	264,475	7,685	-	-	272,160
Total	**5,603,828**	**334,248**	**(143,624)**	**-**	**5,794,452**

$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 Distribution	258,222	6,253	-	-	264,475
Total	**5,357,529**	**318,793**	**(79,225)**	**6,731**	**5,603,828**

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

$000s	Net Book Value 2014	Net Book Value 2013
Subways	1,264,254	1,246,922
Buildings & Structures	839,159	753,905
Rolling Stock	1,121,362	983,535
Buses	614,386	529,392
Trackwork	407,210	401,301
Other Equipment	174,113	172,083
Traction Power Distribution	163,531	134,532
Land	12,854	12,854
Construction in Progress	3,455,219	2,953,738
Total	**8,052,088**	**7,188,262**

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

12. ACCUMULATED OPERATING SURPLUS

Accumulated Operating Surplus as at December 31 consists of:

$000s	**2014**	**2013**
Invested in Tangible Capital Assets	7,926,685	7,058,3301
Accumulated surplus (deficit) from TTC subsidiaries	(3,410)	(3,746)
Accumulated surplus generated through operating budget	14,141	14,141
Total	**7,937,416**	**7,068,725**

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, ($125.4 million (2013 – $129.9 million)) represents the net book value of capital assets that have been funded by the TTC. Of this, $121.6 million (2013 – $125.5 million) will be recovered through future operating subsidies. The remaining $3.8 million (2013 – $4.4 million) represents the net book value of capital assets used for the operation of the Toronto Coach Terminal.

13. OPERATING SUBSIDIES

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

$000s		**2014**		**2013**
	Conventional	Wheel-Trans	Total	Total
- Province of Ontario Gas tax (note 14(b))	91,600	-	91,600	91,600
- City of Toronto	340,383	105,616	445,999	376,132
Total operating subsidies	**431,983**	**105,616**	**537,599**	**467,732**

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 (2013 – $91.6 million) from the provincial gas tax (see note 14(b)).

City of Toronto subsidy

$000s		2014		2013
	Conventional	Wheel-Trans	Total	Total
Operating subsidy from the City of Toronto (see above)	340,383	105,616	445,999	376,132
City special costs	3,596	-	3,596	3,549
Future Recoverable amounts				
Accident Claims	(12,761)	(1,131)	(13,892)	13,140
Employee Benefits	(29,832)	(1,421)	(31,253)	(24,335)
Total City operating subsidies (in accounts of the City of Toronto)	**301,386**	**103,064**	**404,450**	**368,486**

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:

$000s	2014	2013
Source of capital subsidies:		
- City of Toronto	893,367	710,846
- Province of Ontario	110,440	155,377
- Federal Government of Canada	154,263	157,839
- Other	23,675	30,405
Total capital subsidies	**1,181,745**	**1,054,467**

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 2014 capital subsidy of $1,158.1 million (2013 – $1,024.1 million). Amounts claimed from the City do not include a $0.3 million expenditure (2013 – $2.5 million) for property purchased and owned by the City, but for the jurisdictional use of the TTC. Other funding of $23.7 million (2013 – $30.4 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 2014, $280.4 million (2013 – $366.6 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:

$000s	**2014**	**2013**
Source of capital subsidies:		
- Metrolinx Quick Wins	32,380	58,648
- Gas Tax	72,089	71,617
- LRT Car Project	5,971	21,548
- Canada Strategic Infrastructure Fund	-	3,564
Total provincial capital subsidies	**110,440**	**155,377**

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 $370.1 million has been recognized by the TTC for the eligible expenditures to date, including $32.4 million applied to capital projects in 2014 (2013 – $58.6 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 $10.2 million has been drawn through the City for 2014 expenditures (2013 – $0.6 million) for costs incurred by the TTC in 2014 and the eligible expenditures to date are $265.1 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 $163.7 million (2013 – $163.6 million) in Provincial Gas Tax funding available, the City has directed $91.6 million for 2014 (2013 – $91.6 million) toward the TTC's operating needs (note 13) with the remainder of $72.1 million (2013 – $71.6 million) (including $0.4 million in reserve from 2013) applied to capital 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 $151.8 million has been recognized against the project to date including $6.0 million for 2014 (2013 – $21.5 million).

Canada Strategic Infrastructure Fund

On March 30, 2004, the Federal and Provincial governments and the City of Toronto jointly announced funding of $1.050 billion ($350 million each) under the Canada Strategic Infrastructure Fund (CSIF). Provincial funding under CSIF was originally $350 million in total for the years 2004 to 2014 and included $46.7 million for the GTA Farecard project. In 2012, Metrolinx assumed ownership of the GTA Farecard Project through Presto and the GTA Farecard portion was allocated to them. The Provincial share of $303.3 million CSIF commitment (net of the GTA Farecard Project share of $46.7 million) was paid in full to the City. Funds were placed in the City's CSIF Reserve Fund to be applied to eligible CSIF expenditures over the term of the agreement. Funding of $304.4 million has been recognized by the TTC for the eligible expenditures to date, of which $nil was drawn in 2014 (2013 - $3.6 million) (see note 17).

c. Federal Government of Canada

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

$000s	**2014**	**2013**
Source of capital subsidies:		
- Gas tax funding	152,201	154,367
- Canada Strategic Infrastructure Fund	2,062	3,472
Total federal capital subsidies	**154,263**	**157,839**

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. In 2014, a new, permanent agreement for the 10-year period 2014-2023 was signed and 2014-2018 allocations are based on the updated 2011 Census population. Allocations from 2019-2023 will be updated to reflect the 2016 Census data. Ontario's allocation of this to municipalities is based on population and the City was allocated $152.2 million in 2014 (2013 – $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 including $46.7 million for the GTA Farecard Project) under CSIF, to fund strategic capital project requirements during the period March 2004 to 2012. This has since been extended to March 31, 2016. In 2012, Metrolinx assumed ownership of the GTA Farecard project and therefore $46.5 million of the original $350 million was allocated to Metrolinx. To date, federal funding for the eligible expenditures incurred amounts to $298.9 million, of which $2.1 million has been accrued in 2014 (2013 - $3.5 million).

15. EXPENDITURES BY OBJECT

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

$000s	2014	2013
Wages, salaries and benefits	1,223,395	1,171,560
Materials, services and supplies	220,439	213,880
Vehicle fuel	98,182	95,457
Accident claims	36,571	22,560
Electric traction power	42,993	40,220
Wheel-Trans contract services	38,106	34,337
Utilities	20,939	18,234
Amortization (Operating Budget)	29,835	28,846
Amortization (Assets funded through capital subsidy)	304,413	289,947
Total Expenditures	**2,014,873**	**1,915,041**

16. BUDGET DATA

Budget data presented in these consolidated financial statements is based upon the 2014 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	1,603,161	112,562	562	1,716,285
Other Recoverable Expenses	23,720	1,394	-	25,114
Amortization of previously subsidized assets	292,089	12,324	-	304,413
Total budgeted expenses per consolidated financial statements	**1,918,970**	**126,280**	**562**	**2,045,812**

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 2014, the average interest rate applicable to Reserve Funds was 0.9% (2013 – 0.9%).

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

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

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

$000s	Stabilization Reserve	Land Acquisition	Long Term Liability	**2014 Total**	**2013 Total**
Balance, beginning of the year	24,666	662	-	25,328	25,322
Contributions	-	-	10,812	10,812	-
Draws	-	-	-	-	-
Interest earned	-	5	12	17	6
Balance, end of the year	**24,666**	**667**	**10,824**	**36,157**	**25,328**

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.

Long Term Liability Reserve Fund

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

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

$000s	PGT	CSIF	MO2020	**2014 Total**	**2013 Total**
Balance, beginning of year	408	15,330	133,939	149,677	209,469
Provincial contributions	163,281	-	-	163,281	163,625
Draws	(163,689)	-	(32,379)	(196,068)	(225,429)
Interest earned	-	140	1,255	1,395	2,012
Balance, end of year	**-**	**15,470**	**102,815**	**118,285**	**149,677**

Provincial Gas Tax

Of $163.7 million (2013 – $163.6 million) in Provincial Gas Tax available, the City has directed $91.6 million for 2014 (2013 – $91.6 million) toward the TTC's operating needs (note 13) with the remainder of $72.1 million (2013 – $72.0 million) (including $0.4 million in reserve from 2013) applied to capital needs (note 14).

Canada Strategic Infrastructure (CSIF) Reserve Fund

A provincial commitment of $303.3 million was received for the CSIF program to fund TTC strategic capital projects. Of the total payment received in 2007, $210.1 million was allocated to the CSIF reserve fund. Over the life of the program, of the total payment received plus accumulated interest of $15.8 million, $304.4 million has been applied to accumulated funding recognized by the TTC to date, of which $nil was drawn from the reserve fund in 2014 (2013 – $3.6 million). The amount of $15.5 million remaining in the reserve fund is planned to be applied in 2016.

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, plus accumulated interest of $20.5 million, $370.2 million has been applied to accumulated funding recognized by the TTC to date for capital expenditures, including $32.4 million drawn from the reserve fund in 2014 (2013 - $58.6 million). The amount of $102.8 million remaining in the reserve fund includes $57.0 million in Capital Reserve funding which was received for 2009 capital expenditures but, based on direction from the City, is planned to be applied against the cost of capital debt in 2016 and therefore remains unapplied at the end of 2014.

18. COMMITMENTS AND CONTINGENCIES

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

b. In February 2005, December 2007, December 2008 and October 2009 the Board approved the awarding of contracts for the purchase of low-floor buses from DaimlerChrysler Commercial Buses North America Ltd. The delivery requirement is, in total 694 diesel-electric hybrid buses and 395 diesel buses at a total value of $718.2 million. At December 31, 2013, 694 hybrid and 395 diesel buses had been delivered at a cost of $717.3 million which remained consistent as at December 31, 2014. The outstanding commitment continues to remain at $0.9 million for 2014 and is expected to be extinguished in 2015.

c. In August 2006, the Board approved purchasing 234 subway cars or 39 trainsets from Bombardier Transportation Canada Inc. In September 2006, City Council approved proceeding with this procurement and the contract was awarded on December 21, 2006. In May 2010, the Board approved purchasing an additional 10 subway trainsets for the Toronto-York Spadina Subway line extension and an additional 21 trainsets to replace H6 trainsets. In March 2014, the Board approved a further purchase of 10 trainsets for future ridership growth bringing the total delivery requirement to 80 trainsets. At December 31st 2014, the contract value is in total, $1,402.7 million with 59 trainsets delivered to TTC at a cost of $1,132.7 million and the outstanding commitment is $270.0 million.

d. On April 27, 2009, the Board approved the award for the design and supply of 204 Light Rail Vehicles (LRV). In June 2009 the contract was awarded to Bombardier Transportation Canada Inc. As of December 31, 2014 the total cost of the contract is $1,009.3 million. As of December 31, 2014, five LRV's have been delivered to TTC, two prototypes for testing which will be retrofitted and returned to TTC for revenue services and three revenue service vehicles. The balance of deliveries will continue in 2015 with all 204 cars scheduled for delivery by 2019. At December 31, 2014, the TTC had incurred costs of $488.2 million, and the outstanding commitment is $521.1 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 and on April 30, 2014 a subsequent contract was awarded to Nova for 55 40-foot low floor clean diesel buses anticipated for delivery in 2015, bringing the total delivery requirement to 208 buses. At December 31, 2014 the contract values total $171.7 million with 152 buses delivered at a cost of $132.9 million. The outstanding commitment is $38.8 million.

f. The TTC has contracts for the construction and implementation of various capital projects. At December 31, 2014, these contractual commitments are approximately $1,788.8 million (2013 - $1,122.8 million). Of this amount, $196.4 million was established as multi-component shared projects for Toronto Waterfront, Toronto-York Spadina Subway Extension project (TYSSE) and TTC; $428.4 million (2013 - $676.4 million) relate to the TYSSE project and $1,164.0 million (2013- $402.6 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
2015	13,921
2016	11,863
2017	8,540
2018	5,033
2019	1,585
Thereafter	17
Total	40,959

Supplementary Schedules

Year ended December 31, 2014

CONSOLIDATED FINANCIAL STATEMENTS – As at and for the Year ended December 31, 2014

$000s	TORONTO TRANSIT COMMISSION (TTC)	WHEEL-TRANS (WT)	TORONTO TRANSIT INFRASTRUCTURE LIMITED (TTIL)
STATEMENT OF OPERATIONS			
REVENUE			
Passenger services	1,086,717	5,778	-
Advertising	26,083	-	-
Outside City Services	17,091	-	-
Property rental	20,771	-	-
Miscellaneous	6,838	-	-
Total Operating Revenue	**1,157,500**	**5,778**	**-**
SUBSIDIES			
Operating Subsidy	431,983	105,616	-
Capital Subsidy	1,181,745	-	-
Total Subsidy Revenue	**1,613,728**	**105,616**	**-**
EXPENSES			
Wages, salaries and benefits	1,167,713	55,812	-
Materials, services and supplies	208,537	11,766	-
Vehicle fuel	94,431	3,751	-
Accident Claims	34,985	1,543	-
Electric traction power	42,993	-	-
Wheel-Trans contract services	-	38,106	-
Utilities	20,523	416	-
Depreciation (Operating Budget)	29,278	-	-
Depreciation subsidized assets	304,413	-	-
PFS (Income)	-	-	-
Total Expenses	**1,902,873**	**111,394**	**-**
Surplus (deficit) for the year	868,355	-	-
Accumulated surplus (deficit), beginning of the year	7,072,471	-	1
Accumulated Surplus (Deficit), End of the Year	**7,940,826**	**-**	**1**
Not on TTC Financial Statements			
Operating subsidies from the City (as above)	431,983	105,616	-
Operating subsidy - long-term payable for accident claims	(12,761)	(1,131)	-
Operating subsidy - long-term payable for employee benefits	(29,832)	(1,421)	-
City special costs	3,596	-	-
Total City Operating Subsidy - Current	**392,986**	**103,064**	**-**
STATEMENT OF FINANCIAL POSITION			
Financial Assets			
Cash and cash equivalents	82,666	-	1
Subsidies Receivable	909,710	-	-
Accounts Receivable	98,946	-	-
Portfolio Investments	2,521	-	-
Advances to and investment in subsidiary	10,744	-	-
Indemnity receivable from the TTC	-	-	-
Total Financial Assets	**1,104,587**	**-**	**1**
Liabilities			
Accounts payable and accrued liabilities	555,161	-	-
Deferred passenger revenue	78,190	-	-
Future Employee Benefit Liabilities	526,655	-	-
Unsettled accident claims	170,329	-	-
Environmental Liabilities	6,750	-	-
Due to parent	-	-	-
Derivative Investments	17,037	-	-
Total Liabilities	**1,354,122**	**-**	**-**
Net Debt	**(249,535)**	**-**	**1**
Non-Financial Assets			
Tangible Capital Assets	8,048,243	-	-
Spare parts and supplies inventory	123,564	-	-
Prepaid Expenses	1,517	-	-
Accrued Pension Benefit Asset	-	-	-
Total Non-Financial Assets	**8,173,324**	**-**	**-**
Capital Stock	-	-	-
Accumulated Surplus (Deficit)	**7,923,789**	**-**	**1**

TORONTO COACH TERMINAL INC. CONSOLIDATED (TCTI)	SICK BENEFIT ASSOCIATION (SBA)	TOTAL BEFORE INTERCOMPANY ELIMINATIONS	INTERCOMPANY ELIMINATIONS	CONSOLIDATED FINANCIAL STATEMENTS
-	-	1,092,495	-	1,092,495
-	-	26,083	-	26,083
-	-	17,091	-	17,091
1,200	-	21,971	-	21,971
69	135	7,042	(462)	6,580
1,269	**135**	**1,164,682**	**(462)**	**1,164,220**
-	-	537,599	-	537,599
-	-	1,181,745	-	1,181,745
-	**-**	**1,719,344**	**-**	**1,719,344**
4	-	1,223,529	(134)	1,223,395
372	135	220,810	(371)	220,439
-	-	98,182	-	98,182
-	-	36,528	43	36,571
-	-	42,993	-	42,993
-	-	38,106	-	38,106
-	-	20,939	-	20,939
557	-	29,835	-	29,835
-	-	304,413	-	304,413
-	-	-	-	-
933	**135**	**2,015,335**	**(462)**	**2,014,873**
336	-	868,691	-	868,691
(3,839)	92	7,068,725	-	7,068,725
(3,503)	**92**	**7,937,416**	**-**	**7,937,416**
-	-	537,599	-	-
-	-	(13,892)	-	-
-	-	(31,253)	-	-
-	-	3,596	-	-
-	**-**	**496,050**	**-**	**-**
3,582	66	86,315	-	86,315
-	-	909,710	-	909,710
37	2,636	101,619	(2,579)	99,040
-	-	2,521	-	2,521
-	-	10,744	(10,744)	-
155,419	-	155,419	(155,419)	-
159,038	**2,702**	**1,266,328**	**(168,742)**	**1,097,586**
284	2,610	558,055	(2,640)	555,415
-	-	78,190	-	78,190
-	-	526,655	-	526,655
155,419	-	325,748	(155,419)	170,329
-	-	6,750	-	6,750
9,683	-	9,683	(9,683)	-
-	-	17,037	-	17,037
165,386	**2,610**	**1,522,118**	**(167,742)**	**1,354,376**
(6,348)	**92**	**(255,790)**	**(1,000)**	**(256,790)**
3,845	-	8,052,088	-	8,052,088
-	-	123,564	-	123,564
-	-	1,517	-	1,517
-	-	-	-	-
3,845	**-**	**8,177,169**	**-**	**8,177,169**
1,000	-	1,000	(1,000)	-
(3,503)	**92**	**7,920,379**	**-**	**7,920,379**

CONVENTIONAL SYSTEM – 10 YEAR NON-CONSOLIDATED FINANCIAL & OPERATING STATISTICS (UNAUDITED)

	2014	2013	2012
OPERATING STATISTICS (regular service inside the City)			
Passenger Trips (Millions)	534.8	525.2	514.0
Basic Adult Ticket Fare (at December 31) ($)	2.70	2.65	2.60
Average Number of Employees (including TCTI)	13,209	12,920	12,739
Average Hourly Wages & Benefits per Operator ($)	49.01	47.94	47.35
Kilometres Operated (Millions)			
Bus	131.3	129.6	125.0
Subway Car	80.8	79.3	78.6
Streetcar	12.8	12.5	12.6
Scarborough RT	3.5	3.5	3.1
Total Kilometres Operated	**228.4**	**224.9**	**219.3**
OPERATING REVENUE STATISTICS			
Operating Revenue – including property rental, etc. ($ Millions)	1,157.5	1,120.2	1,087.3
Operating Revenue per Passenger Trip ($)	2.16	2.13	2.11
Operating Revenue per Kilometre ($)	5.07	4.98	4.96
OPERATING EXPENSE STATISTICS[1]			
Operating Expenses ($ Millions)	1,589.5	1,491.7	1,472.4
Operating Expense per Passenger Trip ($)	2.97	2.84	2.86
Operating Expense per Kilometre ($)	6.96	6.63	6.71
OPERATING SUBSIDY STATISTICS			
Operating Subsidy ($ Millions)	432.0[11]	371.5[10]	385.1[9]
Operating Subsidy per Passenger Trip ($)	0.81	0.71	0.75
Operating Subsidy per Kilometre ($)	1.89	1.65	1.76
REVENUE/COST RATIO	72.8%	75.1%	73.8%
PASSENGER VEHICLE FLEET			
(Conventional & Wheel-Trans, owned or leased and in service at December 31)			
Buses	1,869	1,851	1,857
Subway Cars	724	704	708
Streetcars	247	247	247
Scarborough RT Cars	28	28	28
Wheel-Trans Buses	221	221	246
Total Vehicle Fleet	**3,089**	**3,051**	**3,086**

2011	2010	2009	2008	2007	2006	2005
500.2	477.4	471.2	466.7	459.8	444.5	431.2
2.50	2.50	2.25	2.25	2.25	2.10	2.00
12,674	12,553	12,324	11,679	11,233	10,905	10,669
46.07[12]	44.74[12]	43.27	41.46	39.60	38.39	37.02
123.6	124.0	123.7	114.2	107.6	105.9	102.9
76.1	75.7	75.5	74.9	74.5	77.7	77.7
13.1	12.7	12.3	12.1	11.8	11.6	11.7
3.3	3.3	3.3	3.3	3.7	4.1	4.3
216.1	**215.7**	**214.8**	**204.5**	**197.6**	**199.3**	**196.6**
1,026.4	987.5	886.4	891.8	825.8	782.6	753.4
2.05	2.07	1.88	1.91	1.80	1.76	1.75
4.75	4.58	4.13	4.36	4.18	3.93	3.83
1,460.0	1,385.9	1,328.7	1,208.7	1,125.4	1,042.3	960.2
2.92	2.90	2.82	2.59	2.45	2.34	2.23
6.76	6.43	6.19	5.91	5.70	5.23	4.88
433.6[8]	398.4[7]	442.3[6]	316.9[5]	299.6[4]	259.7[3]	206.8[2]
0.87	0.83	0.94	0.68	0.65	0.58	0.48
2.01	1.85	2.06	1.55	1.52	1.30	1.05
70.3%	71.3%	66.7%	73.8%	73.4%	75.1%	78.5%
1,819	1,811	1,782	1,737	1,545	1,543	1,491
712	676	678	678	678	678	678
247	247	248	248	248	248	248
28	28	28	28	28	28	28
217	227	188	147	145	144	145
3,023	**2,989**	**2,924**	**2,838**	**2,644**	**2,641**	**2,590**

NOTES for CONVENTIONAL SYSTEM – 10 Year Non-Consolidated Financial & Operating Statistics (Unaudited)

1. In 2011, the TTC adopted Public Sector Accounting Standards (PSAS) for its financial reporting. Prior to the adoption of PSAS, depreciation expense on subsidized assets was completely offset by the related capital subsidy and the accounting expense for the TTC Pension Fund was equal to the TTC's cash contributions. To maintain consistency with both the pre-2011 presentation in this schedule and the TTC's operating budget, beginning in 2011, the operating expenses exclude the depreciation on subsidized assets, the TTC Pension Fund expense or income that is in excess of the TTC's cash contributions and capital project write downs and environmental expenses that are both funded through capital subsidy.

2. In 2005, the total subsidy paid by the City was $137.5 million, consisting of $115.8 million for the operating subsidy, $2.0 million for the City special costs, $1.7 million for the TTC Land Acquisition Reserve Fund and $24.4 million for the TTC Stabilization Reserve Fund, less a $6.4 million long-term payable for employee benefits. The City allocated $91.0 million of Provincial subsidy to the operating budget.

3. In 2006, the total subsidy paid by the City was $272.5 million, consisting of $168.1 million for the operating subsidy, $2.7 million for the City special costs, $1.7 million for the TTC Land Acquisition Reserve Fund (reported by the TTC in 2005) and $116.6 million for the TTC Stabilization Reserve Fund (including the $24.4 million reported by the TTC in 2005) less a $16.6 million long-term payable for employee benefits. The City allocated $91.6 million of Provincial subsidy to the operating budget.

4. In 2007, the total subsidy paid by the City was $98.3 million, consisting of $208 million for the operating subsidy, $2.8 million for the City special costs, less a $96 million draw from the TTC Stabilization Reserve Fund, and a $16.5 million long-term payable for employee benefits. The City allocated $91.6 million of Provincial subsidy to the operating budget.

5. In 2008, the total subsidy paid by the City was $131.4 million, consisting of $145.1 million for the operating subsidy, $2.8 million for the City special costs, less a $16.5 million long-term payable for employee benefits. The City allocated $171.8 million of Provincial subsidy to the operating budget.

6. In 2009, the total subsidy paid by the City was $302.7 million, consisting of $350.7 million for the operating subsidy, $3.0 million for the City special costs, less a $30.4 million long-term payable for accident claims and a $20.6 million long-term payable for employee benefits. The City allocated $91.6 million of Provincial subsidy to the operating budget.

7. In 2010, the total subsidy paid by the City was $278.2 million, consisting of $306.8 million for the operating subsidy, $3.0 million for the City special costs, less a $17.3 million long-term payable for accident claims and a $14.3 million long-term payable for employee benefits. The City allocated $91.6 million of Provincial subsidy to the operating budget.

8. In 2011, the total subsidy paid by the City was $317.7 million, consisting of $342.0 million for the operating subsidy, $3.4 million for the City special costs, less a $14.6 million long-term payable for accident claims and a $13.1 million long-term payable for employee benefits. The City allocated $91.6 million of Provincial subsidy to the operating budget.

9. In 2012, the total subsidy paid by the City was $278.4 million, consisting of $293.5 million for the operating subsidy, $3.5 million for the City special costs, less $18.6 million long-term payable (employee benefits of $23.3 million less accident claims of $4.7 million). The City allocated $91.6 million of Provincial subsidy to the operating budget.

10. In 2013, the total subsidy paid by the City was $273.4 million, consisting of $279.9 million for the operating subsidy, $3.6 million for the City special costs, $13.1 million for accident claims and less a $23.2 million long-term payable for employee benefits. The City allocated $91.6 million of Provincial subsidy to the operating budget.

11. In 2014, the total subsidy paid by the City was $301.4 million, consisting of $340.4 million for the operating subsidy, $3.6 million for the City special costs, less $42.6 million long-term payable (employee benefits of $29.8 million plus accident claims of $12.8 million). The City allocated $91.6 million of Provincial subsidy to the operating budget.

12. The 2011 and 2010 average hourly wages & benefits per operator amounts previously reported (2011 — $45.05 and 2010 — $44.50) have been updated to reflect negotiated improvements that were applied retroactively.

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Management Directory – December 31, 2014

Executive Team

Andy Byford
Chief Executive Officer

Sameh Ghaly
Chief Capital Officer

Rick Leary
Chief Service Officer

John P. O'Grady
Chief Safety Officer

Gemma Piemontese
Chief People Officer

Vincent Rodo
Chief Financial and Administration Officer

Brad Ross
Executive Director of Corporate Communications

Gary Shortt
Chief Operating Officer

Joan Taylor
Chief of Staff

Chris Upfold
Deputy Chief Executive Officer/
Chief Customer Officer

Senior Management & Department Heads

Valerie Albanese
Head of Human Rights

Andy G. Bertolo
Chief Project Manager
Spadina Subway Extension

Arthur Borkwood
Head of Customer Development

Glen Buchberger
Head of Plant Maintenance

David Campbell
Head of Service Delivery Control

Mark Cousins
Head of Transit Enforcement

Anthony Creazzo
Head of Operations Control

Mary Darakjian
Head of Pensions

Joanne DiBiase
Head of Training and Development

Jim Fraser
Head of Capital Programming

Collie Greenwood
Head of Stations

Bob Hughes
Head of Farecard Team

Dave Hughes
Head of Revenue Operations

Anthony Iannucci
Head of Information Technology Services

Joseph Kennelly
Head of Audit

Joanna Kervin (Acting)
Head of Property, Planning & Development

Orest Z. Kobylansky
Head of Bus Transportation

Stephen Lam
Head of Streetcar

Brian M. Leck
Head of Legal and General Counsel

Jim Lee
Head of Materials and Procurement

Kevin Lee
Head of Commission Services

Paul Millett (Secondment)
Chief Project Manager
Yonge Subway Extension

Sue Motahedin
Head of Customer Service Centre

Jane Murray
Chief Project Manager –Construction

Michael A. Roche
Head of Finance and Treasurer

Mike Palmer
Deputy Chief Operating Officer

James Ross
Head of Subway Transportation

Mitch Stambler
Head of Strategy and Service Planning

Susan Reed Tanaka
Head of Engineering

Rick Thompson
Chief Project Manager
Scarborough Subway Extension

Cheryn Thoun
Head of Customer Communications

Raffaele Trentadue
Head of Rail Cars and Shops

Keith Watling (Acting)
Head of Subway Infrastructure

Rich Wong
Head of Bus Maintenance

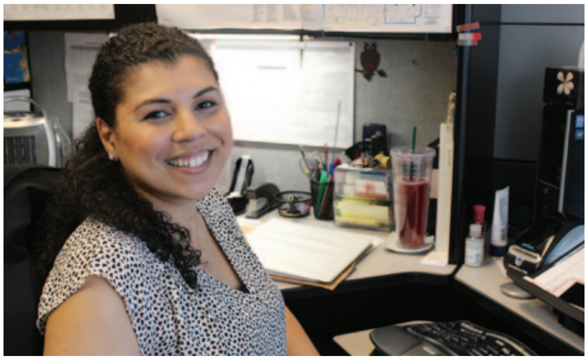
Subsidiary Companies

Toronto Coach Terminal Inc.
Vincent Rodo
President

Toronto Transit Infrastructure Limited
Vincent Rodo
Comptroller

TTC Insurance Company Limited
Vincent Rodo
President

For further information, please contact:
Toronto Transit Commission
1900 Yonge Street, Toronto,
Ontario, M4S 1Z2
Telephone: (416) 393-4000
Fax: (416) 485-9394
Website: www.ttc.ca



Name: Lisa Trusty
Position: Project Administrative Secretary
Years of Service: 6

There is always something happening behind the scenes at the TTC – and I am just one of the many people involved. Working in the Engineering, Construction & Expansion Group, I have had the privilege to be part of various teams that build transit infrastructure to support our City, such as the modernization of Dufferin and Pape Stations and the building of the Spadina Subway Extension, just to name a few. It is incredibly rewarding to know that I have a part in helping to get millions of customers to their destinations on a daily basis.

Name: Amirali Jamal
Years of Service: 33
Position: Payroll Administrator

I joined the TTC in May 1981 as a Subway Yard Operator and upgraded to Vehicle Repair Person before working as a Payroll Administrator. I take pride in my job and make sure every employee is paid correctly and on time. It is an honour and privilege to work for a company that offers plenty of opportunities and is progressing rapidly in the areas of Safety, Service and Courtesy. BRAVO TTC!!!

Name: Jim Lever
Position: Route Supervisor
Years of Service: 31

Before I started at the TTC I was a referee for the Ontario Hockey League for 25 years. Through my time with the OHL, I met hockey legends such as Bobby Orr and Wayne Gretzky and even got the chance to ref at the 1984 Winter Olympics in Sarajevo. Shortly after, I got a job working as a streetcar Route Supervisor at the TTC and have stayed in Transportation since. What I enjoy most about working at the TTC is how well I've been treated through my many years of service here, it makes coming into work more pleasant.

Name: Monika Abreu
Position: Carhouse Operator
Years of Service: 27

As the longest serving Carhouse Operator at Russell Yard, I know what it takes to keep the streetcar facility running smoothly. I believe that the people you work with can really make the job. My colleagues make the day both fun and productive. Around here, I'm known as "Mother Hen." I've spent my entire career at Russell and I wouldn't trade it for anything.

TORONTO TRANSIT COMMISSION