STAFF REPORT
ACTION REQUIRED

Draft Consolidated Financial Statements of Toronto Transit Commission for the Year Ended December 31, 2016

Date:	June 15, 2017
To:	TTC Board
From:	Chief Executive Officer

Summary

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

TTC's 2016 consolidated financial statements present TTC's 2016 financial results and financial position as of December 31, 2016.

Recommendations

It is recommended that the Board

1. Approve the report; and

2. Approve forwarding a copy of the approved consolidated financial statements of the TTC to the City Clerk for appropriate handling.

Implementation Points

The Board's Audit & Risk Management Committee has approved the consolidated financial statements of the TTC at its meeting on May 29, 2017.

This report must be approved at the June 15, 2017 TTC Board Meeting to ensure timely submission to the June 27, 2017 Audit Committee Meeting of the City of Toronto.

Financial Summary

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

Accessibility/Equity Matters

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

Decision History

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

Comments

The draft consolidated financial statements of the Toronto Transit Commission for the year ended December 31, 2016 have been prepared by Management. They have been audited by PricewaterhouseCoopers LLP ("PwC"), as indicated by the draft Auditor's Report (or 'Opinion') included with the attached statements. The Auditor's Report provides an opinion that the consolidated financial statements present fairly, in all material respects, the financial position of the TTC in accordance with Canadian Public Sector Accounting Standards (PSAS). After the financial statements are approved by the Audit & Risk Management Committee and Board, and PwC completes its file documentation, the draft unqualified opinion will be finalized on PwC letterhead.

Key Components of the Consolidated Financial Statements

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

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

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

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

4) **Consolidated Statement of Change in Net Debt**
   This statement outlines the items that have caused a change to the net debt amount that is presented on the Consolidated Statement of Financial Position.

5) **Consolidated Statement of Cash Flows**
   This statement outlines the key cash inflows and outflows to explain the change in the cash balance on a year over year basis.

Accounting Surplus – As Reported in the Consolidated Financial Statements

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

Item	**$ Millions**
Capital subsidy revenue	1,094.2
Depreciation expense for assets that were funded through capital subsidy	(350.4)
Other expenses funded through capital subsidy	(4.2)
Entities under the control of TTC	0.3
Rounding	0.1
Total	**740.0**

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

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

$ Millions	**2016**
Surplus per Consolidated Financial Statements	740.0
Adjustments for Non-Operating:	
Capital Subsidy Revenue Net of Amortization	(743.8)
Other Expenses funded through Capital Subsidy	4.2
Other Entities Under Control of TTC	(0.3)
Rounding	(0.1)
Subtotal	**0.0**
Operating Subsidy Revenue per Financial Statements	(637.2)
City Special Costs	(3.7)
Adjustments for Future Recoverable Amounts:	
Post-Retirement Benefits	42.3
Accident Claims	(5.8)
Rounding	0.1
Operating Subsidy Required	(604.3)
Operating Subsidy Available	610.3
Reduced Operating Subsidy Requirement	**6.0**

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

1) Capital Subsidy Revenue and Depreciation Expense: $743.8M (net)

Capital subsidies are used to acquire or construct capital assets. Under PSAS, these subsidies must be recognized as revenue, in the year that the TTC qualified for the funding (i.e. the year in which the capital asset was acquired or constructed). In 2016, the TTC recognized $1,094.2M in capital subsidy revenue.

The cost of these capital assets, however, is not immediately recorded as an expense as the assets will serve the TTC for several years. Instead, a depreciation expense is recorded in the Consolidated Statement of Operations over several years as the assets are used and gradually wear out. In 2016, the TTC recorded $350.4M of depreciation expense which is an estimate of the decline in value of TTC's assets in 2016 due to age and use.

The difference between the capital subsidy revenue of $1,094.2M noted above and the depreciation expense for subsidized assets of $350.4M, is the source of $743.8M of the accounting surplus, however this amount does not represent surplus funds. The full $1,094.2M was spent on the capital assets acquired or constructed this year.

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

2) Other Expenses Funded Through Capital Subsidy: $4.2M

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

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

Budgets and periodic financial reports are presented separately for the TTC conventional transit system, Wheel-Trans operations, Toronto Coach Terminal Inc., TTC Insurance Company Ltd. and the TTC Sick Benefit Association. However PSAS requires these financial statements to be presented on a consolidated (i.e. combined) basis. Therefore the results for all entities controlled by the TTC are reported in aggregate. As a result, an additional $0.3M [1]surplus forms part of the TTC's consolidated surplus for the year.

<u>Reduced Operating Subsidy Requirements for the Year</u>

It is important to note that the accounting surplus presented on the consolidated financial statements is unrelated to the 2016 operating budgets reduced subsidy requirements (i.e. budget surplus). The TTC had reduced operating subsidy requirements of $7.7M for conventional transit and a budget deficit of ($1.7M) for Wheel-Trans. The net amount of $6.0M represented the amount by which the operating subsidy available from the City of

[1] Net of intercompany eliminations

Toronto exceeded the amount that was actually required and used by the TTC. This is summarized in the table:

$ Millions	**TTC Conventional Transit**	**Wheel-Trans**	**Total**
2016 Operating Expenses[2]	1,682.1	125.5	1,807.6
2016 Operating Revenue	1,196.2	7.1	1,203.3
Current Operating Subsidy Required	485.9	118.4	604.3
Current Operating Subsidy Available	493.6	116.7	610.3
Reduced Operating Subsidy Requirement	**7.7**	**(1.7)**	**6.0**

The above information provides some context to the amount presented in the attached consolidated financial statements. Both staff and PwC auditors would be pleased to answer any further questions that you may have about the financial statements for 2016.

Contact

Michael Roche, Head of Finance
Tel: (416) 393-3654, E-mail: Michael.Roche@ttc.ca

Attachments

Draft TTC Consolidated Financial Statements for the Year-Ended December 31, 2016

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

Consolidated Financial Statements of

TORONTO TRANSIT COMMISSION

Year ended December 31, 2016

June 15, 2017

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, 2016 and the consolidated statements 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, 2016 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, 2016 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

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Consolidated Statement of Financial Position
As at

$000s	December 31, 2016	December 31, 2015
Financial Assets		
Cash and Cash Equivalents (note 4)	130,190	93,021
Subsidies Receivable (note 5)	1,122,922	1,180,129
Accounts Receivable	81,298	93,170
Portfolio Investments (note 6)	2,264	2,259
Derivatives (note 7)	3,094	-
Total Financial Assets	**1,339,768**	**1,368,579**
Liabilities		
Accounts Payable and Accrued Liabilities	681,151	744,049
Deferred Passenger Revenue	84,380	89,770
Unsettled Accident Claims (note 8)	192,253	198,023
Employee Future Benefits (note 9)	633,403	581,326
Environmental Liabilities (note 10)	5,332	5,703
Derivatives (note 7)	-	18,410
Total Liabilities	**1,596,519**	**1,637,281**
Net Debt	**(256,751)**	**(268,702)**
Non-Financial Assets		
Tangible Capital Assets (note 11)	9,983,559	9,238,897
Spare Parts and Supplies Inventory	139,116	138,295
Prepaid Expense	7,006	2,962
Total Non-Financial Assets	**10,129,681**	**9,380,154**
Accumulated Surplus	**9,872,930**	**9,111,452**
Accumulated Surplus is comprised of:		
Accumulated Operating Surplus (note 12)	9,869,836	9,129,862
Accumulated Remeasurement Gain / (Losses)	3,094	(18,410)
	9,872,930	**9,111,452**

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	2016 Budget (note 16)	2016	2015
Operating Revenue			
Passenger Services	1,182,254	1,133,572	1,115,051
Advertising	27,975	28,005	26,168
Outside City Services	16,320	16,940	17,176
Property Rental	21,569	21,529	22,629
Miscellaneous	1,973	4,359	5,577
Total Operating Revenue	1,250,091	1,204,405	1,186,601
Subsidy Revenue			
Operating Subsidies (note 13)	659,828	637,193	649,853
Capital Subsidies (note 14)	1,967,599	1,094,240	1,449,355
Total Subsidy Revenue	2,627,427	1,731,433	2,099,208
Total Revenue	3,877,518	2,935,838	3,285,809
EXPENSES			
Conventional Transit Service	2,123,622	2,056,868	1,962,482
Wheel-Trans	135,759	138,296	130,187
Other Functions	564	700	694
Total Expenses (note 15)	2,259,945	2,195,864	2,093,363
Surplus for the year	1,617,573	739,974	1,192,446
Accumulated surplus, beginning of the year		9,129,862	7,937,416
Accumulated surplus, end of the year		9,869,836	9,129,862

See accompanying notes to the consolidated financial statements

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

$000s	2016	2015
Accumulated Remeasurement Gains / (Losses), beginning of the year	(18,410)	(17,037)
Unrealized gains / (losses) in the current year (note 7)	7,162	(17,110)
Amounts reclassified to Statement of Operations	14,342	15,737
Accumulated Remeasurement Gains / (Losses), end of the year	**3,094**	**(18,410)**

See accompanying notes to the consolidated financial statements

Consolidated Statement of Net Debt
For the year ended December 31

$000s	2016 Budget	2016 Actual	2015 Actual
	(note 16)		
Surplus for the year	1,617,573	739,974	1,192,446
Change in capital assets			
Acquisitions	(1,997,377)	(1,124,014)	(1,488,896)
Amortization	384,447	379,101	301,565
Disposals	-	-	-
Write-downs	-	251	522
Total Change in Capital Assets	(1,612,930)	(744,662)	(1,186,809)
Change in Spare Parts and Supplies	-	(821)	(14,731)
Change in Prepaid Expenses	-	(4,044)	(1,445)
Change in remeasurement gains / (losses) for the year	-	21,504	(1,373)
Change in Net Debt	4,643	11,951	(11,912)
Net Debt, beginning of the year		(268,702)	(256,790)
Net Debt, end of the year		(256,751)	(268,702)

See accompanying notes to the consolidated financial statements

Consolidated Statement of Cash Flows
For the year ended December 31

$000s	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from passenger services	1,128,182	1,126,631
Operating subsidies received	604,500	584,783
Non-passenger revenue received	76,945	65,574
Cash paid for wages, salaries and benefits	(1,259,584)	(1,235,573)
Cash paid to suppliers	(450,261)	(443,024)
Cash paid for accident claims	(34,318)	(29,599)
Cash (used in)/ provided by operating activities	**65,464**	**68,792**
CASH FLOWS FROM CAPITAL ACTIVITIES		
Capital asset acquisitions	(1,212,855)	(1,316,592)
Capital asset disposal proceeds	117	424
Capital subsidies received	1,184,443	1,254,082
Cash (used in)/ provided by capital activities	**(28,295)**	**(62,086)**
Increase/ (decrease) in cash and cash equivalents, during the year	37,169	6,706
Cash and cash equivalents, beginning of the year	93,021	86,315
Cash and cash equivalents, end of the year	**130,190**	**93,021**

See accompanying notes to the consolidated financial statements

Notes to the Consolidated Financial Statements

for the Year Ended December 31, 2016

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 Toronto Coach Terminal Inc. and its subsidiary, the TTC Insurance Company Limited. As 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, the 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. In 2016, TTC's subsidiary, the Toronto Transit Infrastructure Limited was dissolved.

c. Measurement Uncertainty

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

d. Subsidy Revenue

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

e. Operating Revenue and Deferred Passenger Revenue

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

f. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and funds on deposit with a major financial institution.

g. Spare Parts and Supplies Inventory

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

h. Tangible Capital Assets and Amortization

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

Asset	Years
Subways	20-65
Buildings & Structures	20-40
Rolling Stock	6-30
Buses	3-18
Trackwork	15-30
Other Equipment	5-26
Traction Power Distribution System	24-25

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

i. Portfolio Investments

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

j. Unsettled Accident Claims

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

k. Employee Future Benefit Plans

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

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

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

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

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

Actuarial gains and losses arise from changes in actuarial assumptions or when actual experience differs from what was assumed. For post-employment benefit plans, the net actuarial gain or loss is deferred and amortized on a straight-line basis over the average expected period during which benefits will be paid unless there is a related plan amendment or curtailment. For workplace safety insurance benefits, the amortization period is 10 years (December 31, 2015 – 10 years) and for long-term disability benefits, the amortization period is 12.1 years (December 31, 2015 – 13.1 years). The amortization of the gain/loss begins in the year after the actuarial gain/loss arises.

A post-retirement benefit plan actuarial gain or loss is deferred and amortized over the expected average remaining service life of the employees unless there is a plan amendment or curtailment. The amortization period for the pension plan is 13.5 years (December 31, 2015 – 13.3 years), for the post-retirement medical and post-retirement dental plans the amortization period is 13.8 years (December 31, 2015 – 13.8 years) and for the supplemental funded pension plan, the amortization period is 6.5 years (December 31, 2015 – 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 Liabilities

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

m. Financial Instruments

The TTC has designated its financial instruments as follows:

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

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

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

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

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

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

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

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

3. FINANCIAL RISK MANAGEMENT

Credit Risk

Credit risk is the risk of loss due to a counterparty's inability to meet its obligations. As at December 31, 2016, TTC's credit risk exposure consists mainly of the carrying amounts of Cash and Cash Equivalents, Portfolio Investments, Accounts Receivable and Subsidies Receivable.

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

Of TTC's total Accounts Receivable, $19.5 million is past due (December 31, 2015 – $17.2 million).

Although past due, the $19.5 million is deemed collectible and has the following aging:

1–30 days past due: $0.1 million (December 31, 2015 – $3.2 million)

31–60 days past due: $2.2 million (December 31, 2015 – $0.1 million)

61–90 days past due: $0.5 million (December 31, 2015 – $0.4 million)

90+ days past due: $16.7 million (December 31, 2015 – $13.5 million)

Approximately 77% of TTC's Accounts Receivable is due from the City of Toronto, other municipal, provincial and federal governments and organizations controlled by them (December 31, 2015 – 76%). 100% of Subsidies Receivable are due from the City of Toronto (December 31, 2015 – 100%). Impairment risk on receivables from these governments and government organizations is low.

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 $1.8 million in U.S. dollar financial liabilities (December 31, 2015 – $5.0 million), which is more than offset by TTC's U.S. dollar cash balance of $4.2 million (December 31, 2015 – $5.4 million). Therefore TTC's currency risk is low and there are no notable concentrations of risk.

Liquidity Risk

Liquidity risk is the risk that the TTC will encounter difficulty in meeting obligations associated with its financial liabilities and other contractual obligations. TTC's accounts payables and accrued liabilities amount to $681.2 million (December 31, 2015 – $744.0 million) and, excluding non-financial liabilities, $212.4 million is due within one year or less (December 31, 2015 – $208.9 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 $95.6 million (December 31, 2015 – $176.7 million) are also excluded from the $212.4 million (December 31, 2015 – $208.9 million) due within a year; however, they are fully recoverable from the City of Toronto as referred to in note 5. Therefore TTC's liquidity risk is low and there are no notable concentrations of risk.

Interest rate risk

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

Other Price Risk

The TTC is exposed to fuel price risk arising from fluctuations in fuel costs. To manage its exposure to fuel prices, TTC enters into fuel swap contracts with financial institutions (note 7).

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 $3.1 million as at December 31, 2016 (December 31, 2015 – $2.6 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	2016	2015
Subsidies to be collected within one year		
Capital Subsidy Receivable	376,042	378,697
Operating Subsidy Receivable	85,310	89,146
Total subsidies to be collected within one year	461,352	467,843
Other recoverable amounts		
Employee Benefits	323,882	281,583
Accident Claims Expenses	80,418	86,188
Construction Related	254,621	341,740
Future Environmental Costs (note 10)	2,649	2,775
Total Other Recoverable amounts	661,570	712,286
Total Subsidies Receivable	**1,122,922**	**1,180,129**

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

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

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

6. PORTFOLIO INVESTMENTS

Portfolio investments as at December 31 consist of the following:

$000s	2016	2015
Municipality of Metropolitan Toronto Bond (2.45%; February 6, 2025 maturity)	2,264	2,259
Total Portfolio Investments	2,264	2,259

At December 31, 2016, the fair value of the bonds is $2.3 million (December 31, 2015 – $2.3 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, 2016. 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. As of December 31, 2016 the accumulated remeasurement gains from these fuel swaps are $3.1 million (December 31, 2015 – accumulated remeasurement losses $18.4 million). The derivative contracts are included in the statement of financial position on a present value basis. The fair value of these contract are primarily derived using the quoted price of heating oil on the New York Mercantile Exchange (NYMEX) as of December 31, 2016. As of December 31, 2016, approximately 59.5% of 2017's diesel fuel requirement has been hedged using the fuel swap agreements (December 31, 2015 – 86.0%).

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, 2016, $174.5 million (December 31, 2015 – $182.2 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, $17.7 million, (December 31, 2015 – $15.8 million) relates to general liability claims of $21.5 million (December 31, 2015 – $20.0 million), less $3.8 million, (December 31, 2015 – $4.2 million) of expected HST rebates.

The ultimate cost of these liabilities will vary from the best estimate made by management for a variety of reasons, including additional information with respect to the facts and circumstances of the claims incurred. The liability includes a reserve established for each file as well as an incurred but not reported ("IBNR") provision to account for the fact that full information on case files may not be available at the valuation date, or losses have been incurred but are not yet reported. Therefore, the TTC relies upon historical information and statistical models, to estimate the IBNR liability. The TTC also uses reported claims trends, claims severity, exposure growth and other factors in estimating its IBNR reserve. The time required to learn of and settle claims is an important consideration in establishing the TTC's reserves. The TTC revises these reserves as additional information becomes available.

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

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

Unpaid claims and claims adjustment costs:	**Undiscounted**	**Time Value of Money**	**Discounted (before PFAD)**	**PFAD**	**Discounted**
$000s					
As at December 31, 2016	180,180	(5,234)	174,946	17,307	192,253
As at December 31, 2015	185,602	(5,370)	180,232	17,791	198,023

As at December 31, 2016, the interest rate used to determine the time value of money was 1.0% and reflected the market yield (December 31, 2015 – 1.0%).

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, 2016 for the WSI plan and November 30, 2016 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, 2017 for the WSI plan and November 30, 2017 for the LTD plan.

Post-retirement, non-pension benefit plans

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

For the post-retirement benefit plans, the effective date of the most recent actuarial valuation was January 1, 2015. This valuation was used to project the accrued benefit obligations and costs for the current year end. The next actuarial valuation for the post-retirement benefit plans is expected to be performed as at January 1, 2018.

Supplemental pension plans

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

The funded supplemental pension plan has been accounted for as a defined benefit plan and the TTC has recognized 100% of the plan's pension expense, assets and obligation. The funded supplemental pension plan's assets consist of 56% (December 31, 2015 – 56%) cash and equity index pooled funds which are carried at market and 44% (December 31, 2015 – 44%) 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, 2016. The next actuarial valuation for funding purposes is expected to be performed as at January 1, 2017. The effective date of the most recent valuation for accounting purposes was December 31, 2016.

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. 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, 2016, the base year for the TTC pension plan and the funded supplemental pension plans was updated to December 31, 2015 from December 31, 2014. In addition, an ad hoc increase of up to 1.28% (December 31, 2015 – 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 and Accumulated Surplus.

The effective date of the most recent actuarial valuation for funding purposes for the TTC Pension Fund was January 1, 2016. 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, 2016.

The continuity of the change in the employee benefit liabilities/(asset) including expenses recognized in 2016 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	225,911	355,835	(420)	581,326	-
Current service cost	27,562	26,053	50	53,665	84,077
Interest cost	4,751	16,669	72	21,492	(17,813)
Amortization of actuarial (gains)/losses:	(3,496)	15,680	280	12,464	(22,282)[1]
Plan amendments			847	847	40,916
Change in valuation allowance					27,505
Total Expenses	28,817	58,402	1,249	88,468	112,403
Benefits paid	(25,369)	(9,783)	(190)	(35,342)	-
Employer contributions	-	-	(1,049)	(1,049)	(112,403)
Accrued benefit liability (asset) balance, end of the year	229,359	404,454	(410)	633,403	-

[1] Includes recognition of an unamortized gain of $22,282 applied against the cost of the plan amendments.

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

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

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

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

$000s	2016	2015
Cost of TTC Pension Fund contributions	112,403	108,396
Net cost of TTC Pension	112,403	108,396
Cost of other benefit plans	88,468	90,250
Total cost of plans	200,871	198,646
Less: costs allocated to capital assets	(26,064)	(23,816)
Total employee future benefit costs included Wage, Salaries and Benefits in Note 15 and in the consolidated Statement of Operations and Accumulated Surplus	174,807	174,830

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 $407.3 million (December 31, 2015 – $379.8 million) is required to reduce the accrued benefit asset to either the value of the net unamortized actuarial losses (if any) or to the value of the fund surplus less net unamortized gains.

Reconciliation of funded status to the employee benefit liabilities and asset as at December 31, 2016 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	-	-	13,266	13,266	3,067,899
Accrued benefit obligations	196,245	517,022	13,800	727,067	2,660,589
Funded status–(deficit)/ surplus	(196,245)	(517,022)	(534)	(713,801)	407,310
Unamortized (gains)/losses	(33,114)	112,568	944	80,398	-
Accrued benefit (liability)/ asset	(229,359)	(404,454)	410	(633,403)	407,310
Valuation Allowance	-	-	-	-	(407,310)
Employee benefit (liability)	**(229,359)**	**(404,454)**	**410**	**(633,403)**	-

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

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

The continuity of the change in the accrued benefit obligation including costs recognized in 2016 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	197,945	486,073	12,808	696,826	2,512,295
Current service cost	27,562	26,053	50	53,665	84,077
Interest cost	4,751	16,669	512	21,932	141,490
Loss/(gain) on the obligation	(8,644)	(1,990)	132	(10,502)	11,297
Employee contributions	-	-	115	115	-
Benefits paid	(25,369)	(9,783)	(664)	(35,816)	(129,486)
Plan amendments	-	-	847	847	40,916
Balance, end of the year	**196,245**	**517,022**	**13,800**	**727,067**	**2,660,589**

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

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

The continuity of the plan assets for the funded pension plans in 2016 is as follows:

$000s	Supplemental Pension Plan	TTC Pension Fund
Balance, beginning of the year	11,984	2,904,957
Employee contributions	115	-
Employer contributions	1,049	112,403
Expected return on plan assets	440	159,303
Excess (shortfall) on return on plan assets	152	20,722
Benefits paid	(474)	(129,486)
Balance, end of the year	13,266	3,067,899

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

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

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

	2016	2015
Accrued benefit obligations as at December 31:		
Discount rate for post-employment plans	2.7% to 3.1%	2.3%
Discount rate for post-retirement, non-pension plans	3.5%	3.5%
Discount rate for supplemental pension plans	3.10% to 3.75%	2.95% to 3.75%
Discount rate for TTC Pension Fund	5.5%	5.5%
Rate of increase in earnings	2.25% to 3.25%	1.18% to 3.25%
Benefit costs for the years ended December 31:		
Discount rate for post-employment plans	2.5% to 2.9%	2.8%
Discount rate for post-retirement, non-pension plans	3.4%	3.4%
Discount rate for supplemental pension plans	2.95% to 3.75%	3.4% to 4.0%
Discount rate for TTC Pension Fund	5.50%	5.75%
Rate of increase in earnings	1.18% to 3.25%	1.18% to 3.25%
Expected rate of return on assets, supplemental pension plan	3.75%	4.0%
Actual rate of return on assets, supplemental pension plan	4.8%	5.1%
Expected rate of return on assets, TTC Pension Fund	5.5%	5.75%
Actual rate of return on assets, TTC Pension Fund	6.2%	6.1%

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

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

$000s	2016	2015
Fair value of plan assets	6,135,797	5,809,914
Accrued benefit obligations	5,321,178	5,024,589
Funded status – surplus	**814,619**	**785,325**

10. ENVIRONMENTAL LIABILITIES

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

Effective January 1, 2015, TTC adopted Public Sector Accounting Standard PSAB 3260, Liability for Contaminated Sites with no significant impact on its consolidated Statement of Financial Position or consolidated Statement of Operations and Accumulated surplus.

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

11. TANGIBLE CAPITAL ASSETS

The cost of tangible capital assets is as follows:

$000s			Cost December 31, 2016		
	Beginning	Additions	Disposals	Write-downs	Ending
Subways	2,690,944	77,033	-	-	2,767,977
Buildings & Structures	1,768,407	284,179	-	-	2,052,586
Rolling Stock	2,295,669	280,003	-	-	2,575,672
Buses	1,667,107	124,987	(16,571)	-	1,775,523
Trackwork	1,792,592	74,400	-	-	1,866,992
Other Equipment	858,902	68,199	(465)	-	926,636
Traction Power Distribution	474,649	39,735	-	-	514,384
Land	12,854	-	-	-	12,854
Construction in Progress	3,713,551	175,478	-	(187)	3,888,842
Total	15,274,675	1,124,014	(17,036)	(187)	16,381,466

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

The accumulated amortization for tangible capital assets is:

$000s		Accumulated Amortization December 31, 2016			
	Beginning	**Amortization**	**Disposals**	**Write-downs**	**Ending**
Subways	1,268,802	42,949	-	-	1,311,751
Buildings & Structures	564,107	53,895	-	-	618,002
Rolling Stock	1,002,623	95,410	-	-	1,098,033
Buses	1,006,847	87,300	(16,571)	64	1,077,640
Trackwork	1,276,998	48,540	-	-	1,325,538
Other Equipment	634,004	39,796	(465)	-	673,335
Traction Power Distribution	282,397	11,211	-	-	293,608
Total	6,035,778	379,101	(17,036)	64	6,397,907

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

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

$000s	Net Book Value 2016	Net Book Value 2015
Subways	1,456,226	1,422,142
Buildings & Structures	1,434,584	1,204,300
Rolling Stock	1,477,639	1,293,046
Buses	697,883	660,260
Trackwork	541,454	515,594
Other Equipment	253,301	224,898
Traction Power Distribution	220,776	192,252
Land	12,854	12,854
Construction in Progress	3,888,842	3,713,551
Total	9,983,559	9,238,897

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	2016	2015
Invested in Tangible Capital Assets	9,858,319	9,118,758
Accumulated surplus (deficit) from TTC subsidiaries	(2,624)	(3,037)
Accumulated surplus generated through operating budget	14,141	14,141
Total	9,869,836	9,129,862

The amount reported in the table regarding tangible capital assets represents the net book value of capital assets, that have been funded through past capital subsidy and capital from current (see note 13). The variance between this amount and the amount reported in note 11, ($125.2 million (2015 – $120.1 million)) represents the net book value of capital assets that have been funded by the TTC. Of this, $122.5 million (2015 – $116.8 million) will be recovered through future operating subsidies. The remaining $2.7 million (2015 – $3.3 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			2016	2015
	Conventional	Wheel-Trans	Total	Total
- Province of Ontario	91,600	-	91,600	91,600
Gas tax (note 14b)				
- City of Toronto	426,416	119,177	545,593	539,081
- City of Toronto - Capital from Current	-	-	-	19,172
Total operating subsidies	**518,016**	**119,177**	**637,193**	**649,853**

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 (2015 – $91.6 million) from the provincial gas tax (see note 14b).

City of Toronto subsidy

$000s			2016	2015
	Conventional	Wheel-Trans	Total	Total
Operating subsidy from the City of Toronto (see above)	426,416	119,177	545,593	539,081
City of Toronto - Capital from current	-	-	-	19,172
City special costs	3,688	-	3,688	3,608
Future recoverable amounts				
Accident Claims	6,290	(520)	5,770	(27,694)
Employee Benefits	(40,354)	(1,945)	(42,299)	(42,002)
	396,040	116,712	512,752	492,165
Net contributions to/(draws from):				
TTC Stabilization Reserve Fund	-	-	-	(9,275)
City Tax Rate Stabilization Reserve	-	-	-	(286)
Total City operating subsidies (in accounts of the City of Toronto)	396,040	116,712	512,752	482,604

Capital from current represents operating subsidy used for the acquisition of 50 buses in 2015. These costs were recorded as tangible capital assets.

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

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

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

In 2015, a total of $0.9 million was drawn from the City Tax Rate Stabilization Reserve and used to cover some of the costs of the Pan Am Games of which $0.3 million of the total was included in operating subsidy revenue and the balance of $0.6 million was included in passenger revenue. In 2016, no draws were made.

14. CAPITAL SUBSIDIES

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

$000s	2016	2015
Source of capital subsidies:		
- City of Toronto	759,753	1,153,042
- Province of Ontario	89,399	135,487
- Federal Government of Canada	243,445	153,560
- Other	1,643	7,266
Total capital subsidies	1,094,240	1,449,355

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 2016 capital subsidy of $1,092.6 million (2015 – $1,442.1 million). Amounts claimed from the City do not include a $6.8 million expenditure (2015 – $0.1 million) for property purchased and owned by the City, but for the jurisdictional use of the TTC.

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

Toronto York Spadina Extension Project

The City acts as the bank for the Toronto-York Spadina Subway Extension ("TYSSE") project, which is being constructed into York Region under a joint funding relationship with the Province through the

Move Ontario Trust ("MOT"), the Federal Government under the Building Canada Funding program and the municipalities of the City of Toronto and the Region of York. In 2016, $364.2 million (2015 – $405.8 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	2016	2015
Source of capital subsidies:		
- Metrolinx Quick Wins	-	44,846
- Gas Tax	75,224	75,983
- LRV Car Project	14,175	14,658
- Canada Strategic Infrastructure Fund	-	-
Total provincial capital subsidies	**89,399**	**135,487**

Metrolinx (Quick Wins)

In its March 2008 budget, the Province confirmed the Quick Wins funding package of projects as previously approved by Metrolinx in November 2007. Provincial payments totalling $452.5 million were received by the City in March 2008 and placed in a City reserve to be applied against the approved Quick Wins projects. Funding of $415.0 million has been recognized by the TTC for the eligible expenditures to date, including $nil applied to capital projects in 2016 (2015 – $44.8 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 $12.1 million has been drawn through the City for 2016 expenditures (2015 – $11.5 million) for costs incurred by the TTC in 2016 and the eligible expenditures to date are $288.7 million on the approved lines. Since Metrolinx will retain ownership of the assets, these amounts along with any associated capital assets, have not been recognized on the consolidated financial statements.

Provincial Gas Tax

In October 2004, the Province introduced gas tax funding to municipalities for public transit. Commencing at 1¢/litre, the funding is based on a province-wide 70% ridership and 30% population allocation base, updated annually. The funding rate increased to 1.5¢/litre, effective October 2005, and then to 2¢/litre, effective October 2006. Of the anticipated $170.4 million (2015 – $167.6 million) in Provincial Gas Tax funding available in 2016, the City has directed $91.6 million (2015 – $91.6 million) toward the TTC's operating needs (note 13) with the remainder of $75.2 million (2015 – $76.0 million) applied to capital needs. The balance of reserve funds of $3.6 million (2015 – $nil) will be applied to future needs.

LRV Car Project

On June 19, 2009 the Province of Ontario confirmed that it would provide one-third funding for the 204 LRV Car Project (up to $417 million) and this funding is expected to flow on the basis of contract milestone payments. A Transfer Payment Agreement between the Province, City of Toronto and TTC was signed in January 2013. Funding of $180.6 million has been recognized against the project to date including $14.2 million for 2016 (2015 – $14.7 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 2016 (2015 – $nil) (see note 17).

c. **Federal Government of Canada**

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

$000s	2016	2015
Source of capital subsidies:		
- Gas tax funding	159,811	152,201
- Canada Strategic Infrastructure Fund	627	1,359
- Public Transit Infrastructure Fund	83,007	-
Total federal capital subsidies	**243,445**	**153,560**

Federal Gas Tax

In June 2005, a joint announcement by the Federal, Provincial, and City of Toronto governments and the Association of Municipalities of Ontario was made in connection with the signing of two federal gas tax funding agreements under the "New Deal for Cities and Communities". The gas tax funding is allocated on a per capita basis for environmentally sustainable municipal infrastructure, growing from 2.5¢/litre in 2008 to 5¢/litre in 2009. In 2008 the Federal Government announced that gas tax funding had been made a permanent measure and in 2009 an extended framework agreement was signed for the 4-year period 2010-2013 (based on updated 2006 Census population). In 2014, a new, permanent agreement for the 10-year period 2014-2023 was signed and 2014–2018 allocations are based on the updated 2011 Census population. Allocations from 2019–2023 will be updated to reflect the 2016 Census data. Ontario's allocation of this funding to municipalities is based on population and the City received $159.8 million in 2016 (2015 – $152.2 million) under this program. This amount was allocated to the TTC.

Canada Strategic Infrastructure Fund

On March 30, 2004, the Federal and Provincial governments and the City of Toronto jointly announced funding of $1.050 billion ($350 million each including $46.7 million for the GTA Farecard Project) under CSIF, to fund strategic capital project requirements during the period March 2004 to 2012. This has since been extended to March 31, 2016. In 2012, Metrolinx assumed ownership of the GTA Farecard project and therefore $46.5 million of the original $350 million was allocated to Metrolinx. In March 2015 a request to extend the CSIF program was submitted to the Minister for consideration. In March 2016, the federal government formally approved the request for an extension and the amendment to the Agreement was signed. Federal funding for the eligible expenditures incurred amounts to $303.5 million, of which $0.6 million has been accrued in 2016 (2015 – $1.4 million).

Public Transit Infrastructure Fund

In March 2016, the federal government announced an investment of $11.9 billion in transit infrastructure across Canada over five years to upgrade and improve public transit systems. Phase One of the PTIF, spanning 3 years, commits approximately $3.4 billion across Canada to be distributed based on a nation-wide 70% ridership and 30% population allocation base. The total Phase One Federal PTIF allocation announced for the City of Toronto is in the order of $1.712 billion of which funding will be split equally (50%/50%) between the Federal government and City of Toronto. The Toronto Transit Commission was allocated $1.363 billion ($681 million federal PTIF share). To date, federal funding for the eligible expenditures incurred amounts to $83 million and has been accrued in 2016 (2015 – $nil).

d. Other

Other funding of $1.6 million (2015 – $7.3 million) includes specific purpose third-party agreements with organizations such as Waterfront Toronto.

15. EXPENSES BY OBJECT

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

$000s	2016	2015
Wages, salaries and benefits	1,326,274	1,303,060
Materials, services and supplies	245,162	221,270
Vehicle fuel	83,088	92,732
Accident claims	28,548	57,293
Electric traction power	53,103	47,924
Wheel-Trans contract services	54,450	46,464
Utilities	26,138	23,055
Amortization (Operating Budget)	28,660	31,126
Amortization (Assets funded through capital subsidy)	350,441	270,439
Total Expenses	2,195,864	2,093,363

16. BUDGET DATA

Budget data presented in these consolidated financial statements is based upon the 2016 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	1,733,105	123,666	564	1,857,335
Other Recoverable Expenses	50,340	1,829	-	52,169
Amortization of previously subsidized assets	340,177	10,264	-	350,441
Total budgeted expenses per consolidated financial statements	**2,123,622**	**135,759**	**564**	**2,259,945**

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 2016, the average interest rate applicable to Reserve Funds was approximately 0.5% (2015 – 0.5%).

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

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

Reserves and Reserve Funds originating from TTC operating surpluses or operating subsidies

$000s	Stabilization Reserve	Land Acquisition	Long Term Liability	**2016 Total**	**2015 Total**
Balance, beginning of the year	15,391	671	10,884	26,946	36,157
Contributions	-	-	-	-	-
Draws	-	(12)	-	(12)	(9,275)
Interest earned	-	3	54	57	64
Balance, end of the year	15,391	662	10,938	26,991	26,946

Stabilization Reserve

The Stabilization Reserve was created to stabilize the funding of TTC's operating expenditures over time. Any operating deficits, to the limit of the reserve balance and after approval from City Council, may be covered by a draw from this reserve. In 2015, $9.275 million was drawn and used primarily to cover the cost of one-time 2015 lump sum payments in accordance with the current collective bargaining agreements. In 2016, no draws were made.

Land Acquisition Reserve Fund

The Land Acquisition Reserve Fund was created to fund future land acquisitions by the City for TTC's use. In 2016, $0.012 million was drawn and used for Kipling station improvements.

Long Term Liability Reserve Fund

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

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

$000s	PGT	CSIF	Quickwins	2016 Total	2015 Total
Balance, beginning of the year	-	15,555	57,345	72,900	118,285
Provincial contributions	170,406	-	-	170,406	167,583
Draws	(166,824)	-	-	(166,824)	(213,640)
Interest earned	-	78	315	393	672
Balance, end of the year	3,582	15,633	57,660	76,875	72,900

Provincial Gas Tax (PGT)

Of $170.4 million (2015 – $167.6 million) in Provincial Gas Tax available, the City has directed $91.6 million for 2016 (2015 – $91.6 million) toward the TTC's operating needs (note 13) and $75.2 million (2015 – $76.0 million) applied to capital needs (note 14). The balance of the reserve of $3.6 million (2015 – $nil) will be applied to future needs.

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 $15.9 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 2016 (2015 – $nil).

MoveOntario 2020 (Quickwins) Reserve Fund

Provincial payments totalling $452.5 million were received in March 2008 in support of the Metrolinx approved Quick Wins projects. Of the total payment received, plus accumulated interest of $21.4 million, $415.0 million has been applied to accumulated funding recognized by the TTC to date for capital expenditures, including $nil drawn from the reserve fund in 2016 (2015 - $44.8 million). An additional $1.2 million was drawn from the reserve in 2015 by City Transportation for cycling infrastructure and none was drawn for 2016. The amount of $57.7 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 2018 and therefore remains unapplied at the end of 2016.

18. COMMITMENTS AND CONTINGENCIES

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

b. In February 2005, December 2007, December 2008 and October 2009 the Board approved the awarding of contracts for the purchase of low-floor buses from DaimlerChrysler Commercial Buses North America Ltd. The delivery requirement is, in total 694 diesel-electric hybrid buses and 395 diesel buses at a total value of $718.2 million. At December 31, 2013, 694 hybrid and 395 diesel buses had been delivered at a cost of $717.3 million which remained consistent as at December 31, 2014. The outstanding commitment of $0.9 million was extinguished as of December 31, 2015 and no further commitment remains.

c. In August 2006, the Board approved purchasing 234 subway cars or 39 trainsets from Bombardier Transportation Canada Inc. In September 2006, City Council approved proceeding with this procurement and the contract was awarded on December 21, 2006. In May 2010, the Board approved purchasing an additional 10 subway trainsets for the Toronto-York Spadina Subway line extension and an additional 21 trainsets to replace H6 trainsets. In March 2014, the Board approved a further purchase of 10 trainsets for future ridership growth, bringing the delivery requirement to 80 trainsets. In June 2015, an amendment to the contract was authorized by the Board for the modification of four 6-car trainsets into six 4-car trainsets for service on Line 4 to support the conversion to ATC-equipped trainsets. The additional 2 trainsets realized from the conversion will be used to meet ridership growth on Line 2 and brings the total delivery requirement to 82 trainsets. At December 31, 2016, the contract value is in total, $1,507.2 million with 80 trainsets delivered to TTC at a cost of $1,413.3 million and the outstanding commitment is $93.9 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, 2016 the total cost of the contract is $1,011.3 million with 31 LRV's delivered to TTC. The balance of deliveries will continue in 2017 with all 204 cars scheduled for delivery by 2019. At December 31, 2016, the TTC had incurred costs of $573.0 million, and the outstanding commitment is $438.3 million.

e. On January 17, 2012 the City approved funding for the purchase of 27 60-foot articulated low floor clean diesel buses. In July 2012, the Board approved proceeding with this procurement and the contract was awarded to Nova, a Division of Volvo Group Canada. In March 2013, the Board approved an amendment to the contract authorizing the purchase of an additional 126 60-foot articulated low floor clean diesel buses. On April 30, 2014 a subsequent contract was awarded to Nova for 55 40-foot low floor clean diesel buses. In February 2015, the Board approved a further purchase of 50 40-foot low floor clean diesel buses and 108 40-foot low floor clean diesel buses in July 2015. In May 2016, the Board authorized the purchase of an additional 97 40-foot low floor clean diesel buses and 285 40-foot low floor clean diesel buses in November 2016 for delivery in 2017 and 2018 bringing the total delivery requirement to 748 buses. At December 31, 2016 the contract values total $497.5 million with 366 buses delivered at a cost of $269.9 million. The outstanding commitment is $227.6 million.

f. The TTC has contracts for the construction and implementation of various capital projects. At December 31, 2016, these contractual commitments are approximately $593.9 million (2015 – $555.3 million). Of this amount, $130.5 million (2015 – $176.5 million) was established as multi-component shared projects for Toronto Waterfront, Toronto-York Spadina Subway Extension project (TYSSE) and TTC; $119.8 million (2015 – $239.0 million) relate to the TYSSE project and $343.6 million (2015 – $139.8 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
2017	18,901
2018	15,460
2019	12,318
2020	10,977
2021	8,215
Thereafter	23,388
Total	89,259

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Supplementary Schedules

Year ended December 31, 2016

CONSOLIDATED FINANCIAL STATEMENTS – As at and for the Year ended December 31, 2016

$000s	TORONTO TRANSIT COMMISSION (TTC)	WHEEL-TRANS (WT)	TORONTO COACH TERMINAL INC. CONSOLIDATED (TCTI)	TTC SICK BENEFIT ASSOCIATION (SBA)	TOTAL BEFORE INTERCOMPANY ELIMINATIONS	INTERCOMPANY ELIMINATIONS	CONSOLIDATED FINANCIAL STATEMENTS
STATEMENT OF OPERATIONS							
REVENUE							
Passenger services	1,126,453	7,119	-	-	1,133,572	-	1,133,572
Advertising	28,005	-	-	-	28,005	-	28,005
Outside City Services	16.940	-	-	-	16,940	-	16,940
Property rental	20,329	-	1,200	-	21,529	-	21,529
Miscellaneous	4,551	-	40	137	4,727	(369)	4,359
Total Operating Revenue	**1,196,278**	**7,119**	**1,240**	**137**	**1,204,774**	**(369)**	**1,204,405**
SUBSIDIES							
Operating Subsidy	518,016	119,177	-	-	637,193	-	637,193
Capital Subsidy	1,094,240	-	-	-	1,094,240	-	1,094,240
Total Subsidy Revenue	**1,612,256**	**119,177**	**-**	**-**	**1,731,433**	**-**	**1,731,433**
EXPENSES							
Wages, salaries and benefits	1,269,581	56,825	5	-	1,326,411	(137)	1,326,274
Materials, services and supplies	232,543	12,482	252	137	245,424	(262)	245,162
Vehicle fuel	80,396	2,692	-	-	83,088	-	83,088
Accident Claims	27,397	1,120	-	-	28,517	31	28,548
Electric traction power	53,103	-	-	-	53,103	-	53,103
Wheel-Trans contract services	-	54,450	-	-	54,450	-	54,450
Utilities	25,675	463	-	-	26,138	-	26,138
Depreciation (Operating budget)	28,102	-	558	-	28,660	-	28,660
Depreciation (Subsidized assets) [1]	350,441	-	-	-	350,441	-	350,441
Total Expenses	**2,067,238**	**128,032**	**825**	**137**	**2,196,232**	**(368)**	**2,195,864**
Surplus (deficit) for the year	741,296	(1,736)	415	-	739,975	(1)	739,974
WT Deficit	(1,736)	1,736	-	-	-	-	-
Accumulated surplus (deficit), beginning of	9,132,899	-	(3,130)	92	9,129,861	1	9,129,862
Accumulated Surplus (deficit), end of the	**9,872,459**	**-**	**(2,715)**	**92**	**9,869,836**	**-**	**9,869,836**
Not on TTC Financial Statements							
Operating subsidies from the City (as above)	518,016	119,177	-	-	637,193	-	-
Operating subsidy - long-term payable for	6,290	(520)	-	-	5,770	-	-
Operating subsidy - long-term payable for	(40,354)	(1,945)	-	-	(42,299)	-	-
City special costs	3,688	-	-	-	3,688	-	-
(Draw from) the City's TTC Stabilization	-	-	-	-	-	-	-
(Draw from) City Tax Rate Stabilization	-	-	-	-	-	-	-
Total City Operating Subsidy - Current	**487,640**	**116,712**	**-**	**-**	**604,352**	**-**	**-**
Statement of Financial Position							
Financial Assets							
Cash and cash equivalents	126,703	-	3,420	67	130,190	-	130,190
Subsidies Receivable	1,122,922	-	-	-	1,122,922	-	1,122,922
Accounts Receivable	81,146	-	155	2,903	84,204	(2,906)	81,298
Portfolio Investments	2,264	-	-	-	2,264	-	2,264
Advances to and investment in subsidiary	8,747	-	-	-	8,747	(8,747)	-
Indemnity receivable from the TTC	-	-	174,546	-	174,546	(174,546)	-
Derivative Investments	3,094	-	-	-	3,094	-	3,094
Total Financial Assets	**1,344,876**	**-**	**178,121**	**2,970**	**1,525,967**	**(186,199)**	**1,339,768**
Liabilities							
Accounts payable and accrued liabilities	680,907	-	272	2,878	684,057	(2,906)	681,151
Deferred passenger revenue	84,380	-	-	-	84,380	-	84,380
Future Employee Benefit Liabilities	633,403	-	-	-	633,403	-	633,403
Unsettled accident claims	192,253	-	174,546	-	366,799	(174,546)	192,253
Environmental Liabilities	5,332	-	-	-	5,332	-	5,332
Due to parent	-	-	7,747	-	7,747	(7,747)	-
Total Liabilities	**1,596,275**	**-**	**182,565**	**2,878**	**1,781,718**	**(185,199)**	**1,596,519**
Net Debt	(251,399)	-	(4,444)	92	(255,751)	(1,000)	(256,751)
Non-Financial Assets							
Tangible Capital Assets	9,980,830	-	2,729	-	9,983,559	-	9,983,559
Spare parts and supplies inventory	139,116	-	-	-	139,116	-	139,116
Prepaid Expenses	7,006	-	-	-	7,006	-	7,006
Accrued Pension Benefit Asset	-	-	-	-	-	-	-
Total Non-Financial Assets	**10,126,952**	**-**	**2,729**	**-**	**10,129,681**	**-**	**10,129,681**
Capital Stock	-	-	1,000	-	1,000	(1,000)	-
Accumulated Surplus (deficit)	**9,875,553**	**-**	**(2,715)**	**92**	**9,872,930**	**-**	**9,872,930**

[1] For the Consolidated Statement of Financial Position presentation, $10,264 of the total depreciation on subsidized assets was allocated to Wheel-Trans.