Grant Thornton

Financial Statements

Greater Toronto Transit Authority

March 31, 2009

Contents

Grant Thornton

Auditors' Report

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To the Members of

Greater Toronto Transit Authority

We have audited the statement of financial position of **Greater Toronto Transit Authority** as at March 31, 2009 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of The Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Authority as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Toronto, Ontario
July 2, 2009

Chartered Accountants
Licensed Public Accountants

Greater Toronto Transit Authority
Statement of Operations

(Dollars in thousands) Year Ended March 31		2009		(Note 21) 2008
Revenues				
Operating revenue	$	**283,667**	$	258,769
Contribution from the Province of Ontario		**65,095**		34,885
Investment income		**2,201**		3,178
Amortization of deferred capital contributions		**149,159**		113,054
		500,122		409,886
Expenses				
Administrative services		**10,710**		9,822
Equipment maintenance		**45,393**		42,239
Facilities and track		**47,555**		43,541
Labour and benefits		**118,884**		103,958
Operations		**139,923**		106,688
Amortization of capital assets		**146,891**		109,702
Amortization of intangible assets		**327**		327
(Gain) loss on foreign exchange contract (Note 14)		**(2,145)**		2,918
		507,538		419,195
Excess of expenses over revenues	**$**	**(7,416)**	$	(9,309)

See accompanying notes to the financial statements.

Greater Toronto Transit Authority
Statement of Financial Position

(Dollars in thousands)

March 31	2009	(Note 21) 2008
Assets		
Current		
Cash and cash equivalents	$ **101,760**	$ 4,076
Receivables	**30,508**	19,526
Contributions due from Province of Ontario	**-**	57,102
Contributions due from Municipalities	**20,264**	4,498
Contributions due from Government of Canada	**111,711**	119,582
Spare parts and supplies	**4,025**	3,077
Prepaid expenses	**8,091**	7,949
	276,359	215,810
Funds being held for Province of Ontario (Note 6)	**46,667**	46,667
Long term receivable (Note 7)	**1,600**	-
Capital assets (Note 8)	**2,740,426**	2,156,088
Deposit on land	**129,260**	1,675
Long term lease (Note 9)	**29,842**	30,169
	$ **3,224,154**	$ 2,450,409
Liabilities		
Current		
Payables and accruals	$ **192,970**	$ 166,690
Unearned revenue in respect of tickets sold and not used	**10,022**	9,022
Due to the Province of Ontario	**37,136**	-
	240,128	175,712
Advance from Province of Ontario (Note 6)	**46,667**	46,667
Deferred capital contributions (Note 10, 21)	**2,453,680**	1,906,743
Pension plan top-up benefits payable (Note 12)	**21,535**	18,886
Other employee future benefits payable (Note 13)	**38,599**	34,159
Foreign exchange contract (Note 14)	**-**	2,918
	2,800,609	2,185,085
Net Assets		
Net assets invested in capital assets (note 15)	**416,006**	250,369
Net assets invested in intangible asset	**29,842**	30,169
Net assets held in reserves (Note 16)	**26,332**	26,332
Deficiency of net assets	**(48,635)**	(41,546)
	423,545	265,324
	$ **3,224,154**	$ 2,450,409

Commitments (Note 17)
Contingencies (Note 18)
Subsequent event (Note 20)

On behalf of the Board

_______________ Director _______________ Director

See accompanying notes to the financial statements.

Greater Toronto Transit Authority
Statement of Changes in Net Assets
(Dollars in thousands)
Year Ended March 31, 2009

	Invested in Capital Assets (Note 15)	Invested in Long term Lease	Net assets Held in Reserves	Deficiency	**Total 2009**	Total 2008
Balance, beginning of year as previously reported	$ 2,157,112	$ 30,169	$ 26,332	$ (41,546)	**$ 2,172,067**	$ 1,689,029
Adjustment to net assets (Note 21)	(1,906,743)	-	-	-	**(1,906,743)**	(1,445,240)
As restated	250,369	30,169	26,332	(41,546)	**265,324**	243,789
Excess of expenses over revenues	-	-	-	(7,416)	**(7,416)**	(9,309)
Amortization	-	(327)	-	327	**-**	-
Land acquisitions	36,377	-	-	-	**36,377**	30,844
Deposit on land	129,260	-	-	-	**129,260**	-
Balance, end of year	$ 416,006	$ 29,842	$ 26,332	$ (48,635)	**$ 423,545**	$ 265,324

See accompanying notes to the financial statements.

Greater Toronto Transit Authority

Statement of Cash Flows

(Dollars in thousands)

Year Ended March 31	2009	(Note 21) 2008
Increase (decrease) in cash and cash equivalents		
Operating activities		
Excess of expenses over revenues	**$ (7,416)**	$ (9,309)
Amortization of capital assets and intangible assets	**147,218**	110,029
Loss on disposal of capital assets	**245**	2,358
Foreign exchange contract	**(2,918)**	2,918
Amortization of deferred capital contributions	**(149,159)**	(113,054)
Employee future benefits, net of payments	**7,088**	6,065
	(4,942)	(993)
Change in non-cash working capital		
Receivables	**(10,982)**	(4,452)
Contributions due from Province of Ontario	**57,102**	(24,748)
Contributions due from Municipalities	**(15,766)**	40,054
Contributions due from Government of Canada	**7,871**	(64,236)
Spare parts and supplies	**(948)**	(1,094)
Prepaid expenses	**(142)**	1,296
Payables and accruals	**26,280**	12,944
Unearned revenue in respect of tickets sold and not used	**1,000**	2,062
Due to Province of Ontario	**37,136**	(2,306)
	96,609	(41,473)
Investing activities		
Long term receivable	**(1,600)**	-
Purchase of capital assets	**(733,496)**	(604,377)
Proceeds from sale of capital assets	**2,023**	994
Deposit on land	**(127,585)**	(1,675)
Proceeds (net of purchases) of short term investments	**-**	25,668
	(860,658)	(579,390)
Financing activities		
Grants received for purchase of land	**165,637**	30,844
Amounts received related to capital assets	**696,096**	574,557
	861,733	605,401
Net increase (decrease) in cash and cash equivalents	**97,684**	(15,462)
Cash and cash equivalents, beginning of year	**4,076**	19,538
Cash and cash equivalents, end of year	**$ 101,760**	$ 4,076

See accompanying notes to the financial statements.

1. Nature of operations

The Greater Toronto Transit Authority (the "Authority") is a Crown agency carrying on business as "GO Transit". As a non-share capital corporation, GO Transit reports to the Minister of Transportation ("MTO"). The Authority is exempt from income taxes under Section 149(1) (d) of the Income Tax Act (Canada). GO Transit operates an interregional public transit system consisting of integrated rail and bus corridors. The network of rail and bus services primarily serves communities across the Greater Toronto Area ("GTA") including the Cities of Toronto and Hamilton, and Regions of Halton, Peel, York, Durham as well as Simcoe County, Dufferin County, Wellington County and the cities of Barrie and Guelph and the Town of Bradford-West Gwillimbury.

2. Summary of significant accounting policies

Basis of presentation

These financial statements are prepared by management in accordance with Canadian generally accepted accounting principles.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and short term investments with maturities of three months or less.

Spare parts and supplies

Spare parts and supplies are carried at the lower of cost and replacement cost.

(Dollars in thousands)

2. Summary of significant accounting policies (continued)

Amortization

The Authority provides for the amortization of the various classes of assets over their estimated useful lives on a straight-line basis as follows:

Buildings and equipment	
Shelters and ticket booths	5 years
Other buildings	20 years
Leasehold improvements	20 years
Locomotives	20 years
Other railway rolling stock	25 years
Improvements to railway right-of-way plant	20 years
Trackwork and installation	20 years
Buses including double decker buses	10 years
Parking lots	20 years
Enterprise software	7 years
Computer hardware and software	5 years
Grade separations	50 years
Sundry	
Furniture	12 years
Other	3-7 years

Based on review of the estimates of useful life of Buses, the estimated useful life of Buses has been changed from 12 years to 10 years effective April 1, 2008.

Construction in progress is comprised of direct construction and development costs. No amortization is recorded until construction is substantially completed and the assets are ready for productive use.

Long term lease

Long term lease represents the prepayment of the lease regarding Union Station. The amount is being amortized straight-line over 100 years, being the term of the lease plus one renewal period.

Employee future benefits

The Authority provides pension plan benefits through the multi-employer OMERS Pension Fund. The expense for the year equals the required contribution for the year.

The Authority provides a Top-Up pension plan benefit using the accrued benefit method which reflects the projected benefits for services rendered to date. Adjustments arising from employee benefit plan amendments, experience gains and losses and changes in assumptions are amortized to earnings over the estimated average remaining service lives of the members.

2. Summary of significant accounting policies (continued)

The Authority also provides other employee future benefits using the accrued benefit method which reflects the projected benefits for services rendered to date. Adjustments arising from employee benefit plan amendments, experience gains and losses and changes in assumptions are amortized to earnings over the estimated average remaining service lives of the members.

Commuter services revenue

Revenue is recognized when the transportation service is provided. Unearned amounts are reflected in the statement of financial position as unearned revenue.

Contributions

The Authority follows the deferral method of accounting for contributions. Unrestricted contributions, including operating grants are recognized as revenue in the year to which they relate.

Deferred capital contributions relate to funds received for the acquisition of capital assets. These deferred capital contributions are recognized as revenue over the same period as the amortization of the related capital asset.

Net assets held in reserves

Net assets held in reserves are internally restricted to provide a funding source for planned future obligations and to provide flexibility against uncertainties which may arise. All reserves are approved by the Authority's Board and are disclosed on the statement of financial position as equity.

The Municipal Capital and Operating Restructuring (MCOR) reserve was established to assist in funding large capital expenditures.

The Employment Obligation reserve was established to assist in funding general employment related obligations of the Authority.

The Self Insured Retention reserve was established to assist in funding any claims against the self-insured retention layer of the Authority's insurance program.

The Stabilization reserve was established to assist in funding fluctuations in operating and capital budgets of the Authority from year to year.

2. Summary of significant accounting policies (continued)

Financial instruments – Recognition and measurement

Financial assets are classified as either held for trading, held to maturity ('HTM'), available-for-sale ('AFS'), or loans and receivables. Financial liabilities are classified as held for trading or other. Initially, all financial assets and financial liabilities must be recorded on the statement of financial position at fair value with subsequent measurement determined by the classification of each financial asset and liability. Transaction costs related to held for trading instruments are expensed as incurred. Transaction costs related to AFS, HTM and loans and receivables are capitalized and amortized using the effective interest method.

Financial assets and financial liabilities held for trading are measured at fair value with the changes in fair value reported in the statement of operations. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading are measured at amortized cost. AFS financial assets are measured at fair value with changes in fair value reported in the statement of changes in net assets until realized through sale or other than temporary impairment.

Classification of financial instruments

Cash and cash equivalents are classified as held for trading. Receivables, contributions due from Province of Ontario, contributions due from Municipalities, contributions due from Government of Canada and funds being held for Province of Ontario have been classified as loans and receivables. Payables and accruals, due to the Province of Ontario and advance from Province of Ontario have been classified as other financial liabilities.

Contracts to buy or sell a non-financial item

As permitted for not for profit organizations, the Authority has made an accounting policy choice not to apply Section 3855, Financial Instruments – Recognition and Measurement, to contracts to buy or sell a non-financial item including derivatives embedded therein. Contracts related to the diesel fuel purchases are therefore excluded from the application of Section 3855 and not recognized in the financial statements but disclosed in Note 3.

Adopted in year ended March 31, 2009

In last year's financial statements the Authority indicated it would be adopting Sections 3862 and 3863, Financial Instruments – Disclosures and Presentations in the current year. During the year the Accounting Standards Board (AcSB) decided not for profit organizations may elect to replace disclosure requirements of Section 3861 with those in 3862 and concurrently adopt 3863, but are not required to do so. Accordingly, the Authority has not adopted 3862 and 3863.

Effective April 1, 2008, the Authority adopted Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535 Capital Disclosure. Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed (Note 4).

3. Financial instruments

Fair values

The fair values of cash and cash equivalents, receivables, contributions due from Province of Ontario, contributions due from Municipalities, contributions due from Government of Canada, funds being held for Province of Ontario, payables and accruals and advance from Province of Ontario are assumed to approximate their carrying amounts because of their short term to maturity.

Credit Risk

The Authority is subject to credit risk through its receivables. It is management's opinion that the risk is minimal as most of the receivables are from federal, provincial and municipal governments and organizations controlled by them.

Interest Rate Risk

The Authority does not have significant exposure to interest rate risk.

Foreign exchange risk

The Authority uses a forward foreign exchange contract to manage foreign exchange risk in future obligations related to the acquisition of locomotives. This derivative instrument is not designated as a hedge and is recorded on the statement of financial position as an asset or liability and is measured at fair value. Changes in derivative instruments fair value is recognized in the statement of operations.

Other price risk

The Authority is exposed to changes in crude oil prices as a result of diesel fuel consumption. The potential fluctuations in crude oil prices could have a significant impact on the cost of providing transportation services. This risk is reduced, from time to time, through the use of diesel fuel forward purchase contracts to lock in firmly committed future operating costs for own use consumption. As at March 31, 2009, the Authority has seven fixed fee agreements in place to purchase 34 million litres of diesel fuel at prices ranging from $0.5660 to $0.8380 per litre. The excess fuel purchased beyond the committed amount is at market prices.

4. Capital Disclosures

The capital structure of the Authority consists of net assets and deferred capital contributions.

The Authority's main objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide the appropriate level of services to its stakeholders.

The Authority is subject to restrictions in how it is to utilize its externally restricted deferred capital contributions. The Authority employs internal control processes to ensure the restrictions are met prior to the utilization of these resources and has been in compliance with these restrictions throughout the year.

The Authority manages its capital structure and makes adjustments to it in light of economic conditions and the risk characteristics of the underlying assets.

5. Future accounting pronouncements

The CICA has released the following new Handbook standards which are applicable to The Authority effective April 1, 2009:

- Section 4400, "Financial Statement Presentation", has been amended to permit a not for profit organization to present net assets invested in capital assets as a category of internally restricted net assets and clarification of presentation of revenue and expenses on a gross basis when the entity is acting as a principal in a transaction.

- Section 4460, "Disclosure of Related Party Transactions", has been amended to align the definition of related parties to CICA section 3840, Related Party Transactions.

- Section 4470, "Disclosure of Allocated Expenses", establishes disclosure standards for a not for profit organization that classified its expenses by function and allocates its expenses to a number of functions to which the expenses relate.

- EIC 123, "Reporting Revenue Gross as a Principle versus Net as an Agent", has been expanded to expand its scope to include not for profit organizations consistent with the guidance in the exposure draft for Not for Profit Organizations. The exposure draft on Not for Profit Organizations include a clarification that revenues and expenses must be recognised on a gross basis when a not for profit organization is acting as a principal in the subject transactions and on a net basis when the organization is not acting as a principal.

The Authority is currently in the process of assessing the impact of these new standards on its financial statements. Other new standards have been issued but they are not expected to have a material impact on the Authority's financial statements.

(Dollars in thousands)

6. Funds being held for Province of Ontario

In 2007 the Authority received $46,667 from the Province of Ontario for their contribution towards the Toronto Transit Commission ("TTC") participation in the GTA Farecard project. TTC has not yet met the requirements to receive this funding and consequently the cash held by the Authority and the obligation to the Province have been segregated on the statement of financial position.

7. Long-term receivable

Receivable due from a municipality for the reimbursement of construction costs is payable over a five year period. Amounts due within one year are included in current receivables and the remaining balance is classified as long-term, payable in two equal instalments in 2011 and 2012.

8. Capital assets

			2009	2008
	Cost	Accumulated Depreciation	**Net Book Value**	Net Book Value
Land	$ 286,745	$ -	**$ 286,745**	$ 250,368
Buildings	386,913	210,715	**176,198**	137,852
Leasehold improvements	32,066	19,045	**13,021**	14,100
Locomotives and other railway rolling stock	847,732	198,362	**649,370**	436,528
Improvement to railway right-of-way plant	777,464	398,256	**379,208**	356,653
Track work and installation	336,182	79,003	**257,179**	156,670
Construction-in-progress	663,696	-	**663,696**	543,953
Buses	242,993	88,989	**154,004**	127,212
Parking lots	188,391	74,556	**113,835**	92,108
Computer equipment and software	34,343	17,115	**17,228**	16,353
Other	97,791	67,849	**29,942**	24,291
	$ 3,894,316	$ 1,153,890	**$ 2,740,426**	$ 2,156,088

The Authority capitalizes payroll costs where time has been spent on particular capital projects. The amount capitalized for the year ended March 31, 2009 is $12,186 (2008 - $8,225).

9. Long term lease

			2009	2008
	Cost	Accumulated Amortization	**Net Book Value**	Net Book Value
Leasehold, Union Station	$ 32,704	$ 2,862	**$ 29,842**	$ 30,169

(Dollars in thousands)

10. Deferred capital contributions

The changes in the deferred contributions for the year are as follows:

	2009	2008
Balance, beginning of year	**$ 1,906,743**	$ 1,445,240
Contributions received in the year for capital asset acquisitions		
Province of Ontario	**603,214**	455,064
Municipalities	**32,657**	46,716
Government of Canada	**60,225**	72,777
Amount amortized as revenue in the year	**(149,159)**	(113,054)
Balance, end of year	**$ 2,453,680**	$ 1,906,743

The Authority realized a shortfall in Municipal funding related to its capital program. The Province has provided temporary funding to bridge the shortfall in the current year in the amount of $54,903 (2008 - $47,160) and the cumulative amount is $123,933. The Province will work with its Municipal partners to address the funding shortfalls.

11. Pension contributions

The Authority provides pension benefits for substantially all of its permanent employees through participation in the Ontario Municipal Employees Retirement System (OMERS) Pension Fund. The amount expensed in pension contributions for the year ended March 31, 2009 is $6,441 (2008 - $5,476).

Commencing with January 1, 2009, the Authority has made adjustments to the methodology used to administer contributory earnings, which has resulted in an increase in items included in contributory earnings. OMERS have taken the position that the new methodology is applicable on a retroactive basis. Management is in discussions with OMERS regarding this position.

12. Pension plan top-up benefits payable

With repatriation of the Authority to the Province in 2002, bargaining and non-bargaining employees requested the Province to rectify the difference in pension benefits to be received by employees of GO Transit. When GO Transit was transferred from the Province to the Greater Toronto Services Board in 1999, the Provincial Plans were frozen and a new plan commenced under OMERS. It has been resolved that the Authority is responsible for the pension obligation and accordingly the Authority completed an actuarial valuation as of April 1, 2007. The pension expense recognized during the year is $2,657 (2008 - $2,442).

For the purpose of accounting for top up benefits, the Authority has adopted the policy to recognize gains and losses in a year in excess of the minimum amortization (which is the portion of accumulated gains and losses which exceed 10% of the accrued benefit obligation, divided by the expected average remaining service life).

(Dollars in thousands)

12. Pension plan top-up benefits payable (continued)

Information about the Authority's pension plan top-up as at March 31 is as follows:

	2009	2008
Accrued benefit obligation	$ 17,486	$ 23,570
Fair value of plan assets	383	515
Funded status - plan deficit	17,103	23,055
Unamortized net actuarial gain / (loss)	4,432	(4,169)
Accrued benefit liability	$ 21,535	$ 18,886

Plan assets by asset category are as follows:

	2009	2008
Cash invested	27%	24%
Cash on deposit with Canada Revenue Agency	73%	76%
	100%	100%

Other information about the Authority's benefit plan is as follows:

	2009	2008
Employer contributions	$ -	$ 300
Benefits paid	$ 138	$ 240
Employee contributions	$ -	$ -

The significant actuarial assumptions adopted in measuring the Authority's pension plan Top-up benefit obligations are as follows:

Discount rate	- 8.7% (2008 - 6.1%)
Rate of compensation increase	- 3% (2008 - 3%)
Inflation	- 2% (2008 - 2%, 2.5% per annum prior to June 30, 2007)
Expected average remaining service life	- 10 years (2008 - 10 years)

(Dollars in thousands)

13. Other employee future benefits payable

The Authority provides post-retirement life and health benefits, Workplace Safety & Insurance Board ("WSIB") liabilities and retiree severance benefits. The plan is unfunded and requires nominal contributions from employees. Substantially all full time active employees are eligible for life and health benefits. A limited number of employees are eligible for severance benefits.

The measurement date of the plan assets and accrued benefit obligation is March 31 of each year. The most recent actuarial valuation of the other employee future benefits for funding purposes was as of March 31, 2008. The post-retirement non-pension benefits recognized during the year was $5,575 (2008 - $4,931).

For the purpose of accounting for post-retirement non-pension benefits, the Authority has adopted the policy to recognize gains and losses in a year in excess of the minimum amortization (which is the portion of accumulated gains and losses which exceed 10% of the accrued benefit obligation, divided by the expected average remaining service life).

Information about The Authority's post-retirement non-pension benefits as at March 31 is as follows:

	2009	2008
Accrued benefit obligation	**$ 33,137**	$ 41,986
Fair value of plan assets	**-**	-
Funded status - plan deficit	**33,137**	41,986
Unamortized net actuarial gain / (loss)	**5,462**	(7,827)
Accrued benefit liability	**$ 38,599**	$ 34,159

Other information about the Authority's benefit plan is as follows:

	2009	2008
Employer contributions	**$ 1,136**	$ 1,004
Employee contributions	**$ -**	$ -
Benefits paid	**$ 1,136**	$ 1,004

(Dollars in thousands)

13. Other employee future benefits payable (continued)

The significant actuarial assumptions adopted in measuring the Authority's for Post-retirement non-pension benefit obligations are as follows:

Discount Rate for Post-retirement non-pension benefit – 8.5% (2008 – 6.25%)
Discount Rate for WSIB liabilities and retiree severance benefits – 7% (2008 – 5.5%)
Expected average remaining service life for Post-retirement non-pension benefit – 14 years (2008 – 13 years)
Expected average remaining service life for WSIB liabilities – 10 years (2008 – 13 years)
Expected average remaining service life for retiree severance benefits – 9 years (2008 – 13 years)
Rate of compensation increase – 3% per annum (2008 – 3%)
Inflation – 2% per annum (2008 – 2%)
Initial Weighted Average Health Care Trend Rate – 6.98% (2008 – 7.2%)
Ultimate Weighted Average Health Care Trend Rate – 4.5% (2008 – 5%)
Dental care benefits increase - 4.5% per annum (2008 – 5%)

14. Foreign exchange forward contract

In September 2005, in consultation with the Ontario Finance Authority (OFA), the Authority awarded a contract to a US supplier in US dollars to purchase 27 diesel electric locomotives. At the same time, the Authority entered into a contract with OFA to purchase the required US dollars to ensure budget certainty. The contract stated the purchase of $28,112 US dollars at rates varying from 1.1322 to 1.1360. As of March 31, 2008 there was a change in the fair value of the economic hedge of $2,918 which was recorded as an unrealized foreign exchange loss in the 2008 statement of operations. When the contract matured in the current year the realized loss was $773, resulting in a net foreign exchange gain on the contract for the period of $2,145.

15. Net assets invested in capital assets	**2009**	2008
Capital assets	**$ 2,740,426**	$ 2,156,088
Deposits on land	**129,260**	1,675
Less deferred capital contributions used to purchase capital assets	**(2,453,680)**	(1,905,719)
Less funded out of working capital	**-**	(1,675)
	$ 416,006	$ 250,369

(Dollars in thousands)

16. Net assets held in reserve

The net assets held in reserve as at both March 31, 2009 and 2008 are as follows:

MCOR	$ 21,051
Employment Obligation	889
Self Insured Retention	2,013
Stabilization	2,379
	$ 26,332

17. Commitments

a) The minimum lease payments for premises in each of the next five years are as follows:

2010	$ 4,456
2011	3,907
2012	3,665
2013	949
2014	410
Subsequent	712
	$ 14,099

b) The Authority has also committed approximately $1,184,000 for various capital asset additions.

c) A significant amount of the services provided by the Authority are operated and maintained by outside parties using rolling stock owned or leased from Toronto Area Transit Operating Authority Act (“TATOA”) by The Authority. These services are governed by the agreements with the Canadian National Railway Company (“CN”), Canadian Pacific Railway Company (“CP”) and Bombardier Inc. and by a number of minor service agreements. The Authority has entered into the following major agreements for approximately $110,000 per year:

i) Master Operating Agreement with CN terminating on May 31, 2010.

ii) Commuter Agreement with CP terminating December 31, 2009.

iii) Equipment Maintenance Contract with Bombardier terminating on May 31, 2013.

iv) Rail Crew Contract with Bombardier terminating May 31, 2013.

d) The Authority has a lease with TATOA for 243 rail cars and 26 locomotives for total lease payments of one dollar per year terminating on May 31, 2012.

18. Contingencies

Various lawsuits have been filed against the Authority for incidents which arose in the ordinary course of business. In the opinion of management and legal counsel, the outcome of the lawsuits, now pending, is either not material or is not yet determinable. Should any loss result from the resolution of these claims, such loss will be charged to operations in the year of resolution.

19. Related party transactions

The Authority had the following transactions with related parties during the year:

a) Capital assets in the amount of $3 (2008 - $279) were sold and other revenue in the amount of $1,311 (2008 - $706) was received pursuant to a service agreement with the Greater Toronto Transportation Authority (GTTA) operating as Metrolinx. At March 31, 2009 receivables included $1,075 (2008 - $291) owing from Metrolinx. GTTA is also a crown corporation reporting to the Minister of Transportation, and is related to the Authority by virtue of their respective relationships with the Minister of Transportation.

   GTTA charged the Authority $170 (2008 - $Nil) during the year for services performed on their behalf.

b) The Ministry of Transportation charged the Authority $1,353 (2008 - $1,584) during the year for the provision of services provided by the Ministry of Transportation. As March 31, 2009, payables and accruals included $375 (2008 – $584) owing to the Ministry of Transportation.

c) The Authority purchased 16 locomotives from TATOA that were previously on lease with the Authority for one dollar.

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

20. Subsequent event

On May 14, 2009, Bill 163 was proclaimed amending the *Greater Toronto Transportation Authority Act, 2006* and changing the title of the Act to the *Metrolinx Act, 2006*. As a result, the Authority has been dissolved and all of its assets, liabilities, rights and obligations have been transferred to Metrolinx.

21. Prior period adjustment

Contributions provided to the Authority were previously considered to be unrestricted and reported through the statement of operations. However it has been determined that certain contributions were restricted, to be expended only for the acquisition of capital assets. Consequently the reporting of these restricted capital contributions has been changed on a retroactive basis and are now deferred and amortized into revenue on the same basis as the amortization of the acquired capital assets.

Accordingly this change resulted in a reduction in the excess of revenue over expenditure of $492,347 for the year ended March 31, 2008, a decrease in net assets invested in capital assets and a corresponding increase in deferred capital contributions of $1,906,743 at March 31, 2008.

22. Comparative figures

Certain of the comparative figures have been reclassified to conform with the current year's presentation.