



Financial Statements

**Greater Toronto Transit Authority**

March 31, 2008

# Contents

	<b><u>Page</u></b>
Auditors' Report	1
Statement of Operations	2
Statement of Changes in Net Assets	3
Statement of Financial Position	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 17



## 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, 2008 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, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario  
May 23, 2008

*Grant Thornton LLP*

Chartered Accountants  
Licensed Public Accountants

# Greater Toronto Transit Authority

## Statement of Operations

(Dollars in thousands)

Year Ended March 31

2008

2007

### Revenues

Operating revenue	\$ 258,769	\$ 244,584
Investment income	3,178	2,512
Contribution from the Province of Ontario	<u>34,885</u>	<u>28,205</u>
	<u>296,832</u>	<u>275,301</u>

### Expenses

Administrative services	9,822	8,674
Equipment maintenance	42,239	38,824
Facilities and track	43,541	40,188
Labour and benefits	103,958	93,344
Operations	106,688	99,679
Amortization of capital assets	109,702	93,582
Amortization of intangible assets	327	327
Unrealized loss on foreign exchange contract (Note 17)	<u>2,918</u>	<u>-</u>
	<u>419,195</u>	<u>374,618</u>

**Excess of expenses over revenues** (122,363) (99,317)

### Contributions for capital expenditures

Contribution from the Province of Ontario (Note 17)	485,908	326,192
Contribution from Municipalities	46,716	86,297
Contribution from the Government of Canada	<u>72,777</u>	<u>73,928</u>
	<u>605,401</u>	<u>486,417</u>

**Excess of revenues over expenses before capital expenditures** \$ 483,038 \$ 387,100

See accompanying notes to the financial statements.

## Greater Toronto Transit Authority Statement of Changes in Net Assets

(Dollars in thousands)  
Year Ended March 31, 2008

	Invested in Capital Assets	Invested in Long term Lease	Net assets Held in Reserves (Note 11)	Deficiency	<b>Total 2008</b>	Total 2007
Balance, beginning of year	\$ 1,664,765	\$ 30,496	\$ 26,332	\$ (32,564)	<b>\$ 1,689,029</b>	\$ 1,301,929
Excess of revenues over expenses prior to capital asset additions	-	-	-	483,038	<b>483,038</b>	387,100
Depreciation and amortization	(109,702)	(327)	-	110,029	-	-
Investment in capital assets	605,401	-	-	(605,401)	-	-
Disposal of capital assets	(3,352)	-	-	3,352	-	-
Balance, end of year	<b><u>\$ 2,157,112</u></b>	<b><u>\$ 30,169</u></b>	<b><u>\$ 26,332</u></b>	<b><u>\$ (41,546)</u></b>	<b><u>\$ 2,172,067</u></b>	<b><u>\$ 1,689,029</u></b>

See accompanying notes to the financial statements.

# Greater Toronto Transit Authority

## Statement of Financial Position

(Dollars in thousands)

March 31

2008

2007

### Assets

#### Current

Cash and cash equivalents	\$ 4,076	\$ 19,538
Short term investment	-	25,668
Receivables	19,525	15,073
Contributions due from Province of Ontario	57,102	32,354
Contributions due from Municipalities (Note 16)	4,498	44,552
Contributions due from Government of Canada	119,582	55,346
Spare parts and supplies	2,052	1,982
Prepaid expenses	9,624	9,245
	<u>216,459</u>	<u>203,758</u>
Funds being held for Province of Ontario (Note 7)	46,667	46,667
Capital assets (Note 5)	2,157,112	1,664,765
Long term lease (Note 6)	30,169	30,496
	<u>\$ 2,450,407</u>	<u>\$ 1,945,686</u>

### Liabilities

#### Current

Payables and accruals	\$ 166,688	\$ 153,744
Unearned revenue in respect of tickets sold and not used	9,022	6,960
Due to the Province of Ontario	-	2,306
	<u>175,710</u>	<u>163,010</u>
Foreign exchange contract	2,918	-
Advance from Province of Ontario (Note 7)	46,667	46,667
Pension plan top-up benefits payable (Note 9)	18,886	16,748
Other employee future benefits payable (Note 10)	34,159	30,232
	<u>278,340</u>	<u>256,657</u>

### Net Assets

Net assets invested in capital assets	2,157,112	1,664,765
Net assets invested in intangible assets	30,169	30,496
Net assets held in reserves (Note 11)	26,332	26,332
Deficiency of net assets	(41,546)	(32,564)
	<u>2,172,067</u>	<u>1,689,029</u>
	<u>\$ 2,450,407</u>	<u>\$ 1,945,686</u>

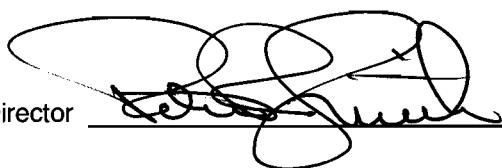
Commitments (Note 12)

Contingencies (Note 14)

On behalf of the Board



Director



Director

See accompanying notes to the financial statements.

# Greater Toronto Transit Authority

## Statement of Cash Flows

(Dollars in thousands)

Year Ended March 31

2008

2007

Increase (decrease) in cash and cash equivalents

### Operating activities

Excess of revenues over expenses before capital expenditures	\$ 483,038	\$ 387,100
Amortization of capital assets and intangible assets	110,029	93,909
Loss (gain) on disposal of capital assets	2,358	(793)
Loss on foreign exchange contract	2,918	-
Employee future benefits, net of payments	6,065	4,777
	<u>604,408</u>	<u>484,993</u>

### Change in non-cash working capital

Receivables	(4,452)	(7,052)
Contributions due from Province	(24,748)	(28,515)
Contributions due from Municipalities	40,054	(31,852)
Contributions due from Government of Canada	(64,236)	(26,956)
Spare parts and supplies	(70)	142
Prepaid expenses	(379)	(6,397)
Payables and accruals	12,944	81,086
Unearned revenue in respect of tickets sold and not used	2,062	1,180
Due to Province of Ontario	(2,306)	2,306
	<u>563,277</u>	<u>468,935</u>

### Investing activities

Purchase of capital assets	(605,401)	(486,417)
Proceeds from sale of capital assets	994	975
Proceeds (net of purchases) of short term investments	25,668	(6,891)
	<u>(578,739)</u>	<u>(492,333)</u>

Net decrease in cash and cash equivalents (15,462) (23,398)

Cash and cash equivalents, beginning of year 19,538 42,936

Cash and cash equivalents, end of year \$ 4,076 \$ 19,538

See accompanying notes to the financial statements.

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# Greater Toronto Transit Authority

## Notes to the Financial Statements

(Dollars in thousands)  
March 31, 2008

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### 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.

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### 2. Summary of significant accounting policies

#### Basis of presentation

These financial statements are prepared by management in accordance with Canadian generally accepted accounting principles for Not-for-Profit Organizations.

#### 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.

#### Short term investment

Short term investments are stated at market value and include amounts with original maturities greater than three months and less than one year.

#### Spare parts and supplies

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



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# Greater Toronto Transit Authority

## Notes to the Financial Statements

(Dollars in thousands)

March 31, 2008

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### 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	- 12 years
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

Viability studies for future expansion represent costs deferred on a project-by-project basis until the viability of the respective project is determined. When the project is finalized, the costs are amortized based on a specific asset category. If a project is abandoned or the costs are considered to be unrecoverable, the deferred costs are charged to operations in the year the determination is made.

#### 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, 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.

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# Greater Toronto Transit Authority

## Notes to the Financial Statements

(Dollars in thousands)  
March 31, 2008

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### 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 balance sheet as current liabilities.

#### Contributions

The Authority follows the deferral method of accounting for contributions. Contributions are recognized as revenue in the year in which the related expenses are incurred.

#### 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 balance sheet as equity.

The purpose of establishing the Municipal Capital and Operating Restructuring (MCOR) reserve is to assist in funding large capital expenditures.

The purpose of establishing the Employment Obligation reserve is to assist in funding general employment related obligations of The Authority.

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

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

All transactions of the reserves require approval by The Authority's board. They are reported in the statement of changes in net assets.

Interest income is included in general revenue as investment income.

#### Adoption of new accounting policies

On April 1, 2007, The Authority adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1506 - "Accounting Changes", Section 3251 - "Equity", Section 3855 - "Financial Instruments - Recognition and Measurement" and Section 3861 - "Financial Instruments - Disclosure and Presentation". The adoption of Section 3251 has not had a material effect on the organization's financial statement disclosures. The adoption of Section 1506 has resulted in disclosure of future accounting changes that have not yet been adopted. The adoption of Sections 3855 and 3861 is detailed in Note 3.

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# Greater Toronto Transit Authority

## Notes to the Financial Statements

(Dollars in thousands)

March 31, 2008

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### 3. Financial instruments – Recognition and Measurement

On April 1, 2007, The Authority adopted the CICA Handbook Section 3855 “Financial Instruments – Recognition and Measurement” and Section 3861 “Financial Instruments-Disclosure and Presentation”.

Financial assets must be 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.

The Authority uses a forward foreign exchange contract to manage foreign exchange risk in future expenses for 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.

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. As at March 31, 2008, the Authority did not have fixed fee agreement in place to purchase diesel fuel. The diesel fuel is purchased at market prices.

#### **Classification of financial instruments**

Cash and cash equivalents and short term investments 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 and advance from Province of Ontario have been classified as other financial liabilities.

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# Greater Toronto Transit Authority

## Notes to the Financial Statements

(Dollars in thousands)

March 31, 2008

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### 3. Financial instruments – Recognition and Measurement (continued)

#### Fair values

The fair values of cash and cash equivalents, short term investments, 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.

The Authority does not have significant concentration of credit risk.

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

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### 4. Future accounting policies

The CICA has released the following new Handbook standards which are applicable to The Authority effective April 1, 2008:

- Section 1535, “Capital Disclosures”, establishes standards for disclosing information about an entity’s capital and how it is managed. It describes the disclosure of the entity’s objectives, policies and processes for managing capital as well as summary quantitative data on the elements included in the management of capital. The section seeks to determine if the entity has complied with capital requirements and if not, the consequences of such non-compliance.
- Sections 3862 and 3863, “Financial Instruments – Disclosure and Presentation”, establish standards for the presentation and disclosure of financial instruments and non-financial derivatives as well as the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

The Authority has not yet assessed 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.

# Greater Toronto Transit Authority

## Notes to the Financial Statements

(Dollars in thousands)  
March 31, 2008

5. Capital assets			<u>2008</u>	<u>2007</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 249,988	\$ -	\$ 249,988	\$ 218,926
Buildings	332,537	194,685	137,852	124,180
Leasehold improvements	31,703	17,603	14,100	10,415
Locomotives and other railway rolling stock	606,576	169,024	437,552	376,362
Improvement to railway right-of-way plant	725,060	368,407	356,653	225,197
Track work and installation	224,704	68,034	156,670	111,780
Construction-in-progress	544,333	-	544,333	353,229
Buses	190,531	63,319	127,212	122,386
Parking lots	158,121	66,013	92,108	84,332
Computer equipment and software	38,688	22,335	16,353	16,570
Other	<u>83,858</u>	<u>59,567</u>	<u>24,291</u>	<u>21,388</u>
	\$ <u>3,186,099</u>	\$ <u>1,028,987</u>	\$ <u>2,157,112</u>	\$ <u>1,664,765</u>

The Authority capitalizes engineering payroll costs where time has been spent on particular capital projects. The amount capitalized for the year ended March 31, 2008 was \$8,225 (2007 - \$7,172).

6. Long term lease			<u>2008</u>	<u>2007</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Leasehold, Union Station	\$ <u>32,703</u>	\$ <u>2,534</u>	\$ <u>30,169</u>	\$ <u>30,496</u>

### 7. Funds being held for Province of Ontario

In 2007, the Authority received \$46,667 of funds 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.

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# Greater Toronto Transit Authority

## Notes to the Financial Statements

(Dollars in thousands)

March 31, 2008

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### 8. 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, 2008 was \$5,476 (2007 - \$4,931).

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### 9. 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 was \$2,442 (2007 - \$1,730).

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).

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

	<u>2008</u>	<u>2007</u>
Accrued benefit obligation	\$ 23,570	\$ 22,301
Fair value of plan assets	<u>515</u>	<u>449</u>
Funded status - plan deficit	23,055	21,852
Unamortized net actuarial loss	<u>(4,169)</u>	<u>(5,104)</u>
Accrued benefit liability	\$ <u>18,886</u>	\$ <u>16,748</u>

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## Greater Toronto Transit Authority Notes to the Financial Statements

(Dollars in thousands)  
March 31, 2008

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### 9. Pension plan Top-up benefits payable (continued)

Plan assets by asset category are as follows:

	<u>2008</u>	<u>2007</u>
Cash invested	24%	33%
Cash on deposit with CRA	<u>76%</u>	<u>67%</u>
	<u>100%</u>	<u>100%</u>

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

	<u>2008</u>	<u>2007</u>
Employer contributions	\$ 300	\$ 600
Benefits paid	\$ 240	\$ 152
Employee contributions	\$ -	\$ -

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

Discount rate	- 6.1% (2007 - 5.25%)
Rate of compensation increase	- 3% (2007 - 3%)
Inflation	- 2.5% per annum up to June 30, 2007, 2% thereafter (2007 - 2%)
Expected overage remaining life	- 10 years (2007 - 13 years)

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### 10. Other employee future benefits

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 \$4,931 (2007 - \$4,767).

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).

# Greater Toronto Transit Authority

## Notes to the Financial Statements

(Dollars in thousands)

March 31, 2008

### 10. Other employee future benefits (continued)

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

	<u>2008</u>	<u>2007</u>
Accrued benefit obligation	\$ 41,986	\$ 42,928
Fair value of plan assets	<u>-</u>	<u>-</u>
Funded status - plan deficit	41,986	42,928
Unamortized net actuarial loss	<u>(7,827)</u>	<u>(12,696)</u>
Accrued benefit liability	\$ <u>34,159</u>	\$ <u>30,232</u>

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

	<u>2008</u>	<u>2007</u>
Employer contributions	\$ 1,004	\$ 1,121
Employee contributions	\$ -	\$ -
Benefits paid	\$ 1,004	\$ 1,121

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 – 6.25% (2007 – 5.25%)  
Discount Rate for WSIB liabilities and retiree severance benefits – 5.5% (2007 – 5.0%)  
Expected average remaining service life – 13 years (2007 – 13 years)  
Rate of compensation increase – 3% per annum (2007 – 2%)  
Inflation – 2% per annum (2007 – 2%)  
Initial Weighted Average Health Care Trend Rate – 7.72%  
Ultimate Weighted Average Health Care Trend Rate – 5.0%  
Dental care benefits increase – 5% per annum



# Greater Toronto Transit Authority

## Notes to the Financial Statements

(Dollars in thousands)  
March 31, 2008

### 11. Net assets held in reserve

	<u>MCOR</u>	<u>Employment Obligation</u>	<u>Self Insured Retention</u>	<u>Stabilization</u>	<u>Total Reserves</u>
Balance, beginning of year	\$ 21,051	\$ 889	\$ 2,013	\$ 2,379	\$ 26,332
Expenditures	-	-	-	-	-
Balance, end of year	\$ <u>21,051</u>	\$ <u>889</u>	\$ <u>2,013</u>	\$ <u>2,379</u>	\$ <u>26,332</u>

### 12. Commitments

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

2009	\$ 3,106
2010	2,937
2011	2,782
2012	2,667
2013	406
Subsequent	<u>544</u>
	\$ <u>12,442</u>

b) The Authority has also committed approximately \$487 million for various capital asset additions over the next fiscal year.

c) The Authority has a lease with TATO for 243 rail cars and 42 locomotives for total lease payments of one dollar per year terminating on May 31, 2012.

d) 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 ("TATO") 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 \$95,000 per year:

- i) Master Operating Agreement with CN terminating on May 31, 2008. Discussions are currently underway to extend the agreement.
- ii) Commuter Agreement with CP terminating December 31, 2008.
- iii) Equipment Maintenance Contract with Bombardier terminating on May 31, 2013.

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# Greater Toronto Transit Authority

## Notes to the Financial Statements

(Dollars in thousands)

March 31, 2008

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### 13. Related party transactions

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

- a) Capital assets in the amount of \$279 were sold and other revenue in the amount of \$706 was received pursuant to a service agreement with the Greater Toronto Transportation Authority (GTTA). 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.
- b) The Ministry of Transportation charged the Authority \$1,584 during the year for the provision of services provided by the Ministry of Transportation. As March 31, 2008, payables and accruals included \$584 owing to the Ministry of Transportation.

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

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### 14. 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.

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### 15. Greater Toronto Transportation Authority

The Province of Ontario, in April 2006, introduced Bill 104 which is an Act to establish the Greater Toronto Transportation Authority. This Act envisions the potential dissolution of the Greater Toronto Transit Authority and the transfer of GO Transit's assets and operations to the new Authority. The Act was approved in 2006, but the dissolution of GO Transit is envisioned as a long term, future action.

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### 16. Provincial contributions on behalf of Municipal Partners

The Authority realized a shortfall in Municipal funding related to its capital program. The Province has provided temporary funding to bridge the shortfall. The Province will work with its Municipal partners to address the funding shortfalls.

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# Greater Toronto Transit Authority

## Notes to the Financial Statements

(Dollars in thousands)

March 31, 2008

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### 17. Foreign exchange forward contract

In September of 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. For the next fiscal year (2008/09), the contract stated the purchase of \$28,112 US dollars at rates varying from 1.1322 to 1.1360. The change in the fair value of the economic hedge of \$2,918 was recorded as an unrealized foreign exchange loss in the statement of operations. The differences in the contracted rates and the rates in effect on the transaction dates in the amount of \$5,884 have been reflected as a realized foreign exchange loss and is recognized in contributions for capital expenditures.