

FINANCIAL STATEMENTS

Greater Toronto Transportation Authority

March 31, 2009

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AUDITOR'S REPORT

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To the Members of

Greater Toronto Transportation Authority

We have audited the statement of financial position of **Greater Toronto Transportation Authority** (The Authority) 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.

Toronto, Ontario
June 22, 2009

Grant Thornton LLP

Chartered Accountants
Licensed Public Accountants

STATEMENT OF OPERATIONS

Greater Toronto Transportation Authority

(Note 5)

| Year Ended March 31 | 2009 | 2008 |
|---|--------------------|---------------|
| Revenue | | |
| Contributions from the Province of Ontario | \$ 13,078,610 | \$ 11,354,518 |
| Interest income | 54,932 | 72,490 |
| | 13,133,542 | 11,427,008 |
| Expenses | | |
| Administrative services | 2,093,996 | 925,685 |
| Facilities | 1,063,282 | 411,263 |
| Labour and benefits | 4,479,219 | 2,479,104 |
| Program delivery | 5,468,007 | 6,825,139 |
| | 13,104,504 | 10,641,191 |
| Excess of revenues over expenses before GST refund and amortization | 29,038 | 785,817 |
| GST refund (Note 10) | 92,642 | – |
| Amortization of capital assets | (180,489) | (80,122) |
| (Deficiency) excess of revenue over expenses | \$ (58,809) | \$ 705,695 |

See accompanying notes to the financial statements.

STATEMENT OF FINANCIAL POSITION

Greater Toronto Transportation Authority

(Note 5)

March 31 2009 2008

Assets

Current

| | | |
|--|---------------------|--------------|
| Cash and cash equivalents | \$ 1,941,765 | \$ 1,917,372 |
| Receivables | 1,802 | 11,021 |
| GST Receivable | 376,923 | – |
| Contributions due from Province of Ontario | 78,610 | 1,354,518 |
| Prepays | 5,040 | 6,565 |

2,404,140 3,289,476

Property and equipment (Note 6) **646,886** 705,695

\$ 3,051,026 \$ 3,995,171

Liabilities

Current

| | | |
|--------------------------------|---------------------|--------------|
| Payables and accruals (Note 8) | \$ 2,404,140 | \$ 3,289,476 |
|--------------------------------|---------------------|--------------|

Net Assets

Net assets invested in property and equipment **646,886** 705,695

\$ 3,051,026 \$ 3,995,171

Commitments (Note 9)

Subsequent event (Note 11)

On behalf of the Board



Director



Director

See accompanying notes to the financial statements.

STATEMENT OF CHANGES IN NET ASSETS

Greater Toronto Transportation Authority

| Year Ended March 31, 2009 | Invested in | | 2009 | 2008 |
|---|----------------|--------------|-------------------|------------|
| | Capital Assets | Unrestricted | | |
| Balance, beginning of year | | | | |
| As previously reported | \$ - | \$ - | \$ - | \$ - |
| Adjustment to opening net assets (Note 5) | 705,695 | - | 705,695 | - |
| As restated | 705,695 | - | 705,695 | - |
| (Deficiency) excess of revenues over expenses | - | (58,809) | (58,809) | 705,695 |
| Amortization | (180,489) | 180,489 | - | - |
| Purchase of property and equipment | 121,680 | (121,680) | - | - |
| Balance, end of year | \$ 646,886 | \$ - | \$ 646,886 | \$ 705,695 |

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS

Greater Toronto Transportation Authority

(Note 5)

| Year Ended March 31 | 2009 | 2008 |
|--|---------------------|--------------|
| Increase (decrease) in cash and cash equivalents | | |
| Operating activities | | |
| (Deficiency) excess of revenue over expenses | \$ (58,809) | \$ 705,695 |
| Amortization of property and equipment | 180,489 | 80,122 |
| | 121,680 | 785,817 |
| Change in non-cash working capital | | |
| Receivables | 9,219 | (11,021) |
| GST Receivable | (376,923) | – |
| Contributions due from Province of Ontario | 1,275,908 | (1,354,518) |
| Prepays | 1,525 | (6,565) |
| Payables and accruals | (885,336) | 3,289,476 |
| | 146,073 | 2,703,189 |
| Investing activity | | |
| Purchase of property and equipment | (121,680) | (785,817) |
| Net increase in cash and cash equivalents | 24,393 | 1,917,372 |
| Cash and cash equivalents, beginning of year | 1,917,372 | – |
| Cash and cash equivalents, end of year | \$ 1,941,765 | \$ 1,917,372 |

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Greater Toronto Transportation Authority

March 31, 2009

1. NATURE OF OPERATIONS

The Greater Toronto Transportation Authority (the Authority) is a Crown Corporation carrying on business as "Metrolinx." Sections of the *Greater Toronto Transportation Authority Act, 2006* were proclaimed on August 24, 2006 to address the significant transportation challenges in the Greater Toronto and Hamilton Area (GTHA). The Greater Toronto Transportation Authority was created to lead the coordination, planning, financing and development of an integrated multi-modal transportation network for the GTHA. Taking a regional approach, the Authority will bring together the province, municipalities and local transportation authorities to produce long-term economically and environmentally sustainable transportation solutions. The Authority reports to the Minister of Transportation.

At the present time, the Province is the sole revenue source for the Authority. The Ministry of Transportation through Treasury Board authorizes an annual budget allocation for the Authority.

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 highly liquid temporary money market instruments with original maturity dates of three months or less as cash and cash equivalents. Bank borrowings are considered to be financing activities.

Depreciation

Rates and bases of depreciation applied to write off the cost less estimated salvage value of property and equipment over their estimated useful lives on a straight-line basis are as follows:

| | |
|---------------------------------|------------|
| Leasehold improvements | 5 years |
| Computer equipment and software | 3–5 years |
| Furniture and equipment | 5–10 years |

Employee future benefits

The Authority provides pension plan benefits through the multi-employer Ontario Municipal Employees Retirement System (OMERS) Pension Fund. The expense for the year equals the required contribution for the year.

NOTES TO THE FINANCIAL STATEMENTS

Greater Toronto Transportation Authority

March 31, 2009

Contributions

The Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Net assets

Investment in property and equipment represents the Authority's net investment in property and equipment which is comprised of the unamortized balance of its property and equipment purchased with unrestricted funds.

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.

Derivative instruments are recorded on the statement of financial position at fair value. The Authority does not have any derivatives.

Classification of financial instruments

Cash and cash equivalents have been classified as held for trading, receivables, GST receivable and contributions due from Province of Ontario have been classified as loans and receivables and payables and accruals have been classified as other financial liabilities.

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 and provincial governments and organizations controlled by them.

Fair values

The fair values of cash and cash equivalents, receivables, GST receivable, contributions due from Province of Ontario and payables and accruals are assumed to approximate their carrying amounts because of their short term to maturity.

NOTES TO THE FINANCIAL STATEMENTS

Greater Toronto Transportation Authority

March 31, 2009

New Accounting Policies 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 Section 3862 and concurrently adopt Section 3863, but are not required to do so. Accordingly, the Authority has not adopted Sections 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 3).

3. CAPITAL DISCLOSURES

The capital structure of the Authority consists of net assets invested in property and equipment.

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 not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital.

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

4. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Greater Toronto Transportation Authority

March 31, 2009

5. PRIOR PERIOD ADJUSTMENT

In the prior year funding received from the Province of Ontario that was used to purchase capital assets was recorded as deferred capital contributions, on the basis that the contributions were restricted for capital purposes. It has subsequently been determined that all funding received from the Province of Ontario was operating funding. Correction of this error resulted in an increase in excess of revenue over expenses of \$705,695 for the year ended March 31, 2008, an increase in net assets invested in property and equipment and a decrease in deferred capital contributions of \$705,695 as at March 31, 2008.

6. PROPERTY AND EQUIPMENT

| | | | 2009 | 2008 |
|---------------------------------|------------|-----------------------------|-------------------|-------------------|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Leasehold improvements | \$ 183,296 | \$ 72,407 | \$ 110,889 | \$ 147,548 |
| Computer equipment and software | 577,984 | 158,782 | 419,202 | 429,691 |
| Furniture and equipment | 146,217 | 29,422 | 116,795 | 128,456 |
| | \$ 907,497 | \$ 260,611 | \$ 646,886 | \$ 705,695 |

7. PENSION CONTRIBUTIONS

The Authority provides pension benefits for substantially all of its permanent employees through participation in the OMERS Pension Fund. The amount expensed in pension contributions for the year ended March 31, 2009 was \$190,385 (2008 – \$38,223).

8. RELATED PARTY TRANSACTIONS

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

- Greater Toronto Transit Authority (GO Transit) charged the Authority \$1,314,211 (2008 – \$985,293) during the year, which included \$3,000 (2008 – \$279,181) for the purchase of capital assets and \$1,018,711 (2008 – \$556,112) for the purchase of services on behalf of the Authority and \$292,500 (2008 – \$150,000) for the provision of services by GO Transit.

The Authority charged Greater Toronto Transit Authority (GO Transit) \$170,517 (2008 – \$Nil) during the year for services performed on behalf of GO Transit. At March 31, 2009 payables and accruals included \$291,578 (2008 – \$290,829) owing to GO Transit. GO Transit is 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.

NOTES TO THE FINANCIAL STATEMENTS

Greater Toronto Transportation Authority

March 31, 2009

b) Grants in the amount of \$13,078,610 (2008 – \$11,354,518) were received or receivable from the Ministry of Transportation. In addition, operating expenses of \$1,187,118 (2008 – \$1,604,286) and capital assets in the amount of \$Nil (2008 – \$123,686) were paid on behalf of the Authority by the Ministry of Transportation. At March 31, 2009, payables and accruals included \$594,149 (2008 – \$1,727,972) 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.

9. COMMITMENTS

The Authority has entered into agreements to obtain various consulting services and to lease office space until 2014. The lease of office space is a sublease from GO Transit.

Minimum payments in aggregate and for the next five years are as follows:

| | |
|------|--------------|
| 2010 | \$ 1,829,247 |
| 2011 | 557,722 |
| 2012 | 545,105 |
| 2013 | 545,105 |
| 2014 | 45,425 |
| | <hr/> |
| | \$ 3,522,604 |

10. GST REFUND

In the prior year the Authority applied to be determined to be a municipality for GST/HST purposes. The GST paid during the year ended March 31, 2008 was expensed when incurred pending approval of the Authority's GST status. Subsequent to March 31, 2009 the Authority was granted municipal status for GST/HST purposes. Accordingly, the Authority is entitled to claim a rebate for GST/HST previously paid which has resulted in a recovery in the current year in the amount of \$107,910 of GST paid in the prior year. Of this amount \$92,642 relates to a recovery of operating expenses and \$15,268 resulted in a reduction of the cost of equipment. Amounts refundable for the current year have been netted against the related expenditures.

11. SUBSEQUENT EVENT

On May 14, 2009, Bill 163 was proclaimed. This Bill has amended the *Greater Toronto Transportation Authority Act, 2006* and changed the title of the Act to the *Metrolinx Act, 2006*. In addition, Bill 163 changes the name of the Authority to Metrolinx. The Greater Toronto Transit Authority (GO Transit) has been dissolved and all assets, liabilities, rights and obligations of GO Transit have been assumed by Metrolinx effective May 14, 2009.