



## Financial Statements

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## Auditors' report

To the Members of [Greater Toronto Transportation Authority](#)

We have audited the statement of financial position of [Greater Toronto Transportation 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.

The logo for Grant Thornton LLP is written in a cursive, handwritten-style font. The letters are dark blue or black, and the overall appearance is professional and elegant.

Chartered Accountants

[Licensed Public Accountants](#)

Toronto, Ontario

May 9, 2008

## Statement of Operations

Year ended March 31, 2008

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### Revenues

Contributions from the Province of Ontario	\$ 10,568,701
Amortization of deferred capital contributions	80,122
Interest income	<u>72,490</u>
	<u>10,721,313</u>

### Expenses

Administrative services	925,685
Amortization of capital assets	80,122
Facilities	411,263
Labour and benefits	2,479,104
Program delivery	<u>6,825,139</u>
	<u>10,721,313</u>

### Excess of revenues over expenses

\$ -

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See accompanying notes to the financial statements

## Statement of Financial Position

March 31, 2008

### Assets

#### Current

Cash and cash equivalents	\$ 1,917,372
Receivables	11,021
Contributions due from Province of Ontario	1,354,518
Prepays	<u>6,565</u>
	3,289,476

Property and equipment (Note 5)	<u>705,695</u>
	<u>\$ 3,995,171</u>

### Liabilities

#### Current

Payables and accruals (Note 7)	\$ 3,289,476
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Deferred capital contributions (Note 8)	<u>705,695</u>
	<u>\$ 3,995,171</u>

Commitments (Note 9)

Contingency (Note 10)

See accompanying notes to the financial statements

On behalf of the Board



Director



Director

## Statement of Cash Flows

Year ended March 31, 2008

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Increase (decrease) in cash and cash equivalents

### Operating activities

Excess of revenues over expenses	\$	–
Amortization of capital assets		80,122
Amortization of deferred capital contributions		(80,122)
		<u>–</u>

Change in non-cash working capital

Receivables		(11,021)
Contributions due from Province of Ontario		(1,354,518)
Prepays		(6,565)
Payables and accruals		<u>3,289,476</u>
		<u>1,917,372</u>

### Investing activities

Purchase of capital assets		<u>(785,817)</u>
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### Financing activities

Deferred capital contributions		<u>785,817</u>
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Net increase in cash and cash equivalents 1,917,372

Cash and cash equivalents, beginning of year –

Cash and cash equivalents, end of year \$ 1,917,372

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See accompanying notes to the financial statements

## Notes to the Financial Statements

March 31, 2008

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### 1. NATURE OF OPERATIONS

The Greater Toronto Transportation Authority (GTTA) 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. Metrolinx was created to lead the coordination, planning, financing and development of an integrated multi-modal transportation network for the Greater Toronto and Hamilton Area. Taking a regional approach, Metrolinx will bring together the province, municipalities and local transportation authorities to produce long-term economically and environmentally sustainable transportation solutions. Metrolinx reports to the Minister of Transportation.

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

Certain of the initiatives will be funded by the Ministry of Transportation directly to the service providers and certain initiatives will be funded by the GTTA based on funding received from the Ministry of Transportation.

The GTTA commenced operations on March 26, 2007, accordingly these financial statements present the first year of operations.

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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.

#### 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	– 5 years
Furniture and equipment	– 5–12 years

### Employee future benefits

The GTTA 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.

### Contributions

The GTTA 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.

### Deferred capital contributions

Capital contributions received for the purpose of acquiring capital assets are deferred and amortized on the same basis, and over the same periods as the related capital assets.

### Adoption of new accounting policies

On April 1, 2007, the GTTA 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 Authority’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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## 3. FINANCIAL INSTRUMENTS – RECOGNITION AND MEASUREMENT

On April 1, 2007, the GTTA 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.

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

Notes to the Financial Statements  
March 31, 2008

### Classification of financial instruments

Cash and cash equivalents have been classified as held for trading, receivables 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.

### Fair values

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

## 4. FUTURE ACCOUNTING POLICES

The CICA has released the following new handbook standards which are applicable to the GTTA 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 GTTA 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 GTTA’s financial statements.

## 5. PROPERTY AND EQUIPMENT

	Cost	Accumulated Depreciation	Net Book Value
Leasehold improvements	\$ 183,296	\$ 35,748	\$ 147,548
Computer equipment and software	460,228	30,537	429,691
Furniture and equipment	142,293	13,837	128,456
	<u>\$ 785,817</u>	<u>\$ 80,122</u>	<u>\$ 705,695</u>

## 6. PENSION CONTRIBUTIONS

The GTTA 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, 2008 was \$38,223.

Notes to the Financial Statements  
March 31, 2008

## 7. RELATED PARTY TRANSACTIONS

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

- a) Greater Toronto Transit Authority (GO Transit) charged GTTA \$985,293 during the year, which included \$279,181 for the purchase of capital assets and \$556,112 for the purchase of services on behalf of GTTA and \$150,000 for the provision of services by GO Transit. At March 31, 2008, payables and accruals included \$290,829 owing to GO Transit. GO Transit is a crown corporation reporting to the Minister of Transportation, and is related to the GTTA by virtue of their respective relationships with the Minister of Transportation.
- b) Grants in the amount of \$11,354,518 were received or receivable from the Ministry of Transportation. In addition, capital assets in the amount of \$123,686 and operating expenses of \$1,604,286 were paid on behalf of the GTTA by the Ministry of Transportation. At March 31, 2008, payables and accruals included \$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.

## 8. DEFERRED CAPITAL CONTRIBUTIONS

Contributions received for acquisition of capital assets	\$ 785,817
Amortization of deferred capital contributions	<u>(80,122)</u>
	<u>\$ 705,695</u>

## 9. COMMITMENTS

The GTTA has entered into agreements to obtain various consulting services and to lease office space until 2011. The lease of office space is a sublease from GO Transit.

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

2009	\$ 981,333
2010	225,612
2011	<u>17,759</u>
	<u>\$ 1,224,704</u>

## 10. CONTINGENCY

The GTTA is in the process of applying to the Government of Canada to obtain an exemption from the liability for Goods and Services Tax (GST). In the interim the GTTA has recorded the GST incurred during the year ended March 31, 2008, of approximately \$113,000 as operating expense. Pending approval and receipt of this exemption the GTTA would then make application for a rebate of the taxes previously paid. If approval is not received then no recoveries will be available.