

2008 CONSOLIDATED FINANCIAL STATEMENTS

| MANAGEMENT'S REPORT

The management of the City of Toronto ("City") is responsible for the integrity, objectivity and accuracy of the financial information presented in the accompanying Consolidated Financial Statements.

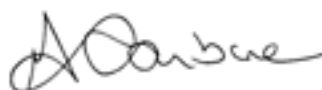
The Consolidated Financial Statements have been prepared by management in accordance with generally accepted accounting principles established by The Canadian Institute of Chartered Accountants' Public Sector Accounting Board. A summary of the significant accounting policies is disclosed in Note 1 to the Consolidated Financial Statements.

To meet its responsibility, management maintains comprehensive financial and internal control systems designed to ensure the proper authorization of transactions, the safeguarding of assets and the integrity of the financial data. The City employs highly qualified professional staff and deploys an organizational structure that effectively segregates responsibilities, and appropriately delegates authority and accountability.

The Audit Committee, a sub-committee of City Council ("Council"), reviews and approves the Consolidated Financial Statements before they are submitted to Council. In accordance with Council's directive, the Auditor General oversees the work of the external auditors performing financial statement attest audits. While it is important to recognize that the external audit is an independent process, the Auditor General's role is to ensure that all significant audit issues are appropriately addressed and resolved. In this context, the Auditor General participates in all significant meetings held between the external auditors and management.

The 2008 Consolidated Financial Statements have been examined by the City of Toronto's external auditors, Ernst & Young LLP, and their report precedes the Consolidated Financial Statements.

Toronto, Canada
May 15, 2009



Giuliana Carbone
Acting Treasurer



Cam Weldon
Deputy City Manager & Chief Financial Officer



Joseph P. Pennachetti
City Manager

| AUDITORS' REPORT

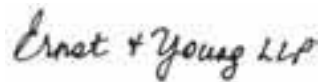
To the Members of Council, Inhabitants and Ratepayers of the
City of Toronto

We have audited the consolidated statement of financial position of the **City of Toronto** as at December 31, 2008 and the consolidated statements of financial activities and cash flows for the year then ended. These financial statements are the responsibility of the City'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 Consolidated Financial Statements present fairly, in all material respects, the financial position of the City as at December 31, 2008 and the results of its financial activities and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
May 25, 2009

The logo for Ernst & Young LLP, featuring the company name in a stylized, handwritten-style font.

Chartered Accountants
Licensed Public Accountants

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2008 (with comparative figures as at December 31, 2007) (all dollar amounts in thousands of dollars)

	2008	2007 (restated Note 2)
FINANCIAL ASSETS		
Cash	231,213	135,949
Accounts receivable	815,088	710,810
Property taxes receivable	246,074	220,372
Other assets	63,907	11,240
Investments (Note 3)	3,819,159	3,578,526
Note receivable – Toronto Hydro Corporation (Note 4)	735,175	735,175
Receivable – Toronto District School Board (Note 10)	41,772	46,003
Investments in government business enterprises (Note 5)	1,193,537	1,142,253
Total financial assets	7,145,925	6,580,328
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	1,970,818	1,946,308
Deferred revenue (Note 6)	1,919,145	1,235,482
Other liabilities (Notes 7 and 19)	418,109	262,271
Landfill closure and post-closure liabilities (Note 8)	139,341	128,363
Mortgages payable (Note 9)	869,402	899,148
Net longterm debt (Note 10)	2,741,227	2,758,180
Employee benefit liabilities (Note 11)	2,589,217	2,401,310
Total financial liabilities	10,647,259	9,631,062
NET FINANCIAL LIABILITIES	(3,501,334)	(3,050,734)
NON-FINANCIAL ASSETS		
Inventories and prepaid expenses	166,507	159,464
NET LIABILITIES	(3,334,827)	(2,891,270)
MUNICIPAL POSITION		
FUND BALANCES		
Operating (Schedule 1)	2,366,682	2,346,906
Capital (Note 13 and Schedule 2)	(588,736)	(157,969)
Reserves and reserve funds (Note 15 and Schedule 3)	1,332,849	1,177,460
Total fund balances	3,110,795	3,366,397
Amounts to be recovered in future years:		
From reserves and reserve funds on hand	(276,289)	(297,207)
From future revenues	(6,169,333)	(5,960,460)
Total amounts to be recovered (Note 12)	(6,445,622)	(6,257,667)
TOTAL MUNICIPAL POSITION	(3,334,827)	(2,891,270)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

for the year ended December 31, 2008 (with comparative figures for the year ended December 31, 2007) (all dollar amounts in thousands of dollars)

	2008 BUDGET (Note 17)	2008 ACTUALS	2007 ACTUALS (restated Note 2)
REVENUES			
Residential and Commercial property taxation	3,233,412	3,469,974	3,186,766
Taxation from other governments	82,536	80,710	99,181
User charges	2,132,013	2,108,423	1,966,890
Funding transfers from other governments	2,558,688	2,222,619	1,952,047
Net government business enterprise earnings (Note 5)	–	234,047	129,815
Other	1,507,778	1,396,932	1,525,837
Total revenues	9,514,427	9,512,705	8,860,536
EXPENDITURES			
General government	738,292	766,194	580,498
Protection to persons and property	1,433,989	1,527,398	1,500,550
Transportation	2,896,224	2,685,230	2,398,891
Environmental services	1,101,050	976,355	1,060,052
Health services	362,782	377,143	356,129
Social and family services	1,878,802	1,810,217	1,781,475
Social housing	747,260	792,786	803,784
Recreation and cultural services	877,491	841,519	849,001
Planning and development	119,805	186,463	136,179
Total expenditures (Note 14)	10,155,695	9,963,305	9,466,559
EXCESS OF EXPENDITURES OVER REVENUES AND INCREASE IN NET FINANCIAL LIABILITIES	(641,268)	(450,600)	(606,023)
FINANCING			
New long-term debt issued	749,735	301,896	787,047
New mortgages issued	–	6,927	–
Principal repayments on long-term debt	(284,158)	(282,004)	(256,530)
Principal repayments on mortgages payable	–	(36,673)	(31,395)
Interest earned on sinking funds	–	(32,614)	(30,088)
Changes in solid waste landfill liabilities	–	10,978	(360)
Changes in unfunded environmental liabilities	–	(25)	6,565
Changes in property and liability claims	–	31,563	(7,172)
Changes in employee benefit liabilities	–	187,907	155,799
Net increase in amounts to be recovered in future years	465,577	187,955	623,866
Increase (decrease) in non-financial assets	–	7,043	(7,326)
(Decrease) increase in fund balances during the year	(175,691)	(255,602)	10,517
FUND BALANCES – BEGINNING OF YEAR	1,203,887	3,366,397	3,355,880
FUND BALANCES – END OF YEAR	1,028,196	3,110,795	3,366,397

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2008 (with comparative figures for the year ended December 31, 2007) (all dollar amounts in thousands of dollars)

	2008	2007 (restated Note 2)
OPERATING ACTIVITIES		
Excess of expenditures over revenues for the year	(450,600)	(606,023)
Net government business enterprise earnings (Note 5)	(234,047)	(129,815)
	(684,647)	(735,838)
Sources and (uses) of cash:		
(Increase) decrease in accounts receivable	(104,278)	3,462
(Increase) decrease in property taxes receivable	(25,702)	1,245
(Increase) in other assets	(52,667)	(5,801)
Increase in accounts payable and accrued liabilities	24,510	99,243
Increase in deferred revenue	683,663	367,593
Increase in other liabilities	155,838	87,669
Increase (decrease) in landfill closure and post-closure liabilities	10,978	(361)
Increase in employee benefit liabilities	187,907	155,799
	880,249	708,849
Cash provided by (used in) from operating activities	195,602	(26,989)
INVESTING ACTIVITIES		
Net increase in investments	(240,633)	(757,849)
Net decrease in receivable – Toronto Hydro Corporation	–	245,056
Net decrease in receivable – Toronto District School Board	4,231	3,704
Distributions from government business enterprises	182,763	68,106
Cash used in investing activities	(53,639)	(440,983)
FINANCING ACTIVITIES		
New mortgages issued	6,927	–
Principal repayments on mortgages payable	(36,673)	(31,395)
New long-term debt issued	301,896	787,047
Principal repayments on long-term debt	(282,004)	(256,530)
Interest earned on sinking funds	(32,614)	(30,088)
Principal repayments on debt by Toronto District School Board	(4,231)	(3,704)
Cash (used in) provided from financing activities	(46,699)	465,330
Net increase (decrease) in cash during the year	95,264	(2,642)
CASH – BEGINNING OF YEAR	135,949	138,591
CASH – END OF YEAR	231,213	135,949

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED SCHEDULE OF CURRENT OPERATIONS – SCHEDULE 1

for the year ended December 31, 2008 (with comparative figures for the year ended December 31, 2007) (all dollar amounts in thousands of dollars)

	2008 BUDGET (Note 17)	2008 ACTUALS	2007 ACTUALS (restated Note 2)
EXPENDITURES			
General government			
Council	19,618	18,733	16,529
Administration	451,172	557,064	366,375
Ontario property assessment	33,500	32,803	31,719
Allowance for property tax appeals	78,000	57,911	76,918
	582,290	666,511	491,541
Protection to persons and property			
Fire	355,240	404,577	355,146
Police	836,870	878,687	938,578
Building services	94,996	92,155	89,213
Other	41,978	48,221	43,613
	1,329,084	1,423,640	1,426,550
Transportation			
Transit	1,310,691	1,355,352	1,259,089
Road and traffic signals maintenance	409,121	450,532	397,892
	1,719,812	1,805,884	1,656,981
Environmental services			
Water	164,262	151,384	159,700
Wastewater	204,701	196,688	207,943
Solid waste	252,518	255,073	226,304
	621,481	603,145	593,947
Health services			
Ambulance	147,813	161,419	154,661
Public health services	203,500	207,354	194,518
	351,313	368,773	349,179
Social and family services			
Social assistance	1,287,207	1,234,027	1,219,972
Long-term care	211,856	212,600	206,272
Child care assistance	351,087	347,659	335,307
	1,850,150	1,794,286	1,761,551
Social housing			
	608,793	558,895	609,646
Recreation and cultural services			
Parks	135,943	139,525	126,761
Recreation	256,661	283,428	269,496
Other	266,597	260,729	254,639
	659,201	683,682	650,896
Planning and development			
Planning	37,017	35,208	33,705
Business development	(3,405)	64,386	32,618
	33,612	99,594	66,323
Total Expenditures	7,755,736	8,004,410	7,606,614

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED SCHEDULE OF CURRENT OPERATIONS – SCHEDULE 1 (CONT.)

for the year ended December 31, 2008 (with comparative figures for the year ended December 31, 2007) (all dollar amounts in thousands of dollars)

	2008 BUDGET (Note 17)	2008 ACTUALS	2007 ACTUALS (restated Note 2)
REVENUES			
Residential and Commercial property taxation	3,233,412	3,469,974	3,186,766
Taxation from other governments	82,536	80,710	99,181
User charges:			
Transit fares	827,000	840,888	784,394
Water sales	661,541	642,318	618,565
Fines	129,208	150,133	141,050
Licenses and permits	110,978	101,418	101,767
Fees and service charges	403,286	373,666	321,114
Government transfers:			
Social assistance	762,428	732,840	708,677
Child care assistance	255,603	262,478	244,411
Health services	152,948	151,526	142,641
Social housing	412,603	446,501	413,225
Other	389,588	420,916	253,371
Investment income	188,923	165,695	195,612
Net government business enterprises earnings (Note 5)	–	234,047	129,815
Other	570,171	385,639	498,917
Total Revenues	8,180,225	8,458,749	7,839,506
EXCESS OF REVENUES OVER EXPENDITURES FOR THE YEAR	424,489	454,339	232,892
FINANCING AND TRANSFERS			
Principal repayments on long-term debt	(284,158)	(282,004)	(256,530)
Principal repayments on mortgages	–	(36,673)	(31,395)
Interest earned on sinking funds	–	(32,614)	(30,088)
Changes in employee benefit liabilities	–	187,907	155,799
Changes in property and liability claims	–	31,563	(7,172)
Transfers to reserves	(75,306)	(78,722)	(76,194)
Transfers from (to) reserve funds	67,417	(50,174)	(63,329)
Transfers to capital fund	(132,442)	(180,889)	(54,801)
Total Financing and Transfers	(424,489)	(441,606)	(363,710)
Increase (decrease) in Non-Financial Assets	–	7,043	(7,326)
NET INCREASE (DECREASE) IN OPERATING FUND DURING THE YEAR	–	19,776	(138,144)
OPERATING FUND – BEGINNING OF YEAR	–	2,346,906	2,485,050
OPERATING FUND – END OF YEAR	–	2,366,682	2,346,906

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED SCHEDULE OF CAPITAL OPERATIONS – SCHEDULE 2

for the year ended December 31, 2008 (with comparative figures for the year ended December 31, 2007) (all dollar amounts in thousands of dollars)

	2008 BUDGET (Note 17)	2008 ACTUALS	2007 ACTUALS (restated Note 2)
EXPENDITURES			
General government	156,002	99,683	88,957
Protection to persons and property			
Fire	15,229	7,995	17,922
Police	78,509	87,589	49,295
Other	11,167	8,174	6,783
	104,905	103,758	74,000
Transportation			
Transit	874,059	687,792	512,586
Roads	302,353	191,554	229,324
	1,176,412	879,346	741,910
Environmental services			
Water	204,499	144,565	120,511
Wastewater	179,850	134,258	104,015
Solid waste	95,220	94,387	241,579
	479,569	373,210	466,105
Health services			
Ambulance	10,487	7,028	5,517
Public health services	982	1,342	1,433
	11,469	8,370	6,950
Social and family services			
Social assistance	9,289	4,240	10,569
Long-term care	9,700	9,417	7,787
Child care assistance	9,663	2,274	1,568
	28,652	15,931	19,924
Social housing	138,467	233,891	194,138
Recreation and cultural services			
Parks	14,706	14,427	20,799
Recreation	148,194	86,557	105,327
Other	55,390	56,853	71,979
	218,290	157,837	198,105
Planning and development			
Planning	7,622	4,329	2,627
Business development	78,571	82,540	67,229
	86,193	86,869	69,856
Total Expenditures	2,399,959	1,958,895	1,859,945

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED SCHEDULE OF CAPITAL OPERATIONS – SCHEDULE 2 (CONT.)

for the year ended December 31, 2008 (with comparative figures for the year ended December 31, 2007) (all dollar amounts in thousands of dollars)

	2008 BUDGET (Note 17)	2008 ACTUALS	2007 ACTUALS (restated Note 2)
REVENUES			
Government of Canada transfers	285,964	182,927	141,128
Province of Ontario transfers	299,554	3,694	9,972
Other municipalities	7,940	21,543	61,040
Development contributions applied	464,707	659,035	547,988
Other	204,630	99,909	116,831
Total Revenues	1,262,795	967,108	876,959
EXCESS OF EXPENDITURES OVER REVENUES FOR THE YEAR	(1,137,164)	(991,787)	(982,986)
FINANCING AND TRANSFERS			
New long-term debt issued	749,735	301,896	787,047
New mortgages issued	–	6,927	–
Changes in landfill closure and post-closure liabilities (Note 8)	–	10,978	(360)
Changes in environment liabilities	–	(25)	6,565
Transfers from operating fund	132,442	180,889	54,801
Transfers from (to) reserves	112,461	(36,837)	60,208
Transfers from reserve funds	116,099	97,192	103,419
Total Financing and Transfers	1,110,737	561,020	1,011,680
NET INCREASE (DECREASE) IN CAPITAL FUND DURING THE YEAR	(26,427)	(430,767)	28,694
CAPITAL FUND – BEGINNING OF YEAR	26,427	(157,969)	(186,663)
CAPITAL FUND – END OF YEAR	–	(588,736)	(157,969)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED SCHEDULE OF RESERVES AND RESERVE FUNDS – SCHEDULE 3

for the year ended December 31, 2008 (with comparative figures for the year ended December 31, 2007) (all dollar amounts in thousands of dollars)

	2008 BUDGET (Note 17)	2008 ACTUALS	2007 ACTUALS
RESERVES			
TRANSFERS FROM (TO) OTHER FUNDS			
Reserve fund	–	125,099	–
Operating fund	75,306	78,722	76,194
Capital fund	(112,461)	36,837	(60,208)
TOTAL TRANSFERS FROM (TO) OTHER FUNDS FOR THE YEAR	(37,155)	240,658	15,986
RESERVES – BEGINNING OF YEAR	254,933	254,933	238,947
RESERVES – END OF YEAR (NOTE 15)	217,778	495,591	254,933
RESERVE FUNDS			
REVENUES			
Sale of land	44,190	19,168	5,557
Government Transfers	–	21,737	38,622
Investment income	27,217	29,376	44,539
Other	–	16,567	55,353
TOTAL REVENUES	71,407	86,848	144,071
TRANSFERS (TO) FROM OTHER FUNDS			
Reserves	–	(125,099)	–
Operating fund	(67,417)	50,174	63,329
Capital fund	(116,099)	(97,192)	(103,419)
TOTAL TRANSFERS TO OTHER FUNDS	(183,516)	(172,117)	(40,090)
NET INCREASE (DECREASE) IN RESERVE FUNDS DURING THE YEAR	(112,109)	(85,269)	(103,981)
RESERVE FUNDS – BEGINNING OF YEAR	922,527	922,527	818,546
RESERVE FUNDS – END OF YEAR (NOTE 15)	810,418	837,258	922,527
TOTAL RESERVES AND RESERVE FUNDS	1,028,196	1,332,849	1,177,460

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 (all dollar amounts in thousands of dollars)

1. Significant Accounting Policies

The Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board ("PSAB") of The Canadian Institute of Chartered Accountants ("CICA").

Basis of consolidation

The Consolidated Financial Statements reflect the assets, liabilities, revenues and expenditures of the operating fund, capital fund, reserves and reserve funds of the City of Toronto (the "City") and, except for government business enterprises which are accounted for by the modified equity basis of accounting and the Toronto Waterfront Revitalization Corporation which is accounted for by proportionate consolidation, include all organizations that are accountable for the administration of their financial affairs and resources to City Council ("Council") and are controlled by the City.

Consolidated entities:

Agencies, Boards and Commissions:

- Board of Governors of Exhibition Place
- Board of Management of the Toronto Zoo
- Heritage Toronto
- The North York Performing Arts Centre Corporation
- The Sony Centre for the Performing Arts
- St. Lawrence Centre for the Arts
- Toronto Atmospheric Fund ("TAF")
- Toronto Board of Health
- Toronto Community Housing Corporation ("TCHC")
- Toronto Economic Development Corporation ("TEDCO") after November 13, 2008
- Toronto Licensing Commission
- Toronto Police Services Board
- Toronto Public Library Board
- Toronto Transit Commission
- Toronto Waterfront Revitalization Corporation ("TWRC") (proportionately)
- Yonge-Dundas Square
- Build Toronto Inc. (Incorporated November 13, 2008)
- Invest Toronto Inc. (Incorporated November 13, 2008)

Arenas:

- Forest Hill Memorial
- George Bell
- Leaside Memorial Community Gardens
- McCormick Playground
- Moss Park
- North Toronto Memorial
- Ted Reeve Community
- William H. Bolton

| NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 (all dollar amounts in thousands of dollars)

Community Centres:

- 519 Church Street
- Applegrove
- Cecil Street
- Central Eglinton
- Community Centre 55
- Eastview Neighbourhood
- Harbourfront
- Ralph Thornton
- Scadding Court
- Swansea Town Hall

Business Improvement Areas:

- Albion/Islington Square
- The Beach
- Bloor Annex
- Bloor by the Park
- Bloorcourt Village
- Bloordale Village
- Bloor Street
- Bloor West Village
- Bloor-Yorkville
- Chinatown
- Church-Wellesley Village
- College Promenade
- Corso Italia
- Crossroads on the Danforth
- Danforth Mosaic
- Danforth Village
- Dundas West
- The Danforth
- Dovercourt Village
- Downtown Yonge Street
- Eglinton Hill
- The Eglinton Way
- Emery Village
- Fairbank Village
- Forest Hill Village
- Gerrard India Bazaar
- Greektown on the Danforth
- Harbord Street
- Hillcrest Village
- Historic Queen East
- Junction Gardens
- Kennedy Road
- Kingsway
- Knob Hill Plaza
- Korea Town
- Lakeshore Village
- Liberty Village
- Little Italy
- Little Portugal
- Long Branch
- Mimico by the Lake
- Mimico Village
- Mirvish Village
- Mount Dennis
- Mount Pleasant
- Oakwood Village
- Old Cabbagetown
- Parkdale Village
- Pape Village
- Queens Quay Harbourfront
- Queen Street West
- Regal Heights Village
- Riverside
- Roncesvalles Village
- Rosedale Main Street
- Sheppard East Village
- St. Clair Gardens
- St. Lawrence Market Neighbourhood
- Toronto Entertainment District
- Trinity Bellwoods
- Uptown Yonge
- Upper Village (York)
- Village of Islington
- West Queen West
- Weston Village
- Wexford Heights
- Wychwood Heights
- Yonge-Lawrence Village
- York-Eglinton

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 (all dollar amounts in thousands of dollars)

All inter-fund assets and liabilities and sources of financing and expenditures have been eliminated in these Consolidated Financial Statements.

Government business enterprises

The following entities are accounted for in these Consolidated Financial Statements as government business enterprises using the modified equity basis of accounting. Under the modified equity basis, the accounting principles of government business enterprises are not adjusted to conform to the City's accounting principles and inter-organizational transactions and balances are not eliminated. Inter-organizational gains and losses are however, eliminated on assets remaining within the government reporting entities at the reporting date.

- Enwave Energy Corporation ("Enwave")
- TEDCO (prior to November 14, 2008)
- Toronto Hydro Corporation
- Toronto Parking Authority

Trust funds

Trust funds and their related operations administered by the City are not included in the Consolidated Financial Statements, but are reported separately on the Trust Fund Statement of Continuity and the Trust Fund Balance Sheet (Note 16).

Basis of accounting

Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenditures are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Capital assets

The historical cost and accumulated depreciation of capital assets are not reported. Capital assets are reported as expenditures on the Consolidated Statement of Financial Activities in the year of acquisition. Effective January 1, 2009, this will change with the implementation of Section 3150 – Tangible Capital Assets of the Public Sector Accounting Handbook (Note 20).

Use of estimates

The preparation of these 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 liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenditures during the reporting year. Significant estimates and assumptions, which include employee benefits, assessment appeals, claims provisions, landfill closure and post-closure liabilities and environmental provisions, are based on management's best information and judgement. Actual amounts, which are accounted for as they become known, may differ significantly from these estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 (all dollar amounts in thousands of dollars)

Tax revenues

Annually, the City bills and collects over \$3 billion in property tax revenues for municipal purposes. A further \$1.9 billion in provincial education taxes are billed and collected each year on behalf of the Province of Ontario (the "Province") for education purposes. The authority to levy and collect property taxes is established under the *City of Toronto Act, 2006*, the Assessment Act, the Education Act, and other legislation.

The amount of the total annual property tax levy is determined each year through Council's approval of the annual Operating Budget. Municipal tax rates are set annually by Council for each class or type of property, in accordance with legislation and Council-approved policies, in order to raise the revenues required to meet operating budget requirements. Education tax rates are established by the Province each year in order to fund the cost of education on a province-wide basis.

Property assessments, on which property taxes are based, are established by the Municipal Property Assessment Corporation ("MPAC"), a not-for-profit corporation funded by all of Ontario's municipalities. The current value assessment ("CVA") of a property represents an estimated market value of a property as of a fixed date. Assessed values for all properties within the municipality are provided to the City in the form of the returned assessment roll in December of each year.

The amount of property tax levied on an individual property is the product of the CVA of the property and the tax rate for the class, together with any adjustments that reflect Council-approved mitigation or other tax policy measures, rebate programs, etc.

Property taxes are billed by the City twice annually. The interim billing, issued in January, is based on 50% of the total property's taxes in the previous year, and provides for the cash requirements of the City for the initial part of the year prior to Council's approval of the final operating budget and the approved property tax levy for the year. Final bills are issued in May, following Council's approval of the capital and operating budget for the year, the total property tax levy, and the property tax rates needed to fund the City's operations.

Taxation revenues are recorded at the time tax billings are issued. Additional property tax revenue can be added throughout the year, related to new properties that become occupied, or that become subject to property tax, after the return of the annual assessment roll used for billing purposes. The City may receive up to four supplementary assessment rolls over the course of the year from MPAC that identify new or omitted assessments. Property taxes for these supplementary and/or omitted amounts are then billed according to the approved tax rate for the property class.

Taxation revenues in any year may also be reduced as a result of reductions in assessment values resulting from assessment and/or tax appeals. Each year, an amount is identified within the annual operating budget to cover the estimated amount of revenue loss attributable to assessment appeals, tax appeals or other deficiencies in tax revenues (e.g., uncollectible amounts, write-offs, etc.).

In Toronto, annual property tax increases for properties within the commercial, industrial and multi-residential tax classes have been subject to limitations on the maximum allowable year-over-year increase since 1998, in order to mitigate dramatic tax increases due to changes in assessed values.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 (all dollar amounts in thousands of dollars)

In October 2005, Council adopted a staff report entitled “Enhancing Toronto’s Business Climate – It’s Everybody’s Business,” that introduced a number of new tax policy initiatives that began in 2006. These changes included limiting allowable annual tax increases on these property classes to 5% of the previous year’s full CVA taxation level, and gradually reducing the proportion of the total property tax levy that is borne by the commercial, industrial and multi-residential classes through 2020.

Beginning in 2008, the City implemented two new taxes: the Municipal Land Transfer Tax (MLTT) and the Personal Vehicle Tax (PVT). These taxes apply to land sales and renewals of vehicle licenses. The revenues are transaction-based and are recognized at the time of the transaction: sale of land or renewal of the vehicle licence.

During 2008, there was an Assessment Review Board decision (the “Bank Towers”) which would negatively impact the City’s assessment base, as well as the commercial assessment base of all Ontario municipalities. The City and MPAC have appealed this decision, and believe that the rationale for their appeal is strong.

Investments

Investments are recorded at amortized cost less any amounts written off to reflect a permanent decline in value. The majority of investments consists of authorized investments pursuant to provisions of the *City of Toronto Act, 2006* and comprises government and corporate bonds, debentures and short-term instruments of various financial institutions. TCHC and TAF have their own investment policies, which allow them to invest in equities.

Investment income earned on available operating funds, capital funds, reserve and reserve funds (other than obligatory funds) are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue balances.

Property and liability claims

Estimated costs to settle claims are based on available loss information and projections of estimated future expenditures developed from the City’s historical experience on loss payments. Where the costs are deemed to be likely and reasonably determinable, claims are reported as an operating expenditure, and are included in other liabilities on the consolidated statement of financial position.

Environmental provisions

The City provides for the cost of compliance with environmental legislation when conditions are identified which indicate non-compliance with environmental legislation and costs can be reasonably determined. The estimated amounts of future restoration costs are reviewed regularly, based on available information and governing legislation. Where the costs are deemed to be likely and reasonably determinable, claims are reported as an operating expenditure, and are included in other liabilities on the consolidated statement of financial position.

Landfill closure and post-closure liabilities

The costs to close existing landfill sites and to maintain closed solid waste landfill sites are based on estimated future expenditures in current dollars, adjusted for estimated inflation. These costs are reported as a liability on the consolidated statement of financial position.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 (all dollar amounts in thousands of dollars)

Deferred revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recorded as deferred revenue and are recognized as revenue in the fiscal year the related expenditures are incurred or services are performed.

Employee benefits

The contributions to a multi-employer, defined benefit pension plan are expensed when contributions are due.

The costs of termination benefits and compensated absences are recognized when the event that obligates the City occurs; costs include projected future income payments, health care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis.

The costs of other employee benefits are actuarially determined using the projected benefits method pro-rated on service and management's best estimates of retirement ages of employees, salary escalation, expected health costs and plan investment performance. Accrued obligations and related costs of funded benefits are net of plan assets.

Past service costs from plan amendments related to prior period employee services are accounted for in the period of the plan amendment. The effects of a gain or loss from settlements or curtailments are expensed in the period they occur. Net actuarial gains and losses related to the employee benefits are amortized over the estimated average remaining service life of the related employee group. Employee future benefit liabilities are discounted using current interest rates on long-term municipal debentures. The costs of workplace safety and insurance obligations are actuarially determined and are expensed in the period they occur.

Government transfers

Government transfers are recognized in the Consolidated Financial Statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, eligibility criteria have been met and reasonable estimates of the amounts can be made.

Reserves and reserve funds

Reserves and reserve funds are comprised of funds set aside for specific purposes by Council and funds set aside for specific purposes by legislation, regulation or agreement. For financial reporting purposes, reserve funds set aside by legislation, regulation or agreement are reported as deferred revenue on the consolidated statement of financial position.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 (all dollar amounts in thousands of dollars)

2. Restatement of Prior Period Consolidated Financial Statements

The comparative figures have been restated to account for the following items:

- a) The comparative 2007 Consolidated Financial Statements have been restated to reflect an error in the valuation of sick leave benefits, which are included in employee benefit liabilities. The actuarial error understated the accumulated sick leave benefits and resulted in an understatement of employee benefit liabilities.

As a result of the restatement, as at December 31, 2007, sick leave benefits increased by \$200,835 and the unamortized actuarial losses increased by \$132,043. As a result, the employee benefit liabilities and the amounts to be recovered increased by \$68,792 in the Consolidated Statement of Financial Position. In the Consolidated Statement of Financial Activities, there was no change in the fund balances as the aggregate increase in expenditures of \$68,792 was offset by an increase of \$68,792 in the changes in employee benefit liabilities, included in financing.

- b) A change on the method of reporting the TWRC was implemented in 2008. During 2008, the City reviewed the organizational structure of TWRC and determined that there was a change in 2003 that affected the City's influence and control of the organization. Prior to 2003, the TWRC was solely controlled by the Province, but on May 15, 2003, the TWRC was continued as a corporation without share capital. As the Government of Canada, the Province of Ontario and the City of Toronto each contribute one third of the capital required for the TWRC's priority projects. TWRC should be proportionately consolidated in the consolidated financial statements of the City. As amounts paid to and received from TWRC were previously treated as expenditures or revenues on an accrual basis, the 2007 comparative Consolidated Financial Statements have been restated to reflect the correction in reporting of the TWRC adopted in 2008.

Restatement of comparative figures in these Consolidated Financial Statements for proportionate consolidation of TWRC resulted in an increase in financial assets of \$20,069, an increase in financial liabilities of \$6,717, an increase in the operating fund of \$313, an increase in the capital fund of \$13,039. There are also increases in total revenues of \$35,256 and total expenditures of \$29,147, and increases in fund balances – beginning of year of \$7,243 and fund balances – end of year of \$13,352.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 (all dollar amounts in thousands of dollars)

The detailed impacts of the restatement on 2007 reported values are as follows:

Consolidated Statement of Financial Position

	2007 (as reported)	2007 (as restated)	Change
	\$	\$	\$
Cash	117,346	135,949	18,603
Accounts receivable	709,433	710,810	1,377
Other assets	11,151	11,240	89
Accounts payable and accrued liabilities	(2,031,351)	(1,946,308)	85,043
Other liabilities	(170,511)	(262,271)	(91,760)
Employee benefit liabilities	(2,332,518)	(2,401,310)	(68,792)
Net liabilities	(2,835,830)	(2,891,270)	(55,440)
Operating fund	2,346,593	2,346,906	313
Capital fund	(171,008)	(157,969)	13,039
Amounts to be recovered from future revenues	(5,891,668)	(5,960,460)	(68,792)
Total municipal position	(2,835,830)	(2,891,270)	(55,440)

Consolidated Statement of Financial Activities

	2007 (as reported)	2007 (as restated)	Change
	\$	\$	\$
Total revenues	(8,825,280)	(8,860,536)	(35,256)
Total expenditures	9,368,620	9,466,559	97,939
Increase in employee benefits liabilities	(87,007)	(155,799)	(68,792)
Increase in fund balance	(4,408)	(10,517)	(6,109)
Fund balances – beginning of year	(3,348,637)	(3,355,880)	(7,243)
Fund balances – end of year	(3,353,045)	(3,366,397)	(13,352)

Consolidated Statement of Cash Flows

	2007 (as reported)	2007 (as restated)	Change
	\$	\$	\$
Net expenditures for the year	(543,339)	(606,023)	(62,684)
Decrease in accounts receivable	4,633	3,462	(1,171)
Increase in other assets	(5,931)	(5,801)	130
Increase in accounts payable and accrued liabilities	188,376	99,243	(89,133)
Increase (decrease) in other liabilities	(4,091)	87,669	91,760
Increase in employee benefit liabilities	87,007	155,799	68,792
Net decrease in cash during the year	(10,336)	(2,642)	7,694
Cash – beginning of the year	127,682	138,591	10,909
Cash – end of year	117,346	135,949	18,603

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 (all dollar amounts in thousands of dollars)

Consolidated Statement of Current Operations – Schedule 1

	2007 (as reported)	2007 (as restated)	Change
	\$	\$	\$
Expenditures			
General Government	484,459	491,541	7,082
Protection to persons and property	1,392,430	1,426,550	34,120
Transportation services	1,654,055	1,656,981	2,926
Environmental services	590,175	593,947	3,772
Health services	344,459	349,179	4,720
Social and family services	1,753,697	1,761,551	7,854
Social housing	609,646	609,646	–
Recreation and cultural services	643,215	650,896	7,681
Planning and development	45,351	66,323	20,972
Total Expenditures	7,517,487	7,606,614	89,127
Government Transfer – Social housing	242,190	253,371	(11,181)
Other Revenue	524,383	498,917	25,466
Increase in employee benefit liabilities	87,007	155,799	(68,792)
Net (increase) in operating fund for the year	(138,234)	(138,144)	(90)
Operating fund balance – beginning of year	2,484,827	2,485,050	(223)
Operating fund balance – end of year	2,346,593	2,346,906	(313)

Consolidated Statement of Capital Operations – Schedule 2

	2007 (as reported)	2007 (as restated)	Change
	\$	\$	\$
Planning and development expenditures	61,043	69,856	8,813
Other revenues	101,999	116,831	14,832
Net (increase) in capital fund for the year	22,675	28,694	(6,019)
Capital fund balance – beginning of year	(193,683)	(186,663)	(7,020)
Capital fund balance – end of year	(171,008)	(157,969)	(13,039)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 (all dollar amounts in thousands of dollars)

3. Investments

Investments, as at December 31, consist of the following:

	2008		
	Cost	Market Value	Carrying Value
	\$	\$	\$
Federal government bonds	750,499	815,295	750,499
Provincial government bonds	1,093,143	1,140,870	1,093,143
Municipal government bonds	520,338	545,367	520,338
Money market instruments	663,158	663,158	663,158
Corporate bonds	435,132	444,025	435,132
Other	396,670	356,036	356,889
	3,858,940	3,964,751	3,819,159

	2007		
	Cost	Market Value	Carrying Value
	\$	\$	\$
Federal government bonds	742,566	762,229	742,566
Provincial government bonds	991,557	1,020,633	991,557
Municipal government bonds	416,213	432,512	416,213
Money market instruments	398,640	398,801	398,640
Corporate bonds	453,887	453,038	453,887
Other	575,663	575,487	575,663
	3,578,526	3,642,700	3,578,526

Municipal government bonds include bonds held in trust by the insurance carrier as collateral for the provision of automobile and primary liability insurance with a carrying value of \$50,908 (2007 – \$70,392).

The weighted average yield on the cost of the bond investment portfolio during the year was 4.62% (2007 – 5.36%). Maturity dates on investments in the portfolio range from 2009 to 2037 (2007 – 2008 to 2037). Included in the City's investment portfolio are City of Toronto debentures at coupon rates varying from 3.65% to 8.65% (2007 – 3.95% to 8.00%) with a carrying value of \$241,200 (2007 – \$196,417).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 (all dollar amounts in thousands of dollars)

Other investments include the following:

	2008		
	Cost	Market Value	Carrying Value
	\$	\$	\$
City investments	42,349	41,468	42,349
TCHC			
– Pooled investments	180,090	143,119	143,119
– Cash management funds	118,187	118,187	118,187
– Term deposits and other	41,222	41,222	41,222
TAF	14,770	11,988	11,960
Other	52	52	52
	396,670	356,036	356,889

	2007		
	Cost	Market Value	Carrying Value
	\$	\$	\$
City investments	121,150	120,211	121,150
TCHC			
– Pooled investments	172,423	173,176	172,423
– Cash management funds	19,182	19,182	19,182
– Term deposits and other	244,699	244,699	244,699
TAF	18,209	18,219	18,209
	575,663	575,487	575,663

4. Note Receivable – Toronto Hydro Corporation

The note receivable from Toronto Hydro Corporation bears interest at a rate of 6.11% per annum. Toronto Hydro Corporation made a principal payment of \$245,058 in 2007 and is required to pay the remaining principal amount of the note as follows: \$245,058 on the last business day before each of December 31, 2009, December 31, 2011 and on May 6, 2013. Interest is calculated and payable quarterly in arrears on the last business day of March, June, September and December of each year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 (all dollar amounts in thousands of dollars)

5. Investments in Government Business Enterprises

Government business enterprises consist of 100% interest in Toronto Hydro Corporation, Toronto Parking Authority, TEDCO (prior to November 14, 2008), and an approximate 43% interest in Enwave. Details of the continuity of the book value of these investments are as follows:

	2008	2007
	\$	\$
Balance – beginning of year	1,142,253	1,080,544
Results of operations (Appendix 1)	234,047	129,815
Dividends received (Appendix 1)	(116,416)	(46,200)
Distribution to City (Appendix 1)	(72,702)	(34,710)
Subscription to additional Enwave shares	–	6,450
Change in net value of streetlighting assets eliminated on sale to Toronto Hydro Corporation (Appendix 1)	6,355	6,354
Balance – end of year (Appendix 1)	1,193,537	1,142,253

Condensed financial results for each government business enterprise are disclosed in Appendix 1 to the notes to these Consolidated Financial Statements. The results presented in Appendix 1 relate to fiscal years ended December 31 for Toronto Hydro Corporation and Toronto Parking Authority, October 31 for Enwave, and the period ended November 13 for TEDCO. As at November 14, 2008, TEDCO was determined to no longer qualify for government business entity status as the scope and scale of TEDCO operations was reduced, and certain portions of its business were transferred to other organizations.

Related party transactions between the City and its government business enterprises are as follows:

	2008	2007
	\$	\$
Received by the City:		
These amounts are included in expenses of the appropriate government business enterprise in the condensed financial results reported in Appendix 1 to these Consolidated Financial Statements		
Interest on note receivable from Toronto Hydro Corporation (Note 4)	44,919	59,892
Purchased by the City:		
This amount is included in revenues of Toronto Hydro Corporation in the condensed financial results reported in Appendix 1 to these Consolidated Financial Statements		
Streetlighting, electricity, and maintenance services from Toronto Hydro Corporation	117,485	126,583

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 (all dollar amounts in thousands of dollars)

6. Deferred Revenue

(a) Obligatory reserve funds

Revenues received that have been set aside for specific purposes by Provincial legislation, City bylaws, or agreements are included in deferred revenue and reported on the consolidated statement of financial position. Details of these deferred revenues are as follows:

	2008	2007
	\$	\$
Restricted by Provincial Legislation		
Development Charges	277,003	212,404
Recreational Land (Planning Act)	170,505	107,841
Subdividers' Deposits	13,811	19,991
Building Code Act Service Improvement	10,894	8,492
	472,213	348,728
Restricted by Other Agreements		
Public Transit Funds	614,080	353,453
Water and Wastewater	214,841	195,884
Community Services	54,118	55,815
Third Party Agreements	15,687	13,473
State of Good Repair	9,116	10,192
Donations	-	3,005
Parking Authority	1,088	830
	908,930	632,652
Total	1,381,143	981,380

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 (all dollar amounts in thousands of dollars)

(b) Advanced Payments and Contributions

Revenues received for advance payments for tickets and building permits, program registration fees, contributions from developers according to Section 37 of the Planning Act and revenues deferred for TCHC's capital assets replacements, are included in deferred revenue and reported on the consolidated statement of financial position. Details of these deferred revenues are as follows:

	2008	2007
	\$	\$
Community Services	51,551	40,357
Planning Act	27,629	27,520
Section 37/45	8,358	38,665
Long Term Care – Public Health and Housing	4,323	6,161
Police	7,735	9,955
Parks	7,437	11,218
Investing in Ontario Act	238,183	–
Ontario Bus Replacement Program	23,579	–
Others	39,579	11,749
Agencies, Boards and Community Centres	129,628	108,477
Total	538,002	254,102
Total Deferred Revenue (6 (a) and 6 (b))	1,919,145	1,235,482

7. Other Liabilities

Other liabilities consist of the following:

	2008	2007
	\$	\$
Property and liability claims provision (Note 12)	141,667	110,104
Toronto Transit Commission – environmental liabilities (Note 19)	6,540	6,565
TEDCO – environmental liabilities (Note 19)	47,791	–
TCHC bank indebtedness	60,860	17,847
TTC unsettled accident claims	94,804	73,913
Miscellaneous	66,447	53,842
Total	418,109	262,271

TCHC has a committed revolving credit facility of \$200,000 (2007 – \$200,000) that is available for short-term advances and letters of credit. Short-term advances are available by way of Bankers' Acceptance ("BA") and are repayable at maturity of the term on May 8, 2009. The interest charges are at the BA rate plus 0.5% for an effective rate of 3.75% (2007 – 5.18%).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 (all dollar amounts in thousands of dollars)

8. Landfill Closure and Post-Closure Liabilities

The Ontario Environmental Protection Act (the "Act") sets out the regulatory requirements for the closure and maintenance of landfill sites. Under the Act, the City is required to provide for closure and post-closure care of solid waste landfill sites. The costs related to these obligations are provided for over the estimated remaining life of active landfill sites based on usage.

Inactive Sites

The City has identified 161 (2007 – 161) inactive landfill sites for which it retains responsibility for all costs relating to closure and post-closure care.

Post-closure care activities for landfill sites are expected to occur in perpetuity and will involve surface and ground water monitoring, maintenance of drainage structures, monitoring leachate and landfill gas, and maintenance of the landfill cover.

The estimated liability for the care of landfill sites is the present value of future cash flows associated with closure and post-closure costs discounted using the City's average long-term borrowing rate of 5% (2007 – 5.5%). The estimated present value of future expenditures for closure and post-closure care as at December 31, 2008 was \$137,588 (2007 – \$127,305).

In order to help reduce the future impact of these obligations, the City has established a reserve fund for the care of these sites and maintains a trust fund in satisfaction of requirements of the Ministry of the Environment. The balance in the solid waste management perpetual care reserve fund as at December 31, 2008 was \$32,804 (2007 – \$32,655) and is included as part of the State of Good Repair Reserve Fund (Note 15), and the balance in the Keele Valley Site Post-Closure Trust Fund as at December 31, 2008 was \$7,395 (2007 – \$7,296) (Note 16).

Active Sites

In 2007, the City acquired the Green Lane Landfill, securing the City's long-term disposal requirements. The landfill is located in the Township of Southwold, Elgin County, Ontario. The purchase, in the amount of \$220,310, was finalized on April 2, 2007. The landfill is projected to reach its approved capacity by the end of 2034, based on Toronto achieving a 70% residential waste diversion rate. The post-closure care period is expected to occur in perpetuity.

The estimated liability for the care of this landfill site is the present value of future cash flows associated with closure and post-closure costs discounted using the City's average long-term borrowing rate of 5% (2007 – 5.5%). The estimated present value of future expenditures for closure and post-closure care as at December 31, 2008 is \$1,753 (2007 – \$1,058), based on the percentage of total approved capacity used of 23.11% (2007 – 21.15%).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 (all dollar amounts in thousands of dollars)

In order to help reduce the future impact of these obligations, the City has established two reserve fund accounts. The Green Lane account holds surpluses from the operations of the Green Lane landfill site, and the Green Lane Perpetual Care account provides funding for the future costs of long-term post-closure care of the Green Lane landfill site. The balance in the Green Lane account as at December 31, 2008 was \$1,341 (2007 – \$1,306) and the balance in the Green Lane Perpetual Care account as at December 31, 2008 was \$435 (2007 – \$156). Total contributions to the Green Lane Perpetual Care account of \$271 (2007 – \$154) were based on a contribution rate of 70¢ (2007 – 71¢) per tonne of waste disposed. Both of these reserve fund accounts are included as part of State of Good Repair Reserve Fund (Note 15).

The total amount of Landfill closure and post-closure liabilities are included in the consolidated statement of financial position and comprise of the following:

	2008	2007
	\$	\$
Inactive Landfill Sites	137,588	127,305
Active Landfill Site (Green Lane)	1,753	1,058
Total Landfill closure and post-closure liabilities	139,341	128,363

9. Mortgages Payable

Mortgages payable as at December 31, are as follows:

	2008	2007
	\$	\$
Mortgages issued by TCHC, bearing interest at rates ranging from 2.86% to 11.00% (2007 – 3.70% to 11.00%) per annum, with maturities ranging from 2009 to 2031, and collateralized by housing properties owned by TCHC not reflected in these Consolidated Financial Statements with a net book value of approximately \$1,415,000 (2007 – \$1,363,000)	869,402	899,148

Principal repayments relating to the mortgages payable as at December 31, 2008 are due as follows:

	\$
2009	34,977
2010	36,860
2011	38,733
2012	40,794
2013	42,851
Thereafter	675,187
Total	869,402

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 (all dollar amounts in thousands of dollars)

10. Net Long-Term Debt

Provincial legislation restricts the use of long-term debt to finance only capital expenditures. Provincial legislation allows the City to issue debt on behalf of the Toronto District School Board ("TDSB") at the request of these boards. The responsibility of raising the amounts to service these liabilities lies with the respective school board. The debt is a direct, joint and several obligation of the City and the school boards.

In 2007, TCHC entered into a Credit Agreement with TCHC Issuer Trust, which in turn has entered into an agreement with various agents to issue \$250,000 of 4.877% Debenture Series A bonds due May 11, 2037. TCHC Issuer Trust has advanced the proceeds of the bond offering to TCHC as a loan pursuant to the Credit Agreement and Master Covenant Agreement between TCHC and TCHC Issuer Trust. TCHC will use these advances for long-term financing of social housing projects and related programs of TCHC and its affiliates.

The net long-term debt reported on the consolidated statement of financial position comprises the following:

	2008	2007
	\$	\$
Long-term debentures issued by the City, bearing interest at various rates ranging from 2.51% to 8.65% (2007 – 3.65% to 8.65%) per annum	2,983,525	2,891,403
Long-term debt issued by TCHC bearing interest at various rates ranging from 4.51% to 5.11% (2007 – 4.51% to 5.11%) per annum	325,559	330,045
Long-term debentures issued by the City on behalf of the TDSB bearing interest at 6.1% (2007 – 6.1%) per annum	75,846	75,846
Loans payable to the Province bearing interest at 2.76% (2007 – 2.76%) per annum	170,171	170,171
Loan payable bearing interest at 8.05% (2007 – 8.05%) per annum	1,399	1,490
Sinking fund deposits bearing interest between 4% to 6% (2007 – 4% to 6%) per annum	(781,201)	(680,932)
Sinking fund deposits – TDSB bearing interest at 5% (2007 – 5% to 6%) per annum	(34,072)	(29,843)
	2,741,227	2,758,180

Principal repayments are due as follows:

	\$
2009	413,348
2010	339,092
2011	313,821
2012	292,420
2013	265,950
Thereafter	1,116,596
Total	2,741,227

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 (all dollar amounts in thousands of dollars)

Included in net long-term debt are outstanding debentures of \$2,658,000 (2007 – \$2,483,000) for which there are sinking fund assets with a carrying value of \$824,178 (2007 – \$711,228) and a market value of \$880,033 (2007 – \$754,785). Sinking fund assets are comprised of short-term notes and deposits, government and government-guaranteed bonds and debentures and corporate bonds. Government and government-guaranteed bonds and debentures include City of Toronto debentures with a carrying value of \$101,260 (2007 – \$97,916) and a market value of \$107,526 (2007 – \$101,070).

The City's long-term liabilities at the end of the year are to be recovered from the following sources:

	2008	2007
	\$	\$
Property taxes	2,373,896	2,381,981
Toronto Community Housing Corporation	325,559	330,045
Toronto District School Board (Note 12)	41,772	46,003
Water billings	–	151
	2,741,227	2,758,180

11. Employee Benefit Liabilities

An actuarial valuation report was prepared in 2007 for the valuation of post-retirement, post-employment, sick leave gratuity and self-insured Workplace Safety Insurance Board (“WSIB”) benefit plans for the City, Toronto Police Services and the City's Agencies, Boards and Commissions as at December 31, 2006 with results extrapolated to December 31, 2007, 2008 and 2009. The significant actuarial assumptions adopted in measuring the City's accrued benefit obligations and benefit costs for other retirement and post-employment benefits are as follows:

	2008	2007
Discount rate for accrued benefit obligation:		
Post employment	4.65%	4.65%
Post retirement, sick leave and WSIB	5.0%	5.0%
Rate of compensation increase	3.0%	3.0%
Health care inflation – Hospital and other medical	4.5%	4.5%
Health care inflation – Dental care	7.0%	7.0%
Health care inflation – Drugs	10.0%	10.0%

	2008	2007
Discount rate for benefit costs:		
Post employment	4.65%	4.65%
Post retirement, sick leave and WSIB	5.0%	5.0%
Rate of compensation increase	3.0%	3.0%
Health care inflation – Hospital and other medical	4.5%	4.5%
Health care inflation – Dental care	7.0%	7.0%
Health care inflation – Drugs	10.0%	10.0%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 (all dollar amounts in thousands of dollars)

The health care inflation rate for dental care and drugs is assumed to reduce 4% by 2013 and to 5% by 2017, respectively.

The City provides certain benefits, including retirement and other post-employment benefits, to most of its employees. Employee benefit liabilities as at December 31 are as follows:

	2008	2007 (restated Note 2)
	\$	\$
Future payments required for:		
Pension liabilities, other than OMERS	149,929	72,339
Sick leave benefits	467,579	450,172
Workplace Safety and Insurance Board obligations	333,246	315,117
Other employment and post-employment benefits	1,878,470	1,828,704
Total employee benefit obligation	2,829,224	2,666,332
Less: unamortized actuarial loss	240,007	265,022
Employee benefit liabilities	2,589,217	2,401,310

The continuity of the City's employee benefit liabilities, in aggregate, is as follows:

	2008	2007 (restated Note 2)
	\$	\$
Balance – beginning of year	2,401,310	2,245,511
Current service costs	251,882	159,237
Interest cost	130,236	122,134
Amortization of actuarial loss	20,757	28,522
Benefits paid	(167,963)	(154,094)
Plan amendments	(47,005)	–
Balance – end of year	2,589,217	2,401,310

The total expenditures related to these employee benefits include the following components:

	2008	2007 (restated Note 2)
	\$	\$
Current service costs	251,882	159,237
Amortization of actuarial loss	20,757	28,522
Interest cost	130,236	122,134
Total expenditures	402,875	309,893

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 (all dollar amounts in thousands of dollars)

Vested Sick Leave Benefit Liability

Under the sick leave benefit plan, employees are credited with a maximum of 18 days sick time per annum. Unused sick leave can accumulate and employees may become entitled to a cash payment, capped at one half of unused sick time to a maximum of 130 days when they leave the City's employment. The liability for the accumulated sick leave represents the extent to which sick leave benefits have vested and could be taken in cash by employees on termination of employment. A sick leave reserve fund is established to help reduce the future impact of these obligations.

As of December 31, 2008, the balance in the sick leave reserve fund is \$47,823 (2007 – \$63,365) and is included as part of Employee Benefits Reserve Fund (Note 15). Payments during the year amounted to \$27,841 (2007 – \$21,418).

A new short-term disability plan for all management and non-union employees (approximately 4,000) was approved in 2007 and became effective March 1, 2008. Existing employees in this group, who have a vested payout entitlement (10 or more years of service) will have their sick days and service frozen as of March 1, 2008 and will be entitled to a future payout of this frozen entitlement upon termination based on the former municipality's policy provisions. Employees with less than 10 years of service as of March 1, 2008 had their days frozen and will not be entitled to a future payout. Instead, they can use these days to top up their short-term disability plan if necessary. The new short-term disability plan does not have a cash payout provision and will help contain sick leave benefit liabilities over time.

Workplace Safety and Insurance Board Obligations

The City is a Schedule 2 employer under the Workplace Safety and Insurance Act and, as such, assumes responsibility for financing its workplace safety insurance costs. The accrued obligation represents the actuarial valuation of claims to be insured based on the history of claims with City employees. A Workers' Compensation reserve fund is established to help reduce the future impact of these obligations. As at December 31, 2008, the balance in the Workers' Compensation Reserve Fund is \$14,859 (2007 – \$13,086) and is included as part of the Employee Benefits Reserve Fund (Note 15). Payments during the year by the City to the WSIB amounted to \$43,388 (2007 – \$40,766).

Other Employment and Post-Employment Benefits

The City provides health, dental, life insurance and long-term disability benefits to certain employees. The accrued liability represents the actuarial valuation of benefits to be paid based on the history of claims with City employees. An employee benefits reserve fund is established to help reduce the future impact of these obligations. As at December 31, 2008, the balance in the employee benefits reserve fund is \$159,650 (2007 – \$163,581) and is included as part of Employee Benefits Reserve Fund (Note 15). Payments during the year amounted to \$48,719 (2007 – \$38,006).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 (all dollar amounts in thousands of dollars)

Pension Plans

The City makes contributions to the Ontario Municipal Employees' Retirement System plan ("OMERS"), a multi-employer pension plan, on behalf of most of its employees. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay. Employees and employers contribute jointly to the plan.

Because OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees. As a result, the City does not recognize any share of the OMERS pension surplus or deficit. Employer contributions for current service amounted to \$116,070 (2007 – \$112,146) and are matched by employee contributions in a similar amount.

The amount contributed for past service to OMERS for the year ended December 31, 2008 was \$664 (2007 – \$1,779). Employer's contributions for current and past service are included as an expenditure on the consolidated statement of financial activities.

The Toronto Transit Commission ("TTC") participates in a multi-employer pension plan on behalf of most of its employees. The plan is a defined benefit/defined contribution hybrid pension plan that provides pensions to members based on the length of service and average base year (pensionable) earnings. The Commission's pension plan is operated by a separate legal entity, the TTC Pension Fund Society (the "Society"). The Society also administers the defined benefit supplemental plans designed to pay employees the differences between their earned pension under the bylaws of the Society and the maximum allowable pension under the Income Tax Act (Canada). Employer contributions to these plans during 2008 amounted to \$69,043 (2007 – \$57,706).

The City sponsors five defined benefit pension plans that provide benefits to employees who were employed prior to the establishment of the OMERS pension plan. The plans cover closed groups of employees hired prior to July 1, 1968 and provide for pensions based on length of service and final average earnings.

The plans provide increases in pensions to retirees and their spouses to the extent that an actuarial surplus is available. As at December 31, 2008, there were 21 (2007 – 25) active members with an average age of 63. There were also 5,247 (2007 – 5,493) pensioners and 2,845 (2007 – 2,869) spousal beneficiaries in receipt of a pension, with an average age of 77. Pension payments and refunds during the year were approximately \$192,086 (2007 – \$195,335).

Employees contribute a portion (varying amounts ranging from 5% to 5.5%) of their salary to the pension plans for current service and the City contributes an equal amount. Member contributions ceased upon completion of 35 years of service.

While the City and employees are required to contribute equal amounts into the pension plans, the City retains the risk of the accrued benefit obligation. The pension plan assets are invested in Canadian and foreign equities, bonds and debentures and short-term investments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 (all dollar amounts in thousands of dollars)

Actuarial valuations for funding purposes for each of the five plans are carried out annually using the projected benefit method pro-rated on service. The most recent actuarial funding reports were prepared as at December 31, 2007, with the results extrapolated to December 31, 2008. The accrued benefit obligation as at December 31, 2008 is based on actuarial valuations for accounting purposes as at December 31, 2008. The unamortized actuarial losses in the five plans are all amortized in 2008.

The actuarial valuations were based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases and employee turnover and mortality. The assumptions used reflect the City's best estimates. The inflation rate is estimated at 2.25% per annum (2007 – 2.5%) and the rate of compensation increase is estimated at 3.75% to 4.5% per annum (2007 – 2.14% to 2.5%) for determining the accrued benefit obligation. The discount rate used to determine the accrued benefit obligation is 6.8% (2007 – 5.0%) and the benefit cost is 5.5% (2007 – 5%) per annum.

Pension plan assets are valued at market values. The expected rate of return on plan assets is 6.6% (2007 – 6.5%) per annum, net of all administrative expenses. The actual return on the market value of plan assets during the year was a loss of 13.3% (2007 – gain of 1%). The pension plans hold the following mix of assets: cash 0 to 5%, Canadian equities 20 to 30%, fixed income 45 to 50%, and other U.S. and foreign equities 20 to 30%.

Other Pension Plans

As at December 31, 2008, one plan, the Toronto Civic Employees Pension Plan, is in a surplus position. Since there is uncertainty about the City's right to this accrued benefit asset, this amount has not been reflected in the consolidated statement of financial position.

The other four plans, Metropolitan Toronto Police Pension, City of York Employee Pension, Metropolitan Toronto Pension and Toronto Firefighters Pension Plans are in a deficit position. The net actuarial deficits of these plans are included in employee benefit liabilities on the consolidated statement of financial position as at December 31 and include the following components:

	Pension assets market value end of year	Actuarial Pension Obligation end of year	2008 Net Actuarial Surplus (Deficit)	2007 Net Actuarial Surplus (Deficit)
Toronto Civic Employees Pension Plan	366,668	316,009	50,659	142,117
Metropolitan Toronto Police Pension Plan	523,571	610,907	(87,336)	(72,339)
City of York Employee Pension Plan	48,040	57,408	(9,368)	3,327
Metropolitan Toronto Pension Plan	553,535	575,471	(21,936)	98,101
Toronto Firefighters Pension Plan	267,276	298,565	(31,289)	23,909
Total of plans in deficit			(149,929)	(72,339)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 (all dollar amounts in thousands of dollars)

Total expenditures in the consolidated statement of financial activities include the following components related to the four plans in the deficit position (2007 – one plan in deficit).

	2008	2007
	\$	\$
Amortization of actuarial losses	113,420	2,003
Interest cost on the average accrued benefit obligation	95,630	38,299
Expected return on average pension plan assets	(112,738)	(45,022)
Net losses (revenues) related to pension plans	96,312	(4,720)

12. Amounts to be Recovered in Future Years

Amounts to be recovered in future years comprise the gross amounts of the following liabilities as at December 31:

	2008	2007 (restated Note 2)
	\$	\$
TCHC mortgages payable (Note 9)	869,402	899,148
Net long-term debt (Note 10)	2,741,227	2,758,180
Employee benefit liabilities (Note 11)	2,589,217	2,401,310
Property and liability claims provisions (Notes 7 and 19)	141,667	110,104
Landfill closure and post-closure liabilities (Note 8)	139,341	128,363
TTC environment liabilities (Notes 7 and 19)	6,540	6,565
	6,487,394	6,303,670
Less amounts recoverable from Toronto District School Board (Note 10)	41,772	46,003
	6,445,622	6,257,667

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 (all dollar amounts in thousands of dollars)

13. Capital Fund

The balance of the Capital Fund, reported on the consolidated statement of financial position, represents the net financial position of all uncompleted capital projects as at December 31 and is analyzed as follows:

	2008	2007 (restated Note 2)
	\$	\$
Capital financing received in advance of expenditures	108,414	225,975
Capital expenditures yet to be financed	(697,150)	(383,944)
Capital Fund Balance (Schedule 2)	(588,736)	(157,969)
Capital expenditures yet to be financed are to be funded in future years as follows:		
Long-term liabilities	623,524	325,245
Developer recoveries and reserves	22,988	20,313
Other	50,638	38,386
	697,150	383,944

Approval has been received for future issuance of \$729,856 in long-term liabilities, which includes the \$623,524 noted above. The remaining \$106,332 in approved long-term debt is for capital expenditures yet to be incurred.

14. Expenditures by Object

Expenditures by object comprise the following:

	2008	2007 (restated Note 2)
	\$	\$
Salaries, wages and benefits	4,442,882	4,235,706
Materials	2,152,109	1,929,987
Contracted services	1,669,520	1,708,706
Interest on long-term debt	232,116	213,723
Transfer payments	1,331,767	1,190,895
Other	134,911	187,542
	9,963,305	9,466,559

I NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 (all dollar amounts in thousands of dollars)

15. Details of Reserve and Reserve Fund

	2008	2007
	\$	\$
RESERVES		
Corporate	364,467	213,869
Stabilization	76,387	–
Water and Wastewater	51,870	41,064
Donations	2,844	–
Community Initiatives	23	–
	495,591	254,933
RESERVE FUNDS		
Employee Benefits (Note 11)	222,332	240,032
Stabilization	–	85,194
Corporate	296,622	358,776
Community Initiatives	130,780	116,877
State of Good Repair (Note 8)	187,524	121,648
	837,258	922,527
TOTAL RESERVES AND RESERVE FUNDS	1,332,849	1,177,460

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 (all dollar amounts in thousands of dollars)

16. Trust Funds

Trust funds administered by the City amounting to \$45,422 (2007 – \$47,894) have not been included on the consolidated statement of financial position nor have their operations been included in the consolidated statement of financial activities. Trust fund balances as at December 31 are as follows:

	2008	2007
	\$	\$
Toronto Atmospheric Trust Fund	18,463	24,088
Homes for the Aged Trust Fund – Residents	7,514	7,463
Keele Valley Site Post-Closure Trust Fund (Note 8)	7,395	7,296
Development Charges Trust Fund – Railway Lands	6,269	3,366
Community Services Levies Trust Fund	1,154	1,116
Contract Aftercare Trust Fund	1,047	1,022
Waterpark Place Trust Fund	1,027	993
90 Lisgar Street Trust Fund	591	–
Development Charges Trust Fund – Queen's Quay	516	499
Heritage and Culture Trust Funds	432	389
Lakeshore Pedestrian Bridge Trust Fund	236	228
Police Trust Funds	175	258
Candidates' Municipal Election Surpluses Trust Fund	128	271
Children's Greenhouse Trust Fund – Allan Gardens	108	105
Green Lane Small Claims Trust Fund	103	100
Ricoh Coliseum Trust Fund	–	461
Other trust funds	264	239
	45,422	47,894

17. Budget Data

In accordance with the Public Sector Accounting Handbook Section 1200 (subsection 122), the budget data for 2008 included in these Consolidated Financial Statements include budget figures as originally approved by Council except for reserves and reserve funds, which have been modified to reflect funding contributions contained in approved operating and capital budgets.

18. Segmented Information

The City of Toronto provides a wide range of services to its citizens. Certain services are delivered on behalf of another level of government, a number of services are cost shared, and some services are fully funded by the municipality. Services are delivered through a number of different agencies, boards, commissions, and divisions, with certain services delivered directly, while others may be fully or partially contracted through other organizations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 (all dollar amounts in thousands of dollars)

For each reported segment, revenues and expenditures represent both amounts that are directly attributable to the segment, as well as amounts that are allocated to the segment on a reasonable basis. The accounting policies used in the segments are consistent with the accounting policies followed in the preparation of these Consolidated Financial Statements, as disclosed in Note 1.

The Segmented Information is provided in the notes to Consolidated Financial Statements – Appendices 2 to 4.

19. Contingencies and Commitments

The City is subject to various litigation and claims arising in the normal course of its operations. The final outcome of the outstanding claims cannot be determined at this time. However, management believes that the ultimate disposition of these matters will not materially exceed the amounts recorded in the accounts.

Exposures on property and liability claims are covered by a combination of self-insurance and coverage with insurance carriers. Provisions for property and liability claims are recorded in other liabilities on the consolidated statement of financial position in the aggregate amount of \$236,471 (2007 – \$184,017).

A class action claiming \$500,000 in damages, plus interest and costs, was served on the TTC on November 30, 2001. The claim is based on alleged exposure by workers to asbestos during construction work at the Sheppard Subway Station. The claim also names the Ministry of Labour and an environmental consultant company as defendants and alleges various acts of negligence on the part of the defendants. The Plaintiff's motion for certification was dismissed and is currently under appeal. Management believes that the ultimate disposition of this matter will not materially exceed amounts recorded in the accounts. Any additional losses related to this claim will be recorded in the year during which the liability is determinable.

In February 2005, December 2007 and December 2008, contracts were awarded by the TTC for purchase of low-floor buses which comprised of 694 diesel-electric hybrid buses and 300 diesel buses at a total purchase price of \$702,700. As at December 31, 2008, 561 hybrid and 180 diesel buses had been delivered at a cost of \$516,000 and the outstanding commitment is \$186,700.

On December 21, 2006, a contract was awarded by the TTC for the purchase of 234 subway cars or 39 train sets at a total purchase price of \$674,900. As at December 31, 2008, the TTC had incurred costs of \$277,300. The first train set is scheduled for delivery in September 2009. As at December 31, 2008, the outstanding commitment is \$397,600.

In October 2008, a contract was awarded by the TTC for the purchase of 110 Wheel-Trans low-floor para-transit buses at a total cost of \$33,100. The first bus delivery is scheduled for June 2009. At December 31, 2008, the outstanding commitment is \$33,100.

At December 31, 2008, the TTC has various capital project contractual commitments of \$164,000 (2007 – \$84,500).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 (all dollar amounts in thousands of dollars)

The TTC has a long-term provision for environmental costs of \$6,540 (2007 – \$6,565) to cover estimated costs of remediating sites with known contamination for which the TTC is responsible. Given that the estimate of environmental liabilities is based on a number of assumptions, actual costs may vary. The estimated amounts of future restoration costs are reviewed regularly, based on available information and governing legislation.

TEDCO owns and controls lands in the Port Area with varying degrees of environmental contamination. The costs to remediate these lands depend on the timing and the final approved use of sites. Where costs cannot be reasonably determined at this time, a contingent liability exists. The recorded environmental liability costs are \$47,791. In 2007, these liabilities were not shown separately as TEDCO qualified as a GBE, represented as a single line item on the consolidated statement of financial position as an investment. Had TEDCO not qualified as a GBE in 2007, an environmental liability of \$45,076 would have been recorded in these Consolidated Financial Statements as at December 31, 2007.

The Ministry of the Environment has issued Certificates of Approval for 25 (2007 – 23) of the identified 161 (2007 – 161) inactive landfill sites. Applications for Certificates of Approval at other inactive sites may be required prior to the commencement of any remediation work. It is not possible to quantify the effect, if any, of this request on these Consolidated Financial Statements beyond those amounts recorded as landfill closure and post-closure liabilities (Note 8).

Loan Guarantees

City Council has approved the Policy for the Provision of Line of Credit and Loan Guarantees for Cultural and Community-Based Organizations that have a financial relationship with the City. The Capital Loan and Line of Credit Guarantee Policy is limited to an aggregate of \$125,000 and the Operating Loan and Line of Credit policy is limited to an aggregate of \$10,000 that can be issued by the City for these organizations. The City has provided unconditional loan guarantees to certain third parties amounting to \$92,895 (2007 – \$94,862), primarily related to possible defaults in financial agreements for certain construction projects and for several cultural non-profit organizations. These are closely monitored and, to date, there have been no losses on loan guarantees.

As at December 31, 2008, the City is committed to future minimum annual operating lease payments for premises and equipment as follows:

	\$
2009	26,403
2010	21,794
2011	18,900
2012	14,774
2013	8,698
Thereafter	38,415
	128,984

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 (all dollar amounts in thousands of dollars)

20. Tangible Capital Assets

Effective January 1, 2007, The City adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the CICA with respect to the disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets by way of a note to the Consolidated Financial Statements until Section 3150 – Tangible Capital Assets of the Public Sector Accounting Handbook comes into effect on January 1, 2009. These provisions require local government to record tangible capital assets at cost and amortize these assets over their estimated useful lives.

Tangible capital assets are significant economic resources managed by local government and a key component of cost in the delivery of many local government programs and services. Tangible capital assets include such diverse items as roads, buildings, vehicles, equipment, land, water and other utility systems, computer hardware and software, dams, canals and bridges.

The City continues to record tangible capital assets including assets held under capital leases at cost in the period they were acquired on the consolidated statement of financial activities and as an expenditure within the capital fund. This will change when the new standard for accounting for tangible capital assets is implemented for the 2009 reporting year.

During 2008, the City continued working towards finalizing compliance with the new reporting requirements for accounting for tangible capital assets. As at December 31, 2008, the City had significantly completed the inventory of assets in the following categories: land, land improvements, buildings, transportation infrastructure including roads, bridges, equipment and vehicles, and water and wastewater infrastructure. An audit of the 2008 opening asset inventory including costs, amortization and estimated useful life is expected to commence in June 2009, to be followed in August 2009 by the audit of the 2008 transactions.

21. Comparative Consolidated Financial Statements

These consolidated financial statements have been reclassified from statements previously presented to reflect the restatement of items described in Note 2, as well as to conform to the presentation of the 2008 Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED SCHEDULE OF GOVERNMENT BUSINESS ENTERPRISES – APPENDIX 1

for the year ended December 31, 2008 (in thousands of dollars)

Condensed Financial Results (\$)

Fiscal Year Ended	Toronto Hydro Corporation		Toronto Parking Authority		Period ended Nov. 13	TEDCO		Enwave		Total	
	December 31		December 31			Dec. 31	October 31				
	2008	2007	2008	2007		2008	2007	2008	2007	2008	2007
Financial Position											
Assets											
Current	769,684	677,380	56,043	21,711		13,605	22,576	21,678	848,303	734,374	
Capital	1,853,606	1,822,822	129,635	131,463		16,322	285,049	271,275	2,268,290	2,241,882	
Other	156,493	172,323	40,478	45,967		63,966	21,074	26,101	218,045	308,357	
	2,779,783	2,672,525	226,156	199,141		93,893	328,699	319,054	3,334,638	3,284,613	
Liabilities											
Current	561,414	296,791	57,143	30,039		20,938	23,577	22,028	642,134	369,796	
Long-term	1,237,078	1,447,039	6,008	8,008		60,657	95,495	93,720	1,338,581	1,609,424	
	1,798,492	1,743,830	63,151	38,047		81,595	119,072	115,748	1,980,715	1,979,220	
Net equity	981,291	928,695	163,005	161,094		12,298	209,627	203,306	1,353,923	1,305,393	
City's share (Note 5)	940,355	881,404	163,005	161,094		12,298	90,177	87,457	1,193,537	1,142,253	
Results of Operations											
Revenues	2,517,611	2,427,444	138,596	106,180	8,005	12,816	79,206	75,020	2,743,418	2,621,460	
Expenses	2,348,599	2,344,613	63,983	59,923	5,343	13,655	72,885	71,380	2,490,810	2,489,571	
PSAB adjustments for TEDCO status change					(14,959)				(14,959)		
Net income (loss)	169,012	82,831	74,613	46,257	(12,297)	(839)	6,321	3,640	237,649	131,889	
City's share (Note 5)	169,012	82,831	74,613	46,257	(12,297)	(839)	2,719	1,566	234,047	129,815	
Distribution to City (Note 5)			72,702	34,710					72,702	34,710	
Dividends paid to City (Note 5)	116,416	46,200							116,416	46,200	
Net book value of assets sold from the City to Toronto Hydro Corporation (Note 5)	40,937	47,292							40,937	47,292	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – SERVICE – APPENDIX 2

for the year ended December 31, 2008 (in thousands of dollars)

	General Government	Protection	Transportation	Environmental	Health	Social & Family	Social Housing	Recreation and Cultural	Planning & Development	Consolidated
Taxation	3,550,684	–	–	–	–	–	–	–	–	3,550,684
User charges	47,037	134,234	942,991	753,938	2,809	62,402	15,047	132,014	17,951	2,108,423
Government transfers	55,393	23,458	275,555	10,113	241,476	1,236,621	346,677	17,208	16,118	2,222,619
Net GBE earnings	234,047	–	–	–	–	–	–	–	–	234,047
Other	307,168	37,986	457,086	96,557	4,711	20,461	329,253	118,272	25,438	1,396,932
TOTAL REVENUES	4,194,329	195,678	1,675,632	860,608	248,996	1,319,484	690,977	267,494	59,507	9,512,705
Salaries, wages and benefits	353,451	1,312,755	1,126,223	242,740	299,664	485,726	98,885	481,311	42,127	4,442,882
Materials	287,763	115,515	945,481	251,435	24,244	49,781	244,363	169,453	64,074	2,152,109
Contracted services	163,410	30,347	468,191	389,235	33,716	255,625	172,588	127,677	28,731	1,669,520
Interest on long-term debt	13,358	10,359	103,025	9,356	844	3,672	71,129	19,057	1,316	232,116
Transfer payments	(99,784)	44,859	56,740	61,435	16,068	1,003,586	178,477	20,467	49,919	1,331,767
Other	47,996	13,563	(14,430)	22,154	2,607	11,827	27,344	23,554	296	134,911
TOTAL EXPENDITURES	766,194	1,527,398	2,685,230	976,355	377,143	1,810,217	792,786	841,519	186,463	9,963,305
NET REVENUES / (EXPENDITURES)	3,428,135	(1,331,720)	(1,009,598)	(115,747)	(128,147)	(490,733)	(101,809)	(574,025)	(126,956)	(450,600)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – SERVICE – APPENDIX 2 (CONT.)

for the year ended December 31, 2007 (in thousands of dollars)

	General Government	Protection	Transportation	Environmental	Health	Social & Family	Social Housing	Recreation & Cultural	Planning & Development	Consolidated
Taxation	3,285,947	–	–	–	–	–	–	–	–	3,285,947
User charges	42,902	128,798	888,397	672,063	2,310	62,651	18,366	133,662	17,741	1,966,890
Government transfers	(15,742)	22,760	131,210	7,734	228,066	1,205,199	316,037	45,471	11,312	1,952,047
Net GBE earnings	129,815	–	–	–	–	–	–	–	–	129,815
Other	421,050	32,421	500,790	34,840	3,383	30,750	347,358	122,966	32,279	1,525,837
TOTAL REVENUES	3,863,972	183,979	1,520,397	714,637	233,759	1,298,600	681,761	302,099	61,332	8,860,536
Salaries, wages and benefits	297,903	1,325,052	1,040,108	228,705	284,902	473,972	97,548	447,875	39,641	4,235,706
Materials	422,640	81,804	768,215	343,811	22,063	(101,675)	206,142	145,805	41,182	1,929,987
Contracted services	187,191	24,053	501,317	357,107	30,446	238,613	178,939	175,547	15,493	1,708,706
Interest on long-term debt	13,387	10,103	89,328	7,317	803	3,986	69,717	17,766	1,316	213,723
Transfer payments	(300,289)	43,935	28,491	98,001	14,770	1,155,626	85,331	26,653	38,377	1,190,895
Other	(40,334)	15,603	(28,568)	25,111	3,145	10,953	166,107	35,355	170	187,542
TOTAL EXPENDITURES	580,498	1,500,550	2,398,891	1,060,052	356,129	1,781,475	803,784	849,001	136,179	9,466,559
NET REVENUES / (EXPENDITURES)	3,283,474	(1,316,571)	(878,494)	(345,415)	(122,370)	(482,875)	(122,023)	(546,902)	(74,847)	(606,023)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – ENTITY – APPENDIX 3

for the year ended December 31, 2008 (in thousands of dollars)

	City	Police Services	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies Boards & Commissions	TOTAL
Taxation	3,550,684	–	–	–	–	–	3,550,684
User charges	1,173,186	6,293	840,888	3,832	15,047	69,177	2,108,423
Government transfers	2,163,214	29,268	–	5,976	–	24,161	2,222,619
Net GBE earnings	234,047	–	–	–	–	–	234,047
Other	907,408	24,989	74,874	3,758	319,372	66,531	1,396,932
TOTAL REVENUES	8,028,539	60,550	915,762	13,566	334,419	159,869	9,512,705
Salaries, wages and benefits	2,336,433	834,965	948,306	137,070	98,885	87,223	4,442,882
Materials	1,530,927	94,832	168,669	4,341	244,363	108,977	2,152,109
Contracted services	1,282,504	18,626	137,358	39,658	172,588	18,786	1,669,520
Interest on long-term debt **	152,462	6,527	–	1,998	71,129	–	232,116
Transfer payments	1,170,344	8,170	49,177	–	112,324	(8,248)	1,331,767
Other	94,887	3,155	–	981	27,344	8,544	134,911
TOTAL EXPENDITURES	6,567,557	966,275	1,303,510	184,048	726,633	215,282	9,963,305
NET REVENUES / (EXPENDITURES)	1,460,982	(905,725)	(387,748)	(170,482)	(392,214)	(55,413)	(450,600)

** As at December 31, the City has issued \$1,496,274 in debentures for capital expenditures made on behalf of the TTC (2007: \$1,406,688). Included in interest on long-term debt is \$77,717 related to this debt.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – ENTITY – APPENDIX 3 (CONT.)

for the year ended December 31, 2007 (in thousands of dollars)

	City	Police Services	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies Boards & Commissions	TOTAL
Taxation	3,285,947	–	–	–	–	–	3,285,947
User charges	1,078,821	6,302	784,394	4,144	18,366	74,863	1,966,890
Government transfers	1,855,654	22,097	65,337	1,957	–	7,002	1,952,047
Net GBE earnings	129,815	–	–	–	–	–	129,815
Other	1,061,887	21,295	38,408	4,157	333,957	66,133	1,525,837
TOTAL REVENUES	7,412,124	49,694	888,139	10,258	352,323	147,998	8,860,536
Salaries, wages and benefits	2,173,884	898,376	863,528	123,206	97,548	79,164	4,235,706
Materials	1,430,642	47,553	146,551	21,891	206,165	77,185	1,929,987
Contracted services	1,331,476	13,563	140,699	21,212	178,939	22,817	1,708,706
Interest on long-term debt **	130,442	6,264	–	7,300	69,717	–	213,723
Transfer payments	1,134,484	9,763	38,078	–	–	8,570	1,190,895
Other	589	6,788	2,781	778	166,107	10,499	187,542
TOTAL EXPENDITURES	6,201,517	982,307	1,191,637	174,387	718,476	198,235	9,466,559
NET REVENUES /(EXPENDITURES)	1,210,607	(932,613)	(303,498)	(164,129)	(366,153)	(50,237)	(606,023)

** As at December 31, the City has issued \$1,406,688 in debentures for capital expenditures made on behalf of the TTC (2006: \$1,227,407). Included in interest on long-term debt is \$67,310 related to this debt.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – SERVICE WITH BUDGET – APPENDIX 4

for the year ended December 31, 2008 with 2007 Comparatives (in thousands of dollars)

	BUDGETS			ACTUALS			
	2008			2008			2007
	Revenue	Expenditure	Net	Revenue	Expenditure	Net	Net
General Government	4,190,006	738,292	3,451,714	4,194,329	766,194	3,428,135	3,283,474
Fire	8,061	370,469	(362,408)	10,383	412,572	(402,189)	(364,013)
Police	38,542	915,379	(876,837)	60,550	966,275	(905,725)	(938,178)
Other Protection Services	128,870	148,141	(19,271)	124,745	148,551	(23,806)	(14,380)
Total Protection Services	175,473	1,433,989	(1,258,516)	195,678	1,527,398	(1,331,720)	(1,316,571)
Transit	1,583,430	2,184,750	(601,320)	1,485,679	2,043,144	(557,465)	(537,787)
Other Transportation Services	277,522	711,474	(433,952)	189,953	642,086	(452,133)	(340,707)
Total Transportation Services	1,860,952	2,896,224	(1,035,272)	1,675,632	2,685,230	(1,009,598)	(878,494)
Water/Waste Water	786,096	753,313	32,783	715,076	626,895	88,181	56,894
Solid Waste	93,252	347,737	(254,485)	145,532	349,460	(203,928)	(402,309)
Total Environmental Services	879,348	1,101,050	(221,702)	860,608	976,355	(115,747)	(345,415)
Ambulance Services	89,203	148,795	(59,592)	91,803	162,761	(70,958)	(69,192)
Public Health Services	159,545	213,987	(54,442)	157,193	214,382	(57,189)	(53,178)
Total Health Services	248,748	362,782	(114,034)	248,996	377,143	(128,147)	(122,370)
General Assistance	918,459	1,296,496	(378,037)	872,211	1,238,267	(366,056)	(370,075)
Assistance to aged persons	172,300	221,556	(49,256)	166,292	222,017	(55,725)	(54,400)
Child Care	273,139	360,750	(87,611)	280,981	349,933	(68,952)	(58,400)
Total Social and Family Services	1,363,898	1,878,802	(514,904)	1,319,484	1,810,217	(490,733)	(482,875)
Social Housing	482,444	747,260	(264,816)	690,977	792,786	(101,809)	(122,023)
Parks and Recreation	154,016	555,505	(401,489)	190,896	523,937	(333,041)	(309,259)
Libraries	12,572	189,244	(176,672)	21,527	205,139	(183,612)	(169,321)
Cultural Services	128,077	132,742	(4,665)	55,071	112,443	(57,372)	(68,322)
Total Recreation and Cultural Services	294,665	877,491	(582,826)	267,494	841,519	(574,025)	(546,902)
Planning and Development	18,893	119,805	(100,912)	59,507	186,463	(126,956)	(74,847)
Consolidated	9,514,427	10,155,695	(641,268)	9,512,705	9,963,305	(450,600)	(606,023)