

Appendix A

**CITY OF TORONTO TRUST FUNDS
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006**

AUDITORS' REPORT

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

We have audited the consolidated balance sheet of the **City of Toronto Trust Funds** as at December 31, 2006 and the consolidated statements of operations and changes in fund balances and the continuity of trust funds 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 the City's 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 of Toronto Trust Funds as at December 31, 2006 and the results of its operations and changes in its fund balances for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,
April 17, 2007.

**CITY OF TORONTO TRUST FUNDS
CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2006**

	2006	2005
	\$000	\$000
Assets		
Cash	2,470	2,208
Interest and other accounts receivable	227	208
Due from City of Toronto (Note 3)	8,043	7,743
Investments (Note 4)	38,573	39,754
TOTAL ASSETS	49,313	49,913
Liabilities		
Accounts payable	1,955	1,210
Fund Balances (Note 5)	47,358	48,703
TOTAL LIABILITIES AND FUND BALANCES	49,313	49,913

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

**CITY OF TORONTO TRUST FUNDS
CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2006**

	2006	2005
	\$000	\$000
REVENUES		
Investment income	2,032	3,129
Other	3,754	3,716
	<u>5,786</u>	<u>6,845</u>
EXPENDITURES	<u>7,131</u>	<u>4,385</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FOR THE YEAR BEFORE FUND BALANCE TRANSFERS	(1,345)	2,460
FUND BALANCE TRANSFERS (NOTE 6)	<u>—</u>	<u>(1,722)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FOR THE YEAR	(1,345)	738
FUND BALANCES – BEGINNING OF YEAR	<u>48,703</u>	<u>47,965</u>
FUND BALANCES – END OF YEAR	<u>47,358</u>	<u>48,703</u>

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

**CITY OF TORONTO TRUST FUNDS
CONSOLIDATED STATEMENT OF CONTINUITY OF TRUST FUNDS
YEAR ENDED DECEMBER 31, 2006**

	Balance December 31, 2005 \$000	Receipts \$000	Investment Income \$000	Expenditures \$000	Balance December 31, 2006 \$000
Toronto Atmospheric Trust Fund	26,425	-	1,260	2,888	24,797
Keele Valley Site Post-Closure	6,885	-	210	-	7,095
Homes for the Aged Residents	6,323	3,149	272	2,787	6,957
Community Centre Development Levy Trust	1,832	-	74	-	1,906
Library Development Levy Trust	1,262	-	51	-	1,313
Community Services & Facilities	1,025	-	42	-	1,067
Police Services Board	994	151	-	867	278
Contract Aftercare Project	965	-	26	-	991
Indemnity Deposit – Waterpark Place	915	-	37	-	952
Municipal Elections Candidates' Surplus	693	-	7	559	141
Queen's Quay Community Services	459	-	18	-	477
Public Art Maintenance Trust	314	-	13	-	327
Lakeshore Pedestrian Bridge	210	-	8	-	218
Children's Green House Trust	103	-	4	7	100
Ontario Home Renewal Project	45	2	-	19	28
Preservation Trust	43	-	2	-	45
Ricoh Coliseum Legal Costs	-	441	-	-	441
Other Trust Funds	210	11	8	4	225
Total	48,703	3,754	2,032	7,131	47,358

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

**CITY OF TORONTO TRUST FUNDS
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006**

1. ORGANIZATION

The City of Toronto Trust Funds (the "Funds") consists of various trust funds administered by the City of Toronto.

The Funds are not subject to income taxes under Section 149 (1) of the Income Tax Act (Canada).

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. As a result, the City of Toronto [the "City"] has implemented accounting policies applicable for "not for profit" organizations in preparing these consolidated financial statements.

These consolidated financial statements include trust funds administered by the City as well as those within organizations that are accountable for the administration of their financial affairs and resources to City Council and are owned or controlled by the City. The City of Toronto Trust Funds consolidated financial statements are the representation of management and have been prepared in accordance with the accounting policies set out below.

(i) Revenue recognition

The Funds follow the restricted fund method of accounting for contributions. The City ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided. For financial reporting purposes, the Funds are all classified as "restricted" or "endowed" and are to be used only for the specific purposes as specified by each trust agreement.

Investment income is recorded when earned. Receipts are recorded when the cash is received. Expenditures are recognized on the accrual basis of accounting which recognizes expenditures 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.

**CITY OF TORONTO TRUST FUNDS
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006**

(ii) Investments

Investments are recorded at amortized cost less any amounts written off to reflect a permanent decline in value. Investments consist of authorized investments pursuant to the provisions of the Municipal Act and comprise government and corporate bonds, debentures and short-term instruments of various financial institutions.

3. DUE FROM CITY OF TORONTO

The Funds have amounts due from the City of \$8,043,783 [2005 - \$7,743,695] at December 31 and arose as a result of investment and banking transactions due to the City maintaining back accounts or holding investments on behalf of the Funds. These amounts are non-interest bearing and due on demand.

4. INVESTMENTS

Investments are comprised of the following:

	2006 \$	2005 \$
Corporate bonds	16,539,411	18,007,631
Short-term investments	14,944,615	14,431,928
Government of Canada bonds	4,411,336	4,933,068
Provincial bonds	2,207,111	1,948,821
School Board	372,153	372,153
Municipal bonds	97,968	59,916
	38,572,594	39,753,517

Short-term investments are comprised of money market instruments such as bankers acceptances.

At December 31, 2006 the market value of the total investments was \$40,160,470 [2005 - \$40,436,917].

The weighted average yield on the cost of bond investment portfolio during the year was 4.68% (2005 – 7.82%). Maturity dates on investments in the portfolio range from 2007 to 2037 (2005 – 2006 to 2035).

**CITY OF TORONTO TRUST FUNDS
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006**

5. FUND BALANCES

Included in fund balances as at December 31, 2004 are endowments where only the income earned was able to be used for the purposes outlined in the trust agreements. Endowed balances as of December 31, 2004 were \$1,229,330. These endowed funds were transferred to the Toronto Public Library Foundation during 2005 (Note 6).

6. TRANSFERS

As at January 1, 2005, the Toronto Public Library Board transferred Trust Funds administered by the City of Toronto of \$1,721,481 to the Toronto Public Library Foundation. These trust funds are now administered by the Foundation.

7. FINANCIAL INSTRUMENTS

Financial Risk

Financial risk is risk to the Funds' income that arises from fluctuations in market rates and interest rates and the degree of volatility of these rates. The Funds are subject to market and interest rate risk with respect to their investments.

Fair Value

The fair value of the Funds' financial instruments approximates their carrying values unless otherwise noted.

8. STATEMENT OF CASH FLOWS

A separate statement of cash flows has not been presented since cash flows from operating, investing and financing activities are readily apparent from the other financial statements.