

**CITY OF TORONTO TRUST FUNDS  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2007**

# AUDITORS' REPORT

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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, 2007 and the consolidated statement of operations and changes in fund balances and the consolidated statement of 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 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, 2007 and the results of their operations and the changes in their fund balances for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada  
April 2, 2008

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

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	<b>2007</b>	<b>2006</b>
	<b>\$000</b>	<b>\$000</b>
<b>Assets</b>		
Cash	1,038	2,470
Accounts receivable	43	24
Due from City of Toronto (Note 3)	11,840	8,044
Investments (Note 4)	35,237	38,776
<b>TOTAL ASSETS</b>	<b>48,158</b>	<b>49,314</b>
<b>Liabilities</b>		
Accounts payable	308	1,956
<b>Fund Balances</b>	<b>47,850</b>	<b>47,358</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>48,158</b>	<b>49,314</b>

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

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

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	<b>2007</b>	<b>2006</b>
	<b>\$000</b>	<b>\$000</b>
<b>Revenues</b>		
Investment income	792	2,032
Other	<u>3,563</u>	<u>3,754</u>
	<u>4,355</u>	<u>5,786</u>
<b>Expenditures</b>	<u>5,451</u>	<u>7,131</u>
<b>EXCESS OF EXPENDITURES OVER REVENUES FOR THE YEAR</b>	<u>(1,096)</u>	<u>(1,345)</u>
FUND BALANCES, BEGINNING OF YEAR, AS ORIGINALLY STATED	47,358	48,703
CHANGE IN ACCOUNTING POLICY (Note 2)	<u>1,588</u>	-
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	<u>48,946</u>	<u>48,703</u>
<b>FUND BALANCES, END OF YEAR</b>	<u><b>47,850</b></u>	<u><b>47,358</b></u>

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**CITY OF TORONTO TRUST FUNDS  
CONSOLIDATED STATEMENT OF CONTINUITY OF TRUST FUNDS  
FOR THE YEAR ENDED DECEMBER 31**

	Balance December 31, 2006 \$000	Change in Accounting Policy \$000	Receipts \$000	Investment Income \$000	Expenditures \$000	Balance December 31, 2007 \$000
Toronto Atmospheric Trust Fund	24,797	1,586	-	(106)	2,120	24,157
Keele Valley Site Post-Closure	7,095	-	-	201	-	7,296
Homes for the Aged Residents Community Centre Development Levy Trust	6,957	-	2,922	336	2,753	7,462
Library Development Levy Trust	1,906	-	-	87	-	1,993
Community Services & Facilities	1,313	-	-	60	-	1,373
Police Services Board	1,067	-	-	49	-	1,116
Contract Aftercare Project	278	-	408	-	428	258
Indemnity Deposit – Waterpark Place Municipal Elections Candidates’ Surplus	991	-	-	31	-	1,022
Queen’s Quay Community Services	952	-	-	41	-	993
Public Art Maintenance Trust	141	-	120	10	147	124
Lakeshore Pedestrian Bridge	477	-	-	22	-	499
Children’s Green House Trust	327	-	-	15	-	342
Ontario Home Renewal Project	218	-	-	10	-	228
Preservation Trust	100	-	-	5	-	105
Ricoh Coliseum Legal Costs	28	-	1	-	-	29
Green Lane Small Claims	45	-	-	2	-	47
Other Trust Funds	441	-	-	20	-	461
	-	-	100	-	-	100
	225	2	12	9	3	245
<b>Total</b>	<b>47,358</b>	<b>1,588</b>	<b>3,563</b>	<b>792</b>	<b>5,451</b>	<b>47,850</b>

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

**CITY OF TORONTO TRUST FUNDS  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

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**1. ORGANIZATION**

The City of Toronto Trust Funds (the “Funds”) consist 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 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 Funds’ consolidated financial statements are the representation of management and have been prepared in accordance with the accounting policies set out below.

**(i) New and future accounting policy changes**

Effective January 1, 2007, the Funds adopted the recommendations of CICA 3855: *Financial Instruments – Recognition and Measurement* and CICA 3861: *Financial Instruments – Disclosure and Presentation*. CICA 3855 establishes standards for recognizing and measuring financial instruments including the accounting treatment for changes in fair value.

As required by CICA 3855, investments are presented at fair value and other financial assets and liabilities continue to be presented at amortized cost, which approximates fair value. As required by the transitional provisions of CICA 3855, the change in accounting policy was adopted retroactively, without restatement of the prior year’s financial statements. The impact on the consolidated balance sheet as at January 1, 2007 of recording the investments at fair value is an increase to the investment balance of \$1,587,876 and an increase in unrestricted surplus of \$1,587,876. Accrued interest of \$203,199 has been classified as investments as at December 31, 2006 to be consistent with the presentation of investments at December 31, 2007.

**CITY OF TORONTO TRUST FUNDS  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

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The CICA has issued two new standards, CICA 3862: *Financial Instruments – Disclosures* and CICA 3863: *Financial Instruments – Presentation*, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has issued a new accounting standard, CICA 1535: *Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These three changes in accounting policies, which will be adopted effective January 1, 2008, will only require additional disclosures in the consolidated financial statements.

**(ii) 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.

**(iii) Investments and investment income**

Investments have been designated as held for trading. Investments consist of government and corporate bonds, debentures and short-term instruments of various financial institutions and are authorized investments pursuant to the provisions of the Municipal Act.

The value of investments recorded in the consolidated financial statements is determined as follows:

- [a] Short-term investments are comprised of money market instruments, such as bankers' acceptances, and are valued based on cost plus accrued income, which approximates fair value.

**CITY OF TORONTO TRUST FUNDS  
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[b] Publicly traded bonds and debentures are determined based on the latest bid prices.

Transactions are recorded on a settlement-date basis. Transaction costs are expensed as incurred.

Investment income includes interest and realized and unrealized gains and losses and is included in the consolidated statement of operations and changes in fund balances.

**3. DUE FROM CITY OF TORONTO**

The Funds have amounts due from the City of \$11,839,893 [2006 - \$8,043,783] at December 31 that arose as a result of investment and banking transactions due to the City maintaining bank accounts or holding investments on behalf of the Funds. These amounts are non-interest bearing and due on demand.

**4. INVESTMENTS**

Investments consist of the following:

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Corporate bonds	<b>15,966,109</b>	17,042,200
Short-term investments	<b>12,923,167</b>	15,034,403
Government of Canada bonds	<b>3,444,005</b>	4,547,515
Provincial bonds	<b>2,441,793</b>	2,271,205
School Board	<b>363,587</b>	369,353
Municipal bonds	<b>98,655</b>	98,993
<b>Market value</b>	<b>35,237,316</b>	40,363,669
<b>Amortized cost</b>	<b>35,166,869</b>	38,775,793
<b>Weighted average yield</b>	<b>4.73%</b>	4.68%
<b>Average term to maturity</b>	<b>2008-2035</b>	2007-2037
<b>Excess of market value over amortized cost</b>	<b>70,447</b>	1,587,876

**CITY OF TORONTO TRUST FUNDS  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

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**5. FINANCIAL INSTRUMENTS**

The Funds are subject to market risk and interest rate price risk with respect to their investment portfolio.

**6. CONSOLIDATED STATEMENT OF CASH FLOWS**

A separate consolidated 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.

**7. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS**

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2007 consolidated financial statements.