

**CITY OF TORONTO TRUST FUNDS
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2011**



July [x], 2012

Independent Auditor's Report

To the Members of Council of City of Toronto

We have audited the accompanying consolidated financial statements of the City of Toronto Trust Funds, which comprise the consolidated balance sheet as at December 31, 2011 and the consolidated statements of operations and changes in fund balances, and continuity of trust funds, for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the basis of accounting described in note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the City of Toronto Trust Funds as at December 31, 2011 and the results of their operations for the year then ended in accordance with the basis of accounting described in note 2 to the financial statements.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes the basis of accounting. The financial statements are prepared for management and the Members of Council. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for Members of Council and management and should not be used by any other parties.

Chartered Accountants, Licensed Public Accountants

**CITY OF TORONTO TRUST FUNDS
CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2011**

	2011 \$000	2010 \$000
Assets		
Cash	2,930	4,017
Accounts receivable	2	11
Due from City of Toronto (Note 3)	15,786	15,331
Investments (Note 4)	27,378	27,496
	<hr/>	<hr/>
TOTAL ASSETS	46,096	46,855
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Liabilities		
Accounts payable	103	112
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Fund Balances	45,993	46,743
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TOTAL LIABILITIES AND FUND BALANCES	46,096	46,855
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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
FOR THE YEAR ENDED DECEMBER 31, 2011**

	2011	2010
	\$000	\$000
Revenues		
Investment income	474	1,970
Contributions and other income	<u>3,272</u>	<u>2,697</u>
	<u>3,746</u>	<u>4,667</u>
Expenditures		
Expenditures	<u>4,496</u>	<u>6,535</u>
EXCESS/(DEFICIENCY) OF EXPENDITURES OVER REVENUES FOR THE YEAR	(750)	(1,868)
FUND BALANCES, BEGINNING OF YEAR	<u>46,743</u>	<u>48,611</u>
FUND BALANCES, END OF YEAR	<u>45,993</u>	<u>46,743</u>

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

**CITY OF TORONTO TRUST FUNDS
CONSOLIDATED STATEMENT OF CONTINUITY OF TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Balance December 31, 2010 \$000	Contributions \$000	Investment Income \$000	Expenditures \$000	Balance December 31, 2011 \$000
Investments held in trust for Toronto					
Atmospheric Fund	20,071	-	246	1,212	19,105
Keele Valley Site Post-Closure	7,421	-	23	-	7,444
Homes for the Aged Residents	6,429	2,729	67	3,065	6,160
Community Centre Development Levy Trust	4,227	161	47	-	4,435
Library Development Levy Trust	2,918	233	33	-	3,184
Community Services & Facilities	1,166	-	13	-	1,179
Contract Aftercare Project	1,057	-	8	-	1,065
Indemnity Deposit – Waterpark Place	1,041	-	12	-	1,053
90 Lisgar Street Trust	599	-	8	-	607
Queen’s Quay Community Services	521	-	6	-	527
Public Art Maintenance Trust	388	-	4	-	392
Lakeshore Pedestrian Bridge	239	-	3	-	242
Children’s Green House Trust	109	-	1	-	110
Green Lane Small Claims	105	-	1	-	106
Preservation Trust	49	-	1	-	50
Police Services Board	64	8	-	38	34
Municipal Elections Candidates’ Surplus	62	141	1	176	28
Ontario Home Renewal Project	27	-	-	5	22
Other Trust Funds	250	-	-	-	250
Total	46,743	3,272	474	4,496	45,993

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

**CITY OF TORONTO TRUST FUNDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

1. ORGANIZATION

The City of Toronto Consolidated 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 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 Consolidated Trust Funds 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
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

(ii) 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.

[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.

(iii) Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. DUE FROM CITY OF TORONTO

The Funds have amounts due from the City of \$15,790,005 [2010 - \$15,331,000] 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.

**CITY OF TORONTO TRUST FUNDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

4. INVESTMENTS

Investments consist of the following:

	Market value \$000	Book value \$000
2011		
Short Term Investments	17,762	17,762
Equities – Canadian	-	-
Equities - Foreign	-	-
Corporate bonds – Canadian	-	-
Corporate bonds – Foreign	-	-
Government of Canada Bonds	-	-
Provincial Bonds	-	-
School Board	-	-
Municipal Bonds	-	-
Other	9,616	9,357
Total	27,378	27,119
2010		
Short Term Investments	8,373	8,373
Equities – Canadian	8,454	7,675
Equities - Foreign	2,918	2,965
Corporate bonds – Canadian	3,543	3,476
Corporate bonds – Foreign	-	-
Government of Canada Bonds	2,599	2,571
Provincial Bonds	892	875
School Board	350	342
Municipal Bonds	367	348
Total	27,496	26,625

	2011	2010
Weighted average yield	3.60%	3.05%
Range of maturity dates	2012-2108	2011-2108
Excess of market value over amortized cost	259	871

**CITY OF TORONTO TRUST FUNDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

5. FINANCIAL INSTRUMENTS

The Funds are subject to market risk and interest rate price risk with respect to its investment portfolio. The Funds manage risk by investing across a wide variety of asset classes and investment strategies.

Market risks include exposure arising from holdings of foreign currency-denominated investments. Fluctuations in the relative value of foreign currencies, primarily the Funds' U.S. dollar investments, can result in a positive or negative effect on the fair value of the investments. The Funds' interest bearing investments are exposed to interest rate risk. The Funds' investments are at risk due to fluctuations in market prices whether changes are caused by factors specific to the individual investment or factors affecting all securities trades in the market.

The Fund's liquidity risk is the risk of being unable to settle or meet commitments as they come due. These commitments include payment of the funding obligations of the Trust Funds. Liquidity risk is managed by ensuring the Funds invest in high quality investments easily disposed of in an active market.

6. CAPITAL MANAGEMENT

In managing capital, the Trust Funds focus on liquid resources available for reinvestment. The Trust Funds objective is to have sufficient liquid resources to meet payout requirements, despite adverse financial events. The need for sufficient liquid resources is considered in the investment process. As at December 31, 2010, the Trust Funds have met its objective of having sufficient liquid resources to meet its current requirements.

7. 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.

8. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

Certain comparative amounts have been reclassified from statements previously presented to conform to the presentation of the 2011 consolidated financial statements.