

2018 Consolidated Financial Statements

December 31, 2018

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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 Canadian Generally Accepted Accounting Principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. 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. The Auditor General participates in all significant meetings held between the external auditors and management, is informed of all significant audit issues, and will report on any significant matters not appropriately addressed and resolved.

The 2018 consolidated financial statements have been examined by the City of Toronto's external auditors, PricewaterhouseCoopers LLP, and their report precedes the consolidated financial statements.

Toronto, Canada
June XX, 2019

Andrew Flynn
Controller

Heather Taylor
Chief Financial Officer

Chris Murray
City Manager

Independent Auditor's Report

PriceWaterhouseCoopers (PwC) signed and dated opinion to be inserted following City Council approval

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2018 (in millions of dollars)

	2018	2017
FINANCIAL ASSETS		
Cash and Cash Equivalents	3,626	1,869
Accounts and Taxes Receivable (Note 2)	1,942	1,360
Loans Receivable (Note 3)	152	158
Other Assets (Note 4)	65	42
Investments (Note 5)	3,380	4,118
Investments in Government Business Enterprises (Note 6)	2,131	2,423
Total Financial Assets	11,296	9,970
LIABILITIES		
Bank Indebtedness (Note 7)	104	49
Accounts Payable and Accrued Liabilities (Note 8)	3,838	3,420
Deferred Revenue (Note 9)	3,867	2,812
Provision for Property and Liability Claims (Note 10)	529	539
Environmental and Contaminated Site Liabilities (Note 11)	241	157
Mortgages Payable (Note 12)	292	316
Long-Term Debt (Note 13)	6,502	5,950
Employee Benefit Liabilities (Note 14)	4,011	3,882
Total Liabilities	19,384	17,125
NET DEBT	(8,088)	(7,155)
NON-FINANCIAL ASSETS		
Prepaid Expenses	217	119
Inventories (Note 16)	328	312
Tangible Capital Assets (Note 15, Schedule 1)	32,717	30,464
	33,262	30,895
ACCUMULATED SURPLUS (Note 18)	25,174	23,740

Commitments and Contingencies (Note 17)

The accompanying Notes and Appendices are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

for the year ended December 31, 2018 (in millions of dollars)

	2018 BUDGET (Note 19)	2018 ACTUAL	2017 ACTUAL
REVENUE			
Property and Taxation from Other Governments	4,285	4,350	4,198
Government Transfers (Note 20)	3,327	3,505	2,800
User Charges	3,414	3,255	3,028
Municipal Land Transfer Tax	810	730	805
Other Revenue Sources	543	589	479
Rent and Concessions	453	506	469
Development Charges	391	339	314
Government Business Enterprise Earnings (Note 6)	-	247	236
Investment Income	250	219	235
Total Revenue	13,473	13,740	12,564
EXPENSES			
Transportation	3,649	3,578	3,140
Social and Family Services	2,548	2,474	2,193
Protection to Persons and Property	1,827	1,858	1,811
Recreation and Cultural Services	1,053	1,006	1,008
Environmental Services	1,107	976	955
General Government	1,063	876	776
Social Housing	892	844	824
Health Services	471	490	461
Planning and Development	293	204	147
Total Expenses (Note 21)	12,903	12,306	11,315
ANNUAL SURPLUS	570	1,434	1,249
ACCUMULATED SURPLUS - BEGINNING OF YEAR	23,740	23,740	22,491
ACCUMULATED SURPLUS - END OF YEAR (Note 18)	24,310	25,174	23,740

Segmented Information is presented in Appendix 2 and 3.

The accompanying Notes and Appendices are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

for the year ended December 31, 2018 (in millions of dollars)

	2018 BUDGET (Note 19)	2018 ACTUAL	2017 ACTUAL
Annual Surplus	570	1,434	1,249
Acquisition of Tangible Capital Assets	(3,641)	(3,530)	(3,043)
Amortization of Tangible Capital Assets	1,267	1,267	1,136
(Gain)/Loss on disposal of Tangible Capital Assets	-	(3)	12
Proceeds on disposal of Tangible Capital Assets	-	13	14
Change due to Tangible Capital Assets	(2,374)	(2,253)	(1,881)
Change in Prepaid Expenses	-	(98)	17
Change in Inventories	-	(16)	(42)
(Increase) in Net Debt	(1,804)	(933)	(657)
NET DEBT - BEGINNING OF YEAR	(7,155)	(7,155)	(6,498)
NET DEBT - END OF YEAR	(8,959)	(8,088)	(7,155)

The accompanying Notes and Appendices are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2018 (in millions of dollars)

	2018	2017
OPERATING ACTIVITIES		
Annual Surplus	1,434	1,249
Add (deduct) items not involving cash:		
Government Business Enterprise Income from Operations	(247)	(236)
Amortization of Tangible Capital Assets	1,267	1,136
Recognition of TPLC contaminated sites	57	-
(Gain) on Sale of Land	-	(36)
(Gain) on Disposal of Tangible Capital Assets	(3)	12
	2,508	2,125
Changes in Operating Assets and Liabilities		
Accounts and Taxes Receivable	(572)	(64)
Accounts Payable and Accrued Liabilities	411	71
Deferred Revenue	1,047	381
Provision for Property and Liability Claims	(10)	(53)
Prepaid Expenses	(98)	-
Inventories	(16)	19
Environmental and Contaminated Sites Liabilities	27	(4)
Employee Benefit Liabilities	129	125
Cash provided by Operating Activities	3,426	2,600
CAPITAL ACTIVITIES		
Acquisition/Construction of Tangible Capital Assets	(3,194)	(3,043)
Proceeds on Disposal of Tangible Capital Asset	13	14
Cash applied to Capital Activities	(3,181)	(3,029)
INVESTING ACTIVITIES		
Other Assets	(19)	(22)
Loans Receivable	6	(4)
Investment in Government Business Enterprises	-	(250)
Investment Maturities and Sales	2,157	1,907
Purchase of Investments	(1,393)	(1,665)
Principal Repayments Due from Toronto District School Board	-	5
Cash assumed on consolidation of TPLC	22	-
Dividends and Distributions from Government Business Enterprises	156	132
Cash provided by Investing Activities	929	103
FINANCING ACTIVITIES		
Bank Indebtedness	55	(16)
Principal Repayments on Mortgages Payable	(24)	(78)
New Mortgages issued by Build Toronto and Lakeshore Arena Corporation	-	31
Proceeds from issued Long-Term Debt	937	1,152
Principal Repayments on Long-Term Debt	(331)	(324)
Interest Earned on Sinking Funds	(54)	(58)
Principal Repayments on Debt by Toronto District School Board	-	(5)
Cash provided by Financing Activities	583	702

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2018 (in millions of dollars)

	2018	2017
Net Increase in Cash during the Year	1,757	376
CASH – BEGINNING OF YEAR	1,869	1,493
CASH – END OF YEAR	3,626	1,869
SUPPLEMENTARY INFORMATION:		
Cash paid for Interest on Debt	296	307
Cash received for Interest on Investments	201	246

The accompanying Notes and Appendices are an integral part of these Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 (in millions of dollars)

The City of Toronto (City) is the largest city in Canada, and is the provincial capital of Ontario. The City was incorporated on March 6, 1834. In 1998, the existing City was formed through the amalgamation of the City, Metropolitan Toronto, East York, Etobicoke, North York, Scarborough and York. The City operates under the provisions of the City of Toronto Act, 2006.

1. Significant Accounting Policies

Basis of Presentation

The Consolidated Financial Statements (Statements) of the City have been prepared by management in accordance with Canadian Public Sector Accounting Standards as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada).

Principles of Consolidation

The Consolidated Financial Statements include all organizations that are controlled by the City. These Statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, reserves and reserve funds of the City and each entity. The City proportionately consolidates two entities held in partnership. The Toronto Waterfront Revitalization Corporation is a 33.33% partnership with each of the Canadian and Ontario Governments, and the Toronto PanAm Sports Centre is a 50% partnership with the University of Toronto.

The City's 100% share of the Toronto Hydro Corporation and Toronto Parking Authority follow Government Business Enterprises (GBE) accounting, using the modified equity basis of accounting where the accounting principles of the GBEs 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.

Consolidated entities:

Agencies and Corporations:

- ✦ Board of Governors of Exhibition Place
- ✦ Board of Management of the Toronto Zoo
- ✦ Build Toronto Inc. (BTI)
- ✦ Casa Loma Corporation
- ✦ Heritage Toronto
- ✦ Invest Toronto
- ✦ Lakeshore Arena Corporation
- ✦ Civic Theatres Toronto (TOLive)
- ✦ Toronto Atmospheric Fund (TAF)
- ✦ Toronto Waterfront Revitalization Corporation (TWRC) (1/3 proportionately)
- ✦ Toronto Board of Health
- ✦ Toronto Community Housing Corporation (TCHC)
- ✦ Toronto Licensing Commission
- ✦ Toronto Pan Am Sports Centre Inc. (TPASC) (1/2 proportionately)
- ✦ Toronto Police Services Board
- ✦ Toronto Public Library Board
- ✦ Toronto Transit Commission (TTC)
- ✦ Create TO
- ✦ Yonge-Dundas Square
- ✦ City of Toronto Economic Development Corporation c.o.b. Toronto Port Lands Company (TPLC)

Arenas:

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

Community Centres:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 (in millions of dollars)

Business Improvement Areas (BIAs):

- ❖ Albion Islington Square
- ❖ Baby Point Gates
- ❖ Bayview Leaside
- ❖ Bloor Annex
- ❖ Bloor By The Park
- ❖ Bloor Street
- ❖ Bloor West Village
- ❖ Bloor Yorkville
- ❖ Bloorcourt Village
- ❖ Bloordale Village
- ❖ Cabbagetown
- ❖ Chinatown
- ❖ Church Wellesley Village
- ❖ City Place & Fort York
- ❖ College Promenade
- ❖ College West
- ❖ Corso Italia
- ❖ Crossroads of the Danforth
- ❖ Danforth Mosaic
- ❖ Danforth Village
- ❖ Dovercourt Village
- ❖ Downtown Yonge
- ❖ DuKe Heights
- ❖ Dundas West
- ❖ Dupont by the Castle
- ❖ Eglinton Hill
- ❖ Emery Village
- ❖ Fairbank Village
- ❖ Financial District
- ❖ Forest Hill Village
- ❖ Gerrard India Bazaar
- ❖ Greektown on the Danforth
- ❖ Harbord Street
- ❖ Hillcrest Village
- ❖ Historic Queen East
- ❖ Junction Gardens
- ❖ Kennedy Road
- ❖ Kensington Market
- ❖ Korea Town
- ❖ Lakeshore Village
- ❖ Leslieville
- ❖ Liberty Village
- ❖ Little Italy
- ❖ Little Portugal
- ❖ Long Branch
- ❖ Marketo District
- ❖ Midtown Yonge
- ❖ Mimico by the Lake
- ❖ Mimico Village
- ❖ Mirvish Village
- ❖ Mount Dennis
- ❖ Mount Pleasant
- ❖ Oakwood Village
- ❖ Ossington Avenue
- ❖ Pape Village
- ❖ Parkdale Village
- ❖ Queen Street West
- ❖ Regal Heights Village
- ❖ Riverside District
- ❖ Roncesvalles Village
- ❖ Rosedale Main Street
- ❖ Sheppard East Village
- ❖ shoptheQueensway.com
- ❖ St. Clair Gardens
- ❖ St. Lawrence Market Neighbourhood
- ❖ The Beach
- ❖ The Danforth
- ❖ The Eglinton Way
- ❖ The Kingsway
- ❖ The Waterfront
- ❖ Toronto Entertainment District
- ❖ Trinity Bellwoods
- ❖ Upper Village
- ❖ Uptown Yonge
- ❖ Village of Islington
- ❖ West Queen West
- ❖ Weston Village
- ❖ Wexford Heights
- ❖ Wilson Village
- ❖ Wychwood Heights
- ❖ Yonge and St. Clair
- ❖ Yonge Lawrence Village
- ❖ York Eglinton

All inter-organizational assets and liabilities and sources of financing and expenses have been eliminated in these consolidated financial statements.

Trust Funds

Trust funds and their related operations administered by the City are not included in the consolidated financial statements, but are reported separately in the Trust Fund Financial Statements (Note 22).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 (in millions of dollars)

Use of Estimates and Measurement Uncertainty

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting year. Significant estimates and assumptions, which include employee benefit liabilities, property tax assessment appeals, property, liability and accident claims provisions, landfill closure and post-closure liabilities, and environmental provisions, are based on management's best information and judgment. Actual amounts, which are accounted for as they become known, may differ significantly from these estimates.

Receivables and Revenues

Loans Receivable are recorded at the lower of amortized cost and the net recoverable value, when collectability and risk of loss exists. Changes in the valuation of Loans are recognized in the Consolidated Statement of Operations and Accumulated Surplus. Interest is accrued on loans receivable to the extent it is deemed collectable.

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues.

Taxation Revenues are recorded at the time tax billings are issued. Additional property tax revenue can be added throughout the year, after the return of the annual assessment roll used for billing purposes, as new properties are occupied or become subject to property tax. The City may receive supplementary assessment rolls over the course of the year from the Municipal Property Tax Assessment Corporation (MPAC) identifying new or omitted assessments. Property taxes for these supplementary and/or omitted amounts are then billed according to the City Council approved tax rate for each property class. Taxation revenues may also be impacted by reductions in assessment values resulting from assessment and/or property tax appeals performed by MPAC. An annual allowance to cover estimated revenue loss attributable to deficiencies in tax revenues is included in the City's Consolidated Statement of Operations and Accumulated Surplus.

Municipal Land Transfer tax revenues are recorded following the registration of the taxable sale.

User Charges relate to transit fees, utility charges (water, wastewater and solid waste), licensing fees, and fees for use of various programs or activities. Revenue is recognized when the activity is performed or when the services are rendered.

Government Transfers to the City are recognized as revenues in the period in which the events giving rise to the transfer occur, provided the transfers are authorized, any eligibility criteria has been met, and reasonable estimates of the amounts can be made. Transfer Payments provided by the City to individuals or organizations are recognized as expenses once they are authorized and eligibility criteria, if any, are met.

Development Charges are charges imposed on land development or redevelopment projects. Fees are set out in a City by-law, which conforms to the requirements of the Development Charges Act, 1997. Development charges are collected when an above grade building permit is issued, and recognized in revenues when used to fund the growth-related portion of qualifying capital projects.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 (in millions of dollars)

Cash and Cash Equivalents

Cash and Cash Equivalents includes cash on hand, deposits held at banks, internally restricted cash and other short-term highly liquid investments with original maturities of three months or less.

Investments

Investments consist mainly of government and corporate bonds, debentures and short-term instruments of various financial institutions. Investments are accounted for at amortized cost. Where there is a loss in value that is other than temporary, the respective investment is written down to recognize the loss. The disclosed carrying value is at the lower of amortized cost or market value.

Investment income is reported as revenue in the period earned. Investment income earned on reserve funds that are set aside for specific purposes by legislation, regulation or agreement, is added to the fund balance and forms part of the respective deferred revenue balances.

With the creation of the City's Investment Board and new investment policy as at January 1, 2018, through Provincial Regulation 610/06, the City is able to invest in a broader range of asset classes, including fixed income, equities and real assets. Equity investments, when made, will be recorded at market value.

Provision for Property and Liability Claims

Estimated costs to settle Property and Liability Claims are actuarially determined based on available loss information and projections of the present value of estimated future expenses, developed from the City's historical experience on loss payments. Where the costs are deemed to be likely and reasonably determinable, liabilities are included on the Consolidated Statement of Financial Position, with annual changes expensed as Operating Costs.

The TTC has a self-insurance program for Automobile and General Liability claims. When claims are reported, case reserves are initially estimated on an individual basis by adjusters and lawyers. A provision is made, on a present value basis, for claims incurred, for claims incurred-but-not-reported, and for internal and external adjustments.

Liabilities for Environmental Costs and Contaminated Sites

Liabilities arising from the remediation of contaminated sites are recorded when all of the following are met:

- Environmental standards exist
- Contamination exceeds the standard
- The City is directly responsible or accepts responsibility for the contamination
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the liability can be made.

The estimated amounts of future remediation costs are reviewed regularly, based on available information and governing legislation. Where the costs are deemed to be likely and reasonably determinable, liabilities are included in the Consolidated Statement of Financial Statements, with annual changes expensed as operating costs.

The reclassification of TPLC from a GBE to a City agency has resulted in a change in accounting policy related to the disclosure of contaminated sites and the establishment of a liability for the remediation of contaminants under TPLC's responsibility. The change in accounting policy has been treated prospectively. The estimated liability is based on an external and internal engineering assessments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 (in millions of dollars)

The City also provides for the estimated costs to remediate productive contaminated sites when conditions are identified as not compliant with environmental legislation and those costs can be reasonably determined.

The Ontario Environmental Protection 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 all inactive landfill site and active landfill sites based on usage.

The estimated liability for the care of Green Lane 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.

Post-closure care activities for inactive 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 costs to close existing landfill sites and to maintain closed solid waste landfill sites are based on estimated future expenditures in perpetuity in current dollars, adjusted for estimated inflation. These costs are reported as a liability on the Consolidated Statement of Financial Position, with changes to the liability reflected on the Statement of Operations.

Deferred Revenue

Deferred Revenues, which include advance payments for tickets, building permits and program registration fees and contributions from developers according to Section 37 of the Planning Act, represent fees which have been collected, but for which the related services have not yet been provided. Revenues received that have been set aside for specific purposes (obligatory reserve funds), are also included in deferred revenue.

Advance Payments and Contributions are recorded as revenues when the related activity occurs.

Deferred Revenues are reported on the Consolidated Statement of Financial Position, with amounts recognized as revenues in the fiscal year the services are performed.

Derivative Financial Instruments

Although the City's investment policy prevents the use of derivative financial instruments for trading or speculative purposes, they are utilized in the management of its purchase of electricity and natural gas. Derivative contracts are recorded at their fair value as an asset or liability based on quoted market prices, with changes in fair value, if any, recorded in the Consolidated Statement of Operations and Accumulated Surplus.

A derivative financial instrument (interest rate swap) is being used to manage interest rate risk with respect to a certain TCHC term loan. TCHC does not account for its interest rate swap as a hedge, and as such, any realized or unrealized gains or losses are recognized in the Consolidated Statement of Operations and Accumulated Surplus.

Employee Benefit Liabilities

Employee Benefit Liabilities include Sick Leave, Schedule 2 Employer benefits under the Workplace Safety and Insurance (WSIB) Act, Life Insurance, and Extended Health and Dental benefits for early retirees. The cost of these benefits are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care cost trends and plan investment performance. Accrued obligations and related costs of funded benefits are net of plan assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 (in millions of dollars)

The costs of WSIB obligations are actuarially determined and expensed in the period they occur. 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.

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 assets are presented net of any required valuation allowance. Employee future benefit liabilities are discounted using current interest rates on long-term municipal debentures.

The cost of the City's multi-employer defined benefit pension plan, the Ontario Municipal Employees Retirement System (OMERS) pension, is accounted for as a defined benefit plan.

Tangible Capital Assets

Tangible Capital Assets (TCA) are recorded at historical cost or estimated historical cost based on appraisals or other acceptable methods where historical cost is not available. Cost includes amounts directly attributable to the acquisition, construction, development or betterment of an asset. The cost less expected residual value is amortized on a straight-line basis, over the estimated useful life of the assets, at the following rates:

<u>Asset</u>	
Land improvements	15 - 70 years
Buildings and building improvements	25 - 100 years
Machinery and equipment	4 - 60 years
Motor vehicles	5 - 20 years
Water and wastewater linear	60 - 100 years
Roads linear	25 - 70 years
Transit	10 - 65 years

One-half of the amortization is recorded in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is substantially complete and available for productive use.

Donated tangible capital assets are recorded at estimated fair market value as at the date of donation, and are also recorded in revenue.

Works of art, cultural, and historic assets are not recorded as assets in these consolidated financial statements.

The City does not capitalize interest costs associated with the acquisition or construction of tangible capital assets.

The cost of normal maintenance and repairs which does not add value to the asset, or materially extend asset life, is not capitalized.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 (in millions of dollars)

Reserves and Reserve Funds

Reserves and reserve funds are comprised of funds set aside for specific purposes by Council, 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, while other reserves and reserve funds are balances within the City's accumulated surplus.

Comparative Amounts

Certain 2017 amounts have been regrouped from Consolidated Financial Statements previously presented to confirm with presentation adopted in 2018.

Future Accounting Pronouncements

The standards noted below were not effective for the year ended December 31, 2018, therefore, have not been applied in preparing these financial statements. Management is assessing the impact of these standards, which are applicable in future years, to determine the impact on future consolidated financial statements.

Standards applicable for fiscal years beginning on or after April 1, 2021:

PS 3450 Financial instruments establishes standards on how to account for and report all types of financial instruments including derivatives.

PS 2601 Foreign Currency Translation, which replaces PS 2600, establishes standards on how to account for and report transactions that are denominated in a foreign currency in government financial statements.

PS 1201 Financial Statement Presentation, which replaces PS 1200, establishes general reporting principles and standards for the disclosure of information in government financial statements.

PS 3041 Portfolio Investments, which replaces PS 3040, establishes standards on how to account for and report portfolio investments in government financial statements.

PS 3280 Asset Retirement Obligations establishes standards on how to account for and report a liability for asset retirement obligations.

Standards applicable for fiscal years beginning on or after April 1, 2022:

PS 3400 Revenue establishes standards on how to account for and report on revenue, specifically differentiating between revenue arising from transactions that include performance obligations, referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 (in millions of dollars)

2. Accounts and Taxes Receivable

	2018	2017
Federal and Provincial Governments	1,023	392
Property taxes receivable	237	253
Trade and Other	682	715
	1,942	1,360

Federal and Provincial Government receivables include \$536 related to Provincial Transit Infrastructure Fund (PTIF) claims and \$84 related to Federal Gas Tax funding (FGT). PTIF funds of \$313 and FGT funds of \$84 were received in 2019.

3. Loans Receivable

	2018	2017
TCHC promissory notes, loan agreements and receivables, bearing interest between 3.0% and 4.9% (2017 – 3.0% to 4.9%) with maturity dates from 2019 to 2057 (2017 – 2019 to 2057)	74	63
BTI loan facility and vendor-take-back (VTB) mortgage, bearing interest between 3.3% and 5.0% (2017 – 3.3% to 5.0%) with maturity dates from 2023 to 2027 (2017 – 2023 to 2027)	37	53
Loans receivable from community housing organizations bearing interest at rates from 0% to 5.0% (2017 - 0% to 5.0%) per annum, maturing from 2019 to 2074 (2017 - 2018 to 2074)	41	42
	152	158

4. Other Assets

	2018	2017
	\$	\$
BTI 35% ownership of a General Partnership for the development of condominium properties	33	22
TCHC equal Contribution Equity in revitalization projects and equal interest Co-Tenancy Agreements for construction	22	15
Other	10	5
	65	42

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 (in millions of dollars)

5. Investments

	2018		
	Cost	Market value	Carrying value
Government bonds	2,054	2,122	2,054
Money market instruments	853	853	853
Corporate bonds	416	410	410
Other	57	74	57
	3,380	3,459	3,374

	2017		Carrying value
	Cost	Market value	
Government bonds	2,286	2,407	2,286
Money market instruments	1,201	1,212	1,201
Corporate bonds	573	573	573
Other	58	74	58
	4,118	4,266	4,118

Government bonds include bonds held in trust by the City's insurance carrier as collateral for the provision of automobile and primary liability insurance with a carrying value of \$70.4 (2017 - \$70.1).

The weighted average yield on the cost of the bond investment portfolio during the year was 3.04% (2017 – 2.81%). Maturity dates on investments in the portfolio range from 2019 to 2044 (2017 - 2018 to 2044). Included in the City's government bonds portfolio are City of Toronto debentures at coupon rates varying from 2.40% to 6.80% (2017 – 2.40% to 6.80%) with a carrying value of \$279.9 (2017 - \$236.5).

As it is the City's intention to hold corporate bonds to maturity, no write-down to market value has been recorded.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 (in millions of dollars)

6. Investments in Government Business Enterprises (GBEs)

	2018	2017
Toronto Hydro Corporation	1,822	1,736
Toronto Parking Authority	309	304
Toronto Port Lands Company	-	383
	2,131	2,423

As a result of a change in shareholder direction made by Toronto City Council effective January 1, 2018, TPLC qualifies as a controlled entity which will be consolidated rather than treated as a GBE. As a result, the City's 2018 opening investment value has been reclassified and the entity fully consolidated on a line by line basis as at December 31, 2018.

The book value continuity of the City's GBEs is as follows:

	2018	2017
Balance - beginning of year	2,423	2,069
Additional investment in Toronto Hydro	-	250
Income from operations (Appendix 1)	245	234
Dividends received (Appendix 1)	(94)	(75)
Distribution to City (Appendix 1)	(62)	(57)
Change in net book value of street-lighting assets eliminated on sale to Toronto Hydro Corporation (Appendix 1)	2	2
Removal of accumulated equity in TPLC	(383)	-
Balance - end of year (Appendix 1)	2,131	2,423

GBE Earnings on the Consolidated Statement of Operations and Accumulated Surplus consist of the following:

	2018	2017
Income from Operations (Appendix 1)	245	234
Change in net book value of street-lighting assets on sale to Toronto Hydro Corporation (Appendix 1)	2	2
Government Business Enterprise Earnings	247	236

Condensed, audited financial results for each government business enterprise are disclosed in Appendix 1 to the Notes to these Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 (in millions of dollars)

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

	2018	2017
Street-lighting, electricity, and maintenance services purchased by the City from Toronto Hydro Corporation	<u>277</u>	<u>283</u>

Principal repayments of unsecured Long-Term Debt of the GBEs are as follows:

	Due to others
2019	250
2020	-
2021	300
2022	-
2023	250
Thereafter	<u>1,245</u>
	<u>2,045</u>

7. Bank Indebtedness

The City has an unsecured demand revolving credit facility in the amount of \$100 (2017 - \$100) bearing interest at the bank prime rate with an effective rate during 2018 of 3.2% (2017 – 3.2%) per annum.

TCHC has a committed revolving credit facility of \$200 (2017 - \$200) that is available for short-term advances and letters of credit, with standby charges of 0.25%. Short-term advances are available by way of a prime loan at the bank prime rate and bankers' acceptances (BAs) at the bank BA rate plus 1.10%. All bank covenants have been complied with.

	2018	2017
City, net outstanding cheques	58	49
Toronto Housing Corporation	46	-
	<u>104</u>	<u>49</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 (in millions of dollars)

8. Accounts Payable and Accrued Liabilities

	2018	2017
Trade Payables and Accruals	3,293	2,873
Tax Appeal Assessments on Property Taxes Payable	399	411
Wages Payable	146	136
	3,838	3,420

9. Deferred Revenue

Deferred Revenues include revenues from third parties that have been set aside for specific, restricted purposes by Provincial legislation or agreements with third parties. Revenues are earned when expenditures related to the specific purpose are incurred.

	2018	2017
Obligatory Balances		
Restricted by Provincial legislation	2,178	1,399
Restricted by Agreements with Third Parties	1,274	1,079
Total Obligatory Deferred Revenues	3,452	2,478
Advance Payments and Contributions	415	334
TOTAL DEFERRED REVENUE	3,867	2,812

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 (in millions of dollars)

Deferred Revenue Continuity:

	2018		
	Obligatory Deferred Revenues	Advance payments and contributions	Total
Balance – beginning of year	2,478	334	2,812
Receipts during the year	2,303	3,370	5,673
Transferred to revenue	(1,329)	(3,289)	(4,618)
Balance – end of year	3,452	415	3,867

	2017		
	Obligatory Deferred Revenues	Advance payments and contributions	Total
Balance – beginning of year	2,092	338	2,430
Receipts during the year	1,805	1,044	2,849
Transferred to revenue	(1,419)	(1,048)	(2,467)
Balance – end of year	2,478	334	2,812

10. Provision for Property and Liability Claims

	2018	2017
Property and Liability Claims Provision	384	382
TTC Unsettled Accident Claims	145	157
	529	539

The City mitigates its risk through a combination of self-insurance and coverage with insurance carriers.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 (in millions of dollars)

11. Environmental and Contaminated Sites Liabilities

	2018	2017
Environmental Liabilities	14	16
Contaminated Sites Liabilities	65	7
Active Landfill Site (Green Lane)	14	10
Inactive Landfill Sites	148	124
Total environmental and contaminated sites liabilities	241	157

Environmental and Contaminated Sites liabilities are based on third-party engineering reports covering estimated costs of remediating sites with known contamination for which City entities are responsible. Given that the estimate of environmental liabilities is based on a number of assumptions, actual costs may vary. The estimated amounts of future remediation costs are reviewed regularly, based on available information and governing legislation.

Liability for Contaminated Sites held by TPLC

TPLC owns a number of properties, that are not in productive use, where contamination exceeds environmental standards. Although TPLC is responsible for each of these properties, the anticipated land use is not known at this time, therefore, no remediation efforts have been planned. However, to ensure compliance with PS 3260, Liability for Contaminated Sites, recognizing the uncertainty of the remediation action plan until use of this land is known, management has taken a risk management approach to determine a reasonable liability of \$56.6 for the purposes of these Statements. While some of the more contaminated properties may require full-scale remediation once the land use is known, at this time, it has been determined that risk can be mitigated through the management or containment of the contaminants, where appropriate, through a mixture of engineered and operating controls. Management will continue to monitor this risk and update the liability when conditions change or use is known with greater certainty.

Active Landfill Sites

In 2007, the City acquired the Green Lane Landfill, securing the City's long term disposal requirements. 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 Green Lane future cash flow requirements for closure and post closure costs have been discounted using the City's average long term borrowing rate of 3.3% (2017- 3.9%).

Reserve Balances	2018	2017
Green Lane Reserve Fund	12	15
Green Lane Perpetual Care Reserve Fund (GLPC)	5	4
Total	17	19

Both of these reserve fund accounts are included as part of the State of Good Repair Reserve Fund.

2018 contributions to the GLPC reserve of \$0.72 (2017- \$0.5) are based on a contribution rate of 1.34 cents (2017- 95 cents) per tonne of waste disposed.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 (in millions of dollars)

Inactive Landfill Sites

The estimated liability for the care of inactive 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 3.3% (2017 - 3.9%).

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, Conservation and Parks.

	2018	2017
Solid Waste Management Perpetual Care Reserve Fund	26	30
Keele Valley Site Post-Closure Trust Fund (Note 22)	8	8
	34	38

12. Mortgages Payable

	2018	2017
TCHC secured mortgages, collateralized by TCHC housing properties, with interest from 1.39% to 12.75% (2017 – 1.39% to 12.75%) and maturities ranging from 2019 to 2048	262	285
BTI mortgages, secured by assets and corporate guarantees of Build Toronto Holdings One Inc., BTI and common shares of PT Studios, with interest at 3.33%, maturing on March 15, 2027	30	31
	292	316

Principal repayments on mortgages are due as follows:

2019	22
2020	23
2021	25
2022	25
2023	25
Thereafter	172
	292

Principal re-payments made in 2018 were \$0.85 (2017 - \$nil) on the BTI mortgages and \$23.4 (2017 - \$78.2) on the TCHC mortgages.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 (millions of dollars)

13. Long-Term Debt

The City's ability to issue long term debt is governed by Provincial legislation; long term debt can only be issued to finance capital expenditures.

	2018	2017
Unsecured debentures issued by the City, bearing interest at various rates ranging from 2.40% to 8.00% (2017 - 2.40% to 8.00%), maturing from 2019 to 2046	6,759	6,264
Less: sinking fund deposits bearing interest at rates between 2% and 5% (2017 - 2% to 5%)	(1,601)	(1,681)
Unsecured debentures, net of sinking fund deposits	5,158	4,583
TCHC secured by various floating and fixed income investments, loans from Infrastructure Ontario, floating and fixed rates between 2.33% and 4.53% and are also subject to financial covenants, maturing in 2043 to 2047.	835	853
TCHC Debentures, unsecured, consisting of Series A bonds of \$250 at 4.87% (2007 to 2037) and Series B bonds of \$200 at 5.39% (2010 to 2040).	446	446
TCHC bridge-loan of \$35.4 converted to a 12-year interest rate swap facility in 2006 with a fixed interest rate of 4.55%	24	26
Lakeshore Arena Corporation credit facilities secured by a mortgage over the property, a general security agreement and assignments of rents and leases, from Infrastructure Ontario, bearing interest at 3.48%, with a maturity date of October 31, 2042	26	27
BTI, collateralized by a first mortgage charge on the construction site loan facility, bearing interest at prime plus 0.50% and bankers' acceptances at 2%, and prime plus 0.50% respectively, payable in July 2019	12	12
Other, bearing interest between 1.75% to 8.05% maturing from 2020 to 2027	1	3
Consolidated entities debentures	1,344	1,367
Total Net Long Term Debt	6,502	5,950

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 (in millions of dollars)

Principal repayments are due as follows:

	<u>2018</u>
2019	462
2020	414
2021	422
2022	366
2023	374
Thereafter	4,464
	<u>6,502</u>

2018 principal repayments total \$331.4 (2017 - \$324).

14. Employee Benefit Liabilities

	<u>2018</u>	<u>2017</u>
Sick leave benefits	485	541
WSIB obligations	681	635
Other Employment and Post-Employment Benefits	2,501	2,637
Total Employee Accrued Benefit Obligation	3,667	3,813
Unamortized Actuarial Gain	344	69
Employee Benefit Liabilities	<u>4,011</u>	<u>3,882</u>

The Employee Accrued Benefit Obligation reflects the full value of the actuarial gain; the gain increases the value of the liability until taken into income when realized.

Reconciliation of the plan assets and accrued benefit obligation, based on an actuarial assessment, to the amounts in the Consolidated Statement of Financial Position is as follows:

	2018			
	Employment and post- employment	TTC Pension Plan (Note 14, b(ii))	City Pension Plans (Note 14, b(iii))	Total
Accrued benefit obligation	3,667	2,688	1,281	7,636
Plan assets	-	3,268	1,467	4,735
Funding deficit (surplus)	3,667	(580)	(186)	2,901
Unamortized actuarial gain	344	18	-	362
Valuation allowance	-	562	186	748
Employee benefit liability	<u>4,011</u>	<u>-</u>	<u>-</u>	<u>4,011</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 (millions of dollars)

	2017			
	Employment and post-employment	TTC Pension Plan	City Pension Plans	Total
Accrued benefit obligation	3,813	2,637	1,304	7,754
Plan assets	-	3,323	1,597	4,920
Funding deficit (surplus)	3,813	(686)	(293)	2,834
Unamortized actuarial gain	69	210	-	279
Valuation allowance	-	476	293	769
Employee benefit liability	3,882	-	-	3,882

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

	2018			
	Employment and post-employment	TTC Pension Plan (Note 14, b(ii))	City Pension Plans (Note 14, b(iii))	Total
	\$	\$	\$	\$
Balance – beginning of year	3,882	-	-	3,882
Current service cost	278	81	-	359
Interest cost (revenue)	114	(38)	(14)	62
Amortization of actuarial (gain)	(24)	(49)	121	48
Employer contributions	(269)	(120)	-	(389)
Plan amendments	30	40	-	70
Change in valuation allowance	-	86	(107)	(21)
Balance – end of year	4,011	-	-	4,011

	2017			
	Employment and post-employment	TTC Pension Plan	City Pension Plans	Total
	\$	\$	\$	\$
Balance – beginning of year	3,757	-	-	3,757
Current service cost	273	87	-	360
Interest cost (revenue)	116	(19)	(13)	84
Amortization of actuarial (gain)	(10)	(57)	(20)	(87)
Employer contributions	(239)	(117)	-	(356)
Plan amendments	(15)	38	-	23
Change in valuation allowance	-	68	33	101
Balance – end of year	3,882	-	-	3,882

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 (millions of dollars)

Continuity of the accrued benefit obligation, in aggregate, is as follows:

	2018			Total
	Employment and post-employment	TTC Pension Plan (Note 14, b(ii))	City Pension Plans (Note 14, b(iii))	
	\$	\$	\$	
Balance – beginning of year	3,813	2,637	1,304	7,754
Current service cost	278	81	-	359
Interest cost	114	161	62	337
Amortization of actuarial (gain) loss	(299)	(71)	50	(320)
Benefits paid	(269)	(160)	(135)	(564)
Plan amendments	30	40	-	70
Balance – end of year	3,667	2,688	1,281	7,636

	2017			Total
	Employment and post-employment	TTC Pension Plan	City Pension Plans	
	\$	\$	\$	
Balance – beginning of year	3,598	2,661	1,392	7,651
Current service cost	273	87	-	360
Interest cost	116	148	67	331
Amortization of actuarial (gain) loss	80	(152)	(14)	(86)
Benefits paid	(239)	(145)	(141)	(525)
Plan amendments	(15)	38	-	23
Balance – end of year	3,813	2,637	1,304	7,754

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 (millions of dollars)

Continuity of the plan assets is as follows:

	2018			Total
	Employment and post-employment	TTC Pension Plan (Note 14, b(ii))	City Pension Plans (Note 14, b(iii))	
	\$	\$	\$	\$
Balance – beginning of year	-	3,323	1,597	4,920
Contributions	269	120	-	389
Actual return on assets	-	(15)	5	(10)
Benefits paid	(269)	(160)	(135)	(564)
Balance – end of year	-	3,268	1,467	4,735

	2017			Total
	Employment and post-employment	TTC Pension Plan	City Pension Plans	
	\$	\$	\$	\$
Balance – beginning of year	-	3,068	1,651	4,719
Contributions	239	117	-	356
Actual return on assets	-	283	87	370
Benefits paid	(239)	(145)	(141)	(525)
Balance – end of year	-	3,323	1,597	4,920

Total expenses related to these employee benefits include the following:

	2018			Total
	Employment and post-employment	TTC Pension Plan (Note 14, b(ii))	City Pension Plans (Note 14, b(iii))	
	\$	\$	\$	\$
Current service cost	278	81	-	359
Interest cost (revenue)	114	(38)	(14)	62
Amortization of actuarial (gain)	(24)	(49)	121	48
Plan amendments	30	40	-	70
Change in valuation allowance	-	86	(107)	(21)
Total expense	398	120	-	518

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 (millions of dollars)

	2017			Total
	Employment and post- employment	TTC Pension Plan	City Pension Plans	
	\$	\$	\$	
Current service cost	273	87	-	360
Interest cost (revenue)	116	(19)	(13)	84
Amortization of actuarial (gain)	(10)	(57)	(20)	(87)
Plan amendments	(15)	38	-	23
Change in valuation allowance	-	68	33	101
Total expense	364	117	-	481

a) Sick leave benefits, WSIB obligations, and other employment and post-employment benefits

Actuarial assumptions

	2018	2017
Discount rate for accrued benefit obligation:		
Post-employment	3.1%	2.8%
Post-retirement	3.4%	3.2%
Sick leave	3.2%	3.0%
WSIB	3.4%	3.0%
Rate of compensation increase	1.75% to 3.5%	2.25% to 3.5%
Health care inflation – LTD, hospital and other medical	3.0% to 6.5%	3.0% to 7.0%
Health care inflation – Dental care	3.0% to 4.5%	3.0% to 4.0%
Health care inflation – Drugs	5.5% to 8.08%	6.0% to 8.35%
	2018	2017
Discount rate for benefit costs:		
Post-employment	2.9%	2.7%
Post-retirement	3.3%	3.5%
Sick leave	3.1%	3.1%
WSIB	3.4%	3.1%
Rate of compensation increase	3.29% to 3.4%	1.18% to 3.5%
Health care inflation – LTD, hospital and other medical	4.0% to 6.46%	3.0% to 7.0%
Health care inflation – Dental care	3.0% to 4.0%	3.0% to 4.5%
Health care inflation – Drugs	5.5% to 10.8%	6.0% to 10.0%

For 2018 benefit costs and year end 2018 benefit obligations, the health care inflation rate for Long-Term Disability (LTD), hospital, other medical, and drugs is assumed to reduce to 4.50% by 2030.

The City has established reserve funds to help reduce the future impact of the employee benefit obligation. As at December 31, 2018, the balance in the Employee Benefits Reserve Fund was \$229.9 (2017 - \$221.9), which includes \$42.2 (2017 - \$43.9) for Sick Leave and \$17.2 (2017 - \$13.6) for Work Place Safety and Insurance.

b) Pension benefits**(i) OMERS Pension Plan**

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 equally to the plan.

The amount contributed to OMERS for 2018 current service was \$416.3 (2017 - \$423.9) and included as an expense on the Consolidated Statement of Operations. The City is current with all payments to OMERS; there is neither a surplus or deficit with the pension plan contributions.

(ii) TTC Pension Plan

The TTC participates in a defined benefit pension plan (TTC Pension Fund). The TTC Pension Fund is administrated by the Toronto Transit Commission Pension Fund Society (the Society), a separate legal entity. The Board of Directors of the Society consists of 10 voting members, five of whom are appointed from the Toronto Transit Commission and five are appointed from the Amalgamated Transit Union Local 113 (ATU). Pursuant to the Sponsors Agreement between the ATU and the TTC, the TTC Pension Fund was registered as a Jointly Sponsored Pension Plan (JSPP) effective January 1, 2011.

The plan is accounted for as a joint defined benefit plan as the TTC and its employees jointly share the risk in the plan and share control of decision related to the plan administration and to the level of benefits and contributions on an ongoing basis. The TTC is required to account for its portion of the plan (i.e. 50%) and therefore, recognized 50% of the pension expense incurred during the year and 50% of the plan's assets and obligation.

The plan covers substantially all employees of the TTC who have completed six months of continuous service. Under the Plan, contributions are made by the plan members and matched by the TTC. The contribution rates are set by the Board, subject to the funding requirements determined in the actuarial report and subject to the limitations in the Sponsors Agreements between ATU and the TTC.

The plan provides pensions to members, based on a formula that factors in the length of credited service and best four years of pensionable earnings up to a base year. A formula exists that sets a target for pensioner increases. The Board of Directors of the Society make decisions with respect to affordable pension formula updates, pension indexing and plan improvements based on the results of the most recent funding valuation and the priorities set out in the plan's by-laws and funding policy.

Effective January 1 2018, the base year for the TTC pension plan and the funded supplemental pension plans was updated to December 31, 2017 from December 31 2016. In addition, an ad hoc increase of up to 1.56% (December 31, 2017-1.35%) was granted to all pensioners. The TTC's share of the prior service cost of these plan amendments have been reflected in the Consolidated Statement of Operations.

The effective date of the most recent actuarial valuation for funding purposes for the TTC Pension Fund was January 1, 2018. The next required actuarial valuation for funding purposes will be performed as at January 1, 2020. The effective date of the most recent valuation for accounting purposes was December 31, 2018.

The TTC's portion of the assets in the TTC Pension Fund is carried at market value. As the TTC cannot withdraw the surplus to reduce its contributions, the expected benefit of a surplus is nil and therefore, a valuation allowance of \$561.5 (December 31, 2017-\$474.4) is required to reduce the accrual benefit asset to either the value of the net unamortized actuarial losses (if any) or to the value of the fund surplus less net unamortized gains.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 (millions of dollars)

Actuarial assumptions for the TTC Pension Plan are as follows:

	2018	2017
Discount rate	3.75%	6.00%
Expected rate of return on plan assets	3.75%	6.00%
Rate of increase in salaries	3.25%	3.25%
Inflation rate	2.00%	2.00%

(iii) City Pension Plans

The City continued to administer 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.

As at December 31, 2018, there were 2,753 (2017 – 2,976) pensioners with an average age of 81.9 (2017 – 81.3) and 2,284 (2017 - 2,358) spousal beneficiaries in receipt of a pension, with an average age of 83.5 (2017 - 83). Pension payments and refunds during the year were approximately \$135 (2017 - \$140). Given that all remaining members in the plans have over 35 years of service, there are no contributions being made into the plans.

Required actions related to pension plan mergers with OMERS continued throughout 2018 for four of the five pre-OMERS pension plans. Required approvals and regulatory filings with the Financial Services Commission of Ontario continued, with the Superintendent of Financial Services providing his consent to complete the York Pension Plan merger with OMERS on January 8, 2019. The City is proceeding with the surplus distribution as per agreed upon surplus sharing agreements and completing the regulatory documents to wind-up the pension plan.

The City also successfully negotiated surplus sharing agreements and has submitted applications to the Superintendent of Financial Services seeking consent to merge the Civic, Metro and Police pension plans with OMERS. The City is anticipating completing the merger of the Civic and Police plans by the end of 2019 and the Metro plan in early 2020.

In 2019 and 2020, the City will record its share of the pension plan surpluses. There are no other impacts to the City's Consolidated Financial Statements.

	2018	2018	2017	2017
	Pension assets – market value – end of year	Actuarial pension obligation – end of year	Net actuarial surplus	Net actuarial surplus
Toronto Civic Employee Pension Plan	303	214	89	114
Metropolitan Toronto Pension Plan	447	381	66	77
Toronto Firefighters Pension Plan	484	477	7	36
City of York Employee Pension Plan	37	36	0.4	5
Metropolitan Toronto Police Pension Plan	198	174	24	61

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 (millions of dollars)

15. Tangible Capital Assets

	2018		2017	
	Cost	Accumulated amortization	Net book value	Net book value
General				
Land	4,052	-	4,052	3,638
Land Improvements	1,057	470	587	566
Buildings and Building Improvements	11,372	3,877	7,495	6,865
Machinery and Equipment	2,931	1,580	1,351	1,190
Motor Vehicles	2,711	1,571	1,140	972
Total General	22,123	7,498	14,625	13,231
Infrastructure				
Land	140	-	140	140
Buildings and Building Improvements	810	193	617	538
Machinery and Equipment	2,733	1,220	1,513	1,221
Water and Wastewater Linear	6,604	2,376	4,228	4,069
Roads Linear	4,734	2,291	2,443	2,395
Transit	8,982	4,216	4,766	4,499
Total Infrastructure	24,003	10,296	13,707	12,862
Assets under Construction	4,385	-	4,385	4,371
Total	50,511	17,794	32,717	30,464

General capital assets include those assets which are not part of a network. Land includes all of the City's land except land under roads. Land improvements include outdoor parks and recreation facilities, land improvements around buildings, and the active landfill site. Buildings include office buildings, community centres, police, fire and ambulance stations, TCHC housing units and transit buildings. Machinery and equipment includes equipment used by Fire and Toronto Paramedic Services as well as computers and furniture. Corporate fleet and transit buses make up the vehicle assets.

Infrastructure assets are described as those capital assets which are part of one of three networks: roads, water/wastewater, and transit. The land within this category is the value of the land under the City's roads. Water and wastewater treatment plants, pumping stations, and storm facilities are included within infrastructure buildings and building improvements. Machinery and equipment include expressway signs and traffic signals, as well as equipment within the water and wastewater treatment plants and pumping stations related to the relevant processes. Water and wastewater infrastructure includes the pipe networks which deliver the water and which remove the waste water. Road networks are inclusive of the road bases, surfaces and sidewalks. Transit infrastructure includes assets related to the subway system, rolling stock, track work and power distribution.

General machinery and equipment includes capital leases from TCHC totaling \$4.5 (2017 - \$5.8).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 (in millions of dollars)

16. Inventories

	2018	2017
Inventories	171	156
Inventory of Properties	157	156
	328	312

17. Commitments and Contingencies

a) 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. Any amendment to amounts accrued will be recorded once new information becomes available.

b) The City of Toronto has entered into the following commitments:

	<u>Total contract/contribution</u>	<u>Outstanding amount</u>
City Council approved contribution amount to 2025 for agreements with Province of Ontario and Metrolinx for the execution of the SmartTrack Program.	1,470.0	1,469.0
Contract award to end of 2020 for the rehabilitation of the F.G Gardiner Expressway	314.0	274.0
Contract award to December 29, 2023 for the construction of Coxwell Bypass Tunnel	404.3	389.3
Contract award to end of 2023 for the construction of New Outfall at Ashbridges Bay Treatment Plant.	269.5	269.5

c) The TTC has entered into the following commitments:

	<u>Total contract</u>	<u>Outstanding amount</u>
Outstanding commitment related to 82 train sets delivered in 2018	1,510.0	58.3
Supply of 204 Light Rail Vehicles to be delivered in 2019	1,011.0	358.5
Outstanding commitment for 1,073 articulated, Low Floor, clean diesel buses, all but 366 buses have been delivered, with the remaining buses set for delivery in 2019	730.7	257.0
Outstanding commitment related to the supply of 128 Low Floor Wheel Trans mini-buses, with 48 to be delivered in 2019	23.6	10.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 (in millions of dollars)

- d) 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 total amount of all lines of credit provided by the City under the policy for operating line of credit guarantees is limited to \$10 in the aggregate. The total amount of all capital loan guarantees provided by the City under the policy for capital loan guarantees is limited to \$300 in the aggregate, with individual loan guarantees being limited to a maximum of \$10 unless otherwise approved by Council. The total amount of all direct loans provided by the City under the policy for direct City loans is limited to \$125 in the aggregate. At December 31, 2018 the City had provided capital loan guarantees to certain third parties amounting to \$41.1 (2017 - \$43.6), and operating line of credit guarantees of \$6 (2017 - \$5.9), primarily related to several cultural non-profit organizations, and direct City loans amounting to \$57.9 (2017 - \$6 0), primarily to City agencies.

Interest terms on the direct City loans were generally set equivalent to the cost of City borrowing at the time the loans were made. The repayment maturity dates on these loans typically range from 20 to 30 years. For loans guaranteed by the City, third party financing rates to community organizations are closer to prime interest rates, on terms ranging from 5 to 30 years.

The City maintains priority lender status on direct City loans, and has the right to remedy any defaults on line of credit and loan guarantees. Further, the City has established a doubtful loan reserve to serve as source for funding any potential losses. The current balance in this fund is \$0.25 as at 2018 year end (2018 – \$0.25).

- e) At December 31, 2018, the City is committed to future minimum annual operating lease payments as follows:

2019	75
2020	56
2021	43
2022	34
2023	29
Thereafter	173
	410

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 (in millions of dollars)

18. Accumulated Surplus

	2018	2017
Operating Fund	2,786	3,215
Capital Fund	(1,030)	(1,133)
Reserve and Reserve Fund (a)	2,276	2,038
Net Investment in TCA (b)	25,682	24,041
Liabilities to be Funded (c)	(4,540)	(4,421)
Total	<u>25,174</u>	<u>23,740</u>
 (a) Reserve and Reserve Fund		
Reserves:		
Corporate	764	674
Stabilization	204	164
Water and Wastewater	139	76
Donations	1	1
	<u>1,108</u>	<u>915</u>
 Reserve Funds:		
Employee Benefits	289	279
Corporate	492	466
Community Initiatives	139	129
State of Good Repair	248	249
	<u>1,168</u>	<u>1,123</u>
Total Reserves and Reserve Funds	<u>2,276</u>	<u>2,038</u>
 (b) Net Investment in TCA		
Tangible Capital Assets (Note 15)	32,717	30,464
Mortgages Payable (Note 12)	(292)	(316)
Long-Term Debt (Note 13)	(6,502)	(5,950)
Environmental and Contaminated Sites Liabilities (Note 11)	(241)	(157)
Total Net Investment in TCA	<u>25,682</u>	<u>24,041</u>
 (c) Liabilities to be funded		
Employee Benefit Liabilities (Note 14)	(4,011)	(3,882)
Provision for Property and Liability Claims (Note 12)	(529)	(539)
Total Liabilities to be Funded	<u>(4,540)</u>	<u>(4,421)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 (millions of dollars)

19. Budget Data

Budget data presented in these consolidated financial statements are based upon the 2018 operating and capital budgets approved by Council. Adjustments to budgeted values were required to provide comparative budget figures based on the full accrual basis of accounting. The following chart reconciles the approved budget with the budget figures as presented in these consolidated financial statements.

	Budget Amount
<u>Revenues</u>	
Approved Budget	15,538
Transfer from reserve funds, net	(694)
Proceeds of debt issued	(1,669)
Consolidated entities, net	298
Total revenues	<u>13,473</u>
<u>Expenses</u>	
Approved Budget	15,600
Acquisition of tangible capital assets	(3,641)
Debt principal repayments	(292)
Amortization	1,267
Contribution to Operating from Capital Fund and Reserve and Reserve funds	(294)
Consolidated entities, net	263
Total expenses	<u>12,903</u>
Annual Surplus	<u>570</u>

20. Government Transfers

	2018	2017
<u>By Function</u>		
Social and Family Services	1,929	1,709
Transportation	897	470
Health Services	323	308
General Government	118	102
Social Housing	107	117
Protection to Persons and Property	56	43
Environmental Services	40	27
Planning and Development	26	3
Recreation and Cultural Services	9	21
Total Transfers by Function	<u>3,505</u>	<u>2,800</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 (millions of dollars)

	2018	2017
By Source		
Operating Transfers		
Federal	208	162
Provincial	2,348	2,152
Other	13	19
	<u>2,569</u>	<u>2,333</u>
Capital Transfers		
Federal	766	188
Provincial	132	112
Other	38	167
	<u>936</u>	<u>467</u>
Total Transfers by Source	<u>3,505</u>	<u>2,800</u>

21. Total Expenses

	2018	2017
Salaries, Wages and Benefits	5,813	5,623
Contracted Services	1,865	1,628
Transfer Payments	1,463	1,367
Materials	1,289	1,015
Amortization (Schedule 1)	1,267	1,136
Interest on Long-Term Debt	328	320
Other	281	226
	<u>12,306</u>	<u>11,315</u>

22. Trust Funds

Trust funds administered by the City amounting to \$26 (2017 - \$26) have not been consolidated in these financial statements.

	2018	2017
Keele Valley Site Post-Closure Trust Fund (Note 11)	8	8
Homes for the Aged Trust Fund – Residents	6	6
Community Centre Development Levy Trust Fund – Railway Lands	5	5
Toronto Police Service Board Mounted Unit	2	2
Waterpark Place Trust Fund	1	1
Contract Aftercare Trust Fund	1	1
Other Trust Funds	3	3
	<u>26</u>	<u>26</u>

23. Subsequent Events

Invest Toronto was a Council controlled organization which promoted tourism and investment in the City of Toronto. In 2016, Toronto City Council approved participation in Toronto Global, a new Foreign Direct Investment Regional Agency, to be funded in partnership with municipalities and regions in the Greater Toronto Area and with the Provincial and Federal governments. Once operational, Toronto Global delivered the same service for the City as Invest Toronto, but at a regional scale. As such, City Council and the Board approved in 2017 the voluntary wind-up of the Invest Toronto, and a transition plan and transfer of assets to Toronto Global. Council appointed the City Manager to act as liquidator of the estate and effects of the Invest Toronto, which involves settling all outstanding liabilities and distributing remaining assets to the shareholder. With Provincial approval, the entity will be dissolved during the 2019 fiscal year.

On June 4, 2019, Ontario's government passed Bill 107, Getting Ontario Moving Act 2019 (Transportation Statute Law Amendment). Schedule 3 amends the Metrolinx Act, 2006, wherein the Lieutenant Governor in Council may prescribe that a rapid transit design, development or construction project is the sole responsibility of Metrolinx. If a rapid transit project is the sole responsibility of Metrolinx, the City of Toronto and its agencies, including the TTC cannot take further action on that project. Further, the Lieutenant Governor in Council may, by order, transfer to Metrolinx, with or without compensation, all or some of the City of Toronto's and its agencies' assets, liabilities, rights and obligations with respect to a project prescribed as a rapid transit project. The City and the TTC continue to work with the provincial to determine the impact on existing construction in progress for expansion related projects.

24. Greenhouse Gas (GHG) Emission Reductions (unaudited)

Toronto's climate action strategy (TransformTO) lays out a set of long-term, low-carbon goals and strategies to reduce local greenhouse gas emissions, and improve our health, grow the economy, and progress social equity. Under this strategy, Toronto's targets are to reduce GHG emissions from the 1990 levels by 30% by 2020, 65% by 2030 and 80% by 2050.

Subsequent to December 31, 2018, Toronto has released its 2016 inventory on community-wide GHG emissions which indicates that GHG emissions in Toronto were 33% lower in 2016 than in 1990.

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

SCHEDULE 1

As at and for the year ended December 31, 2018 (millions of dollars)

2018

	Cost 2018					Accumulated Amortization 2018				Net Book Value 2018
	Beginning	Additions	Disposals / Transfers	Donated	Ending	Beginning	Amortization	Disposals	Ending	
General										
Land	3,637	421	(6)	-	4,052	-	-	-	-	4,052
Land improvements	1,004	53	-	-	1,057	438	32	-	470	587
Buildings and building improvements	10,403	1,037	(68)	-	11,372	3,538	339	-	3,877	7,495
Machinery and equipment	2,642	342	(53)	-	2,931	1,452	180	(52)	1,580	1,351
Vehicles	2,585	374	(248)	-	2,711	1,613	205	(247)	1,571	1,140
Total General	20,271	2,227	(375)	-	22,123	7,041	756	(299)	7,498	14,625
Infrastructure										
Land	140	-	-	-	140	-	-	-	-	140
Buildings and building improvements	715	95	-	-	810	178	15	-	193	617
Machinery and equipment	2,363	370	-	-	2,733	1,142	78	-	1,220	1,513
Water and wastewater linear	6,364	246	(6)	-	6,604	2,293	87	(4)	2,376	4,228
Roads linear	4,592	150	(8)	-	4,734	2,198	97	(4)	2,291	2,443
Transit	8,531	501	(50)	-	8,982	4,032	234	(50)	4,216	4,766
Total infrastructure	22,705	1,362	(64)	-	24,003	9,843	511	(58)	10,296	13,707
Assets under construction	4,371	894	(880)	-	4,385	-	-	-	-	4,385
TOTAL	47,347	4,483	(1,319)	-	50,511	16,884	1,267	(357)	17,794	32,717

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

SCHEDULE 1

As at and for the year ended December 31, 2017 (millions of dollars)

2017

	Cost 2017					Accumulated Amortization 2017				Net Book Value 2017
	Beginning	Additions	Disposals / Transfers	Donated	Ending	Beginning	Amortization	Disposals	Ending	
General										
Land	3,615	27	(4)	-	3,638	-	-	-	-	3,638
Land improvements	972	40	(8)	-	1,004	411	29	(2)	438	566
Buildings and building improvements	8,658	1,754	(9)	-	10,403	3,251	292	(5)	3,538	6,865
Machinery and equipment	2,292	387	(38)	-	2,641	1,330	159	(38)	1,451	1,190
Vehicles	2,380	295	(90)	-	2,585	1,514	185	(86)	1,613	972
Total General	17,917	2,503	(149)	-	20,271	6,506	665	(131)	7,040	13,231
Infrastructure										
Land	140	-	-	-	140	-	-	-	-	140
Buildings and building improvements	707	9	-	-	716	165	13	-	178	538
Machinery and equipment	2,269	94	-	-	2,363	1,071	71	-	1,142	1,221
Water and wastewater linear	6,251	113	(1)	-	6,363	2,211	83	-	2,294	4,069
Roads linear	4,399	208	(15)	-	4,592	2,118	94	(15)	2,197	2,395
Transit	7,222	1,316	(7)	-	8,531	3,829	210	(7)	4,032	4,499
Total infrastructure	20,988	1,740	(23)	-	22,705	9,394	471	(22)	9,843	12,862
Assets under construction	5,578	895	(2,102)	-	4,371	-	-	-	-	4,371
TOTAL	44,483	5,138	(2,274)	-	47,347	15,900	1,136	(153)	16,883	30,464

CONSOLIDATED SCHEDULE OF GOVERNMENT BUSINESS ENTERPRISES

APPENDIX 1

As at and for the year ended December 31, 2018 (millions of dollars)

Condensed Financial Results (\$) Fiscal Year Ended	Toronto Hydro Corporation December 31		Toronto Parking Authority December 31		Toronto Port Lands Company * December 31		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Financial Position								
Assets								
Current	517	527	85	54	-	41	602	622
Capital	4,711	4,439	206	204	-	357	4,917	5,000
Other	137	254	53	73	-	-	190	327
	5,365	5,220	344	331	-	398	5,709	5,949
Liabilities								
Current	975	771	32	23	-	7	1,007	801
Long-term	2,551	2,696	3	4	-	8	2,554	2,708
	3,526	3,467	35	27	-	15	3,561	3,509
Net equity	1,839	1,753	309	304	-	383	2,148	2,440
City's share (Note 6)	1,822	1,736	309	304	-	383	2,131	2,423
Results of Operations								
Revenues	3,527	3,865	156	151	-	18	3,683	4,034
Expenses	3,349	3,703	89	90	-	7	3,438	3,800
Net income (loss)	178	162	67	61	-	11	245	234
City's share (Note 6)	178	162	67	61	-	11	245	234
Distribution to City (Note 6)	-	-	62	52	-	5	62	57
Dividends paid to City (Note 6)	94	75	-	-	-	-	94	75
Net book value of assets sold from the City to Toronto Hydro Corporation (Note 6)	17	19	-	-	-	-	17	19

* As of January 1, 2018, the Toronto Port Lands Company is fully consolidated and no longer accounted for as a GBE (Note 6)

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – SERVICE

APPENDIX 2

for the year ended December 31, 2018 (millions of dollars)

2018

	General Government	Protection	Transportation	Environmental	Health	Social and Family	Social Housing	Recreation and Cultural	Planning and Development	Consolidated
Taxation	5,080	-	-	-	-	-	-	-	-	5,080
User charges	72	205	1,351	1,343	2	66	18	162	36	3,255
Government transfers	118	56	898	40	323	1,929	107	9	25	3,505
Net GBE income	247	-	-	-	-	-	-	-	-	247
Other	343	69	375	73	4	18	472	226	73	1,653
TOTAL REVENUES	5,860	330	2,624	1,456	329	2,013	597	397	134	13,740
Salaries, wages and benefits	474	1,678	1,597	274	389	610	165	574	52	5,813
Materials	168	31	384	97	20	315	131	98	45	1,289
Contracted services	183	33	486	269	35	555	91	131	82	1,865
Interest on long-term debt	6	11	193	12	1	4	78	12	11	328
Transfer payments	(163)	54	200	112	38	970	172	72	8	1,463
Other	112	13	36	19	3	18	30	47	3	281
Amortization	96	38	682	193	4	2	177	72	3	1,267
TOTAL EXPENSES	876	1,858	3,578	976	490	2,474	844	1,006	204	12,306
ANNUAL SURPLUS/ (DEFICIENCY)	4,984	(1,528)	(954)	480	(161)	(461)	(247)	(609)	(70)	1,434

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – SERVICE

for the year ended December 31, 2017 (millions of dollars)

APPENDIX 2

2017

	General Government	Protection	Transportation	Environmental	Health	Social and Family	Social Housing	Recreation and Cultural	Planning and Development	Consolidated
Taxation	5,003	-	-	-	-	-	-	-	-	5,003
User charges	60	203	1,356	1,135	2	60	18	159	35	3,028
Government transfers	103	43	470	27	308	1,709	117	21	2	2,800
Net GBE income	236	-	-	-	-	-	-	-	-	236
Other	215	62	309	120	5	30	480	193	83	1,497
TOTAL REVENUES	5,617	308	2,135	1,282	315	1,799	615	373	120	12,564
Salaries, wages and benefits	446	1,649	1,548	268	370	583	156	557	46	5,623
Materials	164	28	333	108	17	73	142	95	55	1,015
Contracted services	168	24	450	288	33	418	81	152	14	1,628
Interest on long-term debt	2	12	190	11	-	5	76	14	10	320
Transfer payments	(183)	48	-	74	35	1,096	198	80	19	1,367
Other	91	14	23	28	2	17	8	42	1	226
Amortization	88	36	596	179	3	1	163	68	2	1,136
TOTAL EXPENSES	776	1,811	3,140	956	460	2,193	824	1,008	147	11,315
ANNUAL SURPLUS/ (DEFICIENCY)	4,841	(1,503)	(1,005)	326	(145)	(394)	(209)	(635)	(27)	1,249

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – ENTITY

for the year ended December 31, 2018 (millions of dollars)

APPENDIX 3
2018

	City	Toronto Police Service	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies and Corporations	TOTAL
Taxation	5,080	-	-	-	-	-	5,080
User charges	1,952	30	1,178	4	18	73	3,255
Government transfers	2,516	55	892	6	-	36	3,505
Net GBE income	247	-	-	-	-	-	247
Other	562	31	200	16	666	178	1,653
TOTAL REVENUES	10,357	116	2,270	26	684	287	13,740
Salaries, wages and benefits	2,890	1,101	1,413	144	165	100	5,813
Materials	764	13	260	7	131	114	1,289
Contracted services	1,390	24	244	28	91	88	1,865
Interest on long-term debt	238	9	-	-	78	3	328
Transfer payments	2,414	-	(533)	(187)	(260)	29	1,463
Other	184	4	29	3	30	31	281
Amortization	434	28	579	36	178	12	1,267
TOTAL EXPENSES	8,314	1,179	1,992	31	413	377	12,306
ANNUAL SURPLUS/ (DEFICIENCY)	2,043	(1,063)	278	(5)	271	(90)	1,434

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE BY ENTITY

APPENDIX 3

for the year ended December 31, 2017 (millions of dollars)

2017

	City	Toronto Police Service	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies and Corporations	TOTAL
Taxation	5,003	-	-	-	-	-	5,003
User charges	1,717	32	1,182	4	18	75	3,028
Government transfers	2,272	42	468	8	-	10	2,800
Net GBE income	236	-	-	-	-	-	236
Other	666	29	146	17	470	169	1,497
TOTAL REVENUES	9,894	103	1,796	29	488	254	12,564
Salaries, wages and benefits	2,782	1,080	1,370	141	156	94	5,623
Materials	548	10	217	9	142	89	1,015
Contracted services	1,250	15	232	26	81	24	1,628
Interest on long-term debt	232	10	-	-	76	2	320
Transfer payments	2,438	2	(595)	(186)	(240)	(52)	1,367
Other	176	4	9	3	9	25	226
Amortization	408	27	495	33	163	10	1,136
TOTAL EXPENSES	7,834	1,148	1,728	26	387	192	11,315
ANNUAL SURPLUS/ (DEFICIENCY)	2,060	(1,045)	68	3	101	62	1,249

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – TANGIBLE CAPITAL ASSETS BY ENTITY
APPENDIX 4

for the years ended December 31, 2018 and 2017

2018 and 2017

	City, including Toronto Police Service	Toronto Transit Commission	Toronto Community Housing Corporation	Toronto Public Library	Other Agencies and Corporations	TOTAL
2018						
General						
Cost	8,260	7,770	5,026	490	577	22,123
Accumulated amortization	2,363	2,886	1,957	187	105	7,498
Net Book Value	5,897	4,884	3,069	303	472	14,625
Infrastructure	15,021	8,982	-	-	-	24,003
Cost	6,080	4,216	-	-	-	10,296
Accumulated amortization						
Net Book Value	8,941	4,766	-	-	-	13,707
Assets under construction	2,070	1,998	128	38	151	4,385
Total	16,908	11,648	3,197	341	623	32,717
2017						
General						
Cost	7,967	7,087	4,523	476	218	20,271
Accumulated amortization	2,236	2,751	1,781	181	91	7,040
Net Book Value	5,731	4,336	2,742	295	127	13,231
Infrastructure						
Cost	14,174	8,531	-	-	-	22,705
Accumulated amortization	5,811	4,032	-	-	-	9,843
Net Book Value	8,363	4,499	-	-	-	12,862
Assets under construction	1,958	2,052	223	30	108	4,371
Total	16,052	10,887	2,965	325	235	30,464