

2012 Consolidated Financial Statements

December 31, 2012

Table of Contents

Management’s Report.....	3
Auditor’s Report.....	4
Consolidated Statement of Financial Position	5
Consolidated Statement of Operations and Accumulated Surplus.....	6
Consolidated Statement of Change in Net Debt.....	7
Consolidated Statement of Cash Flows	8
Notes to Consolidated Financial Statements.....	9
Consolidated Schedule of Tangible Capital Assets – Schedule 1.....	38
Consolidated Schedule of Government Business Enterprises – Appendix 1	40
Consolidated Schedule of Segment Disclosure – Service – Appendix 2	41
Consolidated Schedule of Segment Disclosure - Entity – Appendix 3.....	43
Consolidated Schedule of Segment Disclosure – Tangible Capital Assets by Entity – Appendix 4.....	45

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 Canadian Institute of Chartered Accountants. A summary of the significant accounting policies is disclosed in Note 1 to the consolidated financial statements.

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

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

The 2012 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
July 17, 2013

Giuliana Carbone
Treasurer

Roberto Rossini
Deputy City Manager & Chief Financial Officer

Joseph P. Pennachetti
City Manager

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of the City of Toronto, which comprise the Consolidated Statement of Financial Position as at December 31, 2012 and the Consolidated Statements of Operations and Accumulated Surplus, Change in Net Debt, and Cash Flows 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 Canadian public sector accounting standards, 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 as at December 31, 2012 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants, Licensed Public Accountants

Toronto, Canada
July 17, 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2012

(with comparative figures as at December 31, 2011)

(all dollar amounts in thousands of dollars)

	2012	2011 (Restated Note 2)
FINANCIAL ASSETS		
Cash	451,938	483,124
Accounts receivable (Note 3)	1,190,882	1,169,204
Property taxes receivable	224,878	244,209
Other assets (Note 4)	162,098	151,890
Investments (Note 5)	4,414,034	3,488,381
Due from Toronto District School Board (Note 13)	26,371	30,190
Investments in government business enterprises (Note 6)	1,775,254	1,716,093
Total financial assets	8,245,455	7,283,091
LIABILITIES		
Bank indebtedness (Note 7)	49,834	144,710
Accounts payable and accrued liabilities (Note 8)	2,676,071	2,616,322
Deferred revenue (Note 9)	1,574,201	1,420,179
Other liabilities (Note 10)	598,728	555,746
Landfill closure and post-closure liabilities (Note 11)	124,182	121,440
Mortgages payable (Note 12)	732,225	773,590
Net long-term debt (Note 13)	3,699,256	3,264,220
Employee benefit liabilities (Note 14)	3,035,993	2,776,167
Total liabilities	12,490,490	11,672,374
NET DEBT	(4,245,035)	(4,389,283)
NON-FINANCIAL ASSETS		
Tangible capital assets, net (Note 15, Schedule 1)	22,110,293	20,699,162
Inventories and prepaid expenses (Note 16)	299,808	331,532
	22,410,101	21,030,694
Commitments and contingencies (Note 17)		
ACCUMULATED SURPLUS (Note 18)	18,165,066	16,641,411

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

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

for the year ended December 31, 2012
 (with comparative figures for the year ended December 31, 2011)
 (all dollar amounts in thousands of dollars)

	2012 BUDGET (Note 19)	2012 ACTUAL	2011 (Restated Note 2)
REVENUE			
Property taxation	3,737,936	3,750,325	3,583,368
Municipal land transfer tax	294,224	349,798	324,065
Taxation from other governments	92,200	106,600	98,596
User charges	2,809,407	2,797,655	2,615,642
Funding transfers from other governments (Note 20)	3,342,820	3,054,218	3,148,351
Gain on sale of Enwave (Note 6)	-	96,611	-
Government business enterprise earnings (Note 6)	-	180,097	188,041
Investment income	170,732	246,760	248,397
Development charges	203,430	141,133	94,952
Rent and concessions	324,537	395,470	386,073
Other	647,899	584,536	604,560
Total revenue	11,623,185	11,703,203	11,292,045
EXPENSES			
General government	1,045,230	873,889	1,193,486
Protection to persons and property	1,620,477	1,558,447	1,667,615
Transportation	3,183,228	2,828,174	2,642,260
Environmental services	1,059,491	810,859	834,088
Health services	407,442	397,210	399,207
Social and family services	2,136,223	1,999,896	2,032,670
Social housing	899,167	850,026	804,577
Recreation and cultural services	922,692	861,716	847,271
Planning and development	122,425	96,533	143,636
Total expenses (Note 21)	11,396,375	10,276,750	10,564,810
ANNUAL SURPLUS	226,810	1,426,453	727,235
ACCUMULATED SURPLUS - BEGINNING OF YEAR	15,594,762	16,641,411	15,582,937
GBE - IFRS adjustment -Toronto Hydro Corp. (Note 6)	-	97,202	331,239
ACCUMULATED SURPLUS - END OF YEAR (Note 18)	15,821,572	18,165,066	16,641,411

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

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

for the year ended December 31, 2012

(with comparative figures for the year ended December 31, 2011)

(all dollar amounts in thousands of dollars)

	2012 BUDGET (Note 19)	2012 ACTUAL	2011 ACTUAL (Restated Note 2)
Annual Surplus	226,810	1,426,453	727,235
Acquisition of tangible capital assets	(2,285,699)	(2,297,710)	(2,161,323)
Amortization of tangible capital assets	802,035	801,845	814,522
(Gain) Loss on disposal of tangible capital assets	-	(6,467)	70,170
Recognition of TPLC as a government business enterprise (Note 6)	-	-	163,663
Reclassification of tangible capital assets as inventories	-	50,321	43,209
Proceeds on disposal of tangible capital assets	2,000	40,880	-
Change due to tangible capital assets	(1,481,664)	(1,411,131)	(1,069,759)
Change in inventories and prepaid expenses	-	31,724	(2,195)
GBE - IFRS adjustment - Toronto Hydro Corp. (Note 6)	-	97,202	331,239
Increase in net debt	(1,254,854)	144,248	(13,480)
NET DEBT - BEGINNING OF YEAR	(4,389,283)	(4,389,283)	(4,375,803)
NET DEBT - END OF YEAR	(5,644,137)	(4,245,035)	(4,389,283)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2012

(with comparative figures for the year ended December 31, 2011)

(all dollar amounts in thousands of dollars)

	2012	2011 (Restated Note 2)
OPERATING ACTIVITIES		
Annual surplus	1,426,453	727,235
Add (deduct) items not involving cash:		
Government business enterprises income from operations	(180,097)	(188,041)
Amortization of tangible capital assets	801,845	814,522
Loss (gain) on disposal of tangible capital assets	(6,467)	70,170
Gain on sale on Enwave	(96,611)	-
	<u>1,945,123</u>	<u>1,423,886</u>
Change in non-cash assets and liabilities related to operations:		
Increase in accounts receivable	(21,678)	(149,744)
Decrease in property taxes receivable	19,331	56,178
Increase in accounts payable and accrued liabilities	59,749	172,795
Increase in deferred revenue	154,022	38,674
Increase in other liabilities	42,982	78,742
Decrease (increase) in inventories and prepaid expenses	31,724	(49,943)
Increase in landfill closure and post-closure liabilities	2,742	382
Increase in employee benefit liabilities	259,826	187,210
Cash provided by operating activities	<u>2,493,821</u>	<u>1,758,180</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(2,297,710)	(2,161,323)
Recognition of TPLC as a government business enterprise	-	163,663
Proceeds on disposal of tangible capital assets	40,880	-
Reclassification of tangible capital assets as inventories	50,321	43,209
Cash applied to capital activities	<u>(2,206,509)</u>	<u>(1,954,451)</u>
INVESTING ACTIVITIES		
Increase in other assets	(10,208)	(27,844)
Purchase of investments, net	(925,653)	(194,174)
Proceeds on repayment of due from Toronto District School Board	3,819	3,625
TPLC net assets reported on recognition as government business enterprise	-	(12,841)
Proceeds from sale of Enwave, net of legal fees	167,366	-
Dividends and distributions from government business enterprises	147,383	75,812
Cash provided by (applied to) investing activities	<u>(617,293)</u>	<u>(155,422)</u>
FINANCING ACTIVITIES		
(Decrease) increase in bank indebtedness	(94,876)	9,381
Principal repayments on mortgages payable	(41,365)	(30,046)
Proceeds from long-term debt issued	801,709	735,585
Principal repayments on long-term debt	(291,512)	(291,103)
Interest earned on sinking funds	(71,342)	(67,110)
Principal repayments on debt by Toronto District School Board	(3,819)	(3,624)
Cash provided by (applied to) financing activities	<u>298,795</u>	<u>353,083</u>
Net (decrease) increase in cash during the year	(31,186)	1,390
CASH – BEGINNING OF YEAR	483,124	481,734
CASH – END OF YEAR	<u>451,938</u>	<u>483,124</u>
SUPPLEMENTARY INFORMATION:		
Cash paid for interest on debt	279,493	263,608
Cash received for interest on investments	<u>222,177</u>	<u>220,976</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 (all dollar amounts in thousands of dollars)

The City of Toronto (the "City") is the largest city in Canada, and is the provincial capital of Ontario. The City was incorporated 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. Summary of Significant Accounting Policies

Basis of accounting

The consolidated financial statements of the City have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) established by the Public Sector Accounting Board ("PSAB") of The Canadian Institute of Chartered Accountants ("CICA").

Principles of consolidation

The consolidated financial statements include all organizations that are accountable for the administration of their financial affairs and resources to City Council ("Council") and are controlled by the City. 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, except for government business enterprises which are accounted for by the modified equity basis of accounting and the Toronto Waterfront Revitalization Corporation which is accounted for by proportionate consolidation.

Consolidated entities:

Agencies and Corporations:

- ❖ Board of Governors of Exhibition Place
- ❖ Board of Management of the Toronto Zoo
- ❖ Casa Loma Corporation
- ❖ Heritage Toronto
- ❖ Lakeshore Arena Corporation
- ❖ The North York Performing Arts Centre Corporation
- ❖ The Sony Centre for the Performing Arts
- ❖ St. Lawrence Centre for the Arts
- ❖ Toronto Atmospheric Fund ("TAF")
- ❖ Toronto Board of Health
- ❖ Toronto Community Housing Corporation ("TCHC")
- ❖ Toronto Licensing Commission
- ❖ Toronto Police Services Board
- ❖ Toronto Public Library Board
- ❖ Toronto Transit Commission ("TTC")
- ❖ Toronto Waterfront Revitalization Corporation ("TWRC") (1/3rd proportionately)
- ❖ Yonge-Dundas Square
- ❖ Build Toronto Inc.
- ❖ Invest Toronto Inc.

Arenas:

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

Community Centres:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 (all dollar amounts in thousands of dollars)

Business Improvement Areas:

- ❖ Albion/Islington Square
- ❖ Baby Point Gates
- ❖ Bloor Annex
- ❖ Bloor by the Park
- ❖ Bloorcourt Village
- ❖ Bloordale Village
- ❖ Bloor Street
- ❖ Bloor West Village
- ❖ Bloor-Yorkville
- ❖ Cabbagetown
- ❖ Chinatown
- ❖ Church-Wellesley Village
- ❖ College Promenade
- ❖ Corso Italia
- ❖ Crossroads of the Danforth
- ❖ Danforth Mosaic
- ❖ Danforth Village
- ❖ Dovercourt Village
- ❖ Downtown Yonge
- ❖ Dundas West
- ❖ 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
- ❖ Kingsway
- ❖ Korea Town
- ❖ Lakeshore Village
- ❖ Liberty Village
- ❖ Little Italy
- ❖ Little Portugal
- ❖ Long Branch
- ❖ Mimico by the Lake
- ❖ Mimico Village
- ❖ Mirvish Village
- ❖ Mount Dennis
- ❖ Mount Pleasant
- ❖ Oakwood Village
- ❖ Pape Village
- ❖ Parkdale Village
- ❖ Queen Street West
- ❖ Regal Heights Village
- ❖ Riverside
- ❖ Roncesvalles Village
- ❖ Rosedale Main Street
- ❖ Sheppard East Village
- ❖ St. Clair Gardens
- ❖ St. Lawrence Market Neighbourhood
- ❖ The Beach
- ❖ The Danforth
- ❖ The Dupont Strip
- ❖ The Eglinton Way
- ❖ The Queensway
- ❖ The Waterfront
- ❖ Toronto Entertainment District
- ❖ Trinity Bellwoods
- ❖ Upper Village
- ❖ Uptown Yonge
- ❖ Village of Islington
- ❖ West Queen West
- ❖ Weston Village
- ❖ Wexford Heights
- ❖ Wychwood Heights
- ❖ Yonge-Lawrence Village
- ❖ York-Eglinton

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

Government business enterprises (GBEs)

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

- ❖ Toronto Hydro Corporation
- ❖ Toronto Parking Authority
- ❖ City of Toronto Economic Development Corporation c.o.b. Toronto Port Lands Company ("TPLC") (recognized as a GBE effective January 1, 2011)
- ❖ Enwave Energy Corporation (Enwave) (divested October 31, 2012)

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 23).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 (all dollar amounts in thousands of dollars)

Use of estimates and measurement uncertainty

The preparation of 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 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.

Tax revenues

Annually, the City bills and collects property tax revenues for municipal purposes as well as provincial education taxes on behalf of the Province of Ontario (the "Province") for education purposes. The authority to levy and collect property taxes is established under the *City of Toronto Act, 2006*, the *Assessment Act*, the *Education Act*, and other legislation.

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

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

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 (all dollar amounts in thousands of dollars)

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

Beginning in 2008, the City implemented the Municipal Land Transfer Tax, which applies to all land sales. The revenues are transaction-based and are recognized at the time of the transaction, at registration of the sale of land.

User charges

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

Government transfers

Government transfers are transfers from senior levels of government that are not the result of an exchange transaction and are not expected to be repaid in the future. Government transfers are recognized in the fiscal year in which events giving rise to the transfer occur, providing the transfers are authorized, eligibility criteria have been met and reasonable estimates of the amounts can be made.

Development charges

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 capital projects.

Other revenue

Other revenues are recognized in the year that the events giving rise to the revenues occur and the revenues are earned. Amounts received which relate to revenues that will be earned in a subsequent year, are deferred and reported as liabilities.

Expenses

Expenses are recognized in the year that the events giving rise to the expenses occur and there is a legal or constructive obligation to pay.

Investments

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

Investment income 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 (all dollar amounts in thousands of dollars)

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 expenditures, developed from the City's historical experience on loss payments. Where the costs are deemed to be likely and reasonably determinable, claims are reported as an operating expenditure, and are included in other liabilities on the Consolidated Statement of Financial Position.

TTC unsettled accident claims

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.

Environmental provisions

The City provides for the cost of compliance with environmental legislation when conditions are identified which indicate non-compliance and costs can be reasonably determined.

The estimated amounts of future restoration costs are reviewed regularly, based on available information and governing legislation. Where the costs are deemed to be likely and reasonably determinable, claims are reported as an operating expense, and are included in other liabilities on the Consolidated Statement of Financial Position.

Landfill closure and post-closure liabilities

The costs to close existing landfill sites and to maintain closed solid waste landfill sites are based on estimated future expenditures in perpetuity in current dollars, adjusted for estimated inflation. These costs are reported as a liability on the Consolidated Statement of Financial Position.

Deferred revenue

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

Derivative financial instruments

A derivative financial instrument (interest rate swap) is 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. The City also utilizes derivative financial instruments in the management of its purchase of electricity and natural gas. The City's policy is not to use derivative financial instruments for trading or speculative purposes. 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.

Employee benefit liabilities

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 (all dollar amounts in thousands of dollars)

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

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

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 lives 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	6 - 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 lives is not capitalized.

Reserves and reserve funds

Reserves and reserve funds are comprised of funds set aside for specific purposes by Council and funds set aside for specific purposes by legislation, regulation or agreement. For financial reporting purposes, reserve funds set aside by legislation, regulation or agreement are reported as deferred revenue on the Consolidated Statement of Financial Position. Other reserve funds and reserves are balances within the accumulated surplus.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 (all dollar amounts in thousands of dollars)

2. Restatement of Prior Period Consolidated Financial Statements

Prior period consolidated financial statements have been restated for the following two matters:

- a) During the year a review of deferred revenue accounts was undertaken and amounts representing contra-accounts for certain loans were adjusted. Some of these loans pre-date amalgamation, while others result from programs that continue to be in place. The impact of this change to accumulated surplus as at January 1, 2011 is an increase of \$57,583.
- b) The Toronto Waterfront Revitalization Corporation consolidated financial statements have been restated to include assets under development, which were previously expensed. The impact of this adjustment to accumulated surplus and assets under construction as at January 1, 2011 is an increase of \$40,300 representing the City's 1/3 share.

The impacts of this change are as follows:

Consolidated Statement of Financial Position

	2011 (as reported)	2011 (as restated)	Change
	\$	\$	\$
Deferred revenue*	1,479,932	1,420,179	(59,753)
Accounts receivable**	1,169,755	1,169,204	551
Assets under construction – TWRC	20,629,025	20,699,162	(70 137)
Accumulated surplus	16,512,072	16,641,411	129,339

* Deferred revenue as reported, is net of regrouped items totaling \$32,661.

** Accounts receivable as reported, is net of regrouped items totaling \$5,053.

Consolidated Statement of Operations

	2011 (as reported)	2011 (as restated)	Change
	\$	\$	\$
General government	1,195,957	1,193,486	(2,471)
Social and family services	2,049,481	2,049,504	23
Social housing	803,748	804,577	829
Planning and development - TWRC	173,473	143,636	(29,837)
Total expenses *	10,596,266	10,564,810	(31,456)
Annual surplus	695,779	727,235	(31,456)
Accumulated surplus, beginning of year	15,485,054	15,582,937	(97,883)
GBE-Transition adjustments upon IFRS Adoption 2010 Opening change	331,239	331,239	-
Accumulated surplus, end of year	16,512,072	16,641,411	(129,339)

* Total expenses as reported is net of regrouped items totaling \$53,805.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 (all dollar amounts in thousands of dollars)

3. Accounts Receivable

Accounts receivable consist of the following:

	2012 \$	2011 (Restated) \$
Government of Canada	326,193	316,132
Government of Ontario	297,752	228,338
Other municipal governments	44,971	26,346
School Boards	9,608	9,382
Utility fees	144,468	133,565
Other fees and charges	367,890	455,441
	1,190,882	1,169,204

4. Other Assets

Other assets consist of the following:

	2012 \$	2011 \$
TCHC has entered into loan agreements with Dundas and Parliament Development Corporation (DPDC) and Parliament and Gerrard Development Corporation (PGDC) to finance the pre-development and construction of condominium buildings. Advances earn interest at the bank's prime rate plus 0.28% to 0.50%.	4,598	35,785
Build Toronto Inc. loan receivable from Pinewood Toronto Studios Inc. (PTSI), due September 2018, bearing interest at 5.61%, to be converted into a 25 year amortizable debenture upon maturity.	29,038	29,038
Build Toronto Inc. loan receivable from Toronto Waterfront Studios Inc., due June 2014, bearing interest at 6%, secured by a pledge of 1,000 shares of PTSI.	3,776	3,776
Build Toronto Inc. Vendor-take-back (VTB) mortgages of \$57,106,000. The interest rates range from 0% to 6.5% with various maturities from July 30, 2013 to December 23, 2014, secured by charges on the land. The 0% mortgage was adjusted to its fair value.	36,939	2,245
Provincial affordability housing grants for the development of three TCHC projects are paid monthly and have been set up as grant receivable.	10,145	10,559
TCHC's equity in Joint Ventures consists of a co-tenancy agreement with a developer for the construction of certain properties in Regent Park and a loan agreement with PGDC to finance the pre-development costs of condominium buildings. Additionally, TCHC's wholly owned subsidiary Railway Lands Development Corporation (RLDC) has entered into an equal interest co-tenancy agreement with a developer, Library District Inc. for the construction of certain properties.	15,486	7,215
Loans receivable from community housing organizations bearing interest at rates from 0% to 5% (2011 – 0% to 5%) per annum, maturing from 2012 to 2044.	48,167	49,017
TCHC Mortgages receivable are to related sales-type leases from 2010 to 2057 for commercial space in a TCHC building. One mortgage has a maturity date of May 11, 2037, and bears interest at 4.88%. The other two mortgages have a term starting from May 11, 2037 to May 11, 2057, and bear interest equal to the replacement debenture rate.	11,974	11,974
Other	1,975	2,281
	162,098	151,890

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 (all dollar amounts in thousands of dollars)

5. Investments

Investments consist of the following:

	2012		
	Cost \$	Market value \$	Carrying value \$
Federal government bonds	476,587	528,259	476,587
Provincial government bonds	1,085,975	1,185,785	1,085,975
Municipal government bonds	482,817	527,841	482,817
Money market instruments	1,787,917	1,793,144	1,787,917
Corporate bonds	345,006	357,453	345,006
Other	235,732	254,052	235,732
	4,414,034	4,646,534	4,414,034

	2011		
	Cost \$	Market value \$	Carrying value \$
Federal government bonds	449,882	509,380	449,882
Provincial government bonds	1,098,856	1,225,573	1,098,856
Municipal government bonds	472,894	522,807	472,894
Money market instruments	915,125	915,125	915,125
Corporate bonds	364,425	380,294	364,425
Other	187,199	229,860	187,199
	3,488,381	3,783,039	3,488,381

Municipal and Federal government bonds include bonds held in trust by the insurance carrier as collateral for the provision of automobile and primary liability insurance with a carrying value of \$64,281,298 (2011 - \$0). The weighted average yield on the cost of the bond investment portfolio during the year was 5.52% (2011 - 5.73%). Maturity dates on investments in the portfolio range from 2013 to 2042 (2011 - 2012 to 2041). Included in the City's municipal government bonds portfolio are City of Toronto debentures at coupon rates varying from 4.50% to 8.65% (2011 - 4.05% to 8.65%) with a carrying value of \$182,237 (2011 - \$179,915).

Other investments held by the City, its agencies and corporations consist of the following:

	2012		
	Cost \$	Market value \$	Carrying value \$
City investments	279	279	279
Build Toronto	28,698	28,698	28,698
TAF	17,359	19,156	17,359
TCHC			
- Pooled investments	169,095	185,618	169,095
- Term deposits and other	10,328	10,328	10,328
TWRC	9,973	9,973	9,973
	235,732	254,052	235,732

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 (all dollar amounts in thousands of dollars)

	2011		
	Cost	Market value	Carrying value
	\$	\$	\$
City investments	254	254	254
TCHC			
- Pooled investments	135,417	178,018	135,417
- Term deposits and other	6,762	6,762	6,762
TWRC	21,443	21,443	21,443
TAF	19,049	19,108	19,049
Build Toronto	3,313	3,313	3,313
Invest Toronto	956	957	956
St. Lawrence Centre for the Arts	5	5	5
	187,199	229,860	187,199

6. Investments in Government Business Enterprises (GBEs)

Government business enterprises consist of 100% interest in Toronto Hydro Corporation (a hydro-electric local distribution company), Toronto Parking Authority (an operator of public parking for the City of Toronto), Toronto Port Lands Company (a company involved in development of real estate in the Toronto port lands, reclassified as a GBE effective January 1, 2011), and an approximate 43% interest in Enwave (a provider of district heating and cooling within the downtown core of Toronto). The City divested their interest in Enwave effective October 31, 2012.

a) Details of the continuity of the book value of these investments are as follows:

	2012	2011
	\$	\$
Balance - beginning of year	1,716,093	1,259,784
TPLC net assets reported on recognition as government business enterprise	-	12,841
January 2011 adjustments to TPLC net assets	-	20,057
Income from operations (Appendix 1)	177,667	163,637
Adjusted cost of Enwave investment sold	(70,755)	-
Transition adjustment upon IFRS conversion – TPLC	-	329,894
Transition adjustment upon IFRS conversion – Toronto Parking Authority	-	1,345
IFRS adjustment – Toronto Hydro Corp.	97,202	-
Dividends received (Appendix 1)	(87,966)	(33,063)
Distribution to City (Appendix 1)	(59,417)	(42,749)
Change in net book value of street-lighting assets eliminated on sale to Toronto Hydro Corporation (Appendix 1)	1,616	3,533
Change in net book value of assets transferred from Enwave (Appendix 1)	814	814
Balance - end of year (Appendix 1)	1,775,254	1,716,093

Toronto Hydro Inc. reports under United States GAAP and has provided a reconciliation to International Financial Reporting Standards (IFRS) to the City. The IFRS adjustment to retained earnings for Toronto Hydro Inc. is primarily due to differences in accounting treatment related to regulatory assets and liabilities and property, plant and equipment. Under IFRS, there is currently no equivalent standard for rate-regulated accounting and therefore, all regulatory balances that did not meet the definition of an asset or a liability under International Accounting Standards (IAS) were derecognized for the purposes of the reconciliation. In addition, property, plant and equipment that were disposed of, replaced or had no future economic value was derecognized under IAS 16 "Property, Plant and Equipment".

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 (all dollar amounts in thousands of dollars)

Investment in Government Business Enterprises is comprised of equity and long-term subordinated debt as follows:

		2012	2011
		\$	\$
Toronto Hydro Corporation	Equity	1,202,707	1,074,183
Toronto Parking Authority	Equity	207,293	204,721
Enwave	Equity	-	21,603
	Debt	-	46,152
Toronto Port Lands Company	Equity	365,254	369,434
		1,775,254	1,716,093

b) Condensed financial results for each government business enterprise are disclosed in Appendix 1 to the notes to these consolidated financial statements. The results presented in Appendix 1 relate to fiscal years ended December 31 for Toronto Hydro Corporation, Toronto Parking Authority, and Toronto Port Lands Company, and October 31 for Enwave.

c) Gain on sale of Enwave

On October 31, 2012 the City sold its shares in Enwave for a total consideration of \$167,449, resulting in a gain on sale of \$96,611 (proceeds net of legal fees of \$167,366 less adjusted cost of investment of \$70,755).

Government Business Enterprise Earnings on the Consolidated Statement of Operations and Accumulated Surplus consists of the following:

	2012	2011
	\$	\$
January 2011 Adjustments to TPLC net Assets	-	20,057
Income from Operations	177,667	163,637
Change in net book value of street-lighting assets – Toronto Hydro	1,616	3,533
Change in net book value of water infrastructure assets – Enwave	814	814
Government Business Enterprises Earnings	180,097	188,041

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

	2012	2011
	\$	\$
Receivable by the City:		
City loan receivable outstanding from Toronto Port Lands Company on a construction loan facility	-	128,500
Purchased by the City:		
Street-lighting, electricity, and maintenance services from Toronto Hydro Corporation	222,032	147,469

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 (all dollar amounts in thousands of dollars)

e) Principal repayment due dates of long-term debt of the GBEs are as follows:

	Total \$	Due to City \$	Due to others \$
2013	470,439	-	470,439
2014	412	-	412
2015	436	-	436
2016	460	-	460
2017	250,346	-	250,346
Thereafter	754,228	-	754,228
	1,476,321	-	1,476,321

The City's GBEs are committed to the following minimum annual operating lease payments:

2013	10,856
2014	10,764
2015	9,020
2016	7,634
2017	2,960
Thereafter	1,074
	42,308

There are five joint venture agreements between TPA and private developers, which generally provide for the sale of above-grade strata air rights and the acquisition of parking garages. These agreements cover 1,265 parking spaces and will require an outlay of \$13,570.

7. Bank indebtedness

The City has an unsecured demand revolving credit facility in the amount of \$100,000 (2011 - \$100,000) bearing interest at the bank's prime rate with an effective rate during 2012 of 3% (2011 - 3%) per annum.

TCHC has a committed revolving credit facility of \$200,000 (2011 - \$200,000) that is available for short-term advances and letters of credit, of which \$4,000 (2011 - \$70,860) has been utilized. Short-term advances are available by way of Bankers' Acceptance ("BA") and are repayable at maturity of the term on various dates throughout 2013. Interest charges are at the BA rate plus 1.10% for an effective rate of 2.39% (2011 - 2.36%) per annum. As at December 31, 2012, TCHC also has outstanding letters of credit of \$5,610 (2011 - \$6,499).

Build Toronto Inc. (BTI) has a credit facility for a maximum of \$34,500, bearing interest-only for the first three years at 1.99%, to be reset monthly to the lender's borrowing rate. Thereafter, the interest will be fixed and the remaining principal amount will be amortized over 25 years.

Bank indebtedness consists of the following:

	2012 \$	2011 \$
City, net outstanding cheques	16,795	41,035
TCHC	4,000	70,860
Build Toronto Inc.	29,039	32,815
	49,834	144,710

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 (all dollar amounts in thousands of dollars)

8. Accounts Payable and Accrued Liabilities

Accounts payable consist of the following:

	2012 \$	2011 \$
Trade payables and accruals	1,667,616	1,622,894
School boards	330,762	260,470
Provision for assessment appeals on property taxes paid	389,639	487,309
Credit balances on property tax accounts	66,885	41,657
Wage accruals	221,169	203,992
	2,676,071	2,616,322

9. Deferred Revenue

(a) Obligatory reserve funds

Revenues received that have been set aside for specific purposes by Provincial legislation, as well as certain City bylaws or agreements, are included in deferred revenue and reported on the Consolidated Statement of Financial Position.

Details of these deferred revenues are as follows:

	2012 \$	2011 (Restated) \$
<i>Restricted by Provincial legislation</i>		
Development Charges	375,071	320,420
Recreational Land (Planning Act)	347,525	261,055
Subdividers' Deposits	10,808	13,741
Building Code Act Service Improvement	20,821	15,370
Provincial Gas Tax	-	5,009
	754,225	615,595
<i>Restricted by other agreements</i>		
Public Transit Funds	272,203	383,520
Water and Wastewater	156,017	30,900
Community Services	81,948	82,025
Third Party Agreements	25,959	25,113
State of Good Repair	13,794	10,765
Parking Authority	3,185	2,858
	553,106	535,181
Total obligatory reserve funds	1,307,331	1,150,776

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 (all dollar amounts in thousands of dollars)

(b) Advanced payments and contributions

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

	2012 \$	2011 (Restated) \$
Community Services	1,217	6,846
Building Code Act	51,218	39,642
Long-Term Care – Public Health and Housing	12,445	10,358
Police	1,730	1,654
Parks	14,042	5,212
Metrolinx – Union Station	28,636	28,429
Other	53,257	55,266
City's agencies and corporations	104,325	121,996
Total advance payments and contributions	266,870	269,403
(c) Total Deferred Revenue (9 (a) and 9 (b))	1,574,201	1,420,179

10. Other Liabilities

Other liabilities consist of the following:

	2012 \$	2011 \$
Property and liability claims provision (Note 17b)	326,350	296,221
TTC – unsettled accident claims (Note 17b)	169,821	157,833
Build Toronto – environmental liabilities (Note 17h)	26,845	20,010
TTC – environmental liabilities (Note 17g)	15,275	13,400
Other	60,437	68,282
	598,728	555,746

11. Landfill Closure and Post-Closure Liabilities

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

Active Sites

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

The estimated liability for the care of this landfill site is the present value of future cash flows associated with closure and post-closure costs discounted using the City's average long-term borrowing rate of 4.5% (2011 – 5%). The estimated present value of future expenditures for closure and post-closure care as at December 31, 2012 is \$4,039 (2011 - \$3,022), based on the percentage of total approved capacity used of 34.17% (2011 – 30.37%).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 (all dollar amounts in thousands of dollars)

In order to help reduce the future impact of these obligations, the City has established two reserve fund accounts. The Green Lane account holds surpluses from the operations of the Green Lane landfill site, and the Green Lane Perpetual Care account provides funding for the future costs of long-term post-closure care of the Green Lane landfill site. The balance in the Green Lane account as at December 31, 2012 was \$16,881 (2011 - \$12,148) and the balance in the Green Lane Perpetual Care account as at December 31, 2012 was \$2,174 (2011 - \$1,527). Total contributions to the Green Lane Perpetual Care account of \$632 (2011 - \$640) were based on a contribution rate of 88¢ (2011 - 88¢) per tonne of waste disposed. Both of these reserve fund accounts are included as part of The State of Good Repair Reserve Fund (Note 18).

Inactive Sites

The City has identified 160 (2011 – 160) inactive landfill sites for which it retains responsibility for all costs relating to closure and post-closure care (Note 17i).

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

The estimated liability for the care of 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 4.5% (2011 – 5%). The estimated present value of future expenditures for post-closure care as at December 31, 2012 was \$120,143 (2011 – \$118,418).

In order to help reduce the future impact of these obligations, the City has established a reserve fund for the care of these sites and maintains a trust fund in satisfaction of requirements of the Ministry of the Environment. The balance in the Solid Waste Management Perpetual Care Reserve Fund as at December 31, 2012 was \$19,944 (2011 - \$24,859) and is included as part of the State of Good Repair Reserve Fund (Note 18), and the balance in the Keele Valley Site Post-Closure Trust Fund as at December 31, 2012 was \$7,467 (2011 - \$7,444) (Note 23).

The total landfill closure and post-closure liabilities are as follows:

	2012	2011
	\$	\$
Active landfill site (Green Lane)	4,039	3,022
Inactive landfill sites	120,143	118,418
	124,182	121,440

Landfill closure and post-closure costs totaling \$6,707 (2011 - \$5,899) were expensed during the year.

12. Mortgages Payable

Mortgages payable are as follows:

	2012	2011
	\$	\$
Mortgages issued by TCHC, bearing interest at rates ranging from 2.11% to 12.75% (2011 – 2.68% to 12.75%) per annum, with maturities ranging from 2013 to 2048, and collateralized by housing properties owned by TCHC with a net book value of approximately \$1,555,623 (2011 - \$1,519,606).	732,225	773,590

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 (all dollar amounts in thousands of dollars)

Principal repayments are due as follows:

	<u>\$</u>
2013	47,372
2014	49,449
2015	51,504
2016	52,155
2017	52,798
Thereafter	<u>478,947</u>
	<u>732,225</u>

Principal payments made in 2012: \$41,365 (2011 - \$30,046).

13. Net Long-Term Debt

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

The net unsecured long-term debt reported on the Consolidated Statement of Financial Position comprises the following:

	<u>2012</u>	<u>2011</u>
	<u>\$</u>	<u>\$</u>
Debentures issued by the City, bearing interest at various rates ranging from 3.50% to 8.65% (2011 - 3.50% to 8.65%) per annum, maturing from 2013 to 2042.	4,756,468	4,084,990
Debt issued by TCHC bearing interest at various rates ranging from 4.55% to 5.40% (2011 - 4.55% to 5.39%) per annum, maturing from 2013 to 2040. Included in this debt is a non-revolving 20-year term loan of \$37,936 (2011 - \$40,432) bearing interest at a fixed rate of 4.55% per annum, maturing February 15, 2018. The estimated fair value loss of the interest rate swap at December 31, 2012 is \$4,698 (2011 - \$6,119).	502,888	508,283
Debentures issued by the City on behalf of the TDSB, bearing interest at 6.10% (2011 - 6.10%) per annum, maturing from 2013 to 2037.	75,846	75,846
Loans payable to the Province, bearing interest at 2.76% (2011 - 2.76%) per annum, with no fixed maturity date.	170,171	170,171
Loan payable, bearing interest at 8.05% (2011 - 8.05%) per annum, maturing in 2018.	952	1,078
Debt issued by Lakeshore Arena Corporation ranging from 1.60% to 5.23%. Included in this debt is a fixed rate loan with interest at 5.23% with principal payable monthly and a lump sum payment due October 31, 2017, as well as 3 floating rate loans with interest rates from 1.60% to 4.25% with full settlement due September 30, 2014.	39,234	39,547
Sinking fund deposits bearing interest at rates between 3.5% and 6% (2011 - 4% to 6%) per annum.	(1,796,828)	(1,570,039)
Sinking fund deposits – TDSB, bearing interest at 5% (2011 - 5%) per annum.	<u>(49,475)</u>	<u>(45,656)</u>
	<u>3,699,256</u>	<u>3,264,220</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 (all dollar amounts in thousands of dollars)

Principal repayments are due as follows:

	<u>\$</u>
2013	524,636
2014	398,029
2015	318,711
2016	293,603
2017	267,573
Thereafter	<u>1,896,704</u>
	<u>3,699,256</u>

Principal payments made in 2012 were \$227,543 (2011 - \$198,898).

Included in net long-term debt are outstanding debentures of \$4,448,000 (2011 - \$3,848,000) for which there are sinking fund assets with a carrying value of \$1,817,432 (2011 - \$1,604,342) and a market value of \$1,969,478 (2011 - \$1,772,462).

Sinking fund assets are comprised of short-term notes and deposits, government and government-guaranteed bonds and debentures, and corporate bonds. Government and government-guaranteed bonds and debentures include City of Toronto debentures with a carrying value of \$172,971 (2011 - \$146,944) and a market value of \$195,268 (2011 - \$168,079).

The City's net long-term debt is to be recovered from the following sources:

	<u>2012</u>	<u>2011</u>
	<u>\$</u>	<u>\$</u>
Property taxes	3,130,763	2,686,200
TCHC	502,888	508,283
Lakeshore Arena	39,234	39,547
TDSB	26,371	30,190
	<u>3,699,256</u>	<u>3,264,220</u>

14. Employee Benefit Liabilities

Employee benefit liabilities as at December 31 are as follows:

	<u>2012</u>	<u>2011</u>
	<u>\$</u>	<u>\$</u>
Future payments required for:		
Sick leave benefits (a)(i)	471,472	479,559
WSIB obligations (a)(ii)	428,767	459,565
Other employment and post-employment benefits (a)(iii)	2,076,852	2,115,655
Pension liabilities (b)	26,694	123,980
Total employee accrued benefit obligation	<u>3,003,785</u>	<u>3,178,759</u>
Unamortized actuarial gain (loss)	32,208	<u>(402,592)</u>
Employee benefit liabilities	<u>3,035,993</u>	<u>2,776,167</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 (all dollar amounts in thousands of dollars)

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

	2012			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	\$	\$	\$	\$
Balance – beginning of year	2,776,167	2,839,707	(187,520)	123,980
Current service costs	303,834	239,349	64,485	-
Interest cost	109,270	103,842	1,153	4,275
Amortization of actuarial loss	(75,516)	30,907	(3,866)	(102,557)
Employer contributions	(112,456)	-	(97,950)	(14,506)
Benefits paid	(200,860)	(200,860)	-	-
Plan amendments	27,634	(3,646)	31,280	-
Change in valuation allowance	207,920	-	192,418	15,502
Balance – end of year	3,035,993	3,009,299	-	26,694

	2011			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	\$	\$	\$	\$
Balance – beginning of year	2,588,957	2,683,619	(123,847)	29,185
Current service costs	279,397	218,226	61,171	-
Interest cost	106,489	115,284	(4,598)	(4,197)
Amortization of actuarial loss/(gain)	209,585	7,755	36,844	164,986
Employer contributions	(106,681)	-	(92,055)	(14,626)
Benefits paid	(187,052)	(187,052)	-	-
Plan amendments	67,576	1,875	65,701	-
Change in valuation allowance	(182,104)	-	(130,736)	(51,368)
Balance – end of year	2,776,167	2,839,707	(187,520)	123,980

The continuity of the **accrued benefit obligation**, in aggregate, is as follows:

	2012			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	\$	\$	\$	\$
Balance – beginning of year	6,485,853	2,839,707	1,885,744	1,760,402
Current service cost	303,834	239,349	64,485	-
Interest cost	310,643	103,842	111,230	95,571
Amortization of actuarial loss	(125,424)	30,907	(81,947)	(74,384)
Benefits paid	(462,462)	(200,860)	(94,160)	(167,442)
Plan amendments	27,634	(3,646)	31,280	-
Balance – end of year	6,540,078	3,009,299	1,916,632	1,614,147

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 (all dollar amounts in thousands of dollars)

	2011			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	\$	\$	\$	\$
Balance – beginning of year	6,129,570	2,683,619	1,693,037	1,752,914
Current service cost	279,397	218,226	61,171	-
Interest cost	324,228	115,284	106,701	102,243
Amortization of actuarial loss/(gain)	128,854	7,755	42,259	78,840
Benefits paid	(443,772)	(187,052)	(83,125)	(173,595)
Plan amendments	67,576	1,875	65,701	-
Balance – end of year	6,485,853	2,839,707	1,885,744	1,760,402

The continuity of the **plan asset** is as follows:

	2012			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	\$	\$	\$	\$
Balance – beginning of year	3,590,643	-	1,912,489	1,678,154
Contributions	112,456	-	97,950	14,506
Actual return on assets	338,985	-	219,516	119,469
Benefits paid	(261,602)	-	(94,160)	(167,442)
Balance – end of year	3,780,482	-	2,135,795	1,644,687

	2011			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	\$	\$	\$	\$
Balance – beginning of year	3,667,347	-	1,850,518	1,816,829
Contributions	106,681	-	92,055	14,626
Actual return on assets	73,335	-	53,041	20,294
Benefits paid	(256,720)	-	(83,125)	(173,595)
Balance – end of year	3,590,643	-	1,912,489	1,678,154

The reconciliation of the plan assets and accrued benefit obligation to the amounts in the statement of financial position is as follows:

	2012			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	\$	\$	\$	\$
Accrued benefit obligation	6,507,870	2,977,091	1,916,632	1,614,147
Plan assets	3,780,482	-	2,135,795	1,644,687
Funding deficit (surplus)	2,727,388	2,977,091	(219,163)	(30,540)
Unamortized actuarial (losses) gains	32,208	32,208	-	-
Valuation allowance	276,397	-	219,163	57,234
Employee benefit liability (asset)	3,035,993	3,009,299	-	26,694

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 (all dollar amounts in thousands of dollars)

	2011			
	Total	Employment and post- employment	TTC Pension Plan	City Pension Plans
	\$	\$	\$	\$
Accrued benefit obligation	6,700,925	3,054,779	1,885,744	1,760,402
Plan assets	3,590,643	-	1,912,489	1,678,154
Funding deficit (surplus)	3,110,282	3,054,779	(26,745)	82,248
Unamortized actuarial (losses) gains	(402,592)	(215,072)	(187,520)	-
Valuation allowance	68,477	-	26,745	41,732
Employee benefit liability (asset)	2,776,167	2,839,707	(187,520)	123,980

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

	2012			
	Total	Employment and post- employment	TTC Pension Plan	City Pension Plans
	\$	\$	\$	\$
Current service costs	303,834	239,349	64,485	-
Interest cost	109,270	103,842	1,153	4,275
Amortization of actuarial loss/(gain)	(75,516)	30,907	(3,866)	(102,557)
Plan amendments	27,634	(3,646)	31,280	-
Change in valuation allowance	207,920	-	192,418	15,502
Total expense	573,142	370,452	285,470	(82,780)

	2011			
	Total	Employment and post- employment	TTC Pension Plan	City Pension Plans
	\$	\$	\$	\$
Current service costs	279,397	218,226	61,171	-
Interest cost/(revenue)	106,489	115,284	(4,598)	(4,197)
Amortization of actuarial loss/	209,585	7,755	36,844	164,986
Plan amendments	67,576	1,875	65,701	-
Change in valuation allowance	(182,104)	-	(130,736)	(51,368)
Total expense	480,943	343,140	28,382	109,421

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 (all dollar amounts in thousands of dollars)

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

Actuarial valuation reports were prepared for the valuation of post-retirement, post-employment, sick leave gratuity and self-insured Workplace Safety Insurance Board (“WSIB”) benefit plans for the City, Toronto Police Services and the City’s Agencies and Corporations as at December 31, 2012 with results extrapolated to December 31, 2013. The significant actuarial assumptions adopted in measuring the City’s accrued benefit obligations and benefit costs for these post-retirement and post-employment, and other retirement benefits are as follows:

	2012	2011
Discount rate for accrued benefit obligation:		
Post-employment	3.1%	3.1%
Post-retirement	3.8%	3.8%
Sick leave	3.5%	3.5%
WSIB	3.1%	3.1%
Rate of compensation increase	2.0% to 3.25%	3.0% to 3.75%
Health care inflation – LTD, hospital and other medical	6.8% to 10.0%	7.57% to 10.1%
Health care inflation – Dental care	3.4% to 10.0%	3.8% to 10.1%
Health care inflation – Drugs	6.8% to 14.4%	7.8% to 10.1%
	2012	2011
Discount rate for benefit costs:		
Post-employment	3.1%	4.0%
Post-retirement	3.8%	4.7%
Sick leave	3.5%	4.4%
WSIB	3.1%	4.0%
Rate of compensation increase	3.0% to 3.75%	3.0% to 3.5%
Health care inflation – LTD, hospital and other medical	7.57% to 10.1%	7.57% to 10.1%
Health care inflation – Dental care	3.8% to 10.1%	3.8% to 10.1%
Health care inflation – Drugs	7.8% to 10.1%	7.6% to 10.1%

For 2012 benefit costs and year end 2012 benefit obligation, the health care inflation rate for Long Term Disability (LTD), hospital, other medical, and drugs is assumed to reduce to 4.0% by 2020. The health care inflation rate for dental care is assumed to reduce to 3.0% by 2015.

(i) Vested Sick Leave Benefit Liability

Under the sick leave benefit plan, employees are credited with a maximum of 18 days sick time per annum. Unused sick leave can accumulate and employees may become entitled to a cash payment, capped at one half (or 100% for former City of Toronto employees who retire) of unused sick time to a maximum of 130 days when they leave the City’s employment. The liability for the accumulated sick leave represents the extent to which sick leave benefits have vested and could be taken in cash by employees on termination of employment. A Sick Leave Reserve Fund is established to help reduce the future impact of these obligations.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 (all dollar amounts in thousands of dollars)

In addition, effective July 31, 2009, the City ratified new collective agreements with TCEU Local 416 and CUPE Local 79, which provided for a new Illness or Injury Plan ("IIP") to replace the existing Sick Pay Plan ("SPP") for all employees hired after July 31, 2009. During 2009, all employees hired on or before the date of ratification who were in an SPP were provided with a one-time option to join the new IIP, effective January 1, 2010, and receive a partial payout of their sick credits or freeze their sick credits for a payout upon termination/retirement. As a result, 40% of this group of employees joined the IIP, reducing the City's sick leave liability.

As of December 31, 2012, the balance in the Sick Leave Reserve Fund is \$26,519 (2011 - \$14,289) and is included as part of Employee Benefits Reserve Fund (Note 18). Payments during the year amounted to \$43,390 (2011 - \$35,097).

(ii) WSIB Obligations

The City is a Schedule 2 employer under the Workplace Safety and Insurance Act and, as such, assumes responsibility for financing its workplace safety insurance costs. The accrued obligation represents the actuarial valuation of claims to be insured based on the history of claims with City employees. A Workers' Compensation Reserve Fund was established to help reduce the future impact of these obligations. As at December 31, 2012, the balance in the Workers' Compensation Reserve Fund is \$8,481 (2011 - \$12,090) and is included as part of the Employee Benefits Reserve Fund (Note 18). Payments during the year by the City to the WSIB amounted to \$35,210 (2011 - \$38,076).

(iii) Other Employment and Post-Employment Benefits

The City provides health, dental, life insurance and long-term disability benefits to certain employees. The accrued liability represents the actuarial valuation of benefits to be paid based on the history of claims with City employees. An Employee Benefits Reserve Fund was established to help reduce the future impact of these obligations. As at December 31, 2012, the balance in the Employee Benefits Reserve Fund was \$138,628 (2011 - \$138,249) and is included as part of Employee Benefits Reserve Fund (Note 18). Payments during the year amounted to \$51,618 (2011 - \$55,093).

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 jointly to the plan.

Because OMERS is a multi-employer pension plan, the City does not recognize any share of the pension plan deficit of \$8,603,000 (2011 - \$9,627,000) based on the fair market value of the Plan's assets, as this is a joint responsibility of all Ontario municipalities and their employees. Employer contributions for current service amounted to \$159,316 (2011 - \$145,214) and were matched by employee contributions in a similar amount.

The amount contributed for past service to OMERS for the year ended December 31, 2012 was \$499 (2011 - \$835). Employer's contributions for current and past service are included as an expenditure on the Consolidated Statement of Operations and Accumulated Surplus.

(ii) TTC Pension Plan

The TTC participates in a joint defined benefit/defined contribution pension plan that covers substantially all of its employees. This pension plan is registered as a Jointly Sponsored Pension Plan (JSPP) effective January 1, 2011. The pension plan is operated by the Toronto Transit Commission Pension Fund Society (the "Society"), a separate legal entity. The Society provides pensions to members, based on the length of service and average base year (pensionable) earnings. The Society also administers defined benefit supplemental plans designed to pay employees and executives the difference between their earned pension under the by-laws of the Society and the maximum allowable pension under the Income Tax Act (Canada).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 (all dollar amounts in thousands of dollars)

The City has accounted for its 50% portion of the plan in accordance with the standards for defined benefit plans.

Actuarial valuations of the pension plan are carried out each year, as at December 31, with the most recent valuation carried out on December 31, 2012. Plan assets are carried at market value. Since there is uncertainty about the TTC's right to the funded surplus, these amounts have not been reflected in the Consolidated Statement of Financial Position. As a result, the accrued benefit asset as at December 31, 2011 is comprised solely of unamortized actuarial losses.

The significant actuarial assumptions for the TTC Pension plan are as follows:

	<u>2012</u>	<u>2011</u>
Discount rate	5.75%	6.00%
Expected rate of return on plan assets	5.75%	6.00%
Rate of increase in salaries	3.75%	3.75%
Inflation rate	2.25%	2.25%
Assumptions for disclosure:		
Discount rate	5.75%	5.75%
Expected rate of return on plan assets	5.75%	5.75%
Rate of increase in salaries	3.50%	3.75%
Inflation rate	2.00%	2.25%

(iii) City Sponsored Pension Plans

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

The plans provide increases in pensions to retirees and their spouses in accordance with the criteria set-out under the applicable by-laws. As at December 31, 2012, there were 5 (2011 – 7) active members with an average age of 68 (2011 – 66). There were also 4,099 (2011 – 4,323) pensioners and 2,724 (2011 – 2,814) spousal beneficiaries in receipt of a pension, with an average age of 79 (2011 – 79). Pension payments and refunds during the year were approximately \$167,442 (2011 - \$173,595).

Given that all remaining members in the Plan have over 35 years of service, there are no contributions being made into the Plans. The City made special payments of \$14.6 million into two of the Plan (Police and York) on account of solvency deficiencies.

Actuarial valuations for funding purposes for each of the five plans are carried out annually using the projected benefit method pro-rated on service. The most recent actuarial funding reports were prepared as at December 31, 2012. The accrued benefit obligation as at December 31, 2012 is based on actuarial valuations for accounting purposes as at December 31, 2012. The actuarial gains or losses in each of the five plans are accounted for in 2012.

The actuarial valuations were based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases, and employee turnover and mortality. The assumptions used reflect the City's best estimates. The inflation rate is estimated at 2.50% per annum (2011 – 2.25% to 2.50%) and the rate of compensation increase is estimated at 3.50% per annum (2011 – 3.50%) for determining the accrued benefit obligation. The discount rates used to determine the December 31, 2012 accrued benefit obligation is 5.70% (2011 – 5.70%) and the discount rate used to determine the fiscal year 2012 benefit cost is 5.70% (2011 – 5.90% to 6.25%).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 (all dollar amounts in thousands of dollars)

Pension plan assets are valued at market values. The expected rate of return on plan assets is 5.70% (2011 – 5.90% to 6.25%) per annum, net of all administrative expenses. The actual return on the market value of plan assets during the year was a gain of 7.50% (2011 – 2.30%). The pension plans hold the following mix of assets: Cash and equivalents 3.4%, Bonds and Fixed Income 47.0%, Canadian equities 22.4%, and foreign equities 27.2%.

As at December 31, 2012 three plans (2011 – one plan), the Toronto Civic Employees Pension Plan, the Metropolitan Toronto Pension Plan and the Toronto Firefighters Pension Plan, are in a surplus position (shaded in the table below). Since there is uncertainty about the City's right to this accrued benefit asset, these amounts have not been reflected in the Consolidated Statement of Financial Position.

The other two plans (2011 – four plans), Metropolitan Toronto Police Pension Plan, and City of York Employee Pension Plan, are in a deficit position. The net actuarial deficits of these plans are included in employee benefit liabilities on the Consolidated Statement of Financial Position as at December 31 and include the following components:

	2012	2012	2012	2011
	Pension assets – market value – end of year	Actuarial pension obligation – end of year	Net actuarial surplus (deficit)	Net actuarial surplus (deficit)
	\$	\$	\$	\$
Toronto Civic Employees Pension Plan	331,903	278,241	53,662	41,732
Metropolitan Toronto Pension Plan	504,744	504,301	443	(29,870)
Toronto Firefighters Pension Plan	238,542	235,413	3,129	(35,475)
Metropolitan Toronto Police Pension Plan	523,532	548,678	(25,146)	(53,695)
City of York Employee Pension Plan	45,966	47,514	(1,548)	(4,940)
Total of plans in deficit			(26,694)	(123,980)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 (all dollar amounts in thousands of dollars)

15. Tangible capital assets

Tangible capital assets consist of the following:

	2012			2011
	Cost	Accumulated	Net book	Net book
	\$	\$	value	value
			\$	(Restated)
				\$
General				
Land	3,517,960	-	3,517,960	3,495,721
Land Improvements	668,115	325,317	342,798	322,188
Buildings and building improvements	6,406,635	2,350,119	4,056,516	4,008,688
Machinery and equipment	1,676,436	1,005,192	671,244	664,197
Motor vehicles	1,997,567	1,268,229	729,338	747,827
Total General	14,266,713	4,948,857	9,317,856	9,238,621
Infrastructure				
Land	138,118	-	138,118	137,676
Buildings and building improvements	473,056	131,373	341,683	258,969
Machinery and equipment	1,657,824	875,508	782,316	660,399
Water and wastewater linear	5,182,606	1,941,381	3,241,225	3,229,578
Roads linear	4,005,866	1,879,534	2,126,332	2,120,359
Transit	5,665,468	3,399,597	2,265,871	2,082,333
Total Infrastructure	17,122,938	8,227,393	8,895,545	8,489,314
Assets under construction	3,896,892	-	3,896,892	2,971,227
Total	35,286,543	13,176,250	22,110,293	20,699,162

General capital assets include those assets which are not part of a network. Land includes all of the City's land except land under the 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 Emergency Medical 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 include 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 totaling \$12,239 (2011 - \$13,679).

Contributed (Donated) Tangible Capital Assets

Contributed tangible capital assets are recognized at fair market value at the date of contribution. Contributed assets received during the year were valued at \$6,611 (2011 - \$10,661) for land, and \$28,595 (2011 - \$0) of land improvements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 (all dollar amounts in thousands of dollars)

Tangible Capital Assets Recognized at Nominal Value

Tangible capital assets are recognized at nominal value whenever fair value cannot be determined. Land is the only capital asset category which includes nominal values and these are primarily for small parcels of land such as reserve strips and walkways.

Works of Art and Historical Treasures

The City of Toronto owns both works of art and historical treasures at various City owned facilities such as Casa Loma, Old City Hall, and its museums, such as Fort York. The City of Toronto maintains and preserves these assets because of their historical and cultural significance. These assets are not recorded as tangible capital assets and are not amortized.

Impairment of Tangible Capital Assets

Capital asset condition and state of good repair reviews are conducted on regular basis to assess potential impairments. Minor impairments are addressed through the capital plans. Any capital assets which are significantly impaired are written down by the value of the impairment.

Additional information on the City's tangible capital assets is provided in Schedule 1.

16. Inventories and Prepaid Expenses

	2012	2011
	\$	\$
Prepaid Expenses	93,669	78,049
Inventories	138,327	179,656
Inventories of Surplus Property	67,812	73,827
	299,808	331,532

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. However, management believes that the ultimate disposition of these matters will not materially exceed the amounts recorded in the accounts. Any amendment to amounts accrued will be recorded once new information becomes available.
- b) Exposures on property, liability, and accident claims are covered by a combination of self-insurance and coverage with insurance carriers. Provisions for property, liability and accident claims are recorded in other liabilities (Note 10) on the Consolidated Statement of Financial Position in the aggregate amount of \$496,171 (2011 - \$454,054).
- c) On December 21, 2006, a contract was awarded by the TTC for the purchase of 234 subway cars or 39 train sets. In May 2010, the TTC approved purchasing an additional 10 subway trainsets for the Toronto-York Spadina Subway line extension and 21 replacement trainsets for the total contract cost of \$1,145,600. At December 31, 2012, 28 trainsets had been delivered at a cost of \$960,400, which is included in assets under construction. The outstanding commitment as at December 31, 2012 is \$185,200.
- d) On June 26, 2009, a contract was awarded by the TTC for the design and supply of 204 Light Rail Vehicles ("LRVs") at a total contract cost of \$992,600. As at December 31, 2012, the TTC had incurred costs of \$396,600, which is included in assets under construction. The delivery of LRV's has been rescheduled to 2013 with all 204 cars to be delivered by 2018. At December 31, 2012, the outstanding commitment is \$596,000.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 (all dollar amounts in thousands of dollars)

- e) On January 17, 2012, a contract was awarded by the TTC for purchase of 27 60-foot Articulated Low Floor Clean Diesel Buses at a total contract cost of \$24,400 for delivery in 2013.
- f) At December 31, 2012, the TTC has other various capital project contractual commitments of \$1,375,600 (2011 - \$1,353,600). Of this amount, contractual commitments of \$924,900 (2011 - \$1,048,200) relate to the Toronto York Spadina Subway Extension project, \$51,800 relate to the Toronto Water Front project and \$398,900 relate to various TTC construction projects.
- g) The TTC has a provision for environmental costs of \$15,275 (2011 - \$13,400) to cover estimated costs of remediating sites with known contamination for which the TTC is responsible. Given that the estimate of environmental liabilities is based on a number of assumptions, actual costs may vary. The estimated amounts of future restoration costs are reviewed regularly, based on available information and governing legislation. Provisions for environmental costs are recorded in other liabilities (Note 10) on the Consolidated Statement of Financial Position.
- h) Build Toronto has an environmental provision costs of \$26,845 (2011 - \$20,010) to cover estimated costs based on third-party engineering reports of the likely cost to remediate or mitigate current known site conditions. Costs are assessed on a site by site basis and range from full removal of historical fills to risk assessment and management measures to reduce remedial requirements. Provisions for environmental costs are recorded in other liabilities (Note 10) on the Consolidated Statement of Financial Position.
- i) The Ministry of the Environment has issued Certificates of Approval for 29 (2011 – 29) of the identified 160 (2011 – 160) inactive landfill sites. Applications for Certificates of Approval at other inactive sites may be required prior to the commencement of any remediation work. It is not possible to quantify the effect, if any, of this request on these consolidated financial statements beyond those amounts recorded as landfill closure and post-closure liabilities (Note 11).
- j) 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 line of credits provided by the City under the policy for operating line of credit guarantees is limited to \$10 million 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 million in the aggregate, with individual loan guarantees being limited to a maximum of \$10 million. The total amount of all direct loans provided by the City under the policy for direct City loans is limited to \$125 million in the aggregate. At December 31, 2012 the City had provided capital loan guarantees to certain third parties amounting to \$75,174 (2011 - \$64,450), and operating loan and line of credit guarantees of \$4,000 (2011 - \$4,300), primarily related to several cultural non-profit organizations.
- k) At December 31, 2012, the City is committed to future minimum annual operating lease payments for premises and equipment as follows:

	<u>\$</u>
2013	53,214
2014	42,011
2015	36,584
2016	26,626
2017	21,626
Thereafter	<u>60,545</u>
	<u>240,606</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 (all dollar amounts in thousands of dollars)

18. Accumulated Surplus

Accumulated surplus is comprised of the following:

	2012 \$	2011 (Restated) \$
Invested in tangible capital assets (Note 15)	22,110,293	20,699,162
Operating fund	2,919,253	2,578,673
Capital fund	(672,698)	(786,582)
Reserves and reserve funds	1,715,128	1,365,006
	<u>26,071,976</u>	<u>23,856,259</u>
Amounts to be recovered from future revenues:		
Mortgages (Note 12)	(732,225)	(773,590)
Net long-term debt (Note 13)	(3,699,256)	(3,264,220)
Recoverable from TDSB (Note 13)	26,371	30,190
Landfill closure and post-closure liabilities (Note 11)	(124,182)	(121,440)
Employee benefits (Note 14)	(3,035,993)	(2,776,167)
Other	(341,625)	(309,621)
	<u>(7,906,910)</u>	<u>(7,214,848)</u>
	<u>18,165,066</u>	<u>16,641,411</u>

Reserves and reserve funds consist of the following:

	2012 \$	2011 (Restated) \$
Reserves:		
Corporate	614,422	288,761
Stabilization	127,615	174,811
Water and Wastewater	80,816	31,516
Donations	1,079	1,363
Community Initiatives	23	23
	<u>823,955</u>	<u>496,474</u>
Reserve Funds:		
Employee Benefits (Note 14)	173,627	164,627
Corporate	451,898	460,456
Community Initiatives	97,034	105,232
State of Good Repair	168,614	138,217
	<u>891,173</u>	<u>868,532</u>
Total Reserves and Reserve Funds	<u>1,715,128</u>	<u>1,365,006</u>

19. Budget Data

Budget data presented in these consolidated financial statements are based upon the 2012 operating and capital budgets approved by Council. Adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. The following chart reconciles the approved budget with the budget figures as presented in these consolidated statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 (all dollar amounts in thousands of dollars)

	Budget Amount \$
Revenue	
Approved budgets:	
Operating	9,603,062
Capital	2,937,433
Reserve	37,925
	<u>12,578,420</u>
Adjustments:	
Proceeds on debt issue	(955,235)
Total revenue	<u>11,623,185</u>
Expenses	
Approved budgets:	
Operating	9,573,180
Capital	3,520,718
	<u>13,093,898</u>
Adjustments:	
Tangible Capital Assets (TCA)	(2,285,699)
Amortization	802,035
Debt principal repayments	(213,859)
Total expenses	<u>11,396,375</u>
Annual surplus	<u>226,810</u>

20. Funding Transfers from Other Governments

By Function

	2012 \$	2011 \$
General government	120,314	144,222
Protection to persons & property	35,843	44,184
Transportation	763,065	633,139
Environmental services	43,357	63,437
Health services	268,791	266,485
Social and family services	1,480,970	1,500,083
Social Housing	315,578	416,169
Recreation and cultural services	12,622	35,277
Planning and development	13,678	45,355
	<u>3,054,218</u>	<u>3,148,351</u>

By Government Entity

	2012 \$	2011 \$
Operating Transfers		
Federal	186,538	200,158
Provincial	2,044,041	2,117,092
Other	7,350	60,007
	<u>2,237,929</u>	<u>2,377,257</u>
Capital Transfers		
Federal	255,539	329,693
Provincial	522,330	420,643
Other	38,420	20,758
	<u>816,289</u>	<u>771,094</u>
Total	<u>3,054,218</u>	<u>3,148,351</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 (all dollar amounts in thousands of dollars)

21. Expenses by Object

Expenses by object comprise the following:

	2012	2011 (Restated)
	\$	\$
Salaries, wages and benefits	5,069,438	5,053,750
Materials	803,795	1,003,283
Contracted services	1,411,269	1,458,019
Interest on long-term debt	287,990	267,240
Transfer payments	1,592,920	1,660,359
Amortization (Schedule 1)	801,845	814,522
Other	309,493	307,637
	10,276,750	10,564,810

22. Segmented Information

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

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

The segmented information is provided in Appendices 2 to 4 of the consolidated financial statements.

Appendix 2 includes the following segments:

- **General government** is comprised of Council, administration and amounts paid to the Municipal Property Assessment Corporation. These groups are responsible for bylaws and administrative policies, levying taxes, acquiring and managing City assets, ensuring effective financial management, planning and budgeting, monitoring financial and operating performance, and ensuring that high quality City service standards are met.
- **Protection to persons and property** is comprised of police, fire and other protective services such as By-law Enforcement, Animal Control, Vehicle and Business Licensing, Security and Provincial Offences. These groups maintain the safety and security of all citizens by reducing or eliminating loss of life and property, maintaining law enforcements, and preserving peace and good order.
- **Transportation** includes transit, roads, traffic and parking services. Transit services provide local public transportation for all citizens within the City of Toronto. Other transportation services provide planning, development, and maintenance of roads, traffic operations, parking, winter control and street lighting.
- **Environmental services** include water supply and distribution, wastewater treatment, and waste and recycling services. These services provide clean drinking water to residents, collect and treat wastewater, and collect and properly process waste and recycling items.
- **Health services** include paramedic and mandated health services. Mandated health services promote and maintain health programs that optimize the health of residents. Paramedic Services deliver timely and effective care for pre-hospital emergency care, along with medically required inter-hospital transportation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 (all dollar amounts in thousands of dollars)

- **Social and family services** include social assistance, long-term care and child care services. Social assistance services determine, issue, and monitor clients' eligibility for financial, social, and employment assistance. Long-term care services provide secure and supervised health services for seniors who can no longer live at home. Child care services provide subsidized child care spaces and provide funding for wage subsidy, pay equity, and special needs.
- **Social housing** provides a range of services including high-quality housing for low and moderate income tenants, emergency shelters, outreach, search, and stabilization to people in the community.
- **Recreation and cultural services** include parks services, recreational programs, recreation facilities, golf courses, libraries, museums and other cultural services and activities. Parks and recreation services develop and deliver high-quality recreational programs, and develop and maintain recreational facilities, parks and sports fields to ensure all residents have the opportunity to enjoy a healthy lifestyle. Cultural services invest in local non-profit organizations that deliver services on behalf of the City. Library services provide public library services to the citizens via physical facilities, bookmobile, virtual and telephone services.
- **Planning and development** manages urban development for residential and business interests as well as infrastructure. It includes planning and zoning, commercial and industrial developments and forestry.

Appendix 3 and 4 reflect disclosure by entity which are significant agencies and corporations for the City of Toronto.

23. Trust Funds

Trust funds administered by the City amounting to \$27,549 (2011 - \$26,888) have not been included on the Consolidated Statement of Financial Position nor have their operations been included in the Statement of Operations and Accumulated Surplus. Trust fund balances as at December 31 are as follows:

	2012 \$	2011 \$
Keele Valley Site Post-Closure Trust Fund (Note 11)	7,467	7,444
Homes for the Aged Trust Fund – Residents	6,178	6,160
Community Centre Development Levy Trust Fund – Railway Lands	4,792	4,435
Library Development Levy Trust Fund – Railway Lands	3,416	3,184
Community Services Levies Trust Fund	1,193	1,179
Contract Aftercare Trust Fund	1,074	1,065
Waterpark Place Trust Fund	1,064	1,053
Music Garden Trust Fund	611	-
Development Charges Trust Fund – Queen's Quay	533	527
Heritage and Culture Trust Funds	397	392
Lakeshore Pedestrian Bridge Trust Fund	245	242
Children's Greenhouse Trust Fund – Allan Gardens	111	110
Green Lane Small Claims Trust Fund	107	106
Preservation Trust Fund	50	50
Hugh Clydesdale Trust Fund	45	50
Michael Sansone Trust Fund	43	43
Eastview Neighbourhood Trust Fund	42	54
Candidates' Municipal Election Surpluses Trust Fund	28	28
Tenant Displacement Trust Fund	27	27
Police Trust Funds	23	34
Ontario Home Renewal Project	22	22
90 Lisgar Street Trust Fund	20	607
Other trust funds	61	76
	27,549	26,888

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 (all dollar amounts in thousands of dollars)

24. Comparative Consolidated Financial Statements

The comparative consolidated financial statements have been regrouped from statements previously presented to conform with the presentation adopted in 2012.

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS – SCHEDULE 1

As at and for the year ended December 31, 2012
(all dollar amounts in thousands of dollars)

2012

	Cost 2012					Accumulated Amortization 2012				Net Book Value 2012
	Beginning	Additions	Disposals / Transfers	Donated	Ending	Beginning	Amortization	Disposals	Ending	
General										
Land	3,495,721	39,380	(23,752)	6,611	3,517,960	-	-	-	-	3,517,960
Land Improvements	627,924	23,207	(11,611)	28,595	668,115	305,736	20,346	(765)	325,317	342,798
Buildings and building improvements	6,169,364	256,873	(19,602)	-	6,406,635	2,160,676	195,951	(6,508)	2,350,119	4,056,516
Machinery and equipment	1,578,586	150,215	(52,365)	-	1,676,436	914,389	140,957	(50,154)	1,005,192	671,244
Vehicles	1,956,927	94,683	(54,043)	-	1,997,567	1,209,100	110,989	(51,860)	1,268,229	729,338
Total General	13,828,522	564,358	(161,373)	35,206	14,266,713	4,589,901	468,243	(109,287)	4,948,857	9,317,856
Infrastructure										
Land	137,676	442	-	-	138,118	-	-	-	-	138,118
Buildings and building improvements	384,794	88,262	-	-	473,056	125,825	5,548	-	131,373	341,683
Machinery and equipment	1,493,362	164,462	-	-	1,657,824	832,963	42,545	-	875,508	782,316
Water and wastewater linear	5,110,148	74,071	(1,613)	-	5,182,606	1,880,570	61,974	(1,163)	1,941,381	3,241,225
Roads linear	3,929,635	97,152	(20,921)	-	4,005,866	1,809,276	88,072	(17,814)	1,879,534	2,126,332
Transit	5,388,230	319,000	(41,762)	-	5,665,468	3,305,897	135,463	(41,763)	3,399,597	2,265,871
Total infrastructure	16,443,845	743,389	(64,296)	-	17,122,938	7,954,531	333,602	(60,740)	8,227,393	8,895,545
Assets under construction	2,971,227	1,251,962	(326,297)	-	3,896,892	-	-	-	-	3,896,892
TOTAL	33,243,594	2,559,709	(551,966)	35,206	35,286,543	12,544,432	801,845	(170,027)	13,176,250	22,110,293

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS – SCHEDULE 1

As at and for the year ended December 31, 2011
(all dollar amounts in thousands of dollars)

2011
(Restated)

	Cost 2011					Accumulated Amortization 2011				Net Book Value 2011
	Beginning	Additions	Disposals / Transfers	Donated	Ending	Beginning	Amortization	Disposals	Ending	
General										
Land	3,538,445	25,863	(79,143)	10,556	3,495,721	-	-	-	-	3,495,721
Land Improvements	614,863	24,532	(11,576)	105	627,924	289,364	19,015	(2,643)	305,736	322,188
Buildings and building improvements	5,825,861	489,636	(146,133)	-	6,169,364	1,990,681	189,021	(19,026)	2,160,676	4,008,688
Machinery and equipment	1,399,909	230,991	(52,314)	-	1,578,586	824,615	134,481	(44,707)	914,389	664,197
Vehicles	1,932,757	71,333	(47,163)	-	1,956,927	1,130,439	124,185	(45,524)	1,209,100	747,827
Total General	13,311,835	842,355	(336,329)	10,661	13,828,522	4,235,099	466,702	(111,900)	4,589,901	9,238,621
Infrastructure										
Land	137,676	-	-	-	137,676	-	-	-	-	137,676
Buildings and building improvements	365,650	19,144	-	-	384,794	120,988	4,837	-	125,825	258,969
Machinery and equipment	1,376,525	124,911	(8,074)	-	1,493,362	802,028	37,460	(6,525)	832,963	660,399
Water and wastewater linear	4,999,822	141,584	(31,258)	-	5,110,148	1,833,170	60,473	(13,073)	1,880,570	3,229,578
Roads linear	3,820,548	137,121	(28,034)	-	3,929,635	1,744,993	86,521	(22,238)	1,809,276	2,120,359
Transit	5,087,432	304,366	(3,568)	-	5,388,230	3,150,936	158,529	(3,568)	3,305,897	2,082,333
Total infrastructure	15,787,653	727,126	(70,934)	-	16,443,845	7,652,115	347,820	(45,404)	7,954,531	8,489,314
Assets under construction	2,417,129	848,628	(294,530)	-	2,971,227	-	-	-	-	2,971,227
TOTAL	31,516,617	2,418,109	(701,793)	10,661	33,243,594	11,887,214	814,522	(157,304)	12,544,432	20,699,162

SCHEDULE OF GOVERNMENT BUSINESS ENTERPRISES – APPENDIX 1

As at and for the year ended December 31, 2012
(all dollar amounts in thousands of dollars)

Condensed Financial Results (\$) Fiscal Year Ended	Toronto Hydro Corporation December 31		Toronto Parking Authority December 31		Enwave October 31		Toronto Port Lands Company December 31		Total	
	2012	2011	2012	2011	2012 (Note 6)	2011	2012	2011	2012	2011
Financial Position										
Assets										
Current	549,875	656,278	29,903	24,784	-	38,193	44,676	33,213	624,454	752,468
Capital	2,738,609	2,399,497	138,321	138,872	-	307,486	337,584	341,258	3,214,514	3,187,113
Other	165,190	400,002	81,874	70,926	-	24,670	-	152,956	247,064	648,554
	3,453,674	3,455,777	250,098	234,582	-	370,349	382,260	527,427	4,086,032	4,588,135
Liabilities										
Current	950,442	448,061	32,773	23,125	-	16,776	8,468	8,944	991,683	496,906
Long-term	1,274,076	1,905,468	10,032	6,736	-	222,027	8,538	149,049	1,292,646	2,283,280
	2,224,518	2,353,529	42,805	29,861	-	238,803	17,006	157,993	2,284,329	2,780,186
Net equity	1,229,156	1,102,248	207,293	204,721	-	131,546	365,254	369,434	1,801,703	1,807,949
City's share (Note 6)	1,202,707	1,074,183	207,293	204,721	-	67,755	365,254	369,434	1,775,254	1,716,093
Results of Operations										
Revenues	2,866,323	2,813,143	132,168	126,547	76,981	83,180	46,203	37,638	3,121,675	3,060,508
Expenses	2,788,651	2,717,211	73,983	69,475	71,899	73,903	6,579	30,996	2,941,112	2,891,585
Net income (loss)	77,672	95,932	58,185	57,072	5,082	9,277	39,624	6,642	180,563	168,923
City's share (Note 6)	77,672	95,932	58,185	57,072	2,186	3,991	39,624	6,642	177,667	163,637
Distribution to City (Note 6)	-	-	55,613	42,749	-	-	3,804	-	59,417	42,749
Dividends paid to City (Note 6)	47,966	33,063	-	-	-	-	40,000	-	87,966	33,063
Net book value of assets sold from the City to Toronto Hydro Corporation (Note 6)	26,449	28,065	-	-	-	-	-	-	26,449	28,065
Net book value of assets transferred from Enwave to the City (Note 6)	-	-	-	-	-	35,003	-	-	-	35,003

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – SERVICE – 2012 – APPENDIX 2*

for the year ended December 31, 2012
(all dollar amounts in thousands of dollars)

2012

	General Government	Protection	Transportation	Environmental	Health	Social and Family	Social Housing	Recreation and Cultural	Planning and Development	Consolidated
Taxation	4,206,723	-	-	-	-	-	-	-	-	4,206,723
User charges	46,155	165,433	1,160,143	1,162,289	1,507	52,136	15,882	173,275	20,835	2,797,655
Government transfers	120,314	35,843	763,065	43,357	268,791	1,480,970	315,578	12,622	13,678	3,054,218
Net GBE income	180,097	-	-	-	-	-	-	-	-	180,097
Gain on sale of Enwave	96,611	-	-	-	-	-	-	-	-	96,611
Other	432,894	44,033	345,413	(92,988)	3,519	25,068	390,095	121,745	98,120	1,367,899
TOTAL REVENUES	5,082,794	245,309	2,268,621	1,112,658	273,817	1,558,174	721,555	307,642	132,633	11,703,203
Salaries, wages and benefits	325,433	1,393,589	1,603,216	239,634	314,171	542,963	111,904	495,344	43,184	5,069,438
Materials	252,491	24,858	253,613	111,941	16,449	49,825	17,049	82,369	(4,800)	803,795
Contracted services	169,808	24,948	363,972	191,311	40,295	320,354	169,085	109,850	21,646	1,411,269
Interest on long-term debt	9,755	11,303	151,151	12,462	724	4,817	69,783	20,235	7,760	287,990
Transfer payments	(29,082)	47,843	43,149	123,557	19,899	1,065,498	254,099	61,647	6,310	1,592,920
Other	74,274	13,858	31,081	7,408	2,461	16,260	103,430	38,787	21,934	309,493
Amortization	71,206	42,046	381,991	124,549	3,212	178	124,676	53,485	502	801,845
TOTAL EXPENSES	873,885	1,558,445	2,828,173	810,862	397,211	1,999,895	850,026	861,717	96,536	10,276,750
ANNUAL SURPLUS/ (DEFICIENCY)	4,208,909	(1,313,136)	(559,552)	301,796	(123,394)	(441,721)	(128,471)	(554,075)	36,097	1,426,453

*Definition of Segments by Service provided in Note 22 – Segmented Information.

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – SERVICE – 2011 – APPENDIX 2*

for the year ended December 31, 2011
(all dollar amounts in thousands of dollars)

2011 (Restated)

	General Government	Protection	Transportation	Environmental	Health	Social and Family	Social Housing	Recreation and Cultural	Planning and Development	Consolidated
Taxation	4,006,029	-	-	-	-	-	-	-	-	4,006,029
User charges	40,992	169,627	1,097,504	1,052,821	1,513	51,896	17,240	158,695	25,354	2,615,642
Government transfers	144,222	44,184	633,139	63,437	266,485	1,500,083	416,169	35,277	45,355	3,148,351
Net GBE income	188,041	-	-	-	-	-	-	-	-	188,041
Other	308,084	51,837	373,859	60,846	4,025	26,820	320,478	129,808	58,225	1,333,982
TOTAL REVENUES	4,687,368	265,648	2,104,502	1,177,104	272,023	1,578,799	753,887	323,780	128,934	11,292,045
Salaries, wages and benefits	397,622	1,506,641	1,300,420	262,747	318,754	554,631	120,956	536,708	55,271	5,053,750
Materials	370,962	18,583	324,554	144,405	18,352	58,348	16,593	76,517	(25,031)	1,003,283
Contracted services	195,047	19,812	424,372	193,838	42,178	239,527	155,618	106,059	81,568	1,458,019
Interest on long-term debt	9,680	9,118	139,199	8,606	747	3,186	72,875	17,213	6,616	267,240
Transfer payments	255,635	19,450	57,437	21,630	141	1,131,004	143,789	31,746	(473)	1,660,359
Other	(107,127)	47,039	(7,640)	86,146	15,000	45,797	175,917	27,725	24,780	307,637
Amortization	71,665	46,972	403,918	116,716	4,035	178	118,830	51,303	905	814,522
TOTAL EXPENSES	1,193,484	1,667,615	2,642,260	834,088	399,207	2,032,671	804,578	847,271	143,636	10,564,810
ANNUAL SURPLUS/ (DEFICIENCY)	3,493,884	(1,401,967)	(537,758)	343,016	(127,184)	(453,872)	(50,691)	(523,491)	(14,702)	727,235

*Definition of Segments by Service provided in Note 22 – Segmented Information.

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – ENTITY – APPENDIX 3

for the year ended December 31, 2012
(all dollar amounts in thousands of dollars)

2012

	City	Police Services	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies and Corporations	TOTAL
Taxation	4,206,723	-	-	-	-	-	4,206,723
User charges	1,652,324	6,723	1,023,423	4,832	15,882	94,471	2,797,655
Government transfers	2,236,820	35,155	761,589	3,240	-	17,414	3,054,218
Net GBE income	180,097	-	-	-	-	-	180,097
Gain on sale of Enwave	96,611	-	-	-	-	-	96,611
Other	661,709	21,241	182,344	13,554	379,614	109,437	1,367,899
TOTAL REVENUES	9,034,284	63,119	1,967,356	21,626	395,496	221,322	11,703,203
Salaries, wages and benefits	2,330,000	970,571	1,439,464	133,140	111,904	84,359	5,069,438
Materials	614,878	10,396	129,370	(1,383)	17,049	33,485	803,795
Contracted services	985,296	16,639	179,310	20,046	169,085	40,893	1,411,269
Interest on long-term debt **	208,897	9,310	-	-	69,783	-	287,990
Transfer payments	2,491,478	4,914	(436,263)	(156,422)	(267,511)	(43,276)	1,592,920
Other	116,072	3,790	39,434	2,497	103,430	44,270	309,493
Amortization	315,833	35,614	289,159	29,069	124,676	7,494	801,845
TOTAL EXPENSES	7,062,454	1,051,234	1,640,474	26,947	328,416	167,225	10,276,750
ANNUAL SURPLUS/ (DEFICIENCY)	1,971,830	(988,115)	326,882	(5,321)	67,080	54,097	1,426,453

** As at December 31, the City has issued \$2,470,165 in debentures for capital expenditures made on behalf of the TTC (2011: \$2,124,391). Included in interest on long-term debt is \$ 114,234 related to this debt.

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – ENTITY – APPENDIX 3

for the year ended December 31, 2011
(all dollar amounts in thousands of dollars)

2011
(Restated)

	City	Police Services	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies and Corporations	TOTAL
Taxation	4,006,029	-	-	-	-	-	4,006,029
User charges	1,522,621	7,333	976,015	4,182	17,240	88,251	2,615,642
Government transfers	376,555	42,824	2,055,768	203,347	382,481	87,376	3,148,351
Net GBE income	188,041	-	-	-	-	-	188,041
Other	645,803	36,014	213,554	17,827	318,390	102,394	1,333,982
TOTAL REVENUES	6,739,049	86,171	3,245,337	225,356	718,111	278,021	11,292,045
Salaries, wages and benefits	2,538,998	1,012,872	1,123,418	154,226	117,727	106,509	5,053,750
Materials	746,493	2,456	228,193	28,202	15,961	(18,022)	1,003,283
Contracted services	937,026	12,446	225,127	211	155,618	127,591	1,458,019
Interest on long-term debt **	183,964	8,423	-	-	72,875	1,978	267,240
Transfer payments	2,714,659	205	(448,283)	(177,638)	(410,606)	(17,978)	1,660,359
Other	105,285	12,543	(9,126)	-	175,917	23,018	307,637
Amortization	305,114	40,315	312,996	28,661	118,830	8,606	814,522
TOTAL EXPENSES	7,531,539	1,089,260	1,432,325	33,662	246,322	231,702	10,564,810
ANNUAL SURPLUS/ (DEFICIENCY)	(792,490)	(1,003,089)	1,813,012	191,694	471,789	46,319	727,235

** As at December 31, the City has issued \$2,124,391 in debentures for capital expenditures made on behalf of the TTC (2010: \$1,806,229). Included in interest on long-term debt is \$103,327 related to this debt.

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

for the year ended December 31, 2012
(all dollar amounts in thousands of dollars)

2012 and 2011

	City, including Police Services	Toronto Transit Commission	Toronto Community Housing Corporation	Toronto Public Library	Other Agencies and Corporations	TOTAL
2012						
General						
Cost	6,678,860	3,611,118	3,420,935	374,590	181,210	14,266,713
Accumulated amortization	1,719,436	1,957,932	1,069,241	147,484	54,765	4,948,858
Net Book Value	4,959,424	1,653,186	2,351,694	227,106	126,445	9,317,855
Infrastructure						
Cost	11,457,470	5,665,468	-	-	-	17,122,938
Accumulated amortization	4,827,795	3,399,597	-	-	-	8,227,392
Net Book Value	6,629,675	2,265,871	-	-	-	8,895,546
Assets under construction	1,151,060	2,541,161	115,590	16,708	72,373	3,896,892
Total	12,740,159	6,460,218	2,467,284	243,814	198,818	22,110,293
2011 (Restated)						
General						
Cost	6,571,149	3,457,604	3,235,430	369,417	194,922	13,828,522
Accumulated amortization	1,629,245	1,824,296	944,828	143,957	47,575	4,589,901
Net Book Value	4,941,904	1,633,308	2,290,602	225,460	147,347	9,238,621
Infrastructure						
Cost	11,055,615	5,388,230	-	-	-	16,443,845
Accumulated amortization	4,648,634	3,305,897	-	-	-	7,954,531
Net Book Value	6,406,981	2,082,333	-	-	-	8,489,314
Assets under construction	958,569	1,799,424	135,199	7,898	70,137	2,971,227
Total	12,307,454	5,515,065	2,425,801	233,358	217,484	20,699,162