

CITY OF TORONTO TRUST FUNDS
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2015



June [XX], 2016

Independent Auditor's Report

**To the Members of Council of
City of Toronto**

We have audited the accompanying consolidated financial statements of the City of Toronto Trust Funds, which comprise the consolidated statement of financial position as at December 31, 2015 and the consolidated statements of operations and changes in fund balances and continuity of trust funds, for the year then ended and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the City of Toronto Trust Funds as at December 31, 2014 and the results of their operations for the year then ended in accordance with the basis of accounting described in note 2 to the consolidated financial statements.

Basis of accounting and restriction on use

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

Chartered Accountants, Licensed Public Accountants

**CITY OF TORONTO TRUST FUNDS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015**

	2015	2014
	\$000	\$000
Assets		
Cash	4,581	2,312
Accounts receivable	59	59
Due from City of Toronto (Note 3)	13,007	13,356
Investments (Note 4)	<u>32,079</u>	<u>32,354</u>
TOTAL ASSETS	<u>49,726</u>	<u>48,081</u>
Liabilities		
Accounts payable	168	183
Fund Balances	<u>49,558</u>	<u>47,898</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>49,726</u>	<u>48,081</u>

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

**CITY OF TORONTO TRUST FUNDS
CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	2015	2014
	\$000	\$000
Revenues		
Investment income	4,205	3,193
Contributions and other income	<u>3,215</u>	<u>3,393</u>
	<u>7,420</u>	<u>6,586</u>
Expenditures		
Expenditures	<u>5,760</u>	<u>5,162</u>
EXCESS OF REVENUES OVER EXPENDITURES FOR THE YEAR	1,660	1,424
FUND BALANCES, BEGINNING OF YEAR	<u>47,898</u>	<u>46,474</u>
FUND BALANCES, END OF YEAR	<u><u>49,558</u></u>	<u><u>47,898</u></u>

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

**CITY OF TORONTO TRUST FUNDS
CONSOLIDATED STATEMENT OF CONTINUITY OF TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Balance January 1, 2015 \$000	Contributions \$000	Investment Income \$000	Expenditures \$000	Balance December 31, 2015 \$000
Investments held in trust for Toronto Atmospheric Fund (TAF)	23,273	-	4,002	1,897	25,378
Keele Valley Site Post-Closure	7,514	-	20	-	7,534
Homes for the Aged Residents	6,216	2,908	75	2,991	6,208
Community Centre Development Levy Trust	4,837	-	54	-	4,891
Contract Aftercare Project	1,091	-	4	-	1,095
Indemnity Deposit – Waterpark Place	1,089	-	6	-	1,095
Community Services & Facilities	1,225	-	14	480	759
Music Garden Trust Fund	613	-	9	7	615
Public Art Maintenance Trust	407	-	5	-	412
Queen’s Quay Community Services	548	-	6	217	337
Regent Park Legacy Trust	297	-	3	-	300
Lakeshore Pedestrian Bridge	251	-	1	-	252
Municipal Elections Candidates’ Surplus	0	177	1	-	178
Children’s Green House Trust	114	-	1	-	115
Green Lane Small Claims	109	-	1	-	110
Preservation Trust	52	-	1	-	53
Hugh Clydesdale	45	-	-	-	45
Michael Sansone	43	-	-	-	43
Tenant Displacement	28	-	-	-	28
Ontario Home Renewal Project	22	-	-	-	22
90 Lisgar Street Trust	20	-	1	-	21
Toronto Police Services Board	39	130	-	167	2
Other Trust Funds	65	-	1	1	65
Total	47,898	3,215	4,205	5,760	49,558

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

**CITY OF TORONTO TRUST FUNDS
CONSOLIDATED STATEMENT OF CONTINUITY OF TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Balance January 1, 2014 \$000	Contributions \$000	Investment Income \$000	Expenditures \$000	Balance December 31, 2014 \$000
Investments held in trust for Toronto Atmospheric Fund (TAF)	22,012	-	2,953	1,692	23,273
Keele Valley Site Post-Closure	7,490	-	24	-	7,514
Homes for the Aged Residents	6,113	2,914	80	2,891	6,216
Community Centre Development Levy Trust	4,774	-	63	-	4,837
Community Services & Facilities	1,209	-	16	-	1,225
Contract Aftercare Project	1,082	-	9	-	1,091
Indemnity Deposit – Waterpark Place	1,076	-	14	1	1,089
Music Garden Trust Fund	614	-	7	8	613
Queen’s Quay Community Services	541	-	7	-	548
Public Art Maintenance Trust	402	-	5	-	407
Regent Park Legacy Trust	0	296	1	-	297
Lakeshore Pedestrian Bridge	248	-	3	-	251
Children’s Green House Trust	112	-	2	-	114
Green Lane Small Claims	108	-	1	-	109
Preservation Trust	51	-	1	-	52
Hugh Clydesdale	45	-	-	-	45
Michael Sansone	43	-	-	-	43
Toronto Police Services Board	(9)	183	-	135	39
Tenant Displacement	28	-	-	-	28
Ontario Home Renewal Project	22	-	-	-	22
90 Lisgar Street Trust	20	-	-	-	20
Eastview Neighbourhood	18	-	-	16	2
Library Development Levy Trust	386	-	5	391	0
Municipal Elections Candidates’ Surplus	28	-	-	28	0
Other Trust Funds	61	-	2	-	63
Total	46,474	3,393	3,193	5,162	47,898

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

**CITY OF TORONTO TRUST FUNDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

1. ORGANIZATION

The City of Toronto Consolidated Trust Funds (the “Trust Funds”) consist of various trust funds administered by the City of Toronto.

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

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements include trust funds administered by the City as well as those within organizations that are accountable for the administration of their financial affairs and resources to City Council and are owned or controlled by the City. The City of Toronto Consolidated Trust Funds financial statements are the representation of management and have been prepared in accordance with the Canadian Public Sector Accounting Standards, except that investments are recorded at fair value. The significant accounting policies are summarized below.

(i) Revenue recognition

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

Investment income is recorded when earned.

(ii) Expenditures

Expenditures are recognized on an accrual basis of accounting as incurred and when measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Distributions from and settlement of investments held in trust for Toronto Atmospheric Fund are recorded as expenditures in the period incurred in the consolidated Statement of Operations and Changes in Fund Balances.

**CITY OF TORONTO TRUST FUNDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

(iii) Financial instruments and investment income

Financial assets include cash, accounts receivables amounts, due from the City of Toronto (Note 3) and investments (Note 4). Cash, accounts receivable, and due from City of Toronto amounts are recorded at amortized cost, which approximates fair value.

Investments have been designated as held for trading. Investments consist of government and corporate bonds, debentures and short-term instruments of various financial institutions and are authorized investments pursuant to the provisions of the Municipal Act. The Trust Funds' investment activities expose it to a range of financial risks, including market risk, and credit risk. The value of investments recorded in the consolidated financial statements is the fair value determined as follows:

- [a] Short-term investments are comprised of money market instruments, such as bankers acceptances and are valued based on cost plus accrued income, which approximates fair value.
- [b] Publicly traded bonds and debentures are determined based on the latest bid prices.

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

Investment income includes dividends, interest and realized and unrealized gains and losses and is included in the consolidated Statement of Operations and Changes in Fund Balances.

Financial liabilities are presented at amortized cost, which approximates fair value.

(iv) Use of estimates

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

**CITY OF TORONTO TRUST FUNDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

3. DUE FROM CITY OF TORONTO

As at December 31, 2015 the Trust Funds have amounts due from the City of Toronto \$13,007,259 [2014 - \$13,356,179] that arose as a result of investment and banking transactions due to the City maintaining bank accounts or holding investments on behalf of the Trust Funds. These amounts are non-interest bearing and due on demand.

4. INVESTMENTS

Investments consist of the following:

	Fair value \$000	Book value \$000
2015		
Short-Term Investments	6,714	6,701
Mutual Fund Investments	25,365	17,746
Total	32,079	24,447

2014		
Short-Term Investments	9,080	9,080
Mutual Fund Investments	23,274	16,971
Total	32,354	26,051

	2015	2014
Weighted average yield	1.76%	2.08%
Range of maturity dates	2016-2017	2015-2017
Excess of fair value over amortized cost (\$000)	7,632	6,303

The 2014 book value of the mutual fund investments has decreased by \$5.724 million to reflect a correction in the amount.

5. FINANCIAL INSTRUMENTS

The Trust Funds are subject to market risk, credit risk and interest rate risk with respect to their investment portfolio. The Trust Funds' interest bearing investments are exposed to interest rate risk. The Trust Funds' investments are at risk due to fluctuations in market prices whether changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market.

Market risks include exposure arising from holdings of foreign currency-denominated investments and equity prices. Fluctuations in the relative value of foreign currencies, primarily the Trust Funds' U.S. dollar investments, can result in a positive or negative effect on the fair value of the investments. Equity price risk is the risk the fair value or future cash flows of an equity financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument, or its issuer, or factors affecting all similar financial instruments traded in the market. The Trust Funds manage risk by investing across a wide variety of asset classes and investment strategies.

The Trust Funds hold investments in fixed income securities issued by corporations and government entities and such have fixed income credit risk. The Trust Funds mitigate this risk by limiting the investment portfolio to investments in BBB grade or higher.

6. CAPITAL MANAGEMENT

In managing capital, the Trust Funds focus on liquid resources available for reinvestment. The Trust Funds' objective is to have sufficient liquid resources to meet payout requirements, despite adverse financial events. The need for sufficient liquid resources is considered in the investment process. As at December 31, 2015, the Trust Funds have met their objective of having sufficient liquid resources to meet their current requirements.

**CITY OF TORONTO TRUST FUNDS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

7. STATEMENT OF CASH FLOWS

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