

2015 Consolidated Financial Statements

December 31, 2015

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Management's Report

The management of the City of Toronto ("City") is responsible for the integrity, objectivity and accuracy of the financial information presented in the accompanying consolidated financial statements.

The consolidated financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles established by the Public Sector Accounting Board of the Chartered Professional Accountants Canada. A summary of the significant accounting policies is disclosed in Note 1 to the consolidated financial statements.

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

The Audit Committee, a sub-committee of City Council ("Council"), reviews and approves the consolidated financial statements before they are submitted to Council. In accordance with Council's directive, the Auditor General oversees the work of the external auditors performing financial statement attest audits. The Auditor General participates in all significant meetings held between the external auditors and management, is informed of all significant audit issues, and will report on any significant matters not appropriately addressed and resolved.

The 2015 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, 2016

Mike St. Amant
Treasurer

Roberto Rossini
Deputy City Manager & Chief Financial Officer

Peter Wallace
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, 2015 and the consolidated Statement of operations and accumulated surplus, consolidated statement of change in net debt, and consolidated statement of 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, 2015 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 Professional Accountants, Licensed Public Accountants

Toronto, Canada
July XX, 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2015

(with comparative figures as at December 31, 2014)

(all dollar amounts in thousands of dollars)

	2015	2014 (See Notes 23, 24)
FINANCIAL ASSETS		
Cash	205,453	444,190
Accounts receivable (Note 2)	1,196,625	1,053,598
Property taxes receivable	240,700	252,367
Other assets (Note 3)	238,942	269,166
Investments (Note 4)	5,153,137	4,591,654
Due from Toronto District School Board (Note 12)	10,974	17,013
Investments in government business enterprises (Note 5)	2,025,649	1,905,402
Total financial assets	9,071,480	8,533,390
LIABILITIES		
Bank indebtedness (Note 6)	99,708	76,508
Accounts payable and accrued liabilities (Note 7)	3,142,659	2,787,113
Deferred revenue (Note 8)	2,241,046	2,007,416
Other liabilities (Note 9)	704,087	649,564
Landfill closure and post-closure liabilities (Note 10)	141,570	139,316
Mortgages payable (Note 11)	510,834	579,405
Net long-term debt (Note 12)	4,712,547	4,178,512
Employee benefit liabilities (Note 13)	3,598,848	3,410,247
Total liabilities	15,151,299	13,828,081
NET DEBT	(6,079,819)	(5,294,691)
NON-FINANCIAL ASSETS		
Tangible capital assets, net (Note 14, Schedule 1)	26,964,779	24,969,941
Inventories and prepaid expenses (Note 15)	358,154	373,449
	27,322,933	25,343,390
Commitments and contingencies (Note 16)		
ACCUMULATED SURPLUS (Note 17)	21,243,114	20,048,699

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, 2015
 (with comparative figures for the year ended December 31, 2014)
 (all dollar amounts in thousands of dollars)

	2015 BUDGET (Note 18)	2015 ACTUAL	2014 (See Notes 23, 24)
REVENUE			
Property taxation	3,832,852	3,879,877	3,768,009
Municipal land transfer tax	431,524	524,000	449,604
Taxation from other governments	97,525	86,302	111,598
User charges	3,030,908	2,780,791	2,753,273
Funding transfers from other governments (Note 19)	2,960,889	2,862,220	2,752,112
Government business enterprise earnings (Note 5)	-	294,189	174,326
Investment income	219,804	259,679	270,603
Development charges	315,769	221,192	132,523
Rent and concessions	434,322	451,776	426,929
Other	668,569	660,497	511,685
Total revenue	11,992,162	12,020,523	11,350,662
EXPENSES			
General government	860,332	747,196	798,088
Protection to persons and property	1,783,447	1,807,909	1,820,074
Transportation	2,924,080	2,943,786	2,819,666
Environmental services	1,112,862	940,017	919,204
Health services	444,602	452,389	429,491
Social and family services	2,086,093	2,023,910	1,915,780
Social housing	801,808	775,450	727,715
Recreation and cultural services	1,080,017	989,349	911,428
Planning and development	156,551	146,102	120,188
Total expenses (Note 20)	11,249,792	10,826,108	10,461,634
ANNUAL SURPLUS	742,370	1,194,415	889,028
ACCUMULATED SURPLUS - BEGINNING OF YEAR	20,048,699	20,048,699	19,159,671
ACCUMULATED SURPLUS - END OF YEAR (Note 17)	20,791,069	21,243,114	20,048,699

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, 2015

(with comparative figures for the year ended December 31, 2014)

(all dollar amounts in thousands of dollars)

	2015 BUDGET (Note 18)	2015 ACTUAL	2014 ACTUAL (See Note 23)
Annual Surplus	742,370	1,194,415	889,028
Acquisition of tangible capital assets	(2,855,097)	(2,884,868)	(2,486,355)
Amortization of tangible capital assets	851,193	851,194	871,099
Loss (Gain) on disposal of tangible capital assets	-	7,023	(4,950)
Proceeds on disposal of tangible capital assets	-	12,349	-
Change due to tangible capital assets	(2,003,904)	(2,014,302)	(1,620,206)
Change in inventories and prepaid expenses	-	34,759	(1,099)
(Increase) in net debt	(1,261,534)	(785,128)	(732,277)
NET DEBT - BEGINNING OF YEAR	(5,294,691)	(5,294,691)	(4,562,414)
NET DEBT - END OF YEAR	(6,556,225)	(6,079,819)	(5,294,691)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2015

(with comparative figures for the year ended December 31, 2014)

(all dollar amounts in thousands of dollars)

	2015	2014 (See Notes 23, 24)
OPERATING ACTIVITIES		
Annual surplus	1,194,415	889,028
Add (deduct) items not involving cash:		
Government business enterprises income from operations	(294,189)	(174,326)
Provincial loan forgiveness	(77,000)	-
Amortization of tangible capital assets	851,194	871,099
(Gain) loss on disposal of tangible capital assets	7,023	(4,950)
	<u>1,681,443</u>	<u>1,580,851</u>
Change in non-cash assets and liabilities related to operations:		
(Increase) in accounts receivable	(143,027)	(93,702)
Decrease (increase) in property taxes receivable	11,667	(12,851)
Increase (decrease) in accounts payable and accrued liabilities	355,546	(147,722)
Increase in deferred revenue	233,630	315,327
Increase in other liabilities	54,523	2,493
Decrease (increase) in inventories and prepaid expenses	34,759	(1,099)
Increase in landfill closure and post-closure liabilities	2,254	15,543
Increase in employee benefit liabilities	188,601	243,765
Cash provided by operating activities	<u>2,419,396</u>	<u>1,902,605</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(2,884,868)	(2,486,355)
Proceeds on disposal of tangible capital asset	12,349	-
Cash applied to capital activities	<u>(2,872,519)</u>	<u>(2,846,355)</u>
INVESTING ACTIVITIES		
Decrease (increase) in other assets	30,224	(25,662)
Purchase of investments, net	(561,483)	70,274
Principal repayments due from Toronto District School Board	6,039	5,397
Dividends and distributions from government business enterprises	173,942	105,347
Cash provided by (applied to) investing activities	<u>(351,278)</u>	<u>155,356</u>
FINANCING ACTIVITIES		
Increase in bank indebtedness	23,200	20,626
Principal repayments on mortgages payable	(68,571)	(61,579)
Proceeds from long-term debt issued	943,588	651,647
Principal repayments on long-term debt	(254,997)	(249,278)
Interest earned on sinking funds	(71,517)	(74,625)
Principal repayments on debt by Toronto District School Board	(6,039)	(5,397)
Cash provided by financing activities	<u>565,664</u>	<u>281,394</u>
Net (decrease) in cash during the year	(238,737)	(147,000)
CASH – BEGINNING OF YEAR	444,190	591,190
CASH – END OF YEAR	<u>205,453</u>	<u>444,190</u>
SUPPLEMENTARY INFORMATION:		
Cash paid for interest on debt	298,672	295,096
Cash received for interest on investments	<u>257,235</u>	<u>253,313</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 (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 Chartered Professional Accountants Canada ("CPAC").

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, and Toronto Pan Am Sports Centre Inc. which are accounted for by proportionate consolidation.

Consolidated entities:

Agencies and Corporations:

- ✦ Board of Governors of Exhibition Place
- ✦ Board of Management of the Toronto Zoo
- ✦ Build Toronto Inc.
- ✦ Casa Loma Corporation
- ✦ Heritage Toronto
- ✦ Invest Toronto Inc.
- ✦ Lakeshore Arena Corporation
- ✦ St. Lawrence Centre for the Arts
- ✦ The North York Performing Arts Centre Corporation
- ✦ The Sony Centre for the Performing Arts
- ✦ Toronto Atmospheric Fund ("TAF")
- ✦ Toronto Board of Health
- ✦ Toronto Community Housing Corporation ("TCHC")
- ✦ Toronto Licensing Commission
- ✦ Toronto Pan Am Sports Centre Inc. ("TPASC") (50% proportionately)
- ✦ Toronto Police Services Board
- ✦ Toronto Public Library Board
- ✦ Toronto Transit Commission ("TTC")
- ✦ Toronto Waterfront Revitalization Corporation ("TWRC") (1/3rd proportionately)
- ✦ Yonge-Dundas Square

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, 2015 (all dollar amounts in thousands of dollars)

Business Improvement Areas:

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

Trust funds

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

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, 2015 (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 transfer revenues 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 without eligibility criteria or stipulations are recognized as revenue when the transfer is authorized. All other transfers are recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that any stipulations give rise to an obligation that meets the definition of a liability for the City.

The City also provides transfers to individuals or organizations. These transfers are recognized as expenses once they are authorized and eligibility criteria, if any, are met.

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. All 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, 2015 *(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.

Liability for Remediation of Contaminated Sites

Beginning in 2015, applied prospectively, the City accounts for the remediation of contaminated sites in accordance with PS3260 Liability for Contaminated Sites.

Liabilities are recorded when all of the following are met: environmental standards exist; contamination exceeds the standard; the City is directly responsible or accepts responsibility for the contamination; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 (all dollar amounts in thousands of dollars)

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.

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	5 - 20 years
Water and wastewater linear	60 - 100 years
Roads linear	25 - 70 years
Transit	10 - 65 years

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 (all dollar amounts in thousands of dollars)

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.

2. Accounts Receivable

Accounts receivable consist of the following:

	2015	2014
	\$	\$
Government of Canada	149,368	146,919
Government of Ontario	318,427	285,868
Other municipal governments	32,625	22,918
School Boards	1,361	519
Utility fees	159,951	146,942
Other fees and charges	534,893	450,432
	<u>1,196,625</u>	<u>1,053,598</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 (all dollar amounts in thousands of dollars)

3. Other Assets

Other assets consist of the following:

	2015 \$	2014 (See Note 24) \$
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.	33,404	33,404
Build Toronto Inc. investment property at the film studio \$13,159 (2014 - \$13,159), 20% interest in Toronto Waterfront Studios Inc. (TWSI) and Toronto Waterfront Studios Development Inc. (TWSDI) \$2,588 (2014 - \$1,991), and joint venture agreement with Build Toronto Holdings (Harbour Inc. (BTHHI) \$22,643 (2014 - \$12,157).	38,390	27,307
Real Estate inventory that was valued at a market value of \$153,865,064 consists of capitalized actual costs including decommissioning cost, development cost, and pre-acquisition cost.	23,634	20,771
Provincial affordability housing grants for the development of three TCHC projects are paid monthly and have been set up as grant receivable. The remaining Grants receivable are the Province of Ontario and from a registered Charity.	18,710	17,217
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 subsidiaries Railway Lands Development Corporation (RLDC) and Allenbury Garden Development Corporation (AGDC) have entered into an equal interest co-tenancy agreements with a developer, for the construction of certain properties.	17,055	28,364
TCHC Mortgages receivable are related to sales-type leases from 2010 to 2057 for commercial space in a TCHC building. Maturity dates on these mortgages of this lease varies from May 11, 2037 to May 11, 2057. The interest rates on these mortgages varies from 4.877% and to the negotiated coupon rate on the Debenture Series A bonds.	11,744	11,778
During 2013 and 2014, Infrastructure Ontario (IO) provided loans of \$154,703 and \$49,710 respectively to TCHC for paying off various maturing mortgages and capital expenditures. TCHC allocated \$25,667 of the 2013 funds as restricted cash for future capital expenditures. During 2015, TCHC earned investment income of \$1,140 from the restricted cash and spent the whole principal funds of capital expenditures and used \$1,030 of the investment income as operating cash and retained the balance of \$110.	110	25,667
Proceeds from the sale of standalone homes of \$14,509 (2014 - \$23,398) were internally restricted in cash and maintained in a fund to manage the TCHC buildings in a state of good repairs. Vendor performance bonds of \$672 (2014 - \$0) were added to this fund. Additionally, a portion of the City funds received were allocated as externally restricted cash of \$27,926 (2014 - \$32,618) for future capital expenditures and included in this fund. A portion of the Developer Funds of \$4,380 (2014 - \$319) were also added to this fund.	47,487	56,335
Loans receivable from community housing organizations bearing interest at rates from 0% to 5% (2014 - 0% to 5%) per annum, maturing from 2015 to 2044.	35,315	37,051
Other	13,093	11,272
	238,942	269,166

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 (all dollar amounts in thousands of dollars)

4. Investments

Investments consist of the following:

	2015		
	Cost \$	Market value \$	Carrying value \$
Federal government bonds	253,720	269,275	253,720
Provincial government bonds	1,280,243	1,372,773	1,280,243
Municipal government bonds	1,059,989	1,104,903	1,059,989
Money market instruments	1,670,687	1,670,806	1,670,687
Corporate bonds	808,790	822,378	808,790
Other	79,708	89,750	79,708
	5,153,137	5,329,885	5,153,137

	2014 (See Note 24)		
	Cost \$	Market value \$	Carrying value \$
Federal government bonds	273,331	291,319	273,331
Provincial government bonds	1,206,200	1,300,665	1,206,200
Municipal government bonds	897,975	958,852	897,975
Money market instruments	1,421,452	1,421,354	1,421,452
Corporate bonds	735,702	750,210	735,702
Other	56,994	63,622	56,994
	4,591,654	4,786,022	4,591,654

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 \$70,238 (2014 - \$70,120). The weighted average yield on the cost of the bond investment portfolio during the year was 3.00% (2014 - 3.54%). Maturity dates on investments in the portfolio range from 2016 to 2045 (2014 - 2015 to 2042). Included in the City's municipal government bonds portfolio are City of Toronto debentures at coupon rates varying from 2.95% to 8.00% (2014 - 3.40% to 8.65%) with a carrying value of \$272,930 (2014 - \$231,050).

Other investments are held by the following entities:

	2015		
	Cost \$	Market value \$	Carrying value \$
City investments	369	369	369
BIA	3,414	3,414	3,414
Build Toronto	56,385	56,385	56,385
Heritage Toronto	100	100	100
Pan Am	1,970	1,970	1,970
TAF	14,908	24,950	14,908
TWRC	2,562	2,562	2,562
	79,708	89,750	79,708

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 (all dollar amounts in thousands of dollars)

	2014 (See Note 24)		
	Cost	Market value	Carrying value
	\$	\$	\$
City investments	336	336	336
BIA	3,036	3,036	3,036
Build Toronto	26,675	26,675	26,675
Heritage Toronto	100	100	100
TAF	15,852	22,481	15,852
TWRC	10,995	10,995	10,995
	56,994	63,623	56,994

5. 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), and Toronto Port Lands Company (a company involved in development of real estate in the Toronto port lands).

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

	2015 \$	2014 (See Note 23) \$
Balance - beginning of year	1,905,402	1,836,423
Income from operations (Appendix 1)	292,669	172,806
Dividends received (Appendix 1)	(56,311)	(60,619)
Distribution to City (Appendix 1)	(117,631)	(44,728)
Change in net book value of street-lighting assets eliminated on sale to Toronto Hydro Corporation (Appendix 1)	1,520	1,520
Balance - end of year (Appendix 1)	2,025,649	1,905,402

a) Investment in Government Business Enterprises is comprised of equity as follows:

		2015 \$	2014 (See Note 23) \$
Toronto Hydro Corporation	Equity	1,367,726	1,295,816
Toronto Parking Authority	Equity	287,971	241,445
Toronto Port Lands Company	Equity	369,952	368,141
		2,025,649	1,905,402

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 (all dollar amounts in thousands of dollars)

- b) Condensed financial results for each government business enterprise are disclosed in Appendix 1 to the notes to these consolidated financial statements.
- c) Government Business Enterprise Earnings on the Consolidated Statement of Operations and Accumulated Surplus consists of the following:

	2015 \$	2014 (See Note 23) \$
Income from Operations	292,669	172,806
Change in net book value of street-lighting assets – Toronto Hydro	1,520	1,520
Government Business Enterprises Earnings	294,189	172,326

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

	2015 \$	2014 \$
Purchased by the City:		
Street-lighting, electricity, and maintenance services from Toronto Hydro Corporation	239,300	238,600

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

	Due to City \$	Due to others \$	Total \$
2016	-	460	460
2017	-	250,485	250,485
2018	-	512	512
2019	-	250,539	250,539
2020	-	567	567
Thereafter	-	1,388,032	1,388,032
	-	1,890,595	1,890,595

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

	\$
2016	6,647
2017	5,547
2018	235
2019	235
2020	235
Thereafter	851
	13,750

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 (all dollar amounts in thousands of dollars)

6. Bank indebtedness

The City has an unsecured demand revolving credit facility in the amount of \$100,000 (2014 - \$100,000) bearing interest at the bank's prime rate with an effective rate during 2015 of 2.70% (2014 - 3%) per annum.

In 2011, Build Toronto Inc. (BTI) established a credit facility for a maximum of \$34,500 and is reset monthly to the government agency's borrowing rate, currently at 1.80% and is secured on Build Toronto Holdings One Inc.'s (BTHOI) assets and corporate guarantees.

TCHC has a committed revolving credit facility of \$200,000 (2014 - \$200,000) that is available for short-term advances and letters of credit, with standby charges of 0.25%. Short-term advances are available by way of a prime loan at the Canadian prime rate and bankers' acceptances (BAs) at the bank's BA rate plus 1.10%. Short-term advances of \$15,000 (2014 - \$nil) have been used and are repayable at maturity on various dates throughout 2016.

TAF has a revolving line of credit to a maximum of \$2,000, repayable on demand, with a Canadian chartered bank at the bank's prime rate plus 0.5% per annum, secured by TAF's fixed income investment portfolio.

Bank indebtedness consists of the following:

	2015	2014
	\$	\$
City, net outstanding cheques	51,301	43,101
Build Toronto Inc.	33,407	33,407
Toronto Housing Corporation	15,000	-
	99,708	76,508

7. Accounts Payable and Accrued Liabilities

Accounts payable consist of the following:

	2015	2014
	\$	\$
Trade payables and accruals	2,227,074	1,922,653
School boards	454,349	347,506
Provision for assessment appeals on property taxes paid	253,893	278,386
Credit balances on property tax accounts	94,129	135,337
Wage accruals	113,214	103,231
	3,142,659	2,787,113

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 (all dollar amounts in thousands of dollars)

8. 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:

	2015	2014
	\$	\$
<i>Restricted by Provincial legislation</i>		
Development Charges	634,749	529,786
Recreational Land (Planning Act)	580,654	522,703
Building Code Act Service Improvement	52,433	42,303
	<u>1,267,836</u>	<u>1,094,792</u>
<i>Restricted by other agreements</i>		
Public Transit Funds	102,336	137,096
Water and Wastewater	464,852	302,983
Community Services	81,393	82,783
Third Party Agreements	11,115	9,902
State of Good Repair	2,402	2,253
Parking Authority	3,345	3,327
	<u>665,443</u>	<u>538,344</u>
Total obligatory reserve funds	<u>1,933,279</u>	<u>1,633,136</u>

(b) Advanced payments and contributions

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

	2015	2014
	\$	\$
Community Services	3,021	3,043
Building Code Act	56,974	63,455
Long-Term Care – Public Health and Housing	1,761	2,362
Police	2,213	1,574
Parks	37,621	48,929
Union Station	79,397	112,838
Other	13,365	42,673
City's agencies and corporations	113,415	99,406
	<u>307,767</u>	<u>374,280</u>
Total advance payments and contributions	<u>307,767</u>	<u>374,280</u>
(c) Total Deferred Revenue (8 (a) and 8 (b))	<u>2,241,046</u>	<u>2,007,416</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 (all dollar amounts in thousands of dollars)

	(a) Obligatory Reserve Funds	2015 (b) Advanced payments and contributions	Total
	\$	\$	\$
Balance – beginning of year	1,633,136	374,280	2,007,416
Receipts during the year	1,769,910	3,179,799	4,949,709
Transferred to revenue	(1,469,767)	(3,246,312)	(4,716,079)
Balance – end of year	1,933,279	307,767	2,241,046

	(a) Obligatory Reserve Funds	2014 (b) Advanced payments and contributions	Total
	\$	\$	\$
Balance – beginning of year	1,378,667	313,456	1,692,123
Receipts during the year	1,483,302	2,489,036	3,972,338
Transferred to revenue	(1,228,833)	(2,428,212)	(3,657,045)
Balance – end of year	1,633,136	374,280	2,007,416

9. Other Liabilities

Other liabilities consist of the following:

	2015 \$	2014 \$
Property and liability claims provision (Note 16b)	387,784	383,572
TTC – unsettled accident claims (Note 16b)	198,023	170,329
Build Toronto – environmental liabilities (Note 16g)	17,642	17,325
TTC – environmental liabilities (Note 16g)	5,703	6,750
Contaminated sites liabilities	6,549	-
Other	88,386	71,588
	704,087	649,564

10. 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 3.5% (2014 –

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 (all dollar amounts in thousands of dollars)

3.5%). The estimated present value of future expenditures for closure and post-closure care as at December 31, 2015 is \$9,527 (2014 - \$8,099), based on the percentage of total approved capacity used of 44.12% (2014 - 40.81%).

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, 2015 was \$15,300 (2014 - \$15,103) and the balance in the Green Lane Perpetual Care account as at December 31, 2015 was \$3,725 (2014 - \$3,208). Total contributions to the Green Lane Perpetual Care account of \$498 (2014 - \$402) were based on a contribution rate of 88¢ (2014 - 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 17).

Inactive Sites

The City has identified 160 (2014 - 160) inactive landfill sites for which it retains responsibility for all costs relating to closure and post-closure care (Note 16h).

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 3.5% (2014 - 3.5%). The estimated present value of future expenditures for post-closure care as at December 31, 2015 was \$132,043 (2014 - \$131,217).

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, 2015 was \$29,381 (2014 - \$24,976) and is included as part of the State of Good Repair Reserve Fund (Note 17), and the balance in the Keele Valley Site Post-Closure Trust Fund as at December 31, 2015 was \$7,534 (2014 - \$7,514) (Note 22).

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

	2015	2014
	\$	\$
Active landfill site (Green Lane)	9,527	8,099
Inactive landfill sites	132,043	131,217
	141,570	139,316

Landfill closure and post-closure costs totaling \$5,930 (2014 - \$5,262) were expensed during the year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 (all dollar amounts in thousands of dollars)

11. Mortgages Payable

Mortgages payable are as follows:

	2015	2014
	\$	\$
Mortgages issued by TCHC, bearing interest at rates ranging from 2.11% to 12.75% (2014 – 2.11% to 12.75%) per annum, with maturities ranging from 2016 to 2048, and collateralized by housing properties owned by TCHC with a net book value of approximately \$1,561,490 (2014 - \$1,574,121).	510,834	579,405

Principal repayments are due as follows:

	\$
2016	124,803
2017	28,213
2018	29,198
2019	27,888
2020	29,642
Thereafter	271,090
	510,834

Principal payments made in 2015 were \$68,571 (2014 - \$61,579).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 (all dollar amounts in thousands of dollars)

12. 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:

	2015	2014
	\$	\$
Debentures issued by the City, bearing interest at various rates ranging from 1.80% to 8.65% (2014 - 3.50% to 8.65%) per annum, maturing from 2016 to 2044.	5,617,385	5,234,971
TCHC Debentures issued include issuing costs and interest and are amortized over the terms of the debt. These issues consists of series A bonds of \$250,000 at 4.877% (2007 to 2037) and series B bonds of \$200,000 at 5.395% (2015 to 2048).	445,290	445,181
During 2013, 2014 and 2015, Infrastructure Ontario (IO) provided loans to TCHC, which are secured loans funded by various floating rates as well as fixed rates ranging from 2.33% to 4.53% and are also subject to financial covenants.	428,612	200,941
TCHC Long-Term Loans include a bridge-loan of \$35,440 that was converted to a 12-year interest rate swap facility with a fixed interest rate of 4.55% and with an unrealized loss of approximately \$2,244 (2014 - \$2,732) matures on February 15, 2018. Additionally, a sale and lease liability started in August 2007 for 96 months was repaid in full in July 2015 (2014 - \$1,742).	30,674	34,912
Debentures issued by the City on behalf of the TDSB, bearing interest at 6.10% (2014 - 6.10%) per annum, maturing from 2016 to 2037.	75,846	75,846
Loans payable to the Province, bearing interest at 2.76% (2014 - 2.76%) per annum. On June 13, 2013, the Provincial Minister of Finance advised the City that the \$170,171 loan payable will be forgiven over the three year time (2014 to 2016). It is anticipated that the Province, in each of the three years will confirm the amount that it has written off in that year. The City will then record its share of loan forgiveness in each of the years. In 2014, accrued interest of \$41,680 was written off, and in 2015, \$77,000 was written off. The remainder is expected to be written off in 2016.	93,171	170,171
Loan payable, bearing interest at 8.05% (2014 - 8.05%) per annum, maturing in 2018.	509	668
Debt issued by Lakeshore Arena Corporation with interest at 5.23% with principal payable monthly and a lump sum payment due October 31, 2017.	19,602	19,932
Sony Centre loan payable for the purchase of equipment. Purchased at \$505,000 with an interest rate of 0%. In 2015 Sony Centre initially paid \$80,000, the remaining \$425,000 balance will be paid off in 5 years at \$85,000 per year until 2020.	425	-
City sinking fund deposits bearing interest at rates between 2.0% and 6% (2014 – 3.5% to 6%) per annum.	(1,934,095)	(1,945,279)
TDSB Sinking fund deposits bearing interest at 5% (2014 - 5%) per annum.	(64,872)	(58,831)
	4,712,547	4,178,512

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 (all dollar amounts in thousands of dollars)

Principal repayments are due as follows:

	<u>\$</u>
2016	474,667
2017	408,258
2018	343,302
2019	273,914
2020	248,699
Thereafter	<u>2,963,707</u>
	<u>4,712,547</u>

Principal payments made in 2015 were \$409,553 (2014 - \$329,300).

Included in net long-term debt are outstanding debentures of \$5,400,000 (2014 - \$5,000,000) for which there are sinking fund assets with a carrying value of \$2,132,514 (2014 - \$2,228,979) and a market value of \$2,121,930 (2014 - \$2,129,881).

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 \$132,496 (2014 - \$160,302) and a market value of \$150,975 (2014 - \$180,876).

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

	<u>2015</u>	<u>2014</u>
	<u>\$</u>	<u>\$</u>
Property taxes and user charges	3,490,977	3,201,340
Solid Waste	266,478	237,969
FCM Energy Retrofit	2,029	2,758
TCHC	921,106	698,509
Lakeshore Arena	19,602	19,932
Leaside Arena-Infrastructure Ontario	956	991
Sony Centre	425	-
TDSB	10,974	17,013
	<u>4,712,547</u>	<u>4,178,512</u>

13. Employee Benefit Liabilities

Employee benefit liabilities as at December 31 are as follows:

	<u>2015</u>	<u>2014</u>
	<u>\$</u>	<u>\$</u>
Future payments required for:		
Sick leave benefits (a)(i)	522,834	552,420
WSIB obligations (a)(ii)	553,983	548,985
Other employment and post-employment benefits (a)(iii)	2,421,622	2,436,744
Total employee accrued benefit obligation	3,498,439	3,538,149
Unamortized actuarial gain (loss)	100,409	(127,902)
Employee benefit liabilities	<u>3,598,848</u>	<u>3,410,247</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 (all dollar amounts in thousands of dollars)

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

	2015			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	\$	\$	\$	\$
Balance – beginning of year	3,410,247	3,410,247	-	-
Current service costs	359,715	286,305	73,410	-
Interest cost	72,452	105,594	(22,111)	(11,031)
Amortization of actuarial (gain) loss	2,557	20,523	(15,914)	(2,052)
Employer contributions	(333,369)	(224,973)	(108,396)	-
Plan amendments	48,705	1,152	47,553	-
Change in valuation allowance	38,541	-	25,458	13,083
Balance – end of year	3,598,848	3,598,848	-	-

	2014 (See Note 24)			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	\$	\$	\$	\$
Balance – beginning of year	3,166,482	3,158,513	-	7,969
Current service costs	305,453	240,828	64,625	-
Interest cost	93,385	121,016	(22,920)	(4,711)
Amortization of actuarial (gain)loss	(192,939)	11,348	(94,411)	(109,876)
Employer contributions	(320,090)	(206,276)	(104,305)	(9,509)
Plan amendments	159,193	84,818	74,375	-
Change in valuation allowance	198,763	-	82,636	116,127
Balance – end of year	3,410,247	3,410,247	-	-

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

	2015			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	\$	\$	\$	\$
Balance – beginning of year	7,379,980	3,538,149	2,297,967	1,543,864
Current service cost	359,715	286,305	73,410	-
Interest cost	322,002	105,594	135,651	80,757
Amortization of actuarial loss (gain)	(130,487)	(207,788)	77,267	34
Benefits paid	(495,675)	(224,973)	(119,553)	(151,149)
Plan amendments	48,705	1,152	47,553	-
Balance – end of year	7,484,240	3,498,439	2,512,295	1,473,506

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 (all dollar amounts in thousands of dollars)

	2014 (See Note 24)			
	Total	Employment and post- employment	TTC Pension Plan	City Pension Plans
	\$	\$	\$	\$
Balance – beginning of year	6,651,311	3,031,710	1,998,497	1,621,104
Current service cost	305,454	240,829	64,625	-
Interest cost	340,771	121,016	130,216	89,539
Amortization of actuarial loss (gain)	392,267	266,053	138,340	(12,126)
Benefits paid	(469,015)	(206,276)	(108,086)	(154,653)
Plan amendments	159,192	84,817	74,375	-
Balance – end of year	7,379,980	3,538,149	2,297,967	1,543,864

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

	2015			
	Total	Employment and post- employment	TTC Pension Plan	City Pension Plans
	\$	\$	\$	\$
Balance – beginning of year	4,493,695	-	2,749,268	1,744,427
Contributions	333,369	224,973	108,396	-
Actual return on assets	260,720	-	166,846	93,874
Benefits paid	(495,675)	(224,973)	(119,553)	(151,149)
Balance – end of year	4,592,109	-	2,904,957	1,687,152

	2014 (See Note 24)			
	Total	Employment and post- employment	TTC Pension Plan	City Pension Plans
	\$	\$	\$	\$
Balance – beginning of year	4,149,631	-	2,452,060	1,697,571
Contributions	320,090	206,276	104,305	9,509
Actual return on assets	492,989	-	300,989	192,000
Benefits paid	(469,015)	(206,276)	(108,086)	(154,653)
Balance – end of year	4,493,695	-	2,749,268	1,744,427

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

	2015			
	Total	Employment and post- employment	TTC Pension Plan	City Pension Plans
	\$	\$	\$	\$
Accrued benefit obligation	7,484,240	3,498,439	2,512,295	1,473,506
Plan assets	4,592,109	-	2,904,957	1,687,152
Funding deficit (surplus)	2,892,131	3,498,439	(392,662)	(213,646)
Unamortized actuarial (loss) gain	100,409	100,409	-	-
Valuation allowance	606,308	-	392,662	213,646
Employee benefit liability (asset)	3,598,848	3,598,848	-	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 (all dollar amounts in thousands of dollars)

	2014			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	\$	\$	\$	\$
Accrued benefit obligation	7,379,980	3,538,149	2,297,967	1,543,864
Plan assets	4,493,695	-	2,749,268	1,744,427
Funding deficit (surplus)	2,886,285	3,538,149	(451,301)	(200,563)
Unamortized actuarial (loss) gain	(43,805)	(127,902)	84,097	-
Valuation allowance	567,767	-	367,204	200,563
Employee benefit liability	3,410,247	3,410,247	-	-

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

	2015			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	\$	\$	\$	\$
Current service costs	359,715	286,305	73,410	-
Interest cost	72,452	105,594	(22,111)	(11,031)
Amortization of actuarial (gain) loss	2,557	20,523	(15,914)	(2,052)
Plan amendments	48,705	1,152	47,553	-
Change in valuation allowance	38,541	-	25,458	13,083
Total expense	521,970	413,574	108,396	-

	2014			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	\$	\$	\$	\$
Current service costs	305,453	240,828	64,625	-
Interest cost/(revenue)	93,385	121,016	(22,920)	(4,711)
Amortization of actuarial (gain) loss	(192,939)	11,348	(94,411)	(109,876)
Plan amendments	159,193	84,818	74,375	-
Change in valuation allowance	198,763	-	82,636	116,127
Total expense	563,855	458,010	104,305	1,540

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 (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, 2015. 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:

	2015	2014
Discount rate for accrued benefit obligation:		
Post-employment	2.5%	2.8%
Post-retirement	3.4%	3.4%
Sick leave	2.9%	3.2%
WSIB	2.9%	2.8%
Rate of compensation increase	1.18% to 3.5%	1.18% to 4.5%
Health care inflation – LTD, hospital and other medical	3.0% to 7.0%	4.5% to 7.0%
Health care inflation – Dental care	3.0% to 4.5%	3.0% to 4.5%
Health care inflation – Drugs	6.0% to 10.0%	6.0% to 10.0%
	2015	2014
Discount rate for benefit costs:		
Post-employment	2.8%	3.6%
Post-retirement	3.4%	4.4%
Sick leave	3.2%	4.1%
WSIB	2.8%	3.6%
Rate of compensation increase	1.18% to 4.5%	2.0% to 4.5%
Health care inflation – LTD, hospital and other medical	4.5% to 7.0%	4.5% to 7.0%
Health care inflation – Dental care	3.0% to 4.5%	3.2% to 4.5%
Health care inflation – Drugs	6.0% to 10.0%	6.4% to 10.0%

For 2015 benefit costs and year end 2015 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 were 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 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, 2015 (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, 2015, the balance in the Sick Leave Reserve Fund is \$39,962 (2014 - \$42,833) and is included in the Employee Benefits Reserve Fund grouping (Note 17). Payments during the year amounted to \$51,850 (2014 - \$49,319).

(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, 2015, the balance in the Workers' Compensation Reserve Fund is \$13,098 (2014 - \$11,632) and is included as part of the Employee Benefits Reserve Fund (Note 17). Payments during the year by the City to the WSIB amounted to \$34,060 (2014 - \$33,305).

(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, 2015, the balance in the Employee Benefits Reserve Fund was \$186,146 (2014 - \$179,789) and is included as part of Employee Benefits Reserve Fund (Note 17). Payments during the year amounted to \$55,757 (2014 - \$54,185).

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 \$5,259 (2014 - \$5,307) 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 \$191,401 (2014 - \$188,269) and were matched by employee contributions in a similar amount.

The amount contributed for past service to OMERS for the year ended December 31, 2015 was \$898 (2014 - \$739). 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, 2015 (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, 2015. 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, 2015 is comprised solely of unamortized actuarial losses.

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

	2015	2014
Discount rate	5.75%	6.25%
Expected rate of return on plan assets	5.75%	6.25%
Rate of increase in salaries	3.25%	3.25%
Inflation rate	2.00%	2.00%
Assumptions for disclosure:		
Discount rate	5.50%	5.75%
Expected rate of return on plan assets	5.50%	5.75%
Rate of increase in salaries	3.25%	3.25%
Inflation rate	2.00%	2.00%

(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, 2015, there was 1 (2014 – 2) active member with an average age of 70.5 (2014 – 67.4). There were also 3,407 (2014 – 3,619) pensioners with an average age of 80 (2014 – 79.3) and 2,503 (2014 – 2,577) spousal beneficiaries in receipt of a pension, with an average age of 82.3 (2014 – 81.8). Pension payments and refunds during the year were approximately \$151,149 (2014 - \$154,653).

Given that all remaining members in the Plans have over 35 years of service, there are no contributions being made into the Plans.

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, 2015. The accrued benefit obligation as at December 31, 2015 is based on actuarial valuations for accounting purposes as at December 31, 2015. The actuarial gains or losses in each of the five plans are accounted for in 2015.

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 (2014 – 2.50%) and the rate of compensation increase is estimated at 3.50% per annum (2014 – 3.50%) for determining the accrued benefit obligation. The discount rates used to determine the December 31, 2015 accrued benefit obligation is 5.20% (2014 – 5.50%) and the discount rate used to determine the fiscal year 2015 benefit cost is 5.50% (2014 – 5.80%).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 (all dollar amounts in thousands of dollars)

Pension plan assets are valued at market values. The expected rate of return on plan assets is 5.20% (2014 – 5.50%) per annum, net of all administrative expenses. The actual return on the market value of plan assets during the year was a gain of 5.63% (2014 – 11.80%). The pension plans hold the following mix of assets: Cash and equivalents 3.8%, Bonds and Fixed Income 45.6%, Canadian equities 19.7%, and foreign equities 30.9%.

As at December 31, 2015 all plans (2014 – all plans), the Toronto Civic Employees Pension Plan, the Metropolitan Toronto Pension Plan, the Toronto Firefighters Pension Plan, the City of York Employees Pension Plan, and Metropolitan Toronto Police 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.

	2015	2015	2015	2014
	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	337,047	250,488	86,559	81,883
Metropolitan Toronto Pension Plan	521,252	457,632	63,620	55,600
Toronto Firefighters Pension Plan	236,348	215,466	20,882	26,757
City of York Employee Pension Plan	43,081	41,512	1,569	1,743
Metropolitan Toronto Police Pension Plan	549,424	508,408	41,016	34,580

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 (all dollar amounts in thousands of dollars)

14. Tangible capital assets

Tangible capital assets consist of the following:

	2015	2015	Net book	2014
	Cost	Accumulated	value	Net book
	\$	amortization	\$	value
	\$	\$	\$	\$
General				
Land	3,603,549	-	3,603,549	3,561,516
Land Improvements	912,180	383,968	528,212	319,163
Buildings and building improvements	7,946,383	2,997,148	4,949,235	4,474,499
Machinery and equipment	2,053,103	1,243,255	809,848	743,711
Motor vehicles	2,258,601	1,446,836	811,765	762,449
Total General	16,773,816	6,071,207	10,702,609	9,861,338
Infrastructure				
Land	139,146	-	139,146	137,910
Buildings and building improvements	607,997	154,125	453,872	449,418
Machinery and equipment	1,742,933	1,012,932	730,001	761,018
Water and wastewater linear	5,860,236	2,137,148	3,723,088	3,466,183
Roads linear	4,324,353	2,059,369	2,264,984	2,148,290
Transit	6,790,530	3,642,016	3,148,514	2,694,601
Total Infrastructure	19,465,195	9,005,590	10,459,605	9,657,420
Assets under construction	5,802,565	-	5,802,565	5,451,183
Total	42,041,576	15,076,797	26,964,779	24,969,941

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 from TCHC totaling \$8,320 (2014 - \$9,607).

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 \$9,872 (2014 - \$nil) for land, \$4,077 (2014 - \$473) for land improvements, and \$267 for machinery and equipment (2014 - \$271).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 (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 a 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.

15. Inventories and Prepaid Expenses

	2015	2014
	\$	\$
Prepaid Expenses	105,128	93,027
Inventories	158,838	146,427
Inventories of Surplus Property	94,188	133,995
	358,154	373,449

16. 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 9) on the Consolidated Statement of Financial Position in the aggregate amount of \$585,807 (2014 - \$553,901).
- 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 train sets for the Toronto-York Spadina Subway line extension and 21 replacement train sets. In March 2014, the TTC approved a further purchase of 10 train sets for future ridership growth bringing the total delivery requirement to 80 train sets. In June 2015, an amendment to the contract was authorized by TTC for modification of four 6 car trainsets into six 4-car trainsets to support the conversion to ATC-equipped trainsets. This brought the total delivery requirements to 82 trainsets, with the total contract value of \$1,448,700. At December 31, 2015, 71 train sets had been delivered at a cost of \$1,356,900. The outstanding commitment as at December 31, 2015 is \$91,800.
- d) On June 26, 2009, a contract was awarded by the TTC for the design and supply of 204 Light Rail Vehicles ("LRVs"). As at December 31, 2015 the total contract cost remained unchanged at \$1,009,300. As at December 31, 2015, 17 LRV's had been delivered and TTC had incurred costs of \$530,300. The balance of deliveries will continue in 2016 with all 204 cars scheduled for delivered by 2019. At December 31, 2015, the outstanding commitment is \$479,000.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 (all dollar amounts in thousands of dollars)

- e) In July 2012, a contract was awarded by the TTC for purchase of 27 60-foot Articulated Low Floor Clean Diesel Buses. In March 2013, TTC approved an amendment to the contract authorizing the purchase of additional 126 60-foot Articulated Low Floor Clean Diesel Buses and on April 30, 2014 a subsequent contract was awarded for additional 55 40-foot low floor clean diesel buses. In February 2015 and July 2015, TTC approved a further purchase of 50 40-foot low floor clean diesel buses and 108 40-foot low floor clean diesel buses respectively bringing the total delivery requirement to 366 buses for a total contract cost of \$266,200. At December 31, 2015, 258 buses had been delivered at a cost of \$201,900. At December 31, 2014, the outstanding commitment is \$64,300.
- f) At December 31, 2015, the TTC has other various capital project contractual commitments of \$555,300 (2014 - \$1,788,800). Of this amount, \$176,500 (2014 - \$196,400) relate to multi-component shared projects for Toronto Waterfront, Toronto-York Spadina Subway Extension project (TYSSE) and TTC; contractual commitments of \$239,000 (2014 - \$428,400) relate to the TYSSE project and \$139,800 (2014 - \$1,164,000) relate to various TTC construction projects.
- g) The TTC and Build Toronto have provisions for environmental costs of \$5,703 (2014 - \$6,750); and \$17,642 (2014 - \$17,325) respectively. These estimated costs based on third-party engineering reports are to cover estimated costs of remediating sites with known contamination for which these entities are responsible. Given that the estimate of environmental liabilities is based on a number of assumptions, actual costs may vary. The estimated amounts of future restoration costs are reviewed regularly, based on available information and governing legislation. Provisions for environmental costs are recorded in other liabilities (Note 9) on the Consolidated Statement of Financial Position.
- h) The Ministry of the Environment has issued Certificates of Approval for 29 (2014 - 29) of the identified 160 (2014 - 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 10).
- i) 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, 2015 the City had provided capital loan guarantees to certain third parties amounting to \$40,318 (2014 - \$42,124), and operating loan and line of credit guarantees of \$3,905 (2014 - \$3,905), primarily related to several cultural non-profit organizations, and direct City loans amounting to \$70,660 (2014 - \$89,639), primarily to City agencies.
- j) At December 31, 2015, the City is committed to future minimum annual operating lease payments for premises and equipment as follows:

	<u>\$</u>
2016	64,166
2017	44,773
2018	35,739
2019	28,849
2020	23,959
Thereafter	<u>87,970</u>
	<u>285,456</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 (all dollar amounts in thousands of dollars)

17. Accumulated Surplus

Accumulated surplus is comprised of the following:

	2015 \$	2014 \$
Invested in tangible capital assets (Note 14)	26,964,779	24,969,941
Operating fund	2,734,748	2,817,251
Capital fund	(929,783)	(1,021,375)
Reserves and reserve funds	1,826,231	1,963,671
	<u>30,595,975</u>	<u>28,729,488</u>
Amounts expected to be recovered from future revenues*:		
Mortgages (Note 11)	(510,834)	(579,405)
Net long-term debt (Note 12)	(4,712,547)	(4,178,512)
Recoverable from TDSB (Note 12)	10,974	17,013
Landfill closure and post-closure liabilities (Note 10)	(141,570)	(139,316)
Employee benefits (Note 13)	(3,598,848)	(3,410,247)
Contaminated sites (Note 9)	(6,549)	-
Other	(393,487)	(390,322)
	<u>(9,352,861)</u>	<u>(8,680,789)</u>
	<u>21,243,114</u>	<u>20,048,699</u>

*: Amounts expected to be recovered from future revenues are gross of any reserves or reserve funds set aside for these purposes \$234,552 (2014 - \$223,077).

Reserves and reserve funds consist of the following:

	2015 \$	2014 \$
Reserves:		
Corporate	520,809	574,422
Stabilization	209,299	231,441
Water and Wastewater	77,861	142,589
Donations	1,186	1,285
	<u>809,155</u>	<u>949,737</u>
Reserve Funds:		
Employee Benefits (Note 13)	239,206	234,255
Corporate	451,809	483,468
Community Initiatives	102,815	94,108
State of Good Repair	223,246	202,103
	<u>1,017,076</u>	<u>1,013,934</u>
Total Reserves and Reserve Funds	<u>1,826,231</u>	<u>1,963,671</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 (all dollar amounts in thousands of dollars)

18. Budget Data

Budget data presented in these consolidated financial statements are based upon the 2015 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.

	Budget Amount
	\$
<u>Revenue</u>	
Approved budgets:	
Operating	9,946,672
Capital	3,165,321
Reserve	<u>17,866</u>
	13,129,859
Adjustments:	
Proceeds on debt issue	<u>(1,137,697)</u>
Total revenue	<u>11,992,162</u>
<u>Expenses</u>	
Approved budgets:	
Operating	9,756,228
Capital	<u>3,721,583</u>
	13,477,811
Adjustments:	
Tangible Capital Assets (TCA)	(2,855,097)
Amortization	851,190
Debt principal repayments	<u>(224,112)</u>
Total expenses	<u>11,249,792</u>
Annual surplus	<u>742,370</u>

19. Funding Transfers from Other Governments

	2015	2014
	\$	\$
<u>By Function</u>		
General government	107,343	147,102
Protection to persons & property	49,540	43,305
Transportation	630,875	510,454
Environmental services	29,126	42,481
Health services	296,548	285,084
Social and family services	1,531,999	1,465,966
Social Housing	178,171	225,396
Recreation and cultural services	20,364	13,162
Planning and development	<u>18,254</u>	<u>19,162</u>
	<u>2,862,220</u>	<u>2,752,112</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 (all dollar amounts in thousands of dollars)

By Source	2015	2014
	\$	\$
Operating Transfers		
Federal	160,786	206,923
Provincial	2,032,351	1,984,065
Other	30,004	27,124
	<u>2,223,141</u>	<u>2,218,112</u>
Capital Transfers		
Federal	279,674	245,918
Provincial	304,474	237,545
Other	54,931	50,537
	<u>639,079</u>	<u>534,000</u>
Total	<u>2,862,220</u>	<u>2,752,112</u>

20. Expenses by Object

Expenses by object comprise the following:

	2015	2014
	\$	\$
Salaries, wages and benefits	5,565,309	5,349,900
Materials	938,054	918,934
Contracted services	1,674,201	1,793,882
Interest on long-term debt	314,827	313,318
Transfer payments	1,268,651	1,000,937
Amortization (Schedule 1)	851,194	871,099
Other	213,872	213,564
	<u>10,826,108</u>	<u>10,461,634</u>

21. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 (all dollar amounts in thousands of dollars)

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 enforcement, 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.
- **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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 (all dollar amounts in thousands of dollars)

22. Trust Funds

Trust funds administered by the City amounting to \$24,178 (2014 - \$24,625) 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. Separate Audited Financial Statements are prepared for funds held in Trust by the City. Trust fund balances as at December 31 are as follows:

	2015	2014
	\$	\$
Keele Valley Site Post-Closure Trust Fund (Note 10)	7,534	7,514
Homes for the Aged Trust Fund – Residents	6,206	6,216
Community Centre Development Levy Trust Fund – Railway Lands	4,891	4,837
Contract Aftercare Trust Fund	1,095	1,091
Waterpark Place Trust Fund	1,095	1,089
Community Services Levies Trust Fund	759	1,225
Music Garden Trust Fund	615	613
Heritage and Culture Trust Funds	412	407
Development Charges Trust Fund – Queen's Quay	337	548
Regent Park Legacy Trust	300	297
Lakeshore Pedestrian Bridge Trust Fund	252	251
Candidates' Municipal Election Surpluses Trust Fund	178	-
Children's Greenhouse Trust Fund – Allan Gardens	115	114
Green Lane Small Claims Trust Fund	110	109
Preservation Trust Fund	53	52
Hugh Clydesdale Trust Fund	45	45
Michael Sansone Trust Fund	43	43
Tenant Displacement Trust Fund	28	28
Ontario Home Renewal Project	22	22
90 Lisgar Street Trust Fund	21	20
Police Trust Funds	2	39
Other trust funds	65	65
	24,178	24,625

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 (all dollar amounts in thousands of dollars)

23. Change in Accounting Policy

During 2015, Toronto Hydro Inc. (THI) adopted IFRS 14 Regulatory Deferral Accounts, which allows for continuation of regulatory deferral accounts until the International Accounting Standards Board (IASB) completes its comprehensive project on rate regulated activities. As THI had previously been converted to IFRS for reporting in these consolidated financial statements, this standard, implemented retro-actively, has resulted in the following changes to these financial statements:

Consolidated Statement of Financial Position

	2014 (as reported)	2014 (as restated)	Change
	\$	\$	\$
Investment in government business enterprises	1,804,357	1,905,402	101,045
Accumulated surplus	19,947,654	20,048,699	101,045

Consolidated Statement of Operations

	2014 (as reported)	2014 (as restated)	Change
	\$	\$	\$
Government business enterprises earnings	73,281	174,326	101,045
Annual surplus	787,983	889,028	101,045
Accumulated surplus, ending	19,947,654	20,048,699	101,045

24. Comparative Values

Certain 2014 values have been regrouped from statements previously presented, to conform with the presentation adopted in 2015.

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS – SCHEDULE 1

As at and for the year ended December 31, 2015
(all dollar amounts in thousands of dollars)

2015

	Cost 2015					Accumulated Amortization 2015				Net Book Value 2015
	Beginning	Additions	Disposals / Transfers	Donated	Ending	Beginning	Amortization	Disposals	Ending	
General										
Land	3,561,516	38,386	(6,225)	9,872	3,603,549	-	-	-	-	3,603,549
Land Improvements	682,597	228,332	(2,826)	4,077	912,180	363,434	23,363	(2,829)	383,968	528,212
Buildings and building improvements	7,241,321	706,585	(1,523)	-	7,946,383	2,766,822	231,099	(773)	2,997,148	4,949,235
Machinery and equipment	1,937,890	187,521	(72,575)	267	2,053,103	1,194,179	121,297	(72,221)	1,243,255	809,848
Vehicles	2,179,234	153,658	(74,291)	-	2,258,601	1,416,785	103,365	(73,314)	1,446,836	811,765
Total General	15,602,558	1,314,482	(157,440)	14,216	16,773,816	5,741,220	479,124	(149,137)	6,071,207	10,702,609
Infrastructure										
Land	137,910	1,236	-	-	139,146	-	-	-	-	139,146
Buildings and building improvements	594,881	13,116	-	-	607,997	145,463	8,662	-	154,125	453,872
Machinery and equipment	1,727,640	15,293	-	-	1,742,933	966,622	46,310	-	1,012,932	730,001
Water and wastewater linear	5,536,813	332,791	(9,368)	-	5,860,236	2,070,630	71,737	(5,219)	2,137,148	3,723,088
Roads linear	4,155,446	213,445	(44,538)	-	4,324,353	2,007,156	91,299	(39,086)	2,059,369	2,264,984
Transit	6,190,149	607,974	(7,593)	-	6,790,530	3,495,548	154,062	(7,594)	3,642,016	3,148,514
Total infrastructure	18,342,839	1,183,855	(61,499)	-	19,465,195	8,685,419	372,070	(51,899)	9,005,590	10,459,605
Assets under construction	5,451,183	820,186	(468,804)	-	5,802,565	-	-	-	-	5,802,565
TOTAL	39,396,580	3,318,523	(687,743)	14,216	42,041,576	14,426,639	851,194	(201,036)	15,076,797	26,964,779

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS – SCHEDULE 1

As at and for the year ended December 31, 2014
(all dollar amounts in thousands of dollars)

2014

	Cost 2014					Accumulated Amortization 2014				Net Book Value 2014
	Beginning	Additions	Disposals / Transfers	Donated	Ending	Beginning	Amortization	Disposals	Ending	
General										
Land	3,547,683	23,757	(9,924)	-	3,561,516	-	-	-	-	3,561,516
Land Improvements	674,069	8,856	(801)	473	682,597	346,546	17,669	(781)	363,434	319,163
Buildings and building improvements	6,693,410	534,878	13,033	-	7,241,321	2,552,869	224,566	(10,613)	2,766,822	4,474,499
Machinery and equipment	1,829,304	169,820	(61,505)	271	1,937,890	1,116,940	138,215	(60,976)	1,194,179	743,711
Vehicles	2,048,110	197,451	(66,327)	-	2,179,234	1,363,712	118,304	(65,231)	1,416,785	762,449
Total General	14,792,576	934,762	(125,524)	744	15,602,558	5,380,067	498,754	(137,601)	5,741,220	9,861,338
Infrastructure										
Land	137,914	-	(4)	-	137,910	-	-	-	-	137,910
Buildings and building improvements	516,977	77,904	-	-	594,881	137,896	7,567	-	145,463	449,418
Machinery and equipment	1,678,290	49,689	(339)	-	1,727,640	920,606	46,033	(17)	966,622	761,018
Water and wastewater linear	5,385,075	152,778	(1,040)	-	5,536,813	2,003,267	67,991	(628)	2,070,630	3,466,183
Roads linear	4,054,471	128,979	(28,004)	-	4,155,446	1,941,563	89,190	(23,597)	2,007,156	2,148,290
Transit	5,974,839	330,880	(115,570)	-	6,190,149	3,441,307	161,564	(107,323)	3,495,548	2,694,601
Total infrastructure	17,747,566	740,230	(144,957)	-	18,342,839	8,444,639	372,345	(131,565)	8,685,419	9,657,420
Assets under construction	4,670,845	1,248,567	(468,229)	-	5,451,183	-	-	-	-	5,451,183
TOTAL	37,210,987	2,923,559	(738,710)	744	39,396,580	13,824,706	871,099	(269,166)	14,426,639	24,969,941

SCHEDULE OF GOVERNMENT BUSINESS ENTERPRISES – APPENDIX 1

As at and for the year ended December 31, 2015

(all dollar amounts in thousands of dollars)

Condensed Financial Results (\$) Fiscal Year Ended	<u>Toronto Hydro Corporation</u> December 31		<u>Toronto Parking Authority</u> December 31		<u>Toronto Port Lands Company</u> December 31		<u>Total</u>	
	2015	2014 (See Note 23)	2015	2014	2015	2014	2015	2014 (See Note 23)
Financial Position								
Assets								
Current	541,700	534,323	161,337	71,266	27,020	24,677	730,057	630,266
Capital	3,788,000	3,492,393	144,092	135,965	359,067	359,280	4,291,159	3,987,638
Other	405,853	254,314	79,986	65,090	-	-	485,839	319,404
	4,735,553	4,281,030	385,415	272,321	386,087	383,957	5,507,055	4,937,308
Liabilities								
Current	875,900	873,344	92,409	14,096	8,004	7,525	976,313	894,965
Long-term	2,470,100	2,088,522	5,035	16,780	8,131	8,291	2,483,266	2,113,593
	3,346,000	2,961,866	97,444	30,876	16,135	15,816	3,459,579	3,008,558
Net equity	1,389,553	1,319,164	287,971	241,445	369,952	368,141	2,047,476	1,928,750
City's share (Note 5)	1,367,726	1,295,816	287,971	241,445	369,952	368,141	2,025,649	1,905,402
Results of Operations								
Revenues	3,596,000	3,377,364	244,280	134,022	7,444	6,572	3,847,724	3,517,958
Expenses	3,469,300	3,230,131	80,296	75,712	5,459	5,392	3,555,055	3,311,235
Actuarial (loss) gain from Other Comprehensive Income (OCI)	-	(33,917)	-	-	-	-	-	(33,917)
Net income (loss)	126,700	113,316	163,984	58,310	1,985	1,180	292,669	172,806
City's share (Note 5)	126,700	113,316	163,984	58,310	1,985	1,180	292,669	172,806
Distribution to City (Note 5)	-	-	117,457	44,642	174	86	117,631	44,728
Dividends paid to City (Note 5)	56,311	60,619	-	-	-	-	56,311	60,619
Net book value of assets sold from the City to Toronto Hydro Corporation (Note 5)	21,828	23,348	-	-	-	-	21,828	23,348

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – SERVICE – 2015 – APPENDIX 2*

for the year ended December 31, 2015
(all dollar amounts in thousands of dollars)

2015

	General Government	Protection	Transportation	Environmental	Health	Social and Family	Social Housing	Recreation and Cultural	Planning and Development	Consolidated
Taxation	4,490,179	-	-	-	-	-	-	-	-	4,490,179
User charges	49,634	189,934	1,253,766	1,033,819	2,372	55,627	16,773	148,578	30,288	2,780,791
Government transfers	107,343	49,540	630,875	29,126	296,548	1,531,999	178,171	20,364	18,254	2,862,220
Net GBE income	294,189	-	-	-	-	-	-	-	-	294,189
Other	342,998	78,807	381,620	73,342	4,343	19,927	369,089	187,171	135,847	1,593,144
TOTAL REVENUES	5,284,343	318,281	2,266,261	1,136,287	303,263	1,607,553	564,033	356,113	184,389	12,020,523
Salaries, wages and benefits	465,693	1,640,762	1,545,036	261,137	362,006	563,676	135,503	546,316	45,180	5,565,309
Materials	113,929	31,297	375,350	99,980	17,438	35,866	138,302	110,282	15,610	938,054
Contracted services	193,720	19,903	436,114	308,360	45,121	380,273	113,889	150,014	26,807	1,674,201
Interest on long-term debt	5,838	9,932	185,793	13,089	856	2,553	71,734	17,428	7,604	314,827
Transfer payments	(170,234)	55,363	(10,581)	87,109	23,488	1,023,470	159,565	82,496	17,975	1,268,651
Other	65,310	17,761	12,859	30,959	2,349	17,429	13,913	24,105	29,187	213,872
Amortization	72,940	32,891	399,215	139,383	1,131	643	142,544	58,708	3,739	851,194
TOTAL EXPENSES	747,196	1,807,909	2,943,786	940,017	452,389	2,023,910	775,450	989,349	146,102	10,826,108
ANNUAL SURPLUS/ (DEFICIENCY)	4,537,147	(1,489,628)	(677,525)	196,270	(149,126)	(416,357)	(211,417)	(633,236)	38,287	1,194,415

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

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – SERVICE – 2014 – APPENDIX 2*

for the year ended December 31, 2014
(all dollar amounts in thousands of dollars)

2014

	General Government	Protection	Transportation	Environmental	Health	Social and Family	Social Housing	Recreation and Cultural	Planning and Development	Consolidated
Taxation	4,329,211	-	-	-	-	-	-	-	-	4,329,211
User charges	45,444	173,356	1,258,437	1,035,494	2,504	54,463	16,663	141,621	25,291	2,753,273
Government transfers	147,102	43,305	510,454	42,481	285,084	1,465,966	225,396	13,162	19,162	2,752,112
Net GBE income	174,326	-	-	-	-	-	-	-	-	174,326
Other	366,976	41,710	229,830	54,048	2,832	19,217	421,636	149,670	55,821	1,341,740
TOTAL REVENUES	5,063,059	258,371	1,998,721	1,132,023	290,420	1,539,646	663,695	304,453	100,274	11,350,662
Salaries, wages and benefits	412,087	1,665,742	1,438,163	252,708	344,181	551,332	128,135	513,906	43,646	5,349,900
Materials	133,004	32,038	338,477	108,503	17,233	55,226	136,950	87,672	9,831	918,934
Contracted services	253,115	16,885	592,560	273,289	39,722	333,233	111,332	164,433	9,313	1,793,882
Interest on long-term debt	7,376	11,819	179,573	12,919	943	3,195	69,913	19,053	8,527	313,318
Transfer payments	(123,636)	48,968	(174,543)	102,900	23,551	956,153	117,985	31,893	17,666	1,000,937
Other	43,155	9,292	16,231	36,331	2,565	16,463	22,592	38,095	28,840	213,564
Amortization	72,987	35,330	429,205	132,554	1,296	178	140,808	56,376	2,365	871,099
TOTAL EXPENSES	798,088	1,820,074	2,819,666	919,204	429,491	1,915,780	727,715	911,428	120,188	10,461,634
ANNUAL SURPLUS/ (DEFICIENCY)	4,264,971	(1,561,703)	(820,945)	212,819	(139,071)	(376,134)	(64,020)	(606,975)	(19,914)	889,028

*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, 2015
(all dollar amounts in thousands of dollars)

2015

	City	Police Services	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies and Corporations	TOTAL
Taxation	4,490,179	-	-	-	-	-	4,490,179
User charges	1,532,968	32,319	1,126,401	4,509	16,773	67,821	2,780,791
Government transfers	2,153,833	48,901	630,731	6,127	-	22,628	2,862,220
Net GBE income	294,189	-	-	-	-	-	294,189
Other	855,504	54,585	179,094	8,252	367,256	128,453	1,593,144
TOTAL REVENUES	9,326,673	135,805	1,936,226	18,888	384,029	218,902	12,020,523
Salaries, wages and benefits	2,715,444	1,111,776	1,370,081	143,287	135,504	89,217	5,565,309
Materials	470,486	12,600	244,503	9,423	138,302	62,740	938,054
Contracted services	1,275,112	12,597	219,154	17,162	113,889	36,287	1,674,201
Interest on long-term debt **	231,724	9,152	-	-	71,629	2,322	314,827
Transfer payments	2,412,355	10,767	(749,790)	(174,937)	(246,857)	17,113	1,268,651
Other	152,749	11,061	5,568	2,532	13,913	28,049	213,872
Amortization	338,063	27,522	301,565	31,477	142,544	10,023	851,194
TOTAL EXPENSES	7,595,933	1,195,475	1,391,081	28,944	368,924	245,751	10,826,108
ANNUAL SURPLUS/ (DEFICIENCY)	1,730,740	(1,059,670)	545,145	(10,056)	15,105	(26,849)	1,194,415

** As at December 31, the City has issued \$3,265,325 in debentures for capital expenditures made on behalf of the TTC (2014: \$2,859,529). Included in interest on long-term debt is \$133,893 related to this debt.

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – ENTITY – APPENDIX 3

for the year ended December 31, 2014
(all dollar amounts in thousands of dollars)

2014

	City	Police Services	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies and Corporations	TOTAL
Taxation	4,329,211	-	-	-	-	-	4,329,211
User charges	1,537,020	31,438	1,103,699	4,344	16,663	60,109	2,753,273
Government transfers	2,504,672	42,760	177,467	5,904	-	21,309	2,752,112
Net GBE income	174,326	-	-	-	-	-	174,326
Other	729,648	22,461	66,237	9,375	407,684	106,335	1,341,740
TOTAL REVENUES	9,274,877	96,659	1,347,403	19,623	424,347	187,753	11,350,662
Salaries, wages and benefits	2,661,043	1,063,723	1,273,486	140,396	128,135	83,117	5,349,900
Materials	493,722	10,769	226,577	13,725	136,950	37,191	918,934
Contracted services	1,254,895	14,073	378,111	17,189	111,332	18,282	1,793,882
Interest on long-term debt **	230,490	10,520	-	-	69,913	2,395	313,318
Transfer payments	2,105,550	262	(665,713)	(172,641)	(255,292)	(11,229)	1,000,937
Other	127,222	3,447	8,973	2,379	22,592	48,951	213,564
Amortization	327,559	29,490	334,248	30,558	140,808	8,436	871,099
TOTAL EXPENSES	7,200,481	1,132,284	1,555,682	31,606	354,438	187,143	10,461,634
ANNUAL SURPLUS/ (DEFICIENCY)	2,074,396	(1,035,625)	(208,279)	(11,983)	69,909	610	889,028

** As at December 31, the City has issued \$2,859,529 in debentures for capital expenditures made on behalf of the TTC (2013: \$2,467,505). Included in interest on long-term debt is \$129,061 related to this debt.

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

for the year ended December 31, 2015
(all dollar amounts in thousands of dollars)

2015 and 2014

	City, including Police Services	Toronto Transit Commission	Toronto Community Housing Corporation	Toronto Public Library	Other Agencies and Corporations	TOTAL
2015						
General						
Cost	7,433,051	4,725,727	3,961,110	454,943	198,985	16,773,816
Accumulated amortization	2,011,923	2,348,895	1,468,819	166,462	75,108	6,071,207
Net Book Value	5,421,128	2,376,832	2,492,291	288,481	123,877	10,702,609
Infrastructure						
Cost	12,674,665	6,790,530	-	-	-	19,465,195
Accumulated amortization	5,363,574	3,642,016	-	-	-	9,005,590
Net Book Value	7,311,091	3,148,514	-	-	-	10,459,605
Assets under construction	1,873,212	3,713,551	109,420	4,484	101,898	5,802,565
Total	14,605,431	9,238,897	2,601,711	292,965	225,775	26,964,779
2014						
General						
Cost	7,091,938	4,156,305	3,728,620	437,105	188,590	15,602,558
Accumulated amortization	1,931,828	2,254,037	1,327,015	160,198	68,142	5,741,220
Net Book Value	5,160,110	1,902,268	2,401,605	276,907	120,448	9,861,338
Infrastructure						
Cost	12,152,689	6,190,150	-	-	-	18,342,839
Accumulated amortization	5,189,871	3,495,548	-	-	-	8,685,419
Net Book Value	6,962,818	2,694,602	-	-	-	9,657,420
Assets under construction	1,746,072	3,455,219	115,724	8,663	125,505	5,451,183
Total	13,869,000	8,052,089	2,517,329	285,570	245,953	24,969,941