

# **2016 Consolidated Financial Statements**

**December 31, 2016**

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## Management's Report

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

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

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

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

The 2016 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 XX, 2017

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, 2016 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 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, 2016 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, 2017

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2016

(with comparative figures as at December 31, 2015)

(all dollar amounts in thousands of dollars)

	2016	2015
<b>FINANCIAL ASSETS</b>		
Cash	1,492,647	248,560
Accounts receivable (Note 2)	1,004,275	1,196,625
Property taxes receivable	261,071	240,700
Other assets (Note 3)	213,329	195,835
Investments (Note 4)	4,248,189	5,153,137
Due from Toronto District School Board (Note 12)	4,600	10,974
Investments in government business enterprises (Note 5)	2,069,348	2,025,649
<b>Total financial assets</b>	<b>9,293,459</b>	<b>9,071,480</b>
<b>LIABILITIES</b>		
Bank indebtedness (Note 6)	65,856	66,301
Accounts payable and accrued liabilities (Note 7)	3,290,252	3,142,659
Deferred revenue (Note 8)	2,416,642	2,239,106
Other liabilities (Note 9)	688,528	706,027
Landfill closure and post-closure liabilities (Note 10)	138,101	141,570
Mortgages payable (Note 11)	363,098	510,834
Net long-term debt (Note 12)	5,072,410	4,745,954
Employee benefit liabilities (Note 13)	3,756,844	3,598,848
<b>Total liabilities</b>	<b>15,791,731</b>	<b>15,151,299</b>
<b>NET DEBT</b>	<b>(6,498,272)</b>	<b>(6,079,819)</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets, net (Note 14, Schedule 1)	28,583,669	26,964,779
Inventories and prepaid expenses (Note 15)	405,810	358,154
	<b>28,989,479</b>	<b>27,322,933</b>
Commitments and contingencies (Note 16)		
<b>ACCUMULATED SURPLUS</b> (Note 17)	<b>22,491,207</b>	<b>21,243,114</b>

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, 2016

(with comparative figures for the year ended December 31, 2015)

(all dollar amounts in thousands of dollars)

	<b>2016 BUDGET (Note 18)</b>	<b>2016 ACTUAL</b>	<b>2015 ACTUAL</b>
<b>REVENUE</b>			
Property taxation	3,927,000	3,938,802	3,879,877
Municipal land transfer tax	526,528	644,590	524,000
Taxation from other governments	102,830	112,211	86,302
User charges	3,211,865	3,083,725	2,780,791
Funding transfers from other governments (Note 19)	2,984,886	2,738,317	2,862,220
Government business enterprise earnings (Note 5)	-	165,810	294,189
Investment income	197,941	197,231	259,679
Development charges	290,867	184,125	221,192
Rent and concessions	439,271	450,740	451,776
Other	629,203	686,412	737,497
<b>Total revenue</b>	<b>12,310,391</b>	<b>12,201,963</b>	<b>12,097,523</b>
<b>EXPENSES</b>			
General government	895,164	760,339	824,196
Protection to persons and property	1,816,682	1,808,310	1,807,909
Transportation	3,361,487	3,067,408	2,943,786
Environmental services	1,190,346	933,176	940,017
Health services	446,868	449,621	452,389
Social and family services	2,141,477	2,038,215	2,023,910
Social housing	829,429	779,499	775,450
Recreation and cultural services	1,084,888	1,001,753	989,349
Planning and development	135,355	115,549	146,102
<b>Total expenses (Note 20)</b>	<b>11,901,696</b>	<b>10,953,870</b>	<b>10,903,108</b>
<b>ANNUAL SURPLUS</b>	<b>408,695</b>	<b>1,248,093</b>	<b>1,194,415</b>
<b>ACCUMULATED SURPLUS - BEGINNING OF YEAR</b>	<b>21,243,114</b>	<b>21,243,114</b>	<b>20,048,699</b>
<b>ACCUMULATED SURPLUS - END OF YEAR (Note 17)</b>	<b>21,651,809</b>	<b>22,491,207</b>	<b>21,243,114</b>

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, 2016

(with comparative figures for the year ended December 31, 2015)

(all dollar amounts in thousands of dollars)

	2016 BUDGET (Note 18)	2016 ACTUAL	2015 ACTUAL
<b>Annual Surplus</b>	<b>408,695</b>	<b>1,248,093</b>	<b>1,194,415</b>
Acquisition of tangible capital assets	(3,246,988)	(2,587,762)	(2,884,868)
Amortization of tangible capital assets	973,897	973,897	851,194
Loss (Gain) on disposal of tangible capital assets	-	(39,093)	7,023
Proceeds on disposal of tangible capital assets	-	14,947	12,349
<b>Change due to tangible capital assets</b>	<b>(2,273,091)</b>	<b>(1,638,011)</b>	<b>(2,014,302)</b>
<b>Change in inventories and prepaid expenses</b>	<b>-</b>	<b>(28,535)</b>	<b>34,759</b>
<b>(Increase) in net debt</b>	<b>(1,864,396)</b>	<b>(418,453)</b>	<b>(785,128)</b>
<b>NET DEBT - BEGINNING OF YEAR</b>	<b>(6,079,819)</b>	<b>(6,079,819)</b>	<b>(5,294,691)</b>
<b>NET DEBT - END OF YEAR</b>	<b>(7,944,215)</b>	<b>(6,498,272)</b>	<b>(6,079,819)</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2016

(with comparative figures for the year ended December 31, 2015)

(all dollar amounts in thousands of dollars)

	2016	2015
<b>OPERATING ACTIVITIES</b>		
Annual surplus	1,248,093	1,194,415
<b>Add (deduct) items not involving cash:</b>		
Government business enterprise income from operations	(165,810)	(294,189)
Provincial loan forgiveness	(93,171)	(77,000)
Amortization of tangible capital assets	973,897	851,194
Loss (gain) on disposal of tangible capital assets	(39,093)	7,023
	1,923,916	1,681,443
<b>Change in non-cash assets and liabilities related to operations:</b>		
Decrease (increase) in accounts receivable	192,350	(143,027)
(Increase) decrease in property taxes receivable	(20,371)	11,667
Increase in accounts payable and accrued liabilities	147,593	355,546
Increase in deferred revenue	177,536	231,690
(Decrease) increase in other liabilities	(17,499)	56,463
(Increase) decrease in inventories and prepaid expenses	(28,535)	34,759
(Decrease) increase in landfill closure and post-closure liabilities	(3,469)	2,254
Increase in employee benefit liabilities	157,996	188,601
<b>Cash provided by operating activities</b>	<b>2,529,517</b>	<b>2,419,396</b>
<b>CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(2,587,762)	(2,884,868)
Proceeds on disposal of tangible capital asset	14,947	12,349
<b>Cash applied to capital activities</b>	<b>(2,572,815)</b>	<b>(2,872,519)</b>
<b>INVESTING ACTIVITIES</b>		
Decrease (increase) in other assets	(17,494)	73,331
Purchase of investments, net	904,948	(561,483)
Principal repayments due from Toronto District School Board	6,374	6,039
Dividends and distributions from government business enterprises	122,111	173,942
<b>Cash provided by (applied to) investing activities</b>	<b>1,015,939</b>	<b>(308,171)</b>
<b>FINANCING ACTIVITIES</b>		
Decrease in bank indebtedness	(445)	(10,207)
Principal repayments on mortgages payable	(147,736)	(68,571)
Proceeds from long-term debt issued	754,574	976,995
Principal repayments on long-term debt	(263,720)	(254,997)
Interest earned on sinking funds	(64,853)	(71,517)
Principal repayments on debt by Toronto District School Board	(6,374)	(6,039)
<b>Cash provided by financing activities</b>	<b>271,446</b>	<b>565,664</b>
<b>Net (decrease) in cash during the year</b>	<b>1,244,087</b>	<b>(195,630)</b>
<b>CASH – BEGINNING OF YEAR</b>	<b>248,560</b>	<b>444,190</b>
<b>CASH – END OF YEAR</b>	<b>1,492,647</b>	<b>248,560</b>
<b>SUPPLEMENTARY INFORMATION:</b>		
<b>Cash paid for interest on debt</b>	<b>310,804</b>	<b>298,672</b>
<b>Cash received for interest on investments</b>	<b>241,138</b>	<b>257,235</b>

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



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 (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 of 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            | ✧ Toronto Board of Health   |
| ✧ Board of Management of the Toronto Zoo            | ✧ Toronto Community Housing Corporation ("TCHC")  |
| ✧ Build Toronto Inc.                                | ✧ Toronto Licensing Commission  |
| ✧ Casa Loma Corporation                             | ✧ Toronto Pan Am Sports Centre Inc. ("TPASC")   |
| ✧ Heritage Toronto                                  | (50% proportionately)   |
| ✧ Invest Toronto Inc.                               | ✧ Toronto Police Services Board   |
| ✧ Lakeshore Arena Corporation                       | ✧ Toronto Public Library Board  |
| ✧ St. Lawrence Centre for the Arts                  | ✧ Toronto Transit Commission ("TTC")  |
| ✧ The North York Performing Arts Centre Corporation | ✧ Toronto Waterfront Revitalization Corporation ("TWRC") ( 1/3 <sup>rd</sup> proportionately) |
| ✧ The Sony Centre for the Performing Arts           | ✧ Yonge-Dundas Square   |
| ✧ Toronto Atmospheric Fund ("TAF")                  |   |

#### Arenas:

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

#### Community Centres:

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 (all dollar amounts in thousands of dollars)

### *Business Improvement Areas:*

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

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 consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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 rates for the class (approved by Council or set by provincial regulation), 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 previous year's total property taxes, 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 budgets 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, 2016 (all dollar amounts in thousands of dollars)

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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 a fixed percentage 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 the 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.

**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. These provisions are outside of PS3260 as they relate to remediation of productive contaminated sites.

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, 2016 (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:

Asset	
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, 2016 *(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:

	2016	2015
	\$	\$
Government of Canada	161,336	153,554
Government of Ontario	194,477	335,282
Other municipal governments	24,817	32,884
School boards	1,323	2,809
Utility fees	200,896	159,951
Other fees and charges	421,426	512,145
	<b>1,004,275</b>	<b>1,196,625</b>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 (all dollar amounts in thousands of dollars)

### 3. Other Assets

Other assets consist of the following:

	2016 \$	2015 \$
Build Toronto Inc.'s (BTI) loan receivable of \$33,404 from Pinewood Toronto Studio Inc. (PTSI), is at an interest rate of 1.86% (2015 – 1.80%) and is reset monthly at the lending Government Agency's average monthly cost of funds. The loan receivable is secured by a leasehold mortgage, shareholder guarantees and a first charge against the assets of the PTSI.	33,404	33,404
Build Toronto Inc.'s (BTI) Vendor-take-back (VTB) mortgage receivable of \$17,118 at an interest rate of 4.75% per annum payable in arrears with a maturity date of September 7, 2017 and a promissory note of \$3,512 at an interest rate of 5% per annum. The notes secure obligations of the Purchaser to build the shell portion of the building.	20,630	-
Build Toronto Inc.'s (BTI) investment property at the Film Studio \$13,159 (2015 - \$13,159). 20% interest in Toronto Waterfront Studio Inc. (TWSI) of \$3,342 (2015 - \$2,588) and joint venture agreement with Build Toronto Holdings (Harbour) Inc. (BTHHI) \$22,424 (2015 - \$22,643) to develop a condominium project.	38,925	38,390
Real Estate inventory that was valued at a market value of \$141,186 consists of capitalized actual costs including decommissioning cost, development cost, and pre-acquisition cost.	17,542	23,634
Provincial affordability housing grants for the development of four TCHC projects are paid monthly over 20 years until 2034 and have been set up as grant receivable. The remaining Grants receivable are from the Province of Ontario resulting from a contribution agreement for housing projects.	16,572	18,710
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 Parliament and Gerrard Development Corporation (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 equal interest co-tenancy agreement with a developer, for the construction of certain properties.	16,373	17,055
TCHC Mortgages receivable are related to sales-type leases from 2010 to 2057 for commercial space in a TCHC building. Maturities vary from May 11, 2037 to May 11, 2057. The interest rates on these mortgages vary from 4.877% to the negotiated coupon rate on the Debenture Series A bonds.	11,699	11,744
Infrastructure Ontario (IO) funds of \$69 (2015 - \$110) and Developers Fund of \$3,310 (2015 - \$4,380) that were externally restricted for capital expenditures.	3,379	4,490
TCHC loan agreement with Dundas and Parliament Development Corporation (DPDC) to finance the pre-development and construction of the condominium building. As at December 31, 2016 \$2,374 had been advanced. In 2016, TCHC sold two lands to Soul Residence Inc. (SRI) and Connect Residence Inc. (CRI) in exchange for promissory notes of \$4,854 and \$4,946 respectively; TCHC also sold land to a developer with a 3% loan receivable of \$3,623 with a maturity date of November 14, 2019.	15,797	4,410
Loans receivable from community housing organizations bearing interest at rates from 0% to 5% (2015 - 0% to 5%) per annum, maturing from 2016 to 2074.	36,202	35,315
Other	2,806	8,683
	<b>213,329</b>	<b>195,835</b>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 (all dollar amounts in thousands of dollars)

### 4. Investments

Investments consist of the following:

	2016		
	Cost	Market value	Carrying value
	\$	\$	\$
Federal government bonds	192,027	197,359	192,027
Provincial government bonds	1,119,323	1,186,678	1,119,323
Municipal government bonds	1,136,130	1,167,732	1,136,130
Money market instruments	1,022,983	1,021,073	1,022,983
Corporate bonds	688,385	695,211	688,385
Other	89,341	99,853	89,341
	<b>4,248,189</b>	<b>4,367,906</b>	<b>4,248,189</b>

  

	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
	<b>5,153,137</b>	<b>5,329,885</b>	<b>5,153,137</b>

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 \$70,357 (2015 - \$70,238). The weighted average yield on the cost of the bond investment portfolio during the year was 2.71% (2015 - 3.00%). Maturity dates on investments in the portfolio range from 2017 to 2045 (2015 - 2016 to 2045). Included in the City's municipal government bonds portfolio are City of Toronto debentures at coupon rates varying from 2.95% to 6.80% (2015 - 2.95% to 8.00%) with a carrying value of \$251,430 (2015 - \$272,930).

Other investments are held by the following entities:

	2016		
	Cost	Market value	Carrying value
	\$	\$	\$
City investments	405	405	405
BIA	2,870	2,870	2,870
Build Toronto	45,995	45,995	45,995
Pan Am	3,767	3,767	3,767
TAF	32,363	42,875	32,363
TWRC	3,941	3,941	3,941
	<b>89,341</b>	<b>99,853</b>	<b>89,341</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 (all dollar amounts in thousands of dollars)

	Cost	2015 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
	<b>79,708</b>	<b>89,750</b>	<b>79,708</b>

### 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:

	2016 \$	2015 \$
Balance - beginning of year	2,025,649	1,905,402
Income from operations (Appendix 1)	164,290	292,669
Dividends received (Appendix 1)	(63,399)	(56,311)
Distribution to City (Appendix 1)	(58,712)	(117,631)
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)	<b>2,069,348</b>	<b>2,025,649</b>

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

		2016 \$	2015 \$
Toronto Hydro Corporation	Equity	1,397,196	1,367,726
Toronto Parking Authority	Equity	294,819	287,971
Toronto Port Lands Company	Equity	377,333	369,952
		<b>2,069,348</b>	<b>2,025,649</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 (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:

	2016 \$	2015 \$
Income from Operations	164,290	292,669
Change in net book value of street-lighting assets – Toronto Hydro	1,520	1,520
Government Business Enterprise Earnings	<b>165,810</b>	<b>294,189</b>

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

	2016 \$	2015 \$
<b>Purchased by the City:</b>		
Street-lighting, electricity, and maintenance services from Toronto Hydro Corporation	275,300	239,300

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

	Due to City \$	Due to others \$	Total \$
2017	-	250,485	250,485
2018	-	512	512
2019	-	250,539	250,539
2020	-	567	567
2021	-	300,597	300,597
Thereafter	-	1,037,134	1,037,134
	-	<b>1,839,834</b>	<b>1,839,834</b>

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

	\$
2017	3,195
2018	3,595
2019	433
2020	433
2021	433
Thereafter	1,940
	<b>10,029</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 (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 (2015 - \$100,000) bearing interest at the bank's prime rate with an effective rate during 2016 of 2.70% (2015 – 2.70%) per annum.

TCHC has a committed revolving credit facility of \$200,000 (2015 - \$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 \$32,000 (2015 - \$15,000) have been used and are repayable at maturity on various dates throughout 2017.

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. The line of credit balance drawn as of December 31, 2016 was \$320 (2015 – nil).

519 Church Street Community Centre has a line of credit of \$350. The interest rate on the line of credit is prime plus 2% and is secured by the Centre's short-term investments, of which \$58 was utilized at year-end (2015 – nil).

During 2016, Toronto Waterfront Revitalization Corporation secured a revolving credit facility which provides for a maximum borrowing amount of \$40,000. The facility bears interest rate at the Canadian Prime less 0.25%. The interest rate was 2.45% as at December 31, 2016. The facility is secured by a first lien interest over several of the Corporation's real properties in the City of Toronto and a General Security Agreement creating a first priority interest over property of the Corporation not obtained through a contribution agreement, including accounts receivable. At December 31, 2016, the Corporation had not drawn on the facility and the full \$40,000 remained available.

Bank indebtedness consists of the following:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
City, net outstanding cheques	33,478	51,301
Toronto Housing Corporation	32,000	15,000
Toronto Atmospheric Fund	320	-
519 Church Street Community Centre	58	-
	<b>65,856</b>	<b>66,301</b>

### 7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Trade payables and accruals	2,318,089	2,227,074
School boards	452,427	454,349
Provision for assessment appeals on property taxes paid	265,796	253,893
Credit balances on property tax accounts	125,594	94,129
Wage accruals	128,346	113,214
	<b>3,290,252</b>	<b>3,142,659</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 (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 by-laws or agreements, are included in deferred revenue and reported on the Consolidated Statement of Financial Position.

Details of these deferred revenues are as follows:

	2016 \$	2015 \$
<i>Restricted by Provincial legislation</i>		
Development Charges	685,906	634,749
Recreational Land ( <i>Planning Act</i> )	603,944	580,654
Building Code Act Service Improvement	65,321	52,433
Provincial Gas Tax	3,582	-
	<u>1,358,753</u>	<u>1,267,836</u>
<i>Restricted by other agreements</i>		
Public Transit Funds	96,232	102,336
Water and Wastewater	536,003	464,852
Community Services	82,898	81,393
Third Party Agreements	12,479	11,115
State of Good Repair	2,516	2,402
Parking Authority	3,362	3,345
	<u>733,490</u>	<u>665,443</u>
<b>Total obligatory reserve funds</b>	<b><u>2,092,243</u></b>	<b><u>1,933,279</u></b>

#### (b) Advance 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:

	2016 \$	2015 \$
Community Services	3,170	3,021
<i>Building Code Act</i>	71,798	56,974
Long-Term Care – Public Health and Housing	2,452	1,761
Police	2,038	2,213
Parks	42,327	37,621
Union Station	83,973	79,397
Other	4,469	13,365
City's agencies and corporations	114,172	111,475
	<u>324,399</u>	<u>305,827</u>
<b>Total advance payments and contributions</b>	<b><u>324,399</u></b>	<b><u>305,827</u></b>
<b>TOTAL DEFERRED REVENUE (8(a) and 8(b))</b>	<b><u>2,416,642</u></b>	<b><u>2,239,106</u></b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 (all dollar amounts in thousands of dollars)

	(a) Obligatory Reserve Funds	2016 (b) Advance payments and contributions	Total
	\$	\$	\$
Balance – beginning of year	1,933,279	305,827	2,239,106
Receipts during the year	1,548,271	4,621,231	6,169,502
Transferred to revenue	(1,389,307)	(4,602,659)	(5,991,966)
Balance – end of year	<b>2,092,243</b>	<b>324,399</b>	<b>2,416,642</b>

	(a) Obligatory Reserve Funds	2015 (b) Advance 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)	(3,248,252)	(4,718,019)
Balance – end of year	<b>1,933,279</b>	<b>305,827</b>	<b>2,239,106</b>

### 9. Other Liabilities

Other liabilities consist of the following:

	2016 \$	2015 \$
Property and liability claims provision (Note 16b)	393,582	387,784
TTC – unsettled accident claims (Note 16b)	192,253	198,023
Build Toronto – environmental liabilities (Note 16g)	17,729	17,642
TTC – environmental liabilities (Note 16g)	5,332	5,703
Contaminated sites liabilities	6,789	6,549
Other	72,843	90,326
	<b>688,528</b>	<b>706,027</b>

### 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 3.7% (2015 –

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 (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, 2016 is \$9,556 (2015 - \$9,527), based on the percentage of total approved capacity used of 47.15% (2015 - 44.12%).

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, 2016 was \$14,586 (2015 - \$15,300) and the balance in the Green Lane Perpetual Care account as at December 31, 2016 was \$4,227 (2015 - \$3,725). Total contributions to the Green Lane Perpetual Care account of \$483 (2015 - \$498) were based on a contribution rate of 89¢ (2015 - 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 (2015 - 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 3.7% (2015 - 3.5%). The estimated present value of future expenditures for post-closure care as at December 31, 2016 was \$128,545 (2015 - \$132,043).

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, 2016 was \$39,373 (2015 - \$29,381) 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, 2016 was \$7,552 (2015 - \$7,534) (Note 22).

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

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Active landfill site (Green Lane)	9,556	9,527
Inactive landfill sites	128,545	132,043
	<b>138,101</b>	<b>141,570</b>

Landfill closure and post-closure costs totalling \$7,456 (2015 - \$5,930) were expensed during the year.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 (all dollar amounts in thousands of dollars)

### 11. Mortgages Payable

Mortgages payable are as follows:

	2016	2015
	\$	\$
Mortgages issued by TCHC, bearing interest at rates ranging from 2.11% to 12.75% (2015 - 2.11% to 12.75%) per annum, with maturities ranging from 2017 to 2048, and collateralized by housing properties owned by TCHC with a net book value of approximately \$1,576,439 (2015 - \$1,561,490).	363,098	510,834

Principal repayments are due as follows:

	\$
2017	45,868
2018	25,447
2019	23,928
2020	25,460
2021	27,463
Thereafter	214,932
	363,098

Principal payments made in 2016 were \$147,736 (2015 - \$68,571).



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 (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:

	2016 \$	2015 \$
Debentures issued by the City, bearing interest at various rates ranging from 2.40% to 8.00% (2015 - 2.45% to 8.00%) per annum, maturing from 2017 to 2044.	5,824,726	5,617,385
TCHC Debentures issued include issuing costs and interest and are amortized over the terms of the debt. These issues consist 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).	445,404	445,290
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.	482,395	428,612
TCHC bridge-loan of \$35,440 converted to a 12-year interest rate swap facility in 2006 with a fixed interest rate of 4.55% and with an unrealized loss of approximately \$1,110 (2015 - \$2,244) maturing on February 15, 2018.	28,177	30,674
Build Toronto Inc. loan facility agreement provided for conversion of the facility to a 25-year amortizable debenture with a borrowing rate currently at 1.86% (2015- 1.80%). The loan is secured by the assets and corporate guarantees of Build Toronto Holdings One Inc. (BTHOI), the future leasehold charge related to the land lease on additional expansion lands to be developed, the Company and the common shares of PT Studios Inc. (PTSI).	33,407	33,407
Debentures issued by the City on behalf of the TDSB, bearing interest at 6.10% (2015 - 6.10%) per annum, maturing from 2017 to 2037.	75,846	75,846
Loans payable to the Province of \$93,171, bearing interest at 2.76% (2015 - 2.76%) was written off by the Province in 2016.	-	93,171
Loan payable, bearing interest at 8.05% (2015 - 8.05%) per annum, maturing in 2018.	336	509
Debt issued by Lakeshore Arena Corporation with interest at 5.23% with principal payable monthly and a lump sum payment due October 31, 2017.	19,259	19,602
Sony Centre loan payable for the purchase of equipment with an interest rate of 0% maturing in 2020, payable at \$85 per year.	340	425
City sinking fund deposits bearing interest at rates between 2% and 5% (2015 - 2% to 6%) per annum.	(1,766,234)	(1,934,095)
TDSB sinking fund deposits bearing interest at 5% (2015 - 5%) per annum.	(71,246)	(64,872)
	<b>5,072,410</b>	<b>4,745,954</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 (all dollar amounts in thousands of dollars)

Principal repayments are due as follows:

	\$
2017	427,302
2018	386,510
2019	318,122
2020	293,888
2021	298,982
Thereafter	3,347,606
	<b>5,072,410</b>

Principal payments made in 2016 were \$511,007 (2015 - \$409,553).

Included in net long-term debt are outstanding debentures of \$5,625,000 (2015 - \$5,400,000) for which there are sinking fund assets with a carrying value of \$1,926,667 (2015 - \$2,132,514) and a market value of \$1,960,691 (2015 - \$2,121,930).

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 \$118,285 (2015 - \$132,496) and a market value of \$133,662 (2015 - \$150,975).

### 13. Employee Benefit Liabilities

Employee benefit liabilities as at December 31 are as follows:

	2016 \$	2015 \$
Future payments required for:		
Sick leave benefits (a)(i)	522,742	522,834
WSIB obligations (a)(ii)	601,062	553,983
Other employment and post-employment benefits (a)(iii)	2,473,792	2,421,622
Total employee accrued benefit obligation	3,597,596	3,498,439
Unamortized actuarial gain	159,248	100,409
Employee benefit liabilities	<b>3,756,844</b>	<b>3,598,848</b>

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

	Total	2016 Employment and post- employment	TTC Pension Plan	City Pension Plans
	\$	\$	\$	\$
Balance – beginning of year	3,598,848	3,598,848	-	-
Current service cost	355,232	271,155	84,077	-
Interest cost (revenue)	79,147	108,070	(17,813)	(11,110)
Amortization of actuarial (gain)	(47,230)	(3,378)	(9,425)	(34,427)
Employer contributions	(349,345)	(236,942)	(112,403)	-
Plan amendments	60,007	19,091	40,916	-
Change in valuation allowance	60,185	-	14,648	45,537
Balance – end of year	<b>3,756,844</b>	<b>3,756,844</b>	-	-

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 (all dollar amounts in thousands of dollars)

	2015			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	\$	\$	\$	\$
Balance – beginning of year	3,410,247	3,410,247	-	-
Current service cost	359,715	286,305	73,410	-
Interest cost (revenue)	72,452	105,594	(22,111)	(11,031)
Amortization of actuarial loss (gain)	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	<b>3,598,848</b>	<b>3,598,848</b>	-	-

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

	2016			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	\$	\$	\$	\$
Balance – beginning of year	7,484,240	3,498,439	2,512,295	1,473,506
Current service cost	355,232	271,155	84,077	-
Interest cost	322,383	108,070	141,490	72,823
Amortization of actuarial (gain) loss	(59,396)	(62,218)	11,297	(8,475)
Benefits paid	(512,506)	(236,942)	(129,486)	(146,078)
Plan amendments	60,007	19,091	40,916	-
Balance – end of year	<b>7,649,960</b>	<b>3,597,595</b>	<b>2,660,589</b>	<b>1,391,776</b>

	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 (gain) loss	(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	<b>7,484,240</b>	<b>3,498,439</b>	<b>2,512,295</b>	<b>1,473,506</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 (all dollar amounts in thousands of dollars)

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

	2016			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	\$	\$	\$	\$
Balance – beginning of year	4,592,109	-	2,904,957	1,687,152
Contributions	349,345	236,942	112,403	-
Actual return on assets	289,910	-	180,025	109,885
Benefits paid	(512,506)	(236,942)	(129,486)	(146,078)
Balance – end of year	<b>4,718,858</b>	<b>-</b>	<b>3,067,899</b>	<b>1,650,959</b>

	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	<b>4,592,109</b>	<b>-</b>	<b>2,904,957</b>	<b>1,687,152</b>

The reconciliation of the plan assets and accrued benefit obligation to the amounts in the Consolidated Statement of Financial Position is as follows:

	2016			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	\$	\$	\$	\$
Accrued benefit obligation	7,649,960	3,597,595	2,660,589	1,391,776
Plan assets	4,718,858	-	3,067,899	1,650,959
Funding deficit (surplus)	2,931,102	3,597,595	(407,310)	(259,183)
Unamortized actuarial gain	159,249	159,249	-	-
Valuation allowance	666,493	-	407,310	259,183
Employee benefit liability	<b>3,756,844</b>	<b>3,756,844</b>	<b>-</b>	<b>-</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 (all dollar amounts in thousands of dollars)

	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 gain	100,409	100,409	-	-
Valuation allowance	606,308	-	392,662	213,646
Employee benefit liability	<b>3,598,848</b>	<b>3,598,848</b>	-	-

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

	2016			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	\$	\$	\$	\$
Current service cost	355,232	271,155	84,077	-
Interest cost (revenue)	79,147	108,070	(17,813)	(11,110)
Amortization of actuarial (gain)	(47,230)	(3,378)	(9,425)	(34,427)
Plan amendments	60,007	19,091	40,916	-
Change in valuation allowance	60,185	-	14,648	45,537
Total expense	<b>507,341</b>	<b>394,938</b>	<b>112,403</b>	-

	2015			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	\$	\$	\$	\$
Current service cost	359,715	286,305	73,410	-
Interest cost (revenue)	72,452	105,594	(22,111)	(11,031)
Amortization of actuarial loss (gain)	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	<b>521,970</b>	<b>413,574</b>	<b>108,396</b>	-

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 (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, 2016. 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:

	2016	2015
Discount rate for accrued benefit obligation:		
Post-employment	2.7%	2.5%
Post-retirement	3.5%	3.4%
Sick leave	3.1%	2.9%
WSIB	3.1%	2.9%
Rate of compensation increase	1.18% to 3.5%	1.18% to 3.5%
Health care inflation – LTD, hospital and other medical	3.0% to 7.0%	3.0% 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%
	2016	2015
Discount rate for benefit costs:		
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%

For 2016 benefit costs and year end 2016 benefit obligations, 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 2016.

#### (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 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, 2016 (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, 2016, the balance in the Sick Leave Reserve Fund is \$41,040 (2015 - \$39,962) and is included in the Employee Benefits Reserve Fund grouping (Note 17). Payments during the year amounted to \$47,651 (2015 - \$51,850).

### **(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, 2016, the balance in the Workers' Compensation Reserve Fund is \$12,496 (2015 - \$13,098) 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 \$46,481 (2015 - \$34,060).

### **(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, 2016, the balance in the Employee Benefits Reserve Fund was \$203,730 (2015 - \$186,146) and is included as part of the Employee Benefits Reserve Fund (Note 17). Payments during the year amounted to \$59,241 (2015 - \$55,757).

## **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 \$2,341 (2015 - \$5,259) 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 \$194,049 (2015 - \$191,401) and were matched by employee contributions in a similar amount.

The amount contributed for past service to OMERS for the year ended December 31, 2016 was \$696 (2015 - \$898). 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, 2016 (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, 2016. 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, 2016 is comprised solely of unamortized actuarial losses.

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

	2016	2015
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%
Assumptions for disclosure:		
Discount rate	5.50%	5.50%
Expected rate of return on plan assets	5.50%	5.50%
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, 2016, there was 1 (2015 - 1) active member with an age of 71 (2015 - 70). There were also 3,188 (2015 - 3,407) pensioners with an average age of 80.3 (2015 - 80) and 2,449 (2015 - 2,503) spousal beneficiaries in receipt of a pension, with an average age of 82.5 (2015 - 82.3). Pension payments and refunds during the year were approximately \$146,078 (2015 - \$151,149).

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, 2016. The accrued benefit obligation as at December 31, 2016 is based on actuarial valuations for accounting purposes as at December 31, 2016. The actuarial gains or losses in each of the five plans are accounted for in 2016. The Pension Benefits Act of Ontario requires that the sponsor fund the Fund's benefit obligation as determined by an annual actuarial valuation. For December 31, 2016, employer special payment of \$20,933 was covered by an irrevocable Letter of Credit (2015 - \$14,703) that had been mandated to fund solvency-deficiency position. As a result of the 2016 actuarial valuation, this letter of credit is being cancelled in 2017.

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 2.30% per annum (2015 - 2.50%) and the rate of compensation increase is estimated at 3.50% per annum (2015 - 3.50%) for determining the accrued benefit obligation. The discount rate used to determine the December 31, 2016 accrued benefit obligation is 5.10% (2015 - 5.20%) and the discount rate used to determine the fiscal year 2016 benefit cost is 5.20% (2015 - 5.50%).



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 (all dollar amounts in thousands of dollars)

Pension plan assets are valued at market values. The expected rate of return on plan assets is 5.10% (2015 - 5.20%) per annum, net of all administrative expenses. The actual return on the market value of plan assets during the year was a gain of 6.81% (2015 - 5.63%). The pension plans hold the following mix of assets: Cash and equivalents 4.1%, Bonds and Fixed Income 52.1%, Canadian equities 17.1%, and foreign equities 26.7%.

As at December 31, 2016, all plans (2015 - all plans), the Toronto Civic Employee Pension Plan, the Metropolitan Toronto Pension Plan, the Toronto Firefighters Pension Plan, the City of York Employee 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, historically these amounts have not been reflected in the Consolidated Statement of Financial Position.

Merger discussions are underway during 2017 between the City, the pension funds, and OMERS. These potential mergers require completion of discussions, approval by all three entities for each of the five funds, completion of regulatory requirements, including approval of Financial Services Commission of Ontario (FSCO). It is likely that some or all of these funds will be merged into OMERS and there will be a sharing of surpluses; however, as the basis for determining the valuations, and the extent of sharing of surpluses is uncertain at this time, no estimate of the City's portion of surpluses has been recorded in these financial statements. An estimate will be available once an agreement with OMERS has been reached, the pension funds and the City have approved the agreement and the regulatory process is underway.

	2016	2016	2016	2015
	Pension assets – market value – end of year	Actuarial pension obligation – end of year	Net actuarial surplus	Net actuarial surplus
	\$	\$	\$	\$
<b>Toronto Civic Employee Pension Plan</b>	331,935	233,153	98,782	86,559
<b>Metropolitan Toronto Pension Plan</b>	507,088	435,787	71,301	63,620
<b>Toronto Firefighters Pension Plan</b>	227,104	201,461	25,643	20,882
<b>City of York Employee Pension Plan</b>	41,730	39,234	2,496	1,569
<b>Metropolitan Toronto Police Pension Plan</b>	543,102	482,141	60,961	41,016

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 (all dollar amounts in thousands of dollars)

### 14. Tangible Capital Assets

Tangible capital assets consist of the following:

	2016			2015
	Cost	Accumulated	Net book	Net book
	\$	amortization	value	value
		\$	\$	\$
<b>General</b>				
Land	3,615,218	-	3,615,218	3,603,549
Land improvements	971,802	410,644	561,158	528,212
Buildings and building improvements	8,657,493	3,250,567	5,406,926	4,949,235
Machinery and equipment	2,292,385	1,330,247	962,138	809,848
Motor vehicles	2,379,829	1,514,228	865,601	811,765
<b>Total General</b>	<b>17,916,727</b>	<b>6,505,686</b>	<b>11,411,041</b>	<b>10,702,609</b>
<b>Infrastructure</b>				
Land	140,046	-	140,046	139,146
Buildings and building improvements	706,437	165,187	541,250	453,872
Machinery and equipment	2,269,289	1,070,776	1,198,513	730,001
Water and wastewater linear	6,251,376	2,210,903	4,040,473	3,723,088
Roads linear	4,398,771	2,118,233	2,280,538	2,264,984
Transit	7,221,966	3,828,915	3,393,051	3,148,514
<b>Total Infrastructure</b>	<b>20,987,885</b>	<b>9,394,014</b>	<b>11,593,871</b>	<b>10,459,605</b>
<b>Assets under construction</b>	<b>5,578,757</b>	<b>-</b>	<b>5,578,757</b>	<b>5,802,565</b>
<b>Total</b>	<b>44,483,369</b>	<b>15,899,700</b>	<b>28,583,669</b>	<b>26,964,779</b>

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 includes the pipe networks which deliver the water and which remove the waste water. Road networks are inclusive of the road bases, surfaces and sidewalks. Transit infrastructure includes assets related to the subway system, rolling stock, track work and power distribution.

General machinery and equipment includes capital leases from TCHC totalling \$7,040 (2015 - \$8,320).

#### 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 \$3,047 (2015 - \$9,872) for land, \$15,579 (2015 - \$4,077) for land improvements, \$10,104 (2015 - \$0) for buildings and building improvements, \$1,291 (2015 - \$267) for machinery and equipment and \$8,500 (2015 - \$0) for roads linear.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 (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

	2016 \$	2015 \$
Prepaid Expenses	135,448	105,128
Inventories	157,053	158,838
Inventories of Surplus Property	113,309	94,188
	<b>405,810</b>	<b>358,154</b>

## 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. 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 \$585,835 (2015 - \$585,807).
- 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 \$1,507,200. At December 31, 2015, 80 train sets had been delivered at a cost of \$1,413,300. The outstanding commitment as at December 31, 2016 is \$93,900.
- 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, 2016 the total contract cost was \$1,011,300. As at December 31, 2016, 31 LRVs had been delivered and TTC had incurred costs of \$573,000. The balance of the

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 (all dollar amounts in thousands of dollars)

deliveries will continue in 2017 with all 204 cars scheduled for delivery by 2019. As at December 31, 2016, the outstanding commitment is \$438,300.

- 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 126 additional 60-foot Articulated Low Floor Clean Diesel Buses and on April 30, 2014 a subsequent contract was awarded for 55 additional 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. In May 2016 and November 2016, the TTC approved the purchase of 97 additional 40-foot low floor clean diesel buses and 285 40-foot low floor clean diesel buses respectively, bringing the total delivery requirement to 748 buses for a total contract cost of \$497,500. At December 31, 2016, 366 buses had been delivered at a cost of \$269,900. As at December 31, 2016, the outstanding commitment is \$227,600.
- f) As at December 31, 2016, the TTC has other various capital project contractual commitments of \$593,900 (2015 - \$555,300). Of this amount, \$130,500 (2015 - \$176,500) relate to multi-component shared projects for Toronto Waterfront, Toronto-York Spadina Subway Extension project (TYSSE) and TTC; contractual commitments of \$119,800 (2015 - \$239,000) relate to the YYSSE project and \$343,600 (2015 - \$139,800) relate to various TTC construction projects.
- g) The TTC and Build Toronto have provisions for environmental costs of \$5,332 (2015 - \$5,703); and \$17,729 (2015 - \$17,642) 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 30 (2015 - 29) of the identified 160 (2015 - 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 lines of credit provided by the City under the policy for operating line of credit guarantees is limited to \$10,000 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 \$300,000 in the aggregate, with individual loan guarantees being limited to a maximum of \$10,000 unless otherwise approved by Council. The total amount of all direct loans provided by the City under the policy for direct City loans is limited to \$125,000 in the aggregate. At December 31, 2016 the City had provided capital loan guarantees to certain third parties amounting to \$38,066 (2015 - \$40,318), and operating loan and line of credit guarantees of \$5,905 (2015 - \$3,905), primarily related to several cultural non-profit organizations, and direct City loans amounting to \$70,100 (2015 - \$80,331), primarily to City agencies.
- j) At December 31, 2016, the City is committed to future minimum annual operating lease payments for premises and equipment as follows:

	\$
2017	64,221
2018	41,876
2019	33,848
2020	27,765
2021	16,016
Thereafter	84,907
	<b>268,633</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 (all dollar amounts in thousands of dollars)

### 17. Accumulated Surplus

Accumulated surplus is comprised of the following:

	2016 \$	2015 \$
Invested in tangible capital assets (Note 14)	28,583,669	26,964,779
Operating fund	2,455,147	2,768,155
Capital fund	(798,940)	(929,783)
Reserves and reserve funds	1,982,887	1,826,231
	<b>32,222,763</b>	<b>30,629,382</b>
<b>Amounts expected to be recovered from future revenues*:</b>		
Mortgages (Note 11)	(363,098)	(510,834)
Net long-term debt (Note 12)	(5,072,410)	(4,745,954)
Recoverable from TDSB (Note 12)	4,600	10,974
Landfill closure and post-closure liabilities (Note 10)	(138,101)	(141,570)
Employee benefits (Note 13)	(3,756,844)	(3,598,848)
Contaminated sites (Note 9)	(6,789)	(6,549)
Property and liability claims provision (Note 9)	(393,582)	(387,784)
TTC – environmental liabilities (Note 9)	(5,332)	(5,703)
	<b>(9,731,556)</b>	<b>(9,386,268)</b>
	<b>22,491,207</b>	<b>21,243,114</b>

\*: Amounts expected to be recovered from future revenues are gross of any reserves or reserve funds set aside for these purposes of \$261,916 (2015 - \$234,552).

Reserves and reserve funds consist of the following:

	2016 \$	2015 \$
<b>Reserves:</b>		
Corporate	535,705	520,809
Stabilization	185,667	209,299
Water and Wastewater	168,155	77,861
Donations	1,462	1,186
	<b>890,989</b>	<b>809,155</b>
<b>Reserve Funds:</b>		
Employee Benefits (Note 13)	257,266	239,206
Corporate	446,777	451,809
Community Initiatives	106,331	102,815
State of Good Repair	281,524	223,246
	<b>1,091,898</b>	<b>1,017,076</b>
<b>Total Reserves and Reserve Funds</b>	<b>1,982,887</b>	<b>1,826,231</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 (all dollar amounts in thousands of dollars)

### 18. Budget Data

Budget data presented in these consolidated financial statements are based upon the 2016 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 financial statements.

	<b>Budget Amount \$</b>
<b><u>Revenue</u></b>	
Approved budgets:	
Operating	10,216,264
Capital	3,361,148
Reserve	<u>41,846</u>
	13,619,258
Adjustments:	
Proceeds on debt issue	<u>(1,308,867)</u>
<b>Total revenue</b>	<b><u>12,310,391</u></b>
<b><u>Expenses</u></b>	
Approved budgets:	
Operating	10,174,385
Capital	<u>4,240,368</u>
	14,414,753
Adjustments:	
Tangible Capital Assets	(3,246,988)
Amortization	973,897
Debt principal repayments	<u>(239,966)</u>
<b>Total expenses</b>	<b><u>11,901,696</u></b>
<b>Annual surplus</b>	<b><u>408,695</u></b>

### 19. Funding Transfers from Other Governments

	<b>2016 \$</b>	<b>2015 \$</b>
<b><u>By Function</u></b>		
General government	113,841	107,343
Protection to persons and property	50,206	49,540
Transportation	545,218	630,875
Environmental services	25,448	29,126
Health services	295,630	296,548
Social and family services	1,547,748	1,531,999
Social housing	131,079	178,171
Recreation and cultural services	25,025	20,364
Planning and development	<u>4,122</u>	<u>18,254</u>
	<b><u>2,738,317</u></b>	<b><u>2,862,220</u></b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 (all dollar amounts in thousands of dollars)

<b>By Source</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Operating Transfers		
Federal	153,160	160,786
Provincial	1,997,983	2,032,351
Other	26,969	30,004
	<u>2,178,112</u>	<u>2,223,141</u>
Capital Transfers		
Federal	269,331	279,674
Provincial	247,995	304,474
Other	42,879	54,931
	<u>560,205</u>	<u>639,079</u>
<b>Total</b>	<b><u>2,738,317</u></b>	<b><u>2,862,220</u></b>

### 20. Expenses by Object

Expenses by object comprise the following:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Salaries, wages and benefits	5,618,259	5,565,309
Materials	983,862	1,015,054
Contracted services	1,596,096	1,674,201
Interest on long-term debt	320,250	314,827
Transfer payments	1,202,720	1,268,651
Amortization (Schedule 1)	973,897	851,194
Other	258,786	213,872
	<b><u>10,953,870</u></b>	<b><u>10,903,108</u></b>

### 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.



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.

Appendices 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, 2016 (all dollar amounts in thousands of dollars)

### 22. Trust Funds

Trust funds administered by the City amounting to \$24,374 (2015 - \$24,180) 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:

	2016 \$	2015 \$
Keele Valley Site Post-Closure Trust Fund (Note 10)	7,552	7,534
Homes for the Aged Trust Fund – Residents	6,279	6,208
Community Centre Development Levy Trust Fund – Railway Lands	4,941	4,891
Waterpark Place Trust Fund	1,105	1,095
Contract Aftercare Trust Fund	1,102	1,095
Community Services Levies Trust Fund	767	759
Regent Park Legacy Trust	713	300
Music Garden Trust Fund	615	615
Development Charges Trust Fund – Queen's Quay	340	337
Lakeshore Pedestrian Bridge Trust Fund	254	252
Public Art Maintenance Trust Funds	221	412
Children's Greenhouse Trust Fund – Allan Gardens	116	115
Green Lane Small Claims Trust Fund	111	110
Preservation Trust Fund	54	53
Hugh Clydesdale Trust Fund	45	45
Michael Sansone Trust Fund	43	43
Tenant Displacement Trust Fund	28	28
90 Lisgar Street Trust Fund	21	21
Toronto Police Trust Funds	3	2
Candidates' Municipal Election Surpluses Trust Fund	-	178
Ontario Home Renewal Project	-	22
Other trust funds	64	65
	<b>24,374</b>	<b>24,180</b>

### 23. Comparative Amounts

Certain 2015 amounts have been regrouped from consolidated financial statements previously presented, to conform with the presentation adopted in 2016.

### 24. Subsequent Events

On February 10, 2017, TCHC finalized the following financing transaction with Infrastructure Ontario (IO):

\$310,000 of non-revolving loans on 32 refinanced properties for a term of 30 years from the time of receiving each of the three advances in 2017 at a fixed interest rate. On February 16, 2017, TCHC received loan proceeds of \$100,000 at a fixed interest rate of 3.66%, of which \$93,910 was used to pay out the maturing mortgages of 10 refinanced properties and \$6,090 was restricted for investment in future capital assets. TCHC received the remainder of the loan proceeds of \$210,000 in an account held in trust by IO on behalf of TCHC on June 9, 2017. These funds are to be restricted for investment in future capital assets.

In May 2017, Toronto City Council authorized the City of Toronto's purchase of 200 shares of Toronto Hydro Corporation for an aggregate subscription price of \$250,000 and for the purchase to be completed by June 30, 2017.

## CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS – SCHEDULE 1

As at and for the year ended December 31, 2016  
(all dollar amounts in thousands of dollars)

2016

	Cost 2016					Accumulated Amortization 2016				Net Book Value 2016
	Beginning	Additions	Disposals / Transfers	Donated	Ending	Beginning	Amortization	Disposals	Ending	
<b>General</b>										
Land	3,603,549	13,490	(4,868)	3,047	3,615,218	-	-	-	-	3,615,218
Land improvements	912,180	44,975	(932)	15,579	971,802	383,968	27,600	(924)	410,644	561,158
Buildings and building improvements	7,946,383	703,780	(2,774)	10,104	8,657,493	2,997,148	254,166	(747)	3,250,567	5,406,926
Machinery and equipment	2,053,103	292,912	(54,921)	1,291	2,292,385	1,243,255	139,883	(52,891)	1,330,247	962,138
Vehicles	2,258,601	180,904	(59,676)	-	2,379,829	1,446,836	126,346	(58,954)	1,514,228	865,601
<b>Total General</b>	<b>16,773,816</b>	<b>1,236,061</b>	<b>(123,171)</b>	<b>30,021</b>	<b>17,916,727</b>	<b>6,071,207</b>	<b>547,995</b>	<b>(113,516)</b>	<b>6,505,686</b>	<b>11,411,041</b>
<b>Infrastructure</b>										
Land	139,146	911	(11)	-	140,046	-	-	-	-	140,046
Buildings and building improvements	607,997	98,440	-	-	706,437	154,125	11,062	-	165,187	541,250
Machinery and equipment	1,742,933	526,989	(633)	-	2,269,289	1,012,932	57,955	(111)	1,070,776	1,198,513
Water and wastewater linear	5,860,236	396,940	(5,800)	-	6,251,376	2,137,148	77,436	(3,681)	2,210,903	4,040,473
Roads linear	4,324,353	108,026	(42,108)	8,500	4,398,771	2,059,369	92,550	(33,686)	2,118,233	2,280,538
Transit	6,790,530	431,436	-	-	7,221,966	3,642,016	186,899	-	3,828,915	3,393,051
<b>Total infrastructure</b>	<b>19,465,195</b>	<b>1,562,742</b>	<b>(48,552)</b>	<b>8,500</b>	<b>20,987,885</b>	<b>9,005,590</b>	<b>425,902</b>	<b>(37,478)</b>	<b>9,394,014</b>	<b>11,593,871</b>
<b>Assets under construction</b>	<b>5,802,565</b>	<b>841,174</b>	<b>(1,064,982)</b>	<b>-</b>	<b>5,578,757</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,578,757</b>
<b>TOTAL</b>	<b>42,041,576</b>	<b>3,639,977</b>	<b>(1,236,705)</b>	<b>38,521</b>	<b>44,483,369</b>	<b>15,076,797</b>	<b>973,897</b>	<b>(150,994)</b>	<b>15,899,700</b>	<b>28,583,669</b>

## 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	
<b>General</b>										
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
<b>Total General</b>	<b>15,602,558</b>	<b>1,314,482</b>	<b>(157,440)</b>	<b>14,216</b>	<b>16,773,816</b>	<b>5,741,220</b>	<b>479,124</b>	<b>(149,137)</b>	<b>6,071,207</b>	<b>10,702,609</b>
<b>Infrastructure</b>										
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
<b>Total infrastructure</b>	<b>18,342,839</b>	<b>1,183,855</b>	<b>(61,499)</b>	<b>-</b>	<b>19,465,195</b>	<b>8,685,419</b>	<b>372,070</b>	<b>(51,899)</b>	<b>9,005,590</b>	<b>10,459,605</b>
<b>Assets under construction</b>	<b>5,451,183</b>	<b>820,186</b>	<b>(468,804)</b>	<b>-</b>	<b>5,802,565</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,802,565</b>
<b>TOTAL</b>	<b>39,396,580</b>	<b>3,318,523</b>	<b>(687,743)</b>	<b>14,216</b>	<b>42,041,576</b>	<b>14,426,639</b>	<b>851,194</b>	<b>(201,036)</b>	<b>15,076,797</b>	<b>26,964,779</b>

## CONSOLIDATED SCHEDULE OF GOVERNMENT BUSINESS ENTERPRISES – APPENDIX 1

As at and for the year ended December 31, 2016  
(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>	
	2016	2015	2016	2015	2016	2015	2016	2015
<b>Financial Position</b>								
Assets								
Current	573,500	541,700	88,414	161,337	32,357	27,020	694,271	730,057
Capital	4,125,000	3,788,000	160,730	144,092	359,060	359,067	4,644,790	4,291,159
Other	244,503	405,853	78,957	79,986	-	-	323,460	485,839
	<b>4,943,003</b>	<b>4,735,553</b>	<b>328,101</b>	<b>385,415</b>	<b>391,417</b>	<b>386,087</b>	<b>5,662,521</b>	<b>5,507,055</b>
Liabilities								
Current	1,083,200	875,900	28,733	92,409	6,116	8,004	1,118,049	976,313
Long-term	2,442,300	2,470,100	4,549	5,035	7,968	8,131	2,454,817	2,483,266
	<b>3,525,500</b>	<b>3,346,000</b>	<b>33,282</b>	<b>97,444</b>	<b>14,084</b>	<b>16,135</b>	<b>3,572,866</b>	<b>3,459,579</b>
<b>Net equity</b>	<b>1,417,503</b>	<b>1,389,553</b>	<b>294,819</b>	<b>287,971</b>	<b>377,333</b>	<b>369,952</b>	<b>2,089,655</b>	<b>2,047,476</b>
<b>City's share (Note 5)</b>	<b>1,397,196</b>	<b>1,367,726</b>	<b>294,819</b>	<b>287,971</b>	<b>377,333</b>	<b>369,952</b>	<b>2,069,348</b>	<b>2,025,649</b>
<b>Results of Operations</b>								
Revenues	3,938,850	3,596,000	145,798	244,280	20,336	7,444	4,104,984	3,847,724
Expenses	3,847,501	3,469,300	87,129	80,296	6,064	5,459	3,940,694	3,555,055
<b>Net income (loss)</b>	<b>91,349</b>	<b>126,700</b>	<b>58,669</b>	<b>163,984</b>	<b>14,272</b>	<b>1,985</b>	<b>164,290</b>	<b>292,669</b>
<b>City's share (Note 5)</b>	<b>91,349</b>	<b>126,700</b>	<b>58,669</b>	<b>163,984</b>	<b>14,272</b>	<b>1,985</b>	<b>164,290</b>	<b>292,669</b>
Distribution to City (Note 5)	-	-	51,821	117,457	6,891	174	58,712	117,631
Dividends paid to City (Note 5)	63,399	56,311	-	-	-	-	63,399	56,311
Net book value of assets sold from the City to Toronto Hydro Corporation (Note 5)	20,308	21,828	-	-	-	-	20,308	21,828

## CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – SERVICE – 2016 – APPENDIX 2\*

for the year ended December 31, 2016  
(all dollar amounts in thousands of dollars)

2016

	General Government	Protection	Transportation	Environmental	Health	Social and Family	Social Housing	Recreation and Cultural	Planning and Development	Consolidated
Taxation	4,695,603	-	-	-	-	-	-	-	-	4,695,603
User charges	55,474	187,112	1,300,487	1,271,216	2,288	55,933	17,425	160,420	33,370	3,083,725
Government transfers	113,841	50,206	545,218	25,448	295,630	1,547,748	131,079	25,025	4,122	2,738,317
Net GBE income	165,810	-	-	-	-	-	-	-	-	165,810
Other	416,736	51,201	266,424	91,714	7,488	25,747	382,125	215,051	62,022	1,518,508
<b>TOTAL REVENUES</b>	<b>5,447,464</b>	<b>288,519</b>	<b>2,112,129</b>	<b>1,388,378</b>	<b>305,406</b>	<b>1,629,428</b>	<b>530,629</b>	<b>400,496</b>	<b>99,514</b>	<b>12,201,963</b>
Salaries, wages and benefits	478,014	1,599,339	1,586,210	263,817	362,341	576,370	151,541	554,397	46,230	5,618,259
Materials	133,419	76,013	350,451	103,213	17,338	65,602	121,613	102,549	13,664	983,862
Contracted services	174,364	21,085	420,181	285,512	32,355	383,254	106,223	154,696	18,426	1,596,096
Interest on long-term debt	5,980	10,048	188,025	12,012	909	3,642	74,179	16,984	8,471	320,250
Transfer payments	(176,190)	53,182	(2,481)	81,558	32,564	989,971	154,890	72,575	(3,349)	1,202,720
Other	63,856	13,119	46,963	29,120	2,422	18,061	18,984	37,564	28,697	258,786
Amortization	80,896	35,524	478,059	157,944	1,692	1,315	152,069	62,988	3,410	973,897
<b>TOTAL EXPENSES</b>	<b>760,339</b>	<b>1,808,310</b>	<b>3,067,408</b>	<b>933,176</b>	<b>449,621</b>	<b>2,038,215</b>	<b>779,499</b>	<b>1,001,753</b>	<b>115,549</b>	<b>10,953,870</b>
<b>ANNUAL SURPLUS/ (DEFICIENCY)</b>	<b>4,687,125</b>	<b>(1,519,791)</b>	<b>(955,279)</b>	<b>455,202</b>	<b>(144,215)</b>	<b>(408,787)</b>	<b>(248,870)</b>	<b>(601,257)</b>	<b>(16,035)</b>	<b>1,248,093</b>

\*Definition of Segments by Service provided in Note 20 – Segment Information.

## 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	419,998	78,807	381,620	73,342	4,343	19,927	369,089	187,171	135,847	1,670,144
<b>TOTAL REVENUES</b>	<b>5,361,343</b>	<b>318,281</b>	<b>2,266,261</b>	<b>1,136,287</b>	<b>303,263</b>	<b>1,607,553</b>	<b>564,033</b>	<b>356,113</b>	<b>184,389</b>	<b>12,097,523</b>
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	190,929	31,297	375,350	99,980	17,438	35,866	138,302	110,282	15,610	1,015,054
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
<b>TOTAL EXPENSES</b>	<b>824,196</b>	<b>1,807,909</b>	<b>2,943,786</b>	<b>940,017</b>	<b>452,389</b>	<b>2,023,910</b>	<b>775,450</b>	<b>989,349</b>	<b>146,102</b>	<b>10,903,108</b>
<b>ANNUAL SURPLUS/ (DEFICIENCY)</b>	<b>4,537,147</b>	<b>(1,489,628)</b>	<b>(677,525)</b>	<b>196,270</b>	<b>(149,126)</b>	<b>(416,357)</b>	<b>(211,417)</b>	<b>(633,236)</b>	<b>38,287</b>	<b>1,194,415</b>

\*Definition of Segments by Service provided in Note 20 – Segmented Information.

## CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – ENTITY – APPENDIX 3

for the year ended December 31, 2016  
(all dollar amounts in thousands of dollars)

2016

	City	Police Services	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies and Corporations	TOTAL
Taxation	4,695,603	-	-	-	-	-	4,695,603
User charges	1,808,762	33,810	1,141,880	4,481	17,425	77,367	3,083,725
Government transfers	2,465,221	49,226	198,768	6,481	-	18,621	2,738,317
Net GBE income	165,810	-	-	-	-	-	165,810
Other	894,025	24,538	77,335	7,670	378,675	136,265	1,518,508
<b>TOTAL REVENUES</b>	<b>10,029,421</b>	<b>107,574</b>	<b>1,417,983</b>	<b>18,632</b>	<b>396,100</b>	<b>232,253</b>	<b>12,201,963</b>
Salaries, wages and benefits	2,805,410	1,057,463	1,367,815	142,356	151,541	93,674	5,618,259
Materials	469,716	54,224	257,144	7,186	121,613	73,979	983,862
Contracted services	1,192,136	13,663	234,158	25,153	106,223	24,763	1,596,096
Interest on long-term debt **	235,727	8,447	-	-	74,082	1,994	320,250
Transfer payments	2,242,675	7,082	(597,594)	(184,813)	(247,724)	(16,906)	1,202,720
Other	174,153	4,601	10,264	2,697	18,984	48,087	258,786
Amortization	372,393	27,927	379,101	31,984	152,069	10,423	973,897
<b>TOTAL EXPENSES</b>	<b>7,492,210</b>	<b>1,173,407</b>	<b>1,650,888</b>	<b>24,563</b>	<b>376,788</b>	<b>236,014</b>	<b>10,953,870</b>
<b>ANNUAL SURPLUS/ (DEFICIENCY)</b>	<b>2,537,211</b>	<b>(1,065,833)</b>	<b>(232,905)</b>	<b>(5,931)</b>	<b>19,312</b>	<b>(3,761)</b>	<b>1,248,093</b>

\*\* As at December 31, the City has issued \$3,473,151 in debentures for capital expenditures made on behalf of the TTC (2015 - \$3,265,325). Included in interest on long-term debt is \$145,254 related to this debt.

## 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	932,504	54,585	179,094	8,252	367,256	128,453	1,670,144
<b>TOTAL REVENUES</b>	<b>9,403,673</b>	<b>135,805</b>	<b>1,936,226</b>	<b>18,888</b>	<b>384,029</b>	<b>218,902</b>	<b>12,097,523</b>
Salaries, wages and benefits	2,715,444	1,111,776	1,370,081	143,287	135,504	89,217	5,565,309
Materials	547,486	12,600	244,503	9,423	138,302	62,740	1,015,054
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
<b>TOTAL EXPENSES</b>	<b>7,672,933</b>	<b>1,195,475</b>	<b>1,391,081</b>	<b>28,944</b>	<b>368,924</b>	<b>245,751</b>	<b>10,903,108</b>
<b>ANNUAL SURPLUS/ (DEFICIENCY)</b>	<b>1,730,740</b>	<b>(1,059,670)</b>	<b>545,145</b>	<b>(10,056)</b>	<b>15,105</b>	<b>(26,849)</b>	<b>1,194,415</b>

\*\* 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 – TANGIBLE CAPITAL ASSETS BY ENTITY – APPENDIX 4

for the years ended December 31, 2016 and 2015  
(all dollar amounts in thousands of dollars)

### 2016 and 2015

	City, including Police Services	Toronto Transit Commission	Toronto Community Housing Corporation	Toronto Public Library	Other Agencies and Corporations	TOTAL
<b>2016</b>						
<b>General</b>						
Cost	7,775,711	5,225,791	4,240,687	463,843	210,695	17,916,727
Accumulated amortization	2,105,361	2,524,125	1,619,624	172,004	84,572	6,505,686
<b>Net Book Value</b>	<b>5,670,350</b>	<b>2,701,666</b>	<b>2,621,063</b>	<b>291,839</b>	<b>126,123</b>	<b>11,411,041</b>
<b>Infrastructure</b>						
Cost	13,765,920	7,221,965	-	-	-	20,987,885
Accumulated amortization	5,565,100	3,828,914	-	-	-	9,394,014
<b>Net Book Value</b>	<b>8,200,820</b>	<b>3,393,051</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,593,871</b>
<b>Assets under construction</b>	<b>1,431,621</b>	<b>3,888,842</b>	<b>142,331</b>	<b>17,668</b>	<b>98,295</b>	<b>5,578,757</b>
<b>Total</b>	<b>15,302,791</b>	<b>9,983,559</b>	<b>2,763,394</b>	<b>309,507</b>	<b>224,418</b>	<b>28,583,669</b>
<b>2015</b>						
<b>General</b>						
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
<b>Net Book Value</b>	<b>5,421,128</b>	<b>2,376,832</b>	<b>2,492,291</b>	<b>288,481</b>	<b>123,877</b>	<b>10,702,609</b>
<b>Infrastructure</b>						
Cost	12,674,665	6,790,530	-	-	-	19,465,195
Accumulated amortization	5,363,574	3,642,016	-	-	-	9,005,590
<b>Net Book Value</b>	<b>7,311,091</b>	<b>3,148,514</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,459,605</b>
<b>Assets under construction</b>	<b>1,873,212</b>	<b>3,713,551</b>	<b>109,420</b>	<b>4,484</b>	<b>101,898</b>	<b>5,802,565</b>
<b>Total</b>	<b>14,605,431</b>	<b>9,238,897</b>	<b>2,601,711</b>	<b>292,965</b>	<b>225,775</b>	<b>26,964,779</b>