

2017 Consolidated Financial Statements

December 31, 2017

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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 2017 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, 2018

Mike St. Amant
Treasurer

Joe Farag
Interim Chief Financial Officer

Giuliana Carbone
Interim 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, 2017 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, 2017 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, 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2017

(with comparative figures as at December 31, 2016)

(all dollar amounts in thousands of dollars)

	2017	2016
FINANCIAL ASSETS		
Cash and cash equivalents	1,869,491	1,492,647
Accounts receivable (Note 2)	1,076,203	1,004,275
Property taxes receivable	253,311	261,071
Loans receivable (Note 3)	157,503	117,732
Other assets (Note 4)	117,103	95,597
Investments (Note 5)	4,117,958	4,248,189
Due from Toronto District School Board (Note 13)	-	4,600
Investments in government business enterprises (Note 6)	2,423,247	2,069,348
Total financial assets	10,014,816	9,293,459
LIABILITIES		
Bank indebtedness (Note 7)	49,381	65,856
Accounts payable and accrued liabilities (Note 8)	3,420,137	3,349,471
Deferred revenue (Note 9)	2,811,605	2,430,266
Other liabilities (Note 10)	562,770	615,685
Landfill closure and post-closure liabilities (Note 11)	133,707	138,101
Mortgages payable (Note 12)	316,070	363,098
Net long-term debt (Note 13)	5,949,930	5,072,410
Employee benefit liabilities (Note 14)	3,882,033	3,756,844
Total liabilities	17,125,633	15,791,731
NET DEBT	(7,110,817)	(6,498,272)
NON-FINANCIAL ASSETS		
Tangible capital assets, net (Note 15, Schedule 1)	30,463,922	28,583,669
Inventories and prepaid expenses (Note 16)	387,299	405,810
	30,851,221	28,989,479
Commitments and contingencies (Note 17)		
ACCUMULATED SURPLUS (Note 18)	23,740,404	22,491,207

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, 2017
 (with comparative figures for the year ended December 31, 2016)
 (all dollar amounts in thousands of dollars)

	2017 BUDGET (Note 19)	2017 ACTUAL	2016 ACTUAL
REVENUE			
Property taxation	4,034,899	4,101,754	3,938,802
Municipal land transfer tax	708,000	805,276	644,590
Taxation from other governments	100,523	95,584	112,211
User charges	3,287,815	3,028,202	3,073,741
Funding transfers from other governments (Note 20)	3,365,336	2,799,528	2,738,317
Government business enterprise earnings (Note 6)	-	236,305	165,810
Investment income	260,152	235,444	197,231
Development charges	364,899	314,423	184,125
Rent and concessions	445,482	468,693	460,724
Other	637,514	479,068	686,412
Total revenue	13,204,620	12,564,277	12,201,963
EXPENSES			
General government	921,720	775,979	760,339
Protection to persons and property	1,786,917	1,811,282	1,808,310
Transportation	3,476,333	3,139,822	3,067,408
Environmental services	1,145,616	955,618	933,176
Health services	460,637	460,518	449,621
Social and family services	2,296,272	2,192,965	2,038,215
Social housing	906,171	823,781	779,499
Recreation and cultural services	1,051,714	1,007,665	1,001,753
Planning and development	264,695	147,450	115,549
Total expenses (Note 21)	12,310,075	11,315,080	10,953,870
ANNUAL SURPLUS	894,545	1,249,197	1,248,093
ACCUMULATED SURPLUS - BEGINNING OF YEAR	22,491,207	22,491,207	21,243,114
ACCUMULATED SURPLUS - END OF YEAR (Note 18)	23,385,752	23,740,404	22,491,207

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, 2017

(with comparative figures for the year ended December 31, 2016)

(all dollar amounts in thousands of dollars)

	2017 BUDGET (Note 19)	2017 ACTUAL	2016 ACTUAL
Annual Surplus	894,545	1,249,197	1,248,093
Acquisition of tangible capital assets	(3,626,248)	(3,043,407)	(2,587,762)
Amortization of tangible capital assets	1,136,311	1,136,311	973,897
Loss (gain) on disposal of tangible capital assets	-	12,387	(39,093)
Proceeds on disposal of tangible capital assets	-	14,456	14,947
Change due to tangible capital assets	(2,489,937)	(1,880,253)	(1,638,011)
Change in inventories and prepaid expenses	-	18,511	(28,535)
(Increase) in net debt	(1,595,392)	(612,545)	(418,453)
NET DEBT - BEGINNING OF YEAR	(6,498,272)	(6,498,272)	(6,079,819)
NET DEBT - END OF YEAR	(8,093,664)	(7,110,817)	(6,498,272)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2017

(with comparative figures for the year ended December 31, 2016)

(all dollar amounts in thousands of dollars)

	2017	2016
OPERATING ACTIVITIES		
Annual surplus	1,249,197	1,248,093
Add (deduct) items not involving cash:		
Government business enterprise income from operations	(236,305)	(165,810)
Provincial loan forgiveness	-	(93,171)
Amortization of tangible capital assets	1,136,311	973,897
(Gain) on sale of land	(35,591)	-
Loss (gain) on disposal of tangible capital assets	12,387	(39,093)
	<u>2,125,999</u>	<u>1,923,916</u>
Change in non-cash assets and liabilities related to operations:		
(Increase) decrease in accounts receivable	(71,928)	192,350
Decrease (increase) in property taxes receivable	7,760	(20,371)
Increase in accounts payable and accrued liabilities	70,666	206,812
Increase in deferred revenue	381,339	191,160
(Decrease) in other liabilities	(52,915)	(90,342)
Decrease (increase) in inventories and prepaid expenses	18,511	(28,535)
(Decrease) in landfill closure and post-closure liabilities	(4,394)	(3,469)
Increase in employee benefit liabilities	125,189	157,996
Cash provided by operating activities	<u>2,600,227</u>	<u>2,529,517</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(3,043,407)	(2,587,762)
Proceeds on disposal of tangible capital asset	14,456	14,947
Cash applied to capital activities	<u>(3,028,951)</u>	<u>(2,572,815)</u>
INVESTING ACTIVITIES		
(Increase) decrease in other assets	(21,506)	15,365
(Increase) in loans receivable	(4,180)	(32,859)
Investment in government business enterprises	(250,000)	-
Purchase of investments, net	242,000	904,948
Principal repayments due from Toronto District School Board	4,600	6,374
Dividends and distributions from government business enterprises	132,406	122,111
Cash provided by investing activities	<u>103,320</u>	<u>1,015,939</u>
FINANCING ACTIVITIES		
Decrease in bank indebtedness	(16,475)	(445)
Principal repayments on mortgages payable	(78,162)	(147,736)
New mortgages issued by Build Toronto and Lakeshore	31,134	-
Proceeds from long-term debt issued	1,152,447	754,574
Principal repayments on long-term debt	(323,960)	(263,720)
Interest earned on sinking funds	(58,136)	(64,853)
Principal repayments on debt by Toronto District School Board	(4,600)	(6,374)
Cash provided by financing activities	<u>702,248</u>	<u>271,446</u>
Net Increase in cash during the year	376,844	1,244,087
CASH – BEGINNING OF YEAR	1,492,647	248,560
CASH – END OF YEAR	<u>1,869,491</u>	<u>1,492,647</u>
SUPPLEMENTARY INFORMATION:		
Cash paid for interest on debt	307,054	310,804
Cash received for interest on investments	246,149	241,138

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 (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
- ✦ Board of Management of the Toronto Zoo
- ✦ Build Toronto Inc. ("BTI")
- ✦ Casa Loma Corporation
- ✦ Heritage Toronto
- ✦ Invest Toronto Inc.
- ✦ Lakeshore Arena Corporation
- ✦ St. Lawrence Centre for the Arts
- ✦ The North York Performing Arts Centre Corporation
- ✦ The Sony Centre for the Performing Arts ("Sony Centre")
- ✦ Toronto Atmospheric Fund ("TAF")
- ✦ Toronto Board of Health
- ✦ Toronto Community Housing Corporation ("TCHC")
- ✦ Toronto Licensing Commission
- ✦ Toronto Pan Am Sports Centre Inc. ("TPASC") (1/2 proportionately)
- ✦ Toronto Police Services Board
- ✦ Toronto Public Library Board
- ✦ Toronto Transit Commission ("TTC")
- ✦ Toronto Waterfront Revitalization Corporation ("TWRC") (1/3 proportionately)
- ✦ Yonge-Dundas Square

Arenas:

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

Community Centres:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 (all dollar amounts in thousands of dollars)

Business Improvement Areas ("BIA"):

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

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

Government business enterprises (GBEs)

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

- ❖ Toronto Hydro Corporation
- ❖ Toronto Parking Authority
- ❖ City of Toronto Economic Development Corporation c.o.b. Toronto Port Lands Company ("TPLC")

Trust funds

Trust funds and their related operations administered by the City are not included in the consolidated financial statements, but are reported separately in the Trust Fund Financial Statements (Note 23).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 (all dollar amounts in thousands of dollars)

Use of estimates and measurement uncertainty

The preparation of consolidated financial statements in conformity with GAAP 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, 2017 (all dollar amounts in thousands of dollars)

In October 2005, Council adopted a staff report entitled “Enhancing Toronto’s Business Climate – It’s Everybody’s Business,” that introduced a number of new tax policy initiatives that began in 2006 and has been amended through the annual budget process in recent years. These changes included limiting allowable annual tax increases on these property classes to a fixed percentage of the previous year’s taxes or 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 2023.

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.

Cash and cash equivalents

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

Loans receivable

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

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 other 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 the growth-related portion of qualifying 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 (all dollar amounts in thousands of dollars)

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*, mainly 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 (all dollar amounts in thousands of dollars)

Deferred revenue

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

Derivative financial instruments

A derivative financial instrument (interest rate swap) is used to manage interest rate risk with respect to a certain TCHC term loan. TCHC does not account for its interest rate swap as a hedge, and as such, any realized or unrealized gains or losses are recognized in the Consolidated Statement of Operations and Accumulated Surplus. The City also utilizes derivative financial instruments in the management of its purchase of electricity and natural gas. The City's policy is not to use derivative financial instruments for trading or speculative purposes. Derivative contracts are recorded at their fair value as an asset or liability based on quoted market prices, with changes in fair value, if any, recorded in the Consolidated Statement of Operations and Accumulated Surplus.

Employee benefit liabilities

The costs of termination benefits and compensated absences are recognized when the event that obligates the City occurs. Costs include projected future income payments, health care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis.

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

Past service costs from plan amendments related to prior period employee services are accounted for in the period of the plan amendment. The effects of a gain or loss from settlements or curtailments are expensed in the period they occur. Net actuarial gains and losses related to the employee benefits are amortized over the estimated average remaining service life of the related employee group. Employee future benefit assets are presented net of any required valuation allowance. Employee future benefit liabilities are discounted using current interest rates on long-term municipal debentures.

The costs of workplace safety and insurance obligations are actuarially determined and are expensed in the period they occur.

Tangible capital assets

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Reserves and reserve funds

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

2. Accounts Receivable

Accounts receivable consist of the following:

	2017	2016
	\$	\$
Government of Canada	183,495	161,336
Government of Ontario	177,367	160,722
Other municipal governments	52,145	24,817
School boards	5,690	1,323
Utility fees	205,744	200,896
Parking tags and court services fines	110,773	118,588
Solid waste - user fees and rebates	41,489	51,773
Interest accrued on investments	26,445	24,599
Trade receivables – City's Agencies and Corporations	71,082	61,514
Other fees and charges	201,973	198,707
	1,076,203	1,004,275

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 (all dollar amounts in thousands of dollars)

3. Loans receivable

Loans receivable consist of the following:

	2017 \$	2016 \$
BTI loan receivable from Pinewood Toronto Studio Inc. (PTSI) of \$33,404 was converted on March 10, 2017. PTSI made payments of \$1,700 on the day of renewal and \$618 during the year.	-	33,404
BTI's new loan facility of \$31,134 was converted to a 10-year conventional with a 25-year amortization period at an interest rate of 3.33% effective March 15, 2017 and matures on March 15, 2027. The loan is secured by a leasehold mortgage, shareholder guarantees, and a first charge against the assets of PTSI.	31,134	-
BTI Vendor-take-back (VTB) mortgage receivable balance of \$17,919 was related to a property sale transaction in September 2016. The VTB mortgage has an interest rate of 4.75% per annum payable in arrears with a maturity date of March 2018 and a promissory note of \$3,512 were also issued at an interest rate of 5% per annum. The notes secure obligations of the Purchaser to build the shell portion of the building.	21,431	20,630
TCHC Mortgages receivable 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 debenture coupon rate at the expiry of debenture Series A bonds that are due on May 11, 2037.	11,643	11,699
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, 2017 \$2,367 had been advanced. In 2017, TCHC sold land to developers and received cash and three loan receivable totalling \$35,591 bearing no interest rate for a period of one year and 4.5% per annum thereafter with maturity dates of February 15, June 2 and June 8, 2019 respectively. The receivable of \$35,591 related to gain on sale of land.	37,958	2,374
In 2016, TCHC sold land to Soul Residence Inc. (SRI) and Connect Residence Inc. (CRI) in exchange for promissory notes of \$4,854 and \$4,946 respectively. Those promissory notes are non-interest bearing and repayment is due on the earlier of the final closing of the market units or the termination of the development project. TCHC also sold land to a developer with a 3% loan receivable of \$3,732 with a maturity date of November 14, 2019.	13,532	13,423
Loans receivable from community housing organizations bearing interest at rates from 0% to 5% (2016 - 0% to 5%) per annum, maturing from 2017 to 2074.	41,805	36,202
	157,503	117,732

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 (all dollar amounts in thousands of dollars)

4. Other Assets

Other assets consist of the following:

	2017	2016
	\$	\$
BTI's investment property at the Film Studio \$13,159 (2016 - \$13,159). 20% interest in Toronto Waterfront Studio Inc. (TWSI) of \$3,867 (2016 - \$3,342) and joint venture agreement with Build Toronto Holdings (Harbour) Inc. (BTHHI) \$22,172 (2016 - \$22,424) to develop a condominium project.	39,198	38,925
Real Estate inventory that was valued at a market value of \$123,683 consists of capitalized actual costs including decommissioning cost, development cost, and pre-acquisition cost.	26,980	17,542
Provincial affordability housing grants for the development of five TCHC projects are paid monthly over 20 years until 2034 and have been set up as grants receivable. The remaining Grants receivable are from the Province of Ontario resulting from a contribution agreement for housing projects.	31,481	16,572
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.	14,719	16,373
Other	4,725	6,185
	117,103	95,597

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 (all dollar amounts in thousands of dollars)

5. Investments

Investments consist of the following:

	2017		
	Cost \$	Market value \$	Carrying value \$
Federal government bonds	147,334	150,970	147,334
Provincial government bonds	1,071,107	1,127,995	1,071,107
Municipal government bonds	1,067,974	1,128,127	1,067,974
Money market instruments	1,200,892	1,200,892	1,200,892
Corporate bonds	572,541	572,916	572,541
Other	58,110	73,732	58,110
	4,117,958	4,254,632	4,117,958

	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
	4,248,189	4,367,906	4,248,189

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 \$70,052 (2016 - \$70,357). The weighted average yield on the cost of the bond investment portfolio during the year was 2.81% (2016 - 2.71%). Maturity dates on investments in the portfolio range from 2018 to 2043 (2016 - 2017 to 2045). Included in the City's municipal government bonds portfolio are City of Toronto debentures at coupon rates varying from 2.40% to 6.80% (2016 - 2.95% to 6.80%) with a carrying value of \$235,511 (2016 - \$251,430).

Other investments are held by the following entities:

	2017		
	Cost \$	Market value \$	Carrying value \$
City investments	497	497	497
BIA	12,068	12,068	12,068
BTI	4,736	4,736	4,736
TPASC	5,460	5,460	5,460
Sony Centre	560	560	560
TAF	29,101	44,723	29,101
TWRC	5,688	5,688	5,688
	58,110	73,732	58,110

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

During 2017, TCHC received \$111,769 of the proceeds from long-term debt issued as investments for capital expenditures under restrictions with IO. As at December 31, 2017, TCHC has the amount of \$145,800 included in investments for capital expenditures under restrictions with IO.

On March 28, 2017 City Council adopted the report on establishment of an Investment Board and delegated its authority to the Board to manage City's investment of funds not immediately required by the City, as is required by Regulation 610/06, Financial Activities, under the City of Toronto Act, 2006. The Province approved amendments to the Ontario Regulation 610/06, to allow the City to add securities such as equities and non-bank corporate bonds to its current holdings. This regulation came into force on January 1, 2018.

6. Investments in Government Business Enterprises (GBEs)

Government business enterprises consist of 100% interest in Toronto Hydro Corporation (a hydro-electric local distribution company), Toronto Parking Authority (an operator of public parking for the City of Toronto), 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:

	2017	2016
	\$	\$
Balance - beginning of year	2,069,348	2,025,649
Additional investment in Toronto Hydro	250,000	-
Income from operations (Appendix 1)	234,785	164,290
Dividends received (Appendix 1)	(75,000)	(63,399)
Distribution to City (Appendix 1)	(57,406)	(58,712)
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)	<u>2,423,247</u>	<u>2,069,348</u>

On June 28, 2017, the Toronto Hydro Corporation issued 200 common shares to the City for total proceeds of \$250,000, net of share issue costs and expenses.

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

		2017	2016
		\$	\$
Toronto Hydro Corporation	Equity	1,735,916	1,397,196
Toronto Parking Authority	Equity	304,076	294,819
Toronto Port Lands Company	Equity	383,255	377,333

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:

	2017	2016
	\$	\$
Income from Operations (Appendix 1)	234,785	164,290
Change in net book value of street-lighting assets eliminated on sale to Toronto Hydro Corporation (Appendix 1)	1,520	1,520
Government Business Enterprise Earnings	236,305	165,810

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

	2017	2016
	\$	\$
Purchased by the City:		
Street-lighting, electricity, and maintenance services from Toronto Hydro Corporation	283,300	275,300

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

	Due to others
	\$
2018	512
2019	250,539
2020	567
2021	300,597
2022	627
Thereafter	1,485,707
	2,038,549

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 (all dollar amounts in thousands of dollars)

7. Bank Indebtedness

The City has an unsecured demand revolving credit facility in the amount of \$100,000 (2016 - \$100,000) bearing interest at the bank prime rate with an effective rate during 2017 of 3.2% (2016 - 2.70%) per annum.

TCHC has a committed revolving credit facility of \$200,000 (2016 - \$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 bank prime rate and bankers' acceptances (BAs) at the bank BA rate plus 1.10%. Short-term advances of \$nil (2016 - \$32,000) have been used during the year.

TAF has a revolving line of credit to a maximum of \$2,000, repayable on demand, with a Canadian chartered bank at the bank 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, 2017 was \$nil (2016 - \$320).

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 \$nil was utilized at year-end (2016 - \$58).

During 2015, Toronto Waterfront Revitalization Corporation secured a revolving credit facility which provides for a maximum borrowing amount of \$40,000 subsequently reduced to \$37,000 in 2017. The facility bears interest at the bank prime rate less 0.25%. The interest rate was 2.45% as at December 31, 2017. The facility is secured by a first lien interest over several of the Corporation's 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 receivables. The Corporation had not drawn on the facility and the full \$37,000 (2016 - \$40,000) remained available as at December 31, 2017.

Bank indebtedness consists of the following:

	2017 \$	2016 \$
City, net outstanding cheques	49,381	33,478
Toronto Housing Corporation	-	32,000
Toronto Atmospheric Fund	-	320
519 Church Street Community Centre	-	58
	49,381	65,856

8. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	2017 \$	2016 \$
Trade payables and accruals	2,406,957	2,377,308
School boards	466,399	452,427
Provision for assessment appeals on property taxes paid	290,795	265,796
Credit balances on property tax accounts	120,071	125,594
Wage accruals	135,915	128,346
	3,420,137	3,349,471

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 (all dollar amounts in thousands of dollars)

9. Deferred Revenue

(a) Obligatory reserve funds

Revenues received that have been set aside for specific purposes by Provincial legislation, as well as certain City 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:

	2017	2016
	\$	\$
<i>Restricted by Provincial legislation</i>		
Development Charges	653,647	685,906
Recreational Land (<i>Planning Act</i>)	646,233	603,944
Building Code Act Service Improvement	82,233	65,321
Provincial Gas Tax	15,890	3,582
	<u>1,398,003</u>	<u>1,358,753</u>
<i>Restricted by other agreements</i>		
Public Transit Funds	98,519	96,232
Water and Wastewater	885,735	536,003
Community Services	73,152	82,898
Third Party Agreements	18,191	12,479
State of Good Repair	2,697	2,516
Parking Authority	1,516	3,362
	<u>1,079,810</u>	<u>733,490</u>
Total obligatory reserve funds	<u>2,477,813</u>	<u>2,092,243</u>

(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:

	2017	2016
	\$	\$
Community Services	3,285	3,170
Building Code Act	84,491	71,798
Long-Term Care – Public Health and Housing	2,532	2,452
Police	6,269	2,038
Parks	21,387	42,327
Union Station	83,973	83,973
Other	6,874	18,093
City's agencies and corporations	124,981	114,172
	<u>333,792</u>	<u>338,023</u>
Total advance payments and contributions	<u>333,792</u>	<u>338,023</u>
TOTAL DEFERRED REVENUE (9(a) and 9(b))	<u>2,811,605</u>	<u>2,430,266</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 (all dollar amounts in thousands of dollars)

	(a)	2017 (b)	Total
	Obligatory Reserve Funds	Advance payments and contributions	
	\$	\$	\$
Balance – beginning of year	2,092,243	338,023	2,430,266
Receipts during the year	1,805,196	1,043,433	2,848,629
Transferred to revenue	(1,419,626)	(1,047,664)	(2,467,290)
Balance – end of year	2,477,813	333,792	2,811,605

	(a)	2016 (b)	Total
	Obligatory Reserve Funds	Advance payments and contributions	
	\$	\$	\$
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)	(4,589,035)	(5,978,342)
Balance – end of year	2,092,243	338,023	2,430,266

10. Other Liabilities

Other liabilities consist of the following:

	2017 \$	2016 \$
Property and liability claims provision (Note 17b)	382,225	393,582
TTC – unsettled accident claims (Note 17b)	156,633	192,253
Build Toronto – environmental liabilities (Note 17h)	8,298	17,729
TTC – environmental liabilities (Note 17h)	8,125	5,332
Contaminated sites liabilities	7,489	6,789
	562,770	615,685

11. Landfill Closure and Post-Closure Liabilities

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

Active Sites

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 (all dollar amounts in thousands of dollars)

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 3.9% (2016 – 3.7%). The estimated present value of future expenditures for closure and post-closure care as at December 31, 2017 is \$10,131 (2016 - \$9,556), based on the percentage of total approved capacity used of 49.93% (2016 – 47.15%).

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, 2017 was \$14,567 (2016 - \$14,586) and the balance in the Green Lane Perpetual Care account as at December 31, 2017 was \$4,751 (2016 - \$4,227). Total contributions to the Green Lane Perpetual Care account of \$503 (2016 - \$483) were based on a contribution rate of 95¢ (2016 - 89¢) per tonne of waste disposed. Both of these reserve fund accounts are included as part of the State of Good Repair Reserve Fund (Note 18).

Inactive Sites

The City has identified 160 (2016 - 160) inactive landfill sites for which it retains responsibility for all costs relating to closure and post-closure care (Note 17(i)).

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 3.9% (2016 - 3.7%). The estimated present value of future expenditures for post-closure care as at December 31, 2017 was \$123,576 (2016 - \$128,545).

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, 2017 was \$29,653 (2016 - \$39,373) and is included as part of the State of Good Repair Reserve Fund (Note 18), and the balance in the Keele Valley Site Post-Closure Trust Fund as at December 31, 2017 was \$7,573 (2016 - \$7,552) (Note 23).

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

	2017	2016
	\$	\$
Active landfill site (Green Lane)	10,131	9,556
Inactive landfill sites	123,576	128,545
	133,707	138,101

Landfill closure and post-closure costs totalling \$10,300 (2016 - \$7,456) were expensed during the year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 (all dollar amounts in thousands of dollars)

12. Mortgages Payable

Mortgages payable are as follows:

	2017	2016
	\$	\$
Mortgages issued by TCHC, bearing interest at rates ranging from 1.39% to 12.75% (2016 – 1.39% to 12.75%) per annum, with maturities ranging from 2018 to 2048, and collateralized by housing properties owned by TCHC with a net book value of approximately \$1,615,349 (2016 - \$1,576,439).	284,936	363,098
Mortgages issued by BTI, bearing interest at 3.33% per annum, maturing on March 15, 2027. The mortgage 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, BTI and the common shares of PT Studios Inc.	31,134	-
	316,070	363,098

Principal repayments on mortgages are due as follows:

	\$
2018	33,450
2019	20,960
2020	22,383
2021	23,643
2022	23,915
Thereafter	191,719
	316,070

Principal payments made in 2017 were \$nil on the BTI mortgages, and \$78,162 (2016 - \$147,736) on the TCHC mortgages.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 (all dollar amounts in thousands of dollars)

13. Net Long-Term Debt

Provincial legislation restricts the use of long-term debt to finance only capital expenditures. Provincial legislation also allows the City to issue debt on behalf of the Toronto District School Board ("TDSB") at TDSB's request. The responsibility of raising the amounts to service these liabilities lies with TDSB. The debt is a direct, joint and several obligation of the City and TDSB. As at December 31, 2017, due from TDSB was \$nil (2016 - \$4,600).

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

	2017 \$	2016 \$
Debentures issued by the City, bearing interest at various rates ranging from 2.40% to 8.00% (2016 - 2.40% to 8.00%) per annum, maturing from 2018 to 2046.	6,264,192	5,824,047
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).	445,526	445,404
From 2013 to 2017, 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, maturing 2018 and 2043 to 2047. During 2017, TCHC received \$111,769 of the proceeds from long-term debt issued as investments for capital expenditures under restrictions with IO. As at December 31, 2017, TCHC has the amount of \$145,800 included in investments for capital expenditures under restrictions with IO.	853,083	482,395
In April 2017, Lakeshore Arena Corporation obtained two credit facilities from infrastructure Ontario (IO). The credit facilities, bearing interest at 3.48%, payable in equal monthly blended installments with maturity date of October 31, 2042. The credit facilities are secured by a mortgage over the property, a general security agreement, and assignment of rents and leases. Debt issued by Lakeshore Arena Corporation with outstanding amount of \$19,259 was fully paid during 2017.	26,700	19,259
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 \$136 (2016 - \$1,110) maturing on February 15, 2018.	25,682	28,177
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% (2016-1.80%). 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). In March 2017 BTI loan facility agreement was converted into a 10-year term mortgage (Note 12).	-	33,407
In November 2016, BTI obtained a new loan facility, comprised of an interim construction loan and an operating loan, bearing interest at prime plus 0.50% and bankers' acceptances at 2%, and prime plus 0.50% per annum respectively. BTI started to draw down on the loan in February 2017 and the total amount is payable on July 2018. The loan facility is collateralized by a first mortgage charge on the construction site, guarantee, insurance policies and by assignment of term deposits, rents and leases.	12,306	-
Other, bearing interest from 1.75% to 8.05% maturing from 2018 through 2027.	3,284	1,355
Debentures issued by the City on behalf of the TDSB, bearing interest at 6.10% (2016 - 6.10%) per annum, which matured in 2017.	-	75,846
City sinking fund deposits bearing interest at rates between 2% and 5% (2016 - 2% to 5%) per annum.	(1,680,843)	(1,766,234)
TDSB sinking fund deposits bearing interest at 5% (2016 - 5%) per annum, which matured in 2017.	-	(71,246)
	5,949,930	5,072,410

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 (all dollar amounts in thousands of dollars)

Principal repayments are due as follows:

	<u>\$</u>
2018	459,393
2019	402,567
2020	356,796
2021	363,345
2022	306,679
Thereafter	<u>4,061,150</u>
	<u>5,949,930</u>

Principal payments made in 2017 were \$877,520 (2016 - \$511,007).

Included in net long-term debt are outstanding debentures of \$6,025,000 (2016 - \$5,625,000) for which there are sinking fund assets with a carrying value of \$1,745,341 (2016 - \$1,926,667) and a market value of \$1,741,064 (2016 - \$1,854,635).

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 \$106,108 (2016 - \$118,285) and a market value of \$124,076 (2016 - \$133,662).

14. Employee Benefit Liabilities

Employee benefit liabilities as at December 31 are as follows:

	<u>2017</u>	<u>2016</u>
	<u>\$</u>	<u>\$</u>
Future payments required for:		
Sick leave benefits (a)(i)	540,861	522,742
WSIB obligations (a)(ii)	635,515	601,062
Other employment and post-employment benefits (a)(iii)	<u>2,636,654</u>	<u>2,473,792</u>
Total employee accrued benefit obligation	3,813,030	3,597,596
Unamortized actuarial gain	<u>69,003</u>	<u>159,248</u>
Employee benefit liabilities	<u>3,882,033</u>	<u>3,756,844</u>

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

	2017			
	Employment and post-employment	TTC Pension Plan	City Pension Plans	Total
	\$	\$	\$	\$
Balance – beginning of year	3,756,844	-	-	3,756,844
Current service cost	273,445	87,252	-	360,697
Interest cost (revenue)	116,467	(18,739)	(13,224)	84,504
Amortization of actuarial (gain)	(10,136)	(57,429)	(19,882)	(87,447)
Employer contributions	(239,172)	(117,034)	-	(356,206)
Plan amendments	(15,415)	37,880	-	22,465
Change in valuation allowance	-	68,070	33,106	101,176
Balance – end of year	<u>3,882,033</u>	<u>-</u>	<u>-</u>	<u>3,882,033</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 (all dollar amounts in thousands of dollars)

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

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

	2017			
	Employment and post-employment	TTC Pension Plan	City Pension Plans	Total
	\$	\$	\$	\$
Balance – beginning of year	3,597,596	2,660,589	1,391,776	7,649,961
Current service cost	273,445	87,252	-	360,697
Interest cost	116,467	149,216	67,392	333,075
Amortization of actuarial (gain) loss	80,109	(152,183)	(13,918)	(85,992)
Benefits paid	(239,172)	(145,394)	(140,729)	(525,295)
Plan amendments	(15,415)	37,880	-	22,465
Balance – end of year	3,813,030	2,637,360	1,304,521	7,754,911

	2016			
	Employment and post-employment	TTC Pension Plan	City Pension Plans	Total
	\$	\$	\$	\$
Balance – beginning of year	3,498,439	2,512,295	1,473,506	7,484,240
Current service cost	271,155	84,077	-	355,232
Interest cost	108,070	141,490	72,823	322,383
Amortization of actuarial (gain) loss	(62,217)	11,297	(8,475)	(59,395)
Benefits paid	(236,942)	(129,486)	(146,078)	(512,506)
Plan amendments	19,091	40,916	-	60,007
Balance – end of year	3,597,596	2,660,589	1,391,776	7,649,961

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 (all dollar amounts in thousands of dollars)

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

	2017			
	Employment and post-employment	TTC Pension Plan	City Pension Plans	Total
	\$	\$	\$	\$
Balance – beginning of year	-	3,067,899	1,650,959	4,718,858
Contributions	239,172	117,034	-	356,206
Actual return on assets	-	283,600	86,674	370,274
Benefits paid	(239,172)	(145,394)	(140,729)	(525,295)
Balance – end of year	-	3,323,139	1,596,904	4,920,043

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

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

	2017			
	Employment and post-employment	TTC Pension Plan	City Pension Plans	Total
	\$	\$	\$	\$
Accrued benefit obligation	3,813,030	2,637,360	1,304,521	7,754,911
Plan assets	-	3,323,139	1,596,904	4,920,043
Funding deficit (surplus)	3,813,030	(685,779)	(292,383)	2,834,868
Unamortized actuarial gain	69,003	210,399	-	279,402
Valuation allowance	-	475,380	292,383	767,763
Employee benefit liability/assets)	3,882,033	-	-	3,882,033

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 (all dollar amounts in thousands of dollars)

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

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

	2017			
	Employment and post-employment	TTC Pension Plan	City Pension Plans	Total
	\$	\$	\$	\$
Current service cost	273,445	87,252	-	360,697
Interest cost (revenue)	116,467	(18,739)	(13,224)	84,504
Amortization of actuarial (gain)	(10,136)	(57,429)	(19,882)	(87,447)
Plan amendments	(15,416)	37,880	-	22,464
Change in valuation allowance	-	68,070	33,106	101,176
Total expense	364,360	117,034	-	481,394

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 (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, 2017. 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:

	<u>2017</u>	<u>2016</u>
Discount rate for accrued benefit obligation:		
Post-employment	2.8%	2.7%
Post-retirement	3.2%	3.5%
Sick leave	3.0%	3.1%
WSIB	3.0%	3.1%
Rate of compensation increase	2.25% 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 4.0%	3.0% to 4.5%
Health care inflation – Drugs	6.0% to 8.35%	6.0% to 10.0%
	<u>2017</u>	<u>2016</u>
Discount rate for benefit costs:		
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%

For 2017 benefit costs and year end 2017 benefit obligations, the health care inflation rate for Long-Term Disability (LTD), hospital, other medical, and drugs is assumed to reduce to 4.50% by 2030.

(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, 2017 (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, 2017, the balance in the Sick Leave Reserve Fund is \$43,900 (2016 - \$41,040) and is included in the Employee Benefits Reserve Fund grouping (Note 18). Payments during the year amounted to \$53,516 (2016 - \$47,651).

(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, 2017, the balance in the Workers' Compensation Reserve Fund is \$13,623 (2016 - \$12,496) and is included as part of the Employee Benefits Reserve Fund (Note 18). Payments during the year by the City to the WSIB amounted to \$46,716 (2016 - \$46,481).

(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, 2017, the balance in the Employee Benefits Reserve Fund was \$221,890 (2016 - \$203,730) and is included as part of the Employee Benefits Reserve Fund (Note 18). Payments during the year amounted to \$59,798 (2016 - \$59,241).

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 surplus of \$605 (2016 - \$2,341) 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 \$212,095 (2016 - \$194,049) and were matched by employee contributions in a similar amount.

The amount contributed for past service to OMERS for the year ended December 31, 2017 was \$831 (2016 - \$696). 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, 2017 (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, 2017. 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, 2017 is comprised solely of unamortized actuarial losses.

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

	2017	2016
Discount rate	6.00%	5.50%
Expected rate of return on plan assets	6.00%	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, 2017, there are no members left in the plan (2016 – 1 with age of 71). There were also 2,976 (2016 - 3,188) pensioners with an average age of 81.3 (2016 – 80.3) and 2,358 (2016 - 2,449) spousal beneficiaries in receipt of a pension, with an average age of 83 (2016 - 82.5). Pension payments and refunds during the year were approximately \$140,729 (2016 - \$146,078).

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, 2017. The accrued benefit obligation as at December 31, 2017 is based on actuarial valuations for accounting purposes as at December 31, 2017. The actuarial gains or losses in each of the five plans are accounted for in 2017. 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, 2017, there is no employer special payment to cover an irrevocable Letter of Credit (2016 - \$20,933) that had been mandated to fund solvency-deficiency position in 2017. As a result of the 2016 actuarial valuation, this letter of credit was 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 2.3% per annum (2016 - 2.30%) and the rate of compensation increase is estimated at 3.50% per annum (2016 - 3.50%) for determining the accrued benefit obligation. The discount rate used to determine the December 31, 2017 accrued benefit obligation is 5.00% (2016 - 5.10%) and the discount rate used to determine the fiscal year 2017 benefit cost is 5.10% (2016 - 5.20%).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 *(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% (2016 - 5.10%) per annum, net of all administrative expenses. The actual return on the market value of plan assets during the year was a gain of 5.48% (2016 – 6.81%). The pension plans hold the following mix of assets: Cash and equivalents 1.3%, Bonds and Fixed Income 64.9%, Canadian equities 19.1%, and foreign equities 14.7%.

As at December 31, 2017, all plans (2016 - 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 between the City, the pension funds, and OMERS have continued throughout 2017 and into 2018. 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). Although regulatory approvals are required, it is likely that four of the funds will be merged into OMERS, and there will be a sharing of surpluses in 2019. As the valuations will be completed and any surplus sharing can only occur after completion of regulatory processes and after the effective dates of transfer to OMERS of the pension liabilities in each fund, the assets and the estimate of the City's portion of surplus in each fund is uncertain at this time, therefore, no estimate of the City's portion of surpluses has been recorded in these financial statements.

	2017	2017	2017	2016
	Pension assets – market value – end of year	Actuarial pension obligation – end of year	Net actuarial surplus	Net actuarial surplus
	\$	\$	\$	\$
Toronto Civic Employee Pension Plan	330,319	216,470	113,849	98,764
Metropolitan Toronto Pension Plan	481,386	404,346	77,040	71,377
Toronto Firefighters Pension Plan	222,971	186,588	36,383	25,638
City of York Employee Pension Plan	40,618	36,025	4,593	2,496
Metropolitan Toronto Police Pension Plan	521,610	461,092	60,518	61,002

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 (all dollar amounts in thousands of dollars)

15. Tangible Capital Assets

Tangible capital assets consist of the following:

	2017		2016	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
General				
Land	3,637,426	-	3,637,426	3,615,218
Land improvements	1,003,984	437,572	566,412	561,158
Buildings and building improvements	10,402,546	3,537,837	6,864,709	5,406,926
Machinery and equipment	2,641,813	1,452,064	1,189,749	962,138
Motor vehicles	2,585,153	1,612,672	972,481	865,601
Total General	20,270,922	7,040,145	13,230,777	11,411,041
Infrastructure				
Land	140,044	-	140,044	140,046
Buildings and building improvements	715,064	178,402	536,662	541,250
Machinery and equipment	2,362,987	1,141,943	1,221,044	1,198,513
Water and wastewater linear	6,363,767	2,292,831	4,070,936	4,040,473
Roads linear	4,591,679	2,197,864	2,393,815	2,280,538
Transit	8,531,075	4,031,800	4,499,275	3,393,051
Total Infrastructure	22,704,616	9,842,840	12,861,776	11,593,871
Assets under construction	4,371,369	-	4,371,369	5,578,757
Total	47,346,907	16,882,985	30,463,922	28,583,669

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 Toronto Paramedic Services as well as computers and furniture. Corporate fleet and transit buses make up the vehicle assets.

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

General machinery and equipment includes capital leases from TCHC totalling \$5,760 (2016 - \$7,040).

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 \$nil (2016 - \$3,047) for land, \$nil (2016 - \$15,579) for land improvements, \$nil (2016 - \$10,104) for buildings and building improvements, \$nil (2016 - \$1,291) for machinery and equipment and \$nil (2016 - \$8,500) for roads linear.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 (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.

16. Inventories and Prepaid Expenses

	2017	2016
	\$	\$
Prepaid Expenses	118,886	135,448
Inventories	156,614	157,053
Inventories of Surplus Property	111,799	113,309
	387,299	405,810

17. Commitments and Contingencies

- a) The City is subject to various litigation and claims arising in the normal course of its operations. The final outcome of the outstanding claims cannot be determined at this time. Any amendment to amounts accrued will be recorded once new information becomes available.
- b) Exposures on property, liability, and accident claims are covered by a combination of self-insurance and coverage with insurance carriers. Provisions for property, liability and accident claims are recorded in other liabilities (Note 10) on the Consolidated Statement of Financial Position in the aggregate amount of \$538,858 (2016 - \$585,835).
- 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 \$1,510,800. At December 31, 2017, 82 train sets had been delivered at a cost of \$1,452,500. The outstanding commitment as at December 31, 2017 is \$58,300.
- 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, 2017, the total contract cost was \$1,011,300. As at December 31, 2017, 62 LRVs had been delivered and TTC had incurred costs of \$652,800. The balance of the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 (all dollar amounts in thousands of dollars)

deliveries will continue in 2018 with all 204 cars scheduled for delivery by 2019. As at December 31, 2017, the outstanding commitment is \$358,500.

- 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. In September 2017, a subsequent contract was awarded for 325 40-foot low floor clean diesel buses, bringing the total delivery requirement to 1,073 buses. The total contract as at December 31, 2017 is \$730,700. At December 31, 2017, 707 buses had been delivered at a cost of \$473,700, with 366 buses to be delivered in 2019. As at December 31, 2017, the outstanding commitment is \$257,000.
- f) In March 2017, a contract was awarded by the TTC for purchase of 20 low floor Wheel-Trans mini buses. In September 2017, the TTC authorized the procurement of an additional 60 low floor Wheel-Trans mini buses. As at December 31, 2017, the total contract value was \$14,800. As December 31, 2017, 11 buses had been delivered at a cost of \$2,100 with 69 buses to be delivered in 2018. As at December 31, 2017, the outstanding commitment is \$12,700.
- g) As at December 31, 2017, the TTC has other various capital project contractual commitments of \$643,200 (2016 - \$593,900). Of this amount, \$172,700 (2016 - \$130,500) relate to multi-component shared projects for Toronto Waterfront, Toronto-York Spadina Subway Extension project (TYSSE) and TTC; contractual commitments of \$42,000 (2016 - \$119,800) relate to the TYSSE project and \$428,500 (2016 - \$343,600) relate to various TTC construction projects.
- h) The TTC and Build Toronto have provisions for environmental costs of \$8,125 (2016 - \$5,332); and \$8,298 (2016 - \$17,729) 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 10) on the Consolidated Statement of Financial Position.
- i) The Ministry of the Environment has issued Certificates of Approval for 33 (2016 - 30) of the identified 160 (2016 - 160) inactive landfill sites. Applications for Certificates of Approval at other inactive sites may be required prior to the commencement of any remediation work. It is not possible to quantify the effect, if any, of this request on these consolidated financial statements beyond those amounts recorded as landfill closure and post-closure liabilities (Note 11).
- j) Council has approved the Policy for the Provision of Line of Credit and Loan Guarantees for Cultural and Community-Based Organizations that have a financial relationship with the City. The total amount of all 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, 2017 the City had provided capital loan guarantees to certain third parties amounting to \$43,672 (2016 - \$38,066), and operating line of credit guarantees of \$5,995 (2016 - \$5,905), primarily related to several cultural non-profit organizations, and direct City loans amounting to \$60,064 (2016 - \$70,100), primarily to City agencies.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 *(all dollar amounts in thousands of dollars)*

The City maintains priority lender status on direct City loans, and has the right to remedy any defaults on line of credit and loan guarantees. Further, the City has established a doubtful loan reserve to serve as source for funding any potential losses. The current balance in this fund is \$250 as at 2017 year end (2016 – \$250).

- k) At December 31, 2017, the City is committed to future minimum annual operating lease payments for premises and equipment as follows:

	<u>\$</u>
2018	65,201
2019	45,329
2020	39,359
2021	27,016
2022	19,562
Thereafter	<u>84,327</u>
	<u>280,794</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 (all dollar amounts in thousands of dollars)

18. Accumulated Surplus

Accumulated surplus is comprised of the following:

	2017 \$	2016 \$
Invested in tangible capital assets (Note 15)	30,463,922	28,583,669
Operating fund	3,051,520	2,455,147
Capital fund	(1,133,473)	(798,940)
Reserves and reserve funds	2,038,014	1,982,887
	<u>34,419,983</u>	<u>32,222,763</u>
Amounts expected to be recovered from future revenues*:		
Mortgages (Note 12)	(316,070)	(363,098)
Net long-term debt (Note 13)	(5,949,930)	(5,072,410)
Recoverable from TDSB (Note 13)	-	4,600
Landfill closure and post-closure liabilities (Note 11)	(133,707)	(138,101)
Employee benefits (Note 14)	(3,882,033)	(3,756,844)
Contaminated sites (Note 10)	(7,489)	(6,789)
Property and liability claims provision (Note 10)	(382,225)	(393,582)
TTC – environmental liabilities (Note 10)	(8,125)	(5,332)
	<u>(10,679,579)</u>	<u>(9,731,556)</u>
	23,740,404	22,491,207

* Amounts expected to be recovered from future revenues are gross of any reserves or reserve funds set aside for these purposes of \$268,048 (2016 - \$261,916).

Reserves and reserve funds consist of the following:

	2017 \$	2016 \$
Reserves:		
Corporate	674,385	535,705
Stabilization	163,738	185,667
Water and Wastewater	75,734	168,155
Donations	1,442	1,462
	<u>915,299</u>	<u>890,989</u>
Reserve Funds:		
Employee Benefits (Note 14)	279,413	257,266
Corporate	465,688	446,777
Community Initiatives	128,720	106,331
State of Good Repair	248,894	281,524
	<u>1,122,715</u>	<u>1,091,898</u>
Total Reserves and Reserve Funds	2,038,014	1,982,887

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 (all dollar amounts in thousands of dollars)

19. Budget Data

Budget data presented in these consolidated financial statements are based upon the 2017 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.

	Budget Amount
	\$
<u>Revenue</u>	
Approved budgets:	
Operating	10,794,506
Capital	3,986,903
Reserve	<u>55,626</u>
	14,837,035
Adjustments:	
Proceeds on debt issue	<u>(1,632,415)</u>
Total revenue	<u>13,204,620</u>
<u>Expenses</u>	
Approved budgets:	
Operating	10,426,297
Capital	<u>4,666,214</u>
	15,092,511
Adjustments:	
Tangible Capital Assets	(3,626,248)
Amortization	1,136,311
Debt principal repayments	<u>(292,499)</u>
Total expenses	<u>12,310,075</u>
Annual surplus	<u>894,545</u>

20. Funding Transfers from Other Governments

	2017	2016
<u>By Function</u>	\$	\$
General government	102,201	113,841
Protection to persons and property	42,852	50,206
Transportation	470,005	545,218
Environmental services	27,064	25,448
Health services	308,222	295,630
Social and family services	1,708,204	1,547,748
Social housing	117,114	131,079
Recreation and cultural services	21,374	25,025
Planning and development	<u>2,492</u>	<u>4,122</u>
	<u>2,799,528</u>	<u>2,738,317</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 (all dollar amounts in thousands of dollars)

By Source	2017	2016
	\$	\$
Operating Transfers		
Federal	162,057	153,160
Provincial	2,152,222	1,997,983
Other	19,047	26,969
	<u>2,333,326</u>	<u>2,178,112</u>
Capital Transfers		
Federal	187,965	269,331
Provincial	111,705	247,995
Other	166,532	42,879
	<u>466,202</u>	<u>560,205</u>
Total	<u>2,799,528</u>	<u>2,738,317</u>

21. Expenses by Object

Expenses by object comprise the following:

	2017	2016
	\$	\$
Salaries, wages and benefits	5,623,330	5,618,259
Materials	1,015,208	1,011,400
Contracted services	1,627,407	1,596,096
Interest on long-term debt	320,319	320,250
Transfer payments	1,366,831	1,184,893
Amortization (Schedule 1)	1,136,311	973,897
Other	225,674	249,075
	<u>11,315,080</u>	<u>10,953,870</u>

22. Segmented Information

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 (all dollar amounts in thousands of dollars)

Appendix 2 includes the following segments:

- **General government** is comprised of Council, administration and amounts paid to the Municipal Property Assessment Corporation. These groups are responsible for bylaws and administrative policies, levying taxes, acquiring and managing City assets, ensuring effective financial management, planning and budgeting, monitoring financial and operating performance, and ensuring that high quality City service standards are met.
- **Protection to persons and property** is comprised of police, fire and other protective services such as By-law Enforcement, Animal Control, Vehicle and Business Licensing, Security and Provincial Offences. These groups maintain the safety and security of all citizens by reducing or eliminating loss of life and property, maintaining law enforcement, and preserving peace and good order.
- **Transportation** includes transit, roads, traffic and parking services. Transit services provide local public transportation for all citizens within the City of Toronto. Other transportation services provide planning, development, and maintenance of roads, traffic operations, parking, winter control and street lighting.
- **Environmental services** include water supply and distribution, wastewater treatment, and waste and recycling services. These services provide clean drinking water to residents, collect and treat wastewater, and collect and properly process waste and recycling items.
- **Health services** include paramedic and mandated health services. Mandated health services promote and maintain health programs that optimize the health of residents. Paramedic services deliver timely and effective care for pre-hospital emergency care, along with medically required inter-hospital transportation.
- **Social and family services** include social assistance, long-term care and child care services. Social assistance services determine, issue, and monitor clients' eligibility for financial, social, and employment assistance. Long-term care services provide secure and supervised health services for seniors who can no longer live at home. Child care services provide subsidized child care spaces and provide funding for wage subsidy, pay equity, and special needs.
- **Social housing** provides a range of services including high-quality housing for low and moderate income tenants, emergency shelters, outreach, search, and stabilization to people in the community.
- **Recreation and cultural services** include parks services, recreational programs, recreation facilities, golf courses, libraries, museums and other cultural services and activities. Parks and recreation services develop and deliver high-quality recreational programs, and develop and maintain recreational facilities, parks and sports fields to ensure all residents have the opportunity to enjoy a healthy lifestyle. Cultural services invest in local non-profit organizations that deliver services on behalf of the City. Library services provide public library services to the citizens via physical facilities, bookmobile, virtual and telephone services.
- **Planning and development** manages urban development for residential and business interests as well as infrastructure. It includes planning and zoning, commercial and industrial developments and forestry.

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, 2017 (all dollar amounts in thousands of dollars)

23. Trust Funds

Trust funds administered by the City amounting to \$26,303 (2016 - \$24,374) 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:

	2017	2016
	\$	\$
Keele Valley Site Post-Closure Trust Fund (Note 11)	7,573	7,552
Homes for the Aged Trust Fund – Residents	6,303	6,279
Community Centre Development Levy Trust Fund – Railway Lands	5,010	4,941
Toronto Police Service Board Mounted Unit	1,816	-
Waterpark Place Trust Fund	1,108	1,105
Contract Aftercare Trust Fund	1,104	1,102
Community Services Levies Trust Fund	778	767
Regent Park Legacy Trust	720	713
Music Garden Trust Fund	615	615
Development Charges Trust Fund – Queen's Quay	335	340
Lakeshore Pedestrian Bridge Trust Fund	255	254
Children's Greenhouse Trust Fund – Allan Gardens	118	116
Green Lane Small Claims Trust Fund	113	111
Public Art Maintenance Trust Funds	107	221
Toronto Police Trust Funds	92	3
Preservation Trust Fund	55	54
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
Other trust funds	64	64
	26,303	24,374

24. Comparative Amounts

Certain 2016 amounts have been regrouped from consolidated financial statements previously presented, to conform with the presentation adopted in 2017.

25. Subsequent Events

CreateTO

In 2016, City Council authorized a City-wide Real Estate Review to strengthen the financial processes, strategic planning, oversight and decision-making involving its real estate portfolios. As part of the transformation, the real estate assets of some of the City's real estate entities will be managed centrally under CreateTO, a newly established agency. CreateTO's objective is to put City assets to best use by implementing a holistic, City building strategy, balancing the community and economic benefits through a consolidated framework over the next two to four years. Once the transformation is complete, CreateTO will provide real estate development and management services to the City of Toronto. This is effective January 1, 2018.

As a result of this transformational initiative, \$1,200 of restructuring costs were incurred in 2017.

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS – SCHEDULE 1

As at and for the year ended December 31, 2017
(all dollar amounts in thousands of dollars)

2017

	Cost 2017					Accumulated Amortization 2017				Net Book Value 2017
	Beginning	Additions	Disposals / Transfers	Donated	Ending	Beginning	Amortization	Disposals	Ending	
General										
Land	3,615,218	26,706	(4,498)	-	3,637,426	-	-	-	-	3,637,426
Land improvements	971,802	39,791	(7,609)	-	1,003,984	410,644	29,205	(2,277)	437,572	566,412
Buildings and building improvements	8,657,493	1,754,185	(9,132)	-	10,402,546	3,250,567	292,231	(4,961)	3,537,837	6,864,709
Machinery and equipment	2,292,385	387,207	(37,779)	-	2,641,813	1,330,247	159,370	(37,553)	1,452,064	1,189,749
Vehicles	2,379,829	295,353	(90,029)	-	2,585,153	1,514,228	184,443	(85,999)	1,612,672	972,481
Total General	17,916,727	2,503,242	(149,047)	-	20,270,922	6,505,686	665,249	(130,790)	7,040,145	13,230,777
Infrastructure										
Land	140,046	-	(2)	-	140,044	-	-	-	-	140,044
Buildings and building improvements	706,437	8,627	-	-	715,064	165,187	13,215	-	178,402	536,662
Machinery and equipment	2,269,289	93,698	-	-	2,362,987	1,070,776	71,167	-	1,141,943	1,221,044
Water and wastewater linear	6,251,376	113,416	(1,025)	-	6,363,767	2,210,903	82,605	(677)	2,292,831	4,070,936
Roads linear	4,398,771	208,204	(15,296)	-	4,591,679	2,118,233	94,196	(14,565)	2,197,864	2,393,815
Transit	7,221,966	1,316,103	(6,994)	-	8,531,075	3,828,915	209,879	(6,994)	4,031,800	4,499,275
Total infrastructure	20,987,885	1,740,048	(23,317)	-	22,704,616	9,394,014	471,062	(22,236)	9,842,840	12,861,776
Assets under construction	5,578,757	895,004	(2,102,392)	-	4,371,369	-	-	-	-	4,371,369
TOTAL	44,483,369	5,138,294	(2,274,756)	-	47,346,907	15,899,700	1,136,311	(153,026)	16,882,985	30,463,922

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	
General										
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
Total General	16,773,816	1,236,061	(123,171)	30,021	17,916,727	6,071,207	547,995	(113,516)	6,505,686	11,411,041
Infrastructure										
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
Total infrastructure	19,465,195	1,562,742	(48,552)	8,500	20,987,885	9,005,590	425,902	(37,478)	9,394,014	11,593,871
Assets under construction	5,802,565	841,174	(1,064,982)	-	5,578,757	-	-	-	-	5,578,757
TOTAL	42,041,576	3,639,977	(1,236,705)	38,521	44,483,369	15,076,797	973,897	(150,994)	15,899,700	28,583,669

CONSOLIDATED SCHEDULE OF GOVERNMENT BUSINESS ENTERPRISES – APPENDIX 1

As at and for the year ended December 31, 2017
(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>	
	2017	2016	2017	2016	2017	2016	2017	2016
Financial Position								
Assets								
Current	526,700	573,500	54,285	88,414	41,285	32,357	622,270	694,271
Capital	4,439,600	4,125,000	204,127	160,730	356,707	359,060	5,000,434	4,644,790
Other	254,202	244,503	72,861	78,957	-	-	327,063	323,460
	5,220,502	4,943,003	331,273	328,101	397,992	391,417	5,949,767	5,662,521
Liabilities								
Current	770,500	1,083,200	23,160	28,733	6,944	6,116	800,604	1,118,049
Long-term	2,695,300	2,442,300	4,037	4,549	7,793	7,968	2,707,130	2,454,817
	3,465,800	3,525,500	27,197	33,282	14,737	14,084	3,507,734	3,572,866
Net equity	1,754,702	1,417,503	304,076	294,819	383,255	377,333	2,442,033	2,089,655
City's share (Note 6)	1,735,916	1,397,196	304,076	294,819	383,255	377,333	2,423,247	2,069,348
Results of Operations								
Revenues	3,865,298	3,938,850	151,151	145,798	17,572	20,336	4,034,021	4,104,984
Expenses	3,703,100	3,847,501	89,595	87,129	6,541	6,064	3,799,236	3,940,694
Net income (loss)	162,198	91,349	61,556	58,669	11,031	14,272	234,785	164,290
City's share (Note 6)	162,198	91,349	61,556	58,669	11,031	14,272	234,785	164,290
Distribution to City (Note 6)	-	-	52,297	51,821	5,109	6,891	57,406	58,712
Dividends paid to City (Note 6)	75,000	63,399	-	-	-	-	75,000	63,399
Net book value of assets sold from the City to Toronto Hydro Corporation (Note 6)	18,788	20,308	-	-	-	-	18,788	20,308

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – SERVICE – 2017 – APPENDIX 2*

for the year ended December 31, 2017
(all dollar amounts in thousands of dollars)

2017

	General Government	Protection	Transportation	Environmental	Health	Social and Family	Social Housing	Recreation and Cultural	Planning and Development	Consolidated
Taxation	5,002,614	-	-	-	-	-	-	-	-	5,002,614
User charges	60,564	203,372	1,355,775	1,134,596	2,359	60,347	17,781	158,418	34,990	3,028,202
Government transfers	102,201	42,852	470,005	27,064	308,222	1,708,206	117,114	21,374	2,490	2,799,528
Net GBE income	236,305	-	-	-	-	-	-	-	-	236,305
Other	215,511	61,454	309,256	119,974	4,820	30,355	480,383	193,290	82,585	1,497,628
TOTAL REVENUES	5,617,195	307,678	2,135,036	1,281,634	315,401	1,798,908	615,278	373,082	120,065	12,564,277
Salaries, wages and benefits	445,674	1,649,590	1,548,255	267,788	370,206	582,634	156,285	556,736	46,162	5,623,330
Materials	163,507	28,153	333,486	108,061	17,365	73,072	141,810	94,749	55,005	1,015,208
Contracted services	167,985	24,147	449,812	288,399	32,308	417,361	81,130	152,089	14,176	1,627,407
Interest on long-term debt	2,603	11,993	190,346	10,924	1,010	4,624	75,856	13,056	9,907	320,319
Transfer payments	(182,983)	47,746	(231)	73,499	34,767	1,096,964	197,605	80,579	18,885	1,366,831
Other	90,676	13,815	22,453	28,108	2,026	16,788	7,883	42,557	1,368	225,674
Amortization	88,517	35,838	595,701	178,839	2,836	1,522	163,212	67,899	1,947	1,136,311
TOTAL EXPENSES	775,979	1,811,282	3,139,822	955,618	460,518	2,192,965	823,781	1,007,665	147,450	11,315,080
ANNUAL SURPLUS/ (DEFICIENCY)	4,841,216	(1,503,604)	(1,004,786)	326,016	(145,117)	(394,057)	(208,503)	(634,583)	(27,385)	1,249,197

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

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	150,436	33,370	3,073,741
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	225,035	62,022	1,528,492
TOTAL REVENUES	5,447,464	288,519	2,112,129	1,388,378	305,406	1,629,428	530,629	400,496	99,514	12,201,963
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	41,202	1,011,400
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	(31,381)	81,558	32,564	989,971	171,379	70,584	(6,774)	1,184,893
Other	63,856	13,119	75,863	29,120	2,422	18,061	2,495	39,555	4,584	249,075
Amortization	80,896	35,524	478,059	157,944	1,692	1,315	152,069	62,988	3,410	973,897
TOTAL EXPENSES	760,339	1,808,310	3,067,408	933,176	449,621	2,038,215	779,499	1,001,753	115,549	10,953,870
ANNUAL SURPLUS/ (DEFICIENCY)	4,687,125	(1,519,791)	(955,279)	455,202	(144,215)	(408,787)	(248,870)	(601,257)	(16,035)	1,248,093

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

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – ENTITY – APPENDIX 3

for the year ended December 31, 2017
(all dollar amounts in thousands of dollars)

2017

	City	Police Services	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies and Corporations	TOTAL
Taxation	5,002,614	-	-	-	-	-	5,002,614
User charges	1,717,386	31,987	1,181,925	4,319	17,781	74,804	3,028,202
Government transfers	2,271,943	41,925	468,071	7,634	-	9,955	2,799,528
Net GBE income	236,305	-	-	-	-	-	236,305
Other	665,747	29,469	146,125	17,200	469,682	169,405	1,497,628
TOTAL REVENUES	9,893,995	103,381	1,796,121	29,153	487,463	254,164	12,564,277
Salaries, wages and benefits	2,782,303	1,079,954	1,370,606	140,520	156,285	93,662	5,623,330
Materials	547,852	9,921	217,067	9,182	141,809	89,377	1,015,208
Contracted services	1,249,702	15,553	231,653	25,738	81,130	23,631	1,627,407
Interest on long-term debt **	232,220	9,990	-	-	75,758	2,351	320,319
Transfer payments	2,438,147	2,506	(595,485)	(185,656)	(240,377)	(52,304)	1,366,831
Other	175,752	4,264	8,686	3,055	8,620	25,297	225,674
Amortization	408,256	26,652	494,859	33,339	163,212	9,993	1,136,311
TOTAL EXPENSES	7,834,232	1,148,840	1,727,386	26,178	386,437	192,007	11,315,080
ANNUAL SURPLUS/ (DEFICIENCY)	2,059,763	(1,045,459)	68,735	2,975	101,026	62,157	1,249,197

** As at December 31, the City has issued \$3,704,609 in debentures for capital expenditures made on behalf of the TTC (2016 - \$3,473,151). Included in interest on long-term debt is \$153,013 related to this debt.

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	67,383	3,073,741
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	146,249	1,528,492
TOTAL REVENUES	10,029,421	107,574	1,417,983	18,632	396,100	232,253	12,201,963
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	101,517	1,011,400
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	(626,494)	(184,813)	(231,235)	(22,322)	1,184,893
Other	174,153	4,601	39,164	2,697	2,495	25,965	249,075
Amortization	372,393	27,927	379,101	31,984	152,069	10,423	973,897
TOTAL EXPENSES	7,492,210	1,173,407	1,650,888	24,563	376,788	236,014	10,953,870
ANNUAL SURPLUS/ (DEFICIENCY)	2,537,211	(1,065,833)	(232,905)	(5,931)	19,312	(3,761)	1,248,093

** 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 – TANGIBLE CAPITAL ASSETS BY ENTITY – APPENDIX 4

for the years ended December 31, 2017 and 2016
(all dollar amounts in thousands of dollars)

2017 and 2016

	City, including Police Services	Toronto Transit Commission	Toronto Community Housing Corporation	Toronto Public Library	Other Agencies and Corporations	TOTAL
2017						
General						
Cost	7,967,052	7,086,336	4,523,377	476,093	218,064	20,270,922
Accumulated amortization	2,235,740	2,751,199	1,781,223	180,632	91,351	7,040,145
Net Book Value	5,731,312	4,335,137	2,742,154	295,461	126,713	13,230,777
Infrastructure						
Cost	14,173,542	8,531,074	-	-	-	22,704,616
Accumulated amortization	5,811,041	4,031,799	-	-	-	9,842,840
Net Book Value	8,362,501	4,499,275	-	-	-	12,861,776
Assets under construction	1,958,360	2,052,446	222,978	29,913	107,672	4,371,369
Total	16,052,173	10,886,858	2,965,132	325,374	234,385	30,463,922
2016						
General						
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
Net Book Value	5,670,350	2,701,666	2,621,063	291,839	126,123	11,411,041
Infrastructure						
Cost	13,765,920	7,221,965	-	-	-	20,987,885
Accumulated amortization	5,565,100	3,828,914	-	-	-	9,394,014
Net Book Value	8,200,820	3,393,051	-	-	-	11,593,871
Assets under construction	1,431,621	3,888,842	142,331	17,668	98,295	5,578,757
Total	15,302,791	9,983,559	2,763,394	309,507	224,418	28,583,669