2018

CITY OF TORONTO

ANNUAL FINANCIAL REPORT

For the fiscal year ending
December 31, 2018
City of Toronto,
Ontario, Canada

TORONTO

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This report was prepared by Accounting Services, Strategic Communications and Design Services, with collaboration from City of Toronto Divisions, Corporate Finance, and Environment and Energy.

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ALL ABOUT TORONTO

FROM OUR MAYOR

John Tory

Toronto is a diverse city, full of incredible opportunity and hardworking, compassionate and resilient people dedicated to continuing its success as Canada's economic engine.

The leadership provided by City Council and our hardworking public service moved Toronto forward despite a challenging year where the city endured two tragedies where innocent lives were lost just months apart. In the wake of these tragedies, our residents came together to mourn the victims but also to show the world that our communities remain strong, united, and committed to our way of life which embraces diversity and tolerance.

Toronto's ongoing financial success and stability is rooted in the 2018 budget that ensured we maintained or improved all service levels while making unprecedented investments in social infrastructure and housing. These needed investments were made while we continued to hold the line on property tax increases at the rate of inflation.

By approving a responsible budget that makes important investments in our City, while keeping it affordable for our residents early in 2018, we ensured Toronto continued to be a magnet for jobs and investment throughout the year.

We moved forward with new funding for transit, including the innovative Hop-On, Hop-Off transfers on the TTC, and funding for the Transit Fare Equity program so that low-income residents will be able to use public transit. We also provided funding for increased shelter beds and social housing repairs to prevent the permanent closure of Toronto Community Housing units.

In 2018, the City of Toronto also issued an inaugural green bond offering of $300 million. Toronto was one of the first municipalities in Canada to establish a Green Debenture Program where net proceeds will be used to finance capital projects that mitigate, and adapt to, the effects of climate change.

We know that Toronto's success must be protected and constantly encouraged. I am committed to continuing that success and I am determined to work with my City Council colleagues and the provincial and federal governments to make further investments in transit, in housing, and in our neighbourhoods.

We will never stop working to make sure Toronto remains the best city to live, work and play.

Sincerely,

Mayor John Tory
City of Toronto

Toronto City Council – 2018-2022

(front row) Councillor Jaye Robinson, Councillor James Pasternak, Councillor Ana Bailão, Councillor Denzil Minnan-Wong, Mayor John Tory, Councillor Frances Nunziata, Councillor Michael Thompson, Councillor Paul Ainslie, Councillor Stephen Holyday.

(middle row) Councillor Paula Fletcher, Councillor Cynthia Lai, Councillor Jim Karygiannis, Councillor Gary Crawford, Councillor Joe Cressy, Councillor Michael Ford, Councillor Kristyn Wong-Tam, Councillor Anthony Perruzza.

(top row) Councillor John Filion, Councillor Mike Layton, Councillor Gord Perks, Councillor Mike Colle, Councillor Mark Grimes, Councillor Jennifer McKelvie, Councillor Josh Matlow, Councillor Brad Bradford, Councillor Shelley Carroll.

COUNCIL VISION AND VALUES

Toronto is a caring and friendly city:

We have opportunities to sustain and enrich our lives and reach our highest potential. Our diversity is valued and celebrated and our communities are a source of pride. We are actively involved in the social, cultural and political life of the city.

Toronto is a clean, green and sustainable city:

We integrate environmental stewardship into our daily activities. We maintain and improve the health of the environment for present and future generations.

Toronto is a dynamic city:

As the nation's leading economic engine, we are a centre of innovation and growth with a strong international presence. Our dynamic city is well positioned to succeed in the world economy.

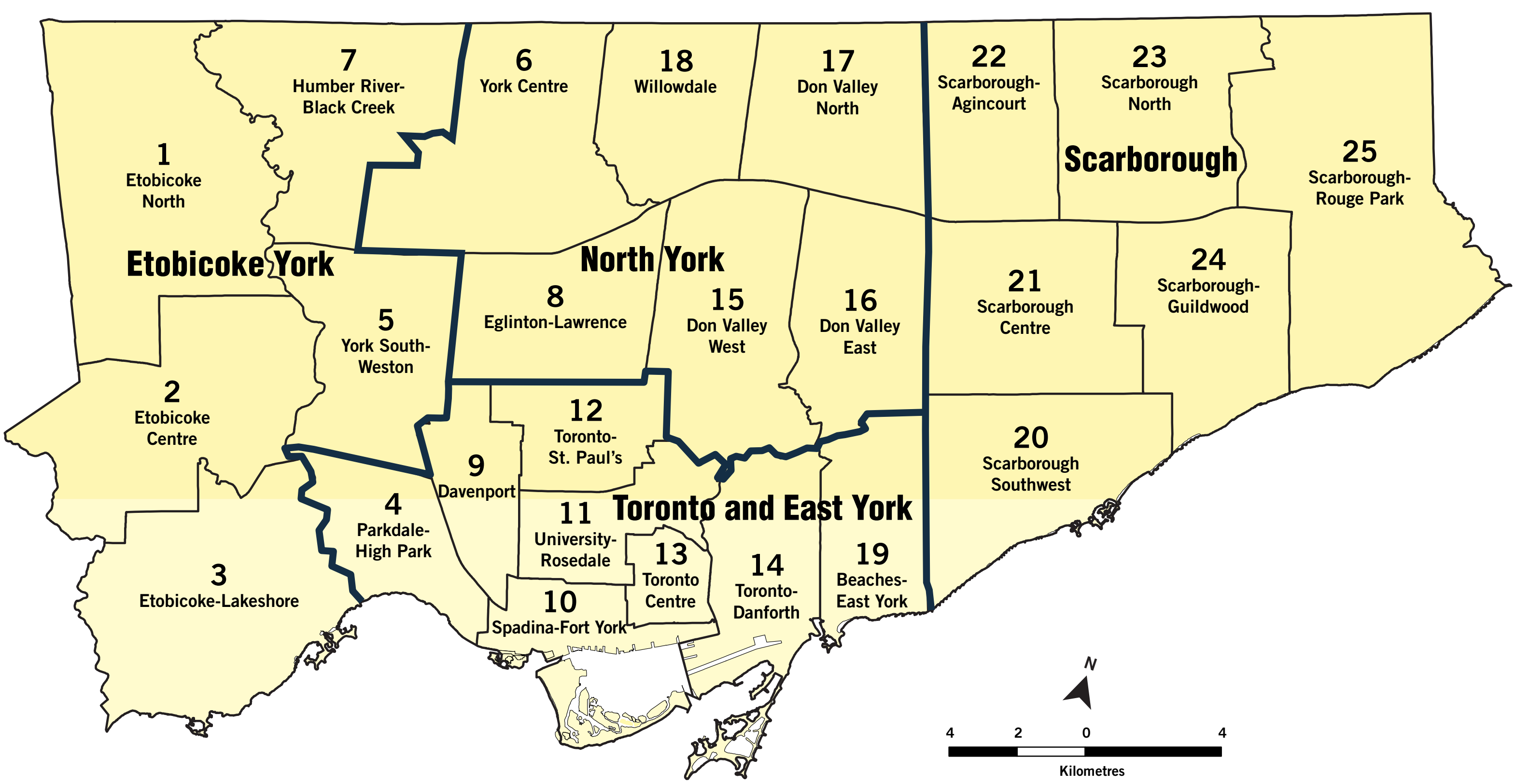
Toronto invests in quality of life:

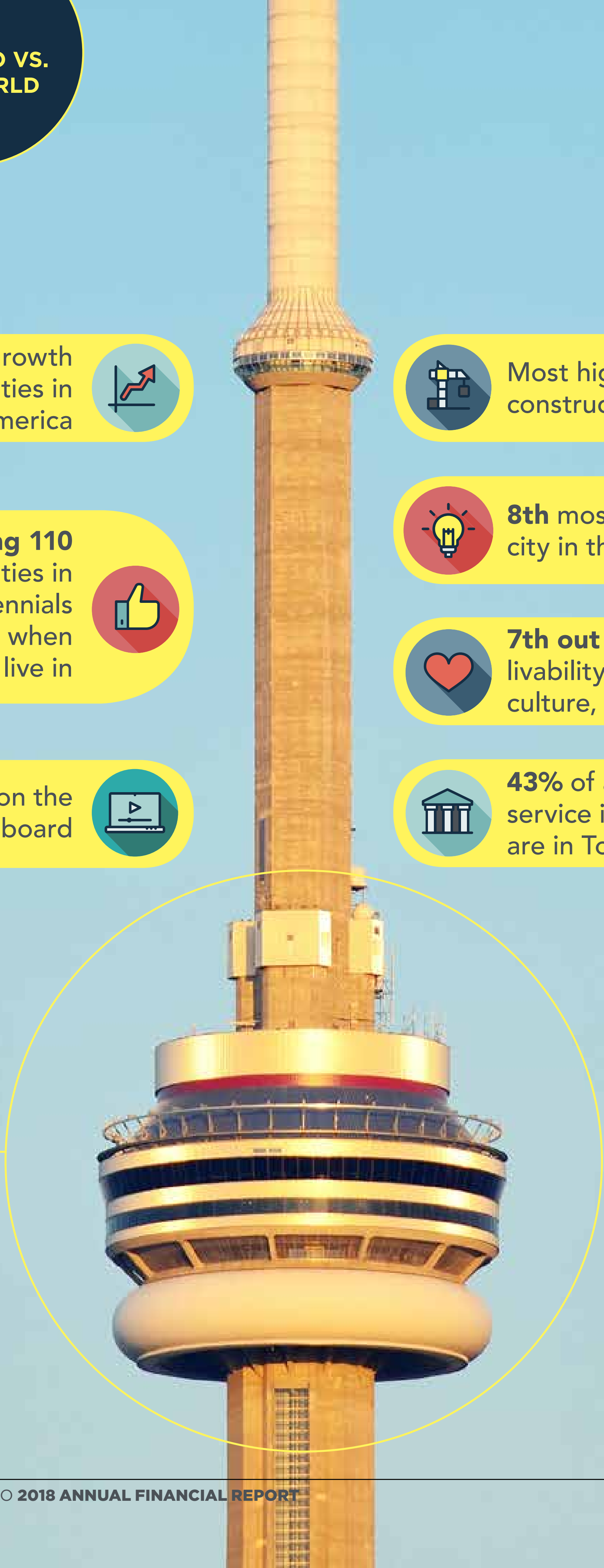
We invest in quality of life — socially, economically, culturally and environmentally — to make Toronto a desirable place to live, prosper and visit.

CITY OF TORONTO WARDS

In 2018, Toronto residents went to the polls and voted on a new, smaller city council, which changed from 47 wards and councillors to 25. The 25 wards are now aligned to mirror the provincial and federal riding boundaries.

Even though the structure of council changed in 2018, the goals of the Mayor and Council remain the same. Toronto City Council is clearly focused on providing the core services that Toronto residents depend on, and ensuring they are continuing the great progress made over the previous years.





TORONTO VS. THE WORLD

#1 in population growth among central cities in North America

5th among 110 international cities in indicators that millennials take into account when selecting a city to live in

4th out of 50 cities on the Tech Talent scoreboard

Most high-rise buildings under construction in North America

8th most innovative city in the world

7th out of 140 cities in livability, stability, health care, culture, and environment

43% of all Canadian financial service industry headquarters are in Toronto

TORONTO AT A GLANCE

Area: 630 km²

Population: 2.956 million

- 51.5% visible minority
- 51.2% immigrants

27% tree canopy coverage

6.4% unemployment rate

$158.7B GDP

FROM OUR CITY MANAGER

I am pleased to present the City of Toronto's 2018 Annual Financial Report. This report provides details about the City's financial performance, progress and achievements in the past year. Overall, we improved services to the City's most vulnerable with 700 new 24-hour respite spaces, the King St. Transit Pilot increased all-day ridership by 17%, we provided support to 1,500 residents displaced from the 650 Parliament St. fire, we provided support to approximately 30 refugee families per day, among many others. I am also proud of the Toronto Public Service, who raised $1.69 million for the United Way. I'm always impressed with the commitment, caring and generosity shown by our employees.

In general, Toronto is the fastest growing city in North America. In order to keep pace, we are moving ahead with transit expansion to move people faster and more efficiently, campaigns like Vision Zero to make sure people move around the city safely, public health programs to ensure we're staying healthy, expanding on our green initiatives, and improved supports for our most vulnerable residents.

I am very proud that the City has been named one of Canada's top diversity employers for the third year in a row, named one of Canada's Top 100 employers, Top Family-Friendly Employers and Greater Toronto's Top Employers. I am also proud of our strong and diverse workforce who work hard every day to ensure the needs and priorities of Toronto residents are met.

Best regards,

Chris Murray

Chris Murray
City Manager

Performance Measures and Benchmarking

Toronto's annual Performance Measurement and Benchmarking Report (PMBR) is published by the City Manager's Office, and provides service or activity level indicators and performance measurement results for 36 of the City's service areas.

Toronto is unique among Canadian municipalities because of its size and role as Ontario's and Canada's economic engine. It is also the centre of Ontario's business, culture, entertainment, sporting and provincial and international governance activities.

Examples of areas in which Toronto's service/activity levels or performance measures have improved in relation to the previous year include:

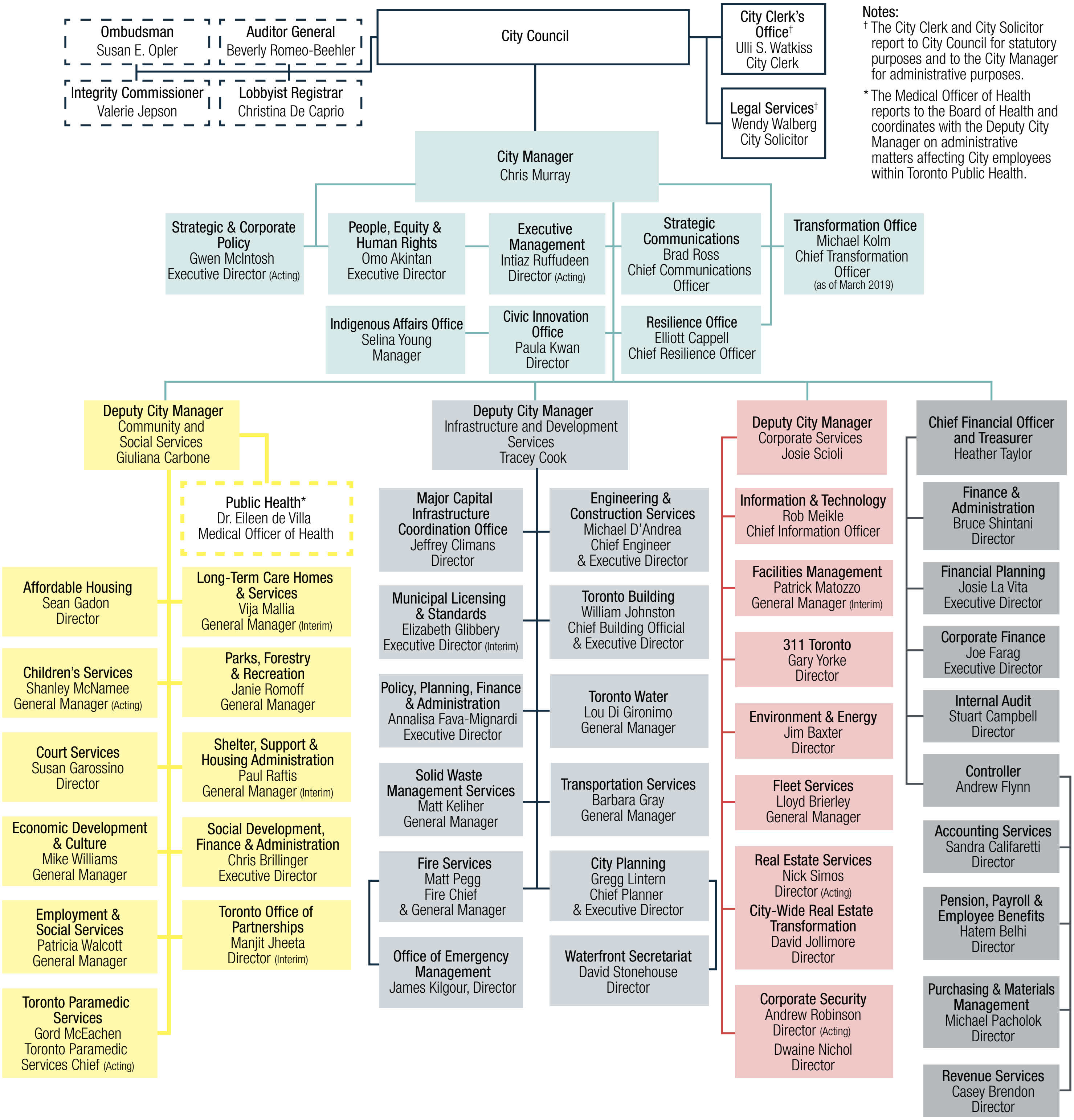
- Decrease in the amount of fuel consumed by city fleet vehicles
- 91% satisfaction among long-term care home residents and families
- Decrease in the social assistance response time to inform a client they are eligible for assistance
- Decrease in the operating cost of wastewater collection, treatment & disposal
-

TORONTO – AN AWARD WINNING CITY

The City has won numerous awards for quality, innovation and efficiency in delivering public services.

- Canada's Top 100 Employers
- Canada's Best Diversity Employers
- Excellence Canada's Bronze award in Excellence, Innovation & Wellness
- Toronto Regional Immigrant Employment Council award for Mentoring Partnership
- Runner-up for the 2019 Circulars Award at the World Economic Forum
- Fleet Services and Purchasing and Materials Management awarded Gold Star Award for leadership in Business Excellence and Innovation by Sourcewell

Administrative Structure



Notes:
† The City Clerk and City Solicitor report to City Council for statutory purposes and to the City Manager for administrative purposes.
* The Medical Officer of Health reports to the Board of Health and coordinates with the Deputy City Manager on administrative matters affecting City employees within Toronto Public Health.

TORONTO'S SERVICE GROUPS

Community and Social Services

Community and Social Services provides a diverse range of supports to allow all Torontonians and neighbourhoods to fully participate in the social and economic life of Toronto. The service area's goal is to see a Toronto where individual outcomes are determined by an individual's effort, not pre-determined by their address, race, or income. The needs of the vulnerable are prioritized while nurturing and supporting a "Toronto for All."

Infrastructure and Development Services

Infrastructure and Development Services' mission is to create safe and sustainable municipal infrastructure that enhances the high quality of life for the people of Toronto, through professionalism in project planning, engineering and project management services. The service area oversees all aspects of water production, transmission and distribution, wastewater collection and treatment, and storm water collection and treatment. This service area is also responsible for creating and maintaining liveable streets for all Toronto residents.

Corporate Services

Corporate Services enables City staff to deliver programs and services to Torontonians. The main focus is on the delivery of effective, efficient and modern services to all Divisions, Agencies and Corporations. The services seek to offer operational excellence and value in line with City priorities, based on specialized knowledge, best practices and technology to serve internal and external partners.

Finance and Treasury Services

Finance and Treasury Services provides quality financial services; corporate strategic advice; financial and risk management expertise; and corporate financial planning, management, reporting and control services to Divisions, Agencies, City Council and the public. The service area ensures the effective use of the Corporation's financial resources and ensures the fiscal sustainability of the City in delivering programs and services to the public.

DID YOU KNOW?

In 2018:

17,577,373 annual library visits

1,455,004 people attended sports and recreation drop-in programs

129,060 enrolled in sports and recreation programs

478 community planning applications filed

84,000 social assistance monthly cases

462 City owned facilities

SPOTLIGHT ON SERVICES

Making Toronto work

It takes a lot of coordination, expertise, and of course, money, to make the City function well for its residents. And there are certain expectations that residents have for their city. They expect the garbage to be picked up, the roads to be plowed, potholes filled, the water to run, and their children to be cared for – just to name a few.

But what many people don't know is that there is a lot that goes on behind the scenes to make these services happen. The next few pages will shine a light on some services at the City that are important to residents – and tell you a little bit more about what they do and how they do it.

SPOTLIGHT: KEEPING YOU HEALTHY

Toronto Public Health (TPH) provides important services to Toronto residents. Their role is to reduce health inequities, improve the health of the whole population, and prepare for and respond to emergencies and outbreaks. When most people think of their health, they think in terms of their family doctor or other interactions with the health care system. TPH looks at the whole population as "a patient," and focuses on preventing diseases and illness.

The value of public health

The outcome of Public Health's work is largely invisible because when the job is done well, nothing happens. For example, when a child is vaccinated against measles, we don't see the child contracting measles. That being said, nothing does have a value, for example:

- Every $1 invested in immunizing children saves $16 in health care costs.
- Every $1 invested in tobacco prevention saves $20 in health care costs.
- Every $1 invested in mental health and addictions saves $7 in health costs and $30 dollars in lost productivity and social costs.
- Every $1 invested in early childhood development and health care saves up to $9 in future spending on health, social and justice services.

The true proof of the value of public health is demonstrated by the absence of negative health outcomes or harmful health behaviours, for example, when people don't develop diabetes, or never start smoking.

Overdose prevention

To support the Downtown East Action Plan, TPH enhanced its community outreach program. The goal was to increase referrals and connections to other health and social services for individuals who are homeless or under-housed, and increase the number of individuals using the supervised injection and overdose prevention sites in response to the escalating opioid crisis. TPH also facilitated the development of the Toronto Indigenous Overdose Strategy to address the need for a separate Indigenous-led process for overdose prevention for Indigenous People in Toronto.

Safeguarding your health

TPH's DineSafe program works in partnership with food premises owners and operators so that residents and visitors can be confident that their food has been prepared and served in a safe, healthy environment. TPH inspects local public pools, spas, splash pads and wading pools to make sure the water quality is safe. This program involves monitoring many factors including water clarity and chemistry, filtration and circulation systems, and lifeguard qualifications. The BodySafe program ensures that Personal Service Settings (nail salons, tattoo parlours) use safe practices to prevent the spread of infections, such as hepatitis B, hepatitis C, HIV, and infections.

Toronto Public Health has a fully-equipped Mobile Dental Clinic that travels to community agencies across the city. It provides free dental care for eligible clients who have difficulty accessing dental services in the usual manner.

Did you know in 2018:

32,500 food premises inspections

53,000 Grade 7 students vaccinated

224,000 children received dental screenings

SPOTLIGHT: MORE THAN JUST TRASH

Making sure your garbage is picked up on schedule is what City of Toronto residents expect. But did you know that the Solid Waste Management Services (SWMS) division does so much more than just picking up the trash? They also focus on waste diversion, education, moving towards a circular economy, green revenue streams and the reduction of contamination.

Recycle right

Approximately one third of what is put in the recycling bin doesn't belong there, contaminating the recycling. These items can damage equipment, cause workplace injuries at the recycling facility and ruin otherwise perfectly good recyclables. Contaminated recycling is currently costing the City millions annually. In 2018, SWMS continued to use education and enforcement approaches to combat the issue of contamination, including an awareness campaign and recycling bin inspections. The "Recycle Right" campaign used compelling and entertaining ads and videos and leveraged Toronto Raptors commentator Jack Armstrong and his "Get that garbage outta here" tagline to educate sports fans and residents about recycling right. Using humour and breaking away from traditional advertising helped to reach a wider audience. This campaign won a bronze award from the Solid Waste Association of North America.

New and innovative

SWMS, in partnership with Enbridge Gas Inc., is currently in the process of installing a Bio-methane Upgrading System at the Dufferin Waste Management Facility, which will turn raw biogas produced from processing Toronto's Green Bin organics into renewable natural gas (RNG) and inject that gas into the natural gas grid. This project is one of the first of its kind in Canada and North America and will allow the City to reduce fuel costs for its fleet of collection trucks and significantly reduce its carbon footprint. This supports the City's Long Term Waste Management Strategy and move towards a circular economy by using a closed-loop approach in which collection trucks can ultimately be powered by the waste product they collect. This is the first of four waste-to-RNG production opportunities identified by the City.

Zero Waste

The City of Toronto is working towards a goal of zero waste and a Circular Economy as part of the Long Term Waste Management Strategy. A circular economy aims to reduce waste and maximize resources by moving away from the "take-make-and-dispose" approach to a system that emphasizes reuse, recycling, repurposing, repair, and remanufacturing. To drive innovation and the growth, SWMS is involved in integrating Circular Economy principles into new programs, policies, and processes. For example, the City is implementing new Community Reduce & Reuse programs focused on extending the life of products and supporting a culture of waste reduction.

Toronto has one of the largest municipal solid waste operations in North America.

Hey, it's the garbage truck!

Given the public facing nature of SWMS, there are many times where frontline staff have the opportunity to make a difference. Residents routinely contact us about the outstanding service they receive, and some unique circumstances our staff become involved in. And as a kid, nothing is more fascinating than the garbage truck coming down their street! We heard from grandparents who wrote to us to thank our frontline staff who waved to their grandson and took the time to show off the automatic "big arm" on the truck. We heard from a resident who was having trouble getting their yard waste to the curb and our staff jumped into action to help. These are just some of the ways SWMS are going out of their way to live the mission of their division, which includes being a leader in providing innovative management services to residents, businesses and visitors within the City of Toronto in a safe, efficient, effective and courteous manner, creating environmental sustainability, promoting diversion and maintaining a clean city.

Did you know in 2018:

- Served **1 million** customers
- **750+** vehicles & equipment
- **161 closed** landfills
- **1.5 million bins** on the street
- **5** collection yards

SPOTLIGHT: ASSISTING THE CITY'S MOST VULNERABLE RESIDENTS

We all have a responsibility to ensure that our City's most vulnerable residents have the supports, particularly the housing supports, they need to live with dignity. The Shelter, Support and Housing Administration (SSHA) division funds and oversees our City's emergency shelter and supports, social housing, street outreach, 24-hour respite and housing stability services. Their top priority is to ensure that vulnerable people can access temporary accommodation when they need it, and that permanent housing options are available, accessible and sustainable.

Long, cold winter

The beginning of 2018 saw a prolonged stretch of record-breaking cold weather in the city, with unprecedented demand for services from people experiencing homelessness. SSHA, other City divisions, and community partners stepped up to rapidly expand service levels to ensure everyone in need had a safe, warm place to go. This led to the development of a comprehensive plan that would ensure the ongoing availability of respite sites to meet the demand. New initiatives included 24-Hour Respite Site Standards and the re-launch of the Homeless Help App. In November 2018, eight 24-hour respite sites were opened, creating 700 new spaces, and two 24-hour women's drop-in sites were opened.

Modernizing SSHA

SSHA has been substantially modernizing how they deliver services to some of our city's most vulnerable residents. They've focused their efforts on improving service quality, operational reliability and improving the communication of service information to clients and the public. While these transformational efforts were in motion, SSHA continued to deliver a vast range of services throughout the system every day - expanding the shelter and respite capacity, managing the ongoing flow of refugee/asylum claimants seeking shelter, assisting people to move from homelessness to housing, providing eviction prevention services, administering community grant funding to community partners, delivering housing allowances, and managing the social housing system.

Community engagement

At the heart of SSHA are relationships that are built through engagement with community partners, service users, and the public. SSHA co-developed the Meeting in the Middle Engagement Strategy and Action Plan through a three-day consultation, where SSHA and Indigenous leadership came together to co-create principles for engaging with Indigenous communities and service providers and create an action plan with timelines and accountability measures. SSHA also participates on the Toronto Alliance to End Homelessness Steering Committee, co-chairs the Housing and Homelessness Services Network, supports the Toronto Shelter Network, and participates in A Way Home, a group that works to prevent, reduce and end youth homelessness. There was also extensive consultation with more than 200 community partners, frontline staff and service users to inform development of new 24-Hour Respite Site Standards.

Real people. Real impact

SSHA has supported 5,100 households with housing allowances including assisting 1,100 new households, and provided bridging grants to help 600 households experiencing homelessness to secure housing. A Housing Allowance Program recipient had this to say about the impact this has had on their life:

> *"I feel more like a human being. More relaxed. Happier. There is no stress. When I call, I am not asking about housing anymore. One [of my kids] is graduating by June. Everybody has a room. We have washrooms to ourselves. The money is doing a lot in my life. It helps me to buy my bus tickets. It is good to have your own place to stay. I am just happy."*

Did you know in 2018:

8,165 people moved from shelters to housing

91,000 social housing units provided

9,406 refugee/ asylum claimants serviced

25,000 unique visits to the City's overnight shelter and 24-hour respite sites

223 households assisted through eviction prevention program

270 victims of domestic violence assisted with a housing benefit

SPOTLIGHT: DRIVE IT, BIKE IT, WALK IT

Whether it's plowing, pothole repair, or creating bike lanes and sidewalks, maintaining and improving city streets, roads and highways are a core service the City provides. But Transportation Services does so much more. They are responsible for delivering services within the public right-of-way, including traffic operations, street art, roadway, walkway and cycling infrastructure, street design, road and sidewalk occupation, and snow removal, just to name a few.

Vision Zero

The Vision Zero Road Safety Plan is a comprehensive five year action plan focused on reducing traffic-related fatalities and serious injuries on Toronto's streets. In 2018, Transportation Services made significant progress in the Vision Zero plan by installing:

- 350 community safety zones
- 287 speed humps at 91 locations
- 59 red light cameras
- 56 school safety zones
- 53 senior safety zones
- 188 mobile "Watch Your Speed" signs
- 85 accessible pedestrian signals

As part of Vision Zero, the Art of Distraction public awareness campaign was launched to bring attention to road safety and influence safer, less distracted behaviour on the road. The campaign was developed in partnership with Friends and Family for Safe Streets, an organization composed of survivors of traffic collisions and friends and families whose loved ones have been killed or severely injured in street collisions.

Winter conditions

It takes a massive operation to keep Toronto's streets and sidewalks safe and passable during the wintertime. During a typical year, Toronto has 133cm of snowfall which requires a large number of roadway and sidewalk de-icing and plowing crews. The winter crews maintain 5,600 kms of roadway, 6,000 kms of sidewalks and 262,000 driveways. Every winter, Transportation Services deploys:

- 1,500 personnel
- 571 road plows and driveway machines
- 329 sidewalk plows and bus stop machines
- 202 salt trucks

In an average year, the City uses 135,000 tonnes of salt at a cost of $11 million. It takes an annual budget of $90.7M to run Toronto's Winter Maintenance Program.

Street Art

StreetARToronto (StART) is an innovative public/private partnership designed to develop, support, promote and increase awareness of street art and its role in adding beauty, vitality and character to neighbourhoods. StART is dedicated to developing street art and murals to foster community engagement, inclusion, and civic pride; add colour and vitality to neighbourhoods; showcase the talent and creativity of artists, arts organizations and the City of Toronto; and reduce graffiti vandalism.

StART is committed to supporting Toronto's diverse and equitable communities by partnering with artists that represent Toronto's diversity. StART has a partnership with Indigenous artists and organizations to showcase their heritage and culture, such as a walking tour of Indigenous Art in downtown Toronto and the Indigenous Harvesters' & Artisan Market.

Did you know?

One round of plowing the entire city is the equivalent of driving from Toronto to Whitehorse.

In 2018 there were:

244,425 potholes filled

28km of on-street cycling infrastructure installed

358 street event permits issued

383,658 temporary and existing parking permits renewed and issued

119km of arterial and local roads reconstructed or resurfaced

4.6km of missing sidewalks installed and 7,982 km of sidewalks inspected

SPOTLIGHT: CHAMPIONS FOR CHILDREN

Supporting children and families is critical to effective city building. Evidence shows that investing in services for children and families helps to achieve many social, developmental, and economic goals. As a champion for children, Children's Services connects the unique needs of families to broader city-building and system-building objectives.

Support for families

In response to the August fire at 650 Parliament Street, Children's Services' staff actively participated with other City partners to provide support to 1,500 affected residents, including 320 children, by providing 24-hour support at the designated emergency operations centre, Wellesley, and Regent Park locations.

Children's Services also provided support to refugee families by providing toys, educational supplies, and furnishings for two play areas established at the Toronto Plaza Hotel.

Children's Services has been recognized for outstanding achievement on the City's Equity, Diversity and Human Rights Honour Roll and continues to advance work with partners to provide access to services that reflect the lived experience and unique perspectives of our communities – Indigenous, LGBTQ2S, Black and visible minorities.

IT Leader

Children's Services has been an early leader in providing digital access to child care, and in 2018, received a gold medal from Toronto's GotIT Awards for its "My Child Care Account" project. This provides families with a variety of self-serve functions, including access to child care options and a mobile and online application for fee subsidies.

Caring for children

Children's Services promotes access to high quality early learning, and provides child care and supports for families through a well-planned and managed system. They help Toronto's families find licensed child care, before and after school care, child and family programs, and help families with the cost of licensed child care. They also provide support for children with special needs who are enrolled in child care. Funding, resources and professional development are also offered to agencies to help deliver programs that are high quality, accessible and inclusive.

In 2018, Children's Services assumed responsibility for EarlyON Child and Family Centres. Due to the size and complexity of the system, a staged, transitional approach was taken to transformation, which included a community engagement strategy and ongoing collaboration and consultation with key community partners. As a result of this strategy, a number of operational and business requirements have been enhanced, with further changes planned for 2019-20.

Did you know in 2018:

4.2% reduction in child care fees

30,490 child care subsidies available for eligible families

272 EarlyON and Family Centres supported

603 licensed child care centres offer before-after school program

30 refugee families per day supported


ALL ABOUT
THE MONEY

DID YOU KNOW?

Replacing and repairing city assets will cost:

$27B for roads, expressways, bridges and culverts

$10B Toronto Community Housing public housing units

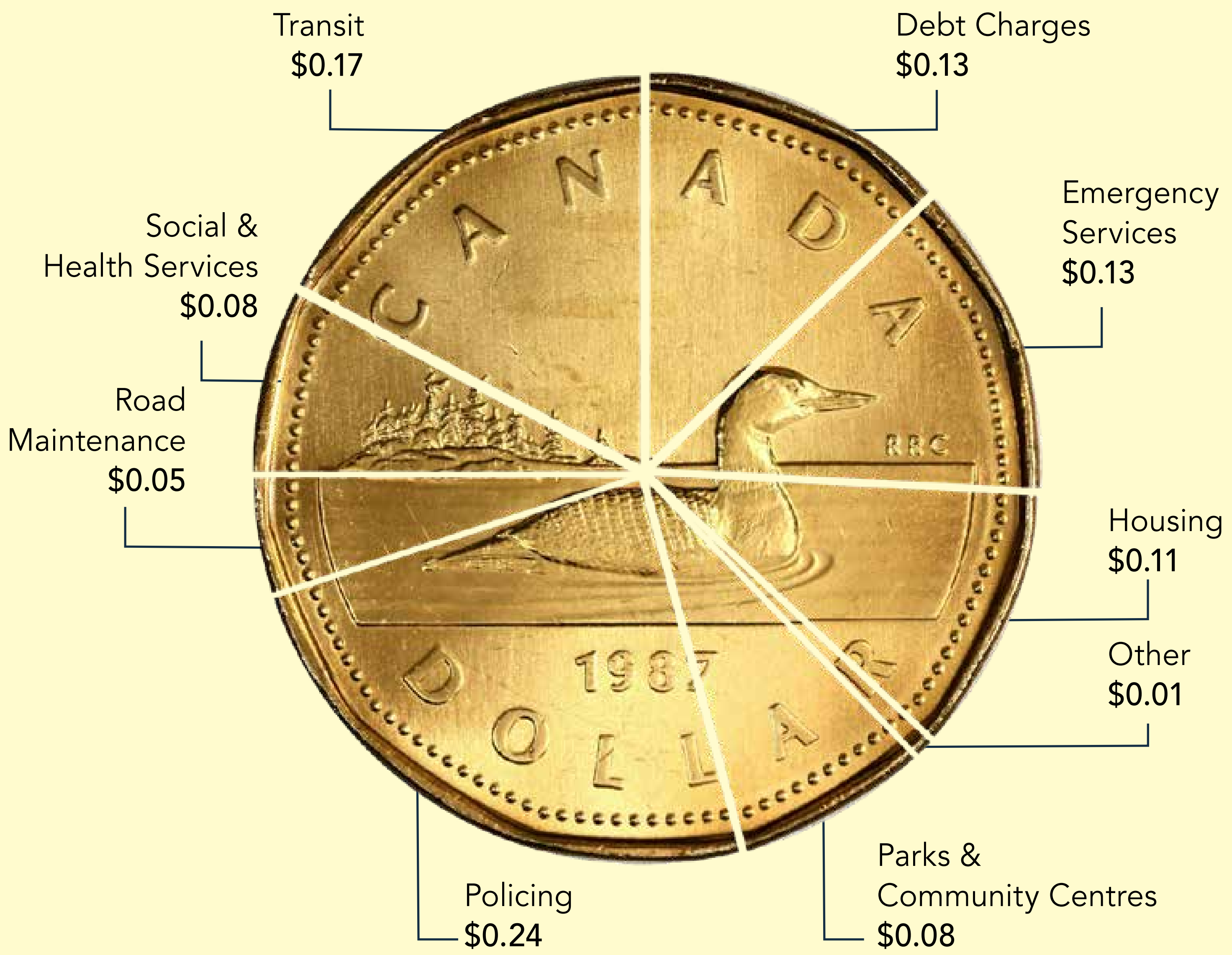
$16B for buses, streetcars, LRV's, subways and trackwork

$29B for water and wastewater infrastructure

AA and AA+

the City's credit rating across all three agencies (Dominion Bond Rating Service, Standard and Poor's, Moody's Investors Services) has stayed constant and stable since 2002.

WHERE YOUR MONEY WENT



FROM THE OFFICE OF THE CHIEF FINANCIAL OFFICER AND TREASURER

I am pleased to share my first City of Toronto Annual Financial Report for the 2018 financial year.

In 2018, we continued our goal of balancing the need to provide high-quality public services while keeping the city affordable for businesses and residents. Residential property tax rates increased by 2.1%, keeping our City competitive. We continued investments in key priorities such as transit and transportation, public safety and housing. In addition, the City committed to offering assistance to low income citizens and persons with disabilities.

Legislation requires City Council to update the City's Development Charges (DC) bylaw every five years. As a result, in 2018 a new DC bylaw was adopted. The new rates support future capital projects such as transit, sanitary sewers and recreation centres resulting from population and employment growth in the City.

The Long Term Financial Plan: The City of Toronto's Roadmap to Financial Sustainability (plan) was approved by Executive Committee in March 2018, with a recommendation for the City Manager to report back on individual strategies and key actions contained within the plan following the start of the 2018 to 2022 term of Council. The key actions and strategies contained within the plan are intended to improve the long-term financial sustainability of the City, shifting how the City approaches financial decision-making through its annual budget, service and financial planning, key expenditures, revenue and asset strategies and fiscal frameworks. The key principles outlined in the plan will form the basis of modernization and transformation initiatives beyond 2018.

Finally, the City's credit rating remains comparable to other large Canadian cities such as Vancouver and Montreal, with credit rating agencies noting that Toronto has a strong and diversified economy, low debt burden, high liquidity and prudent fiscal management.

As we continue through the current council term, we'll remain focused on infrastructure expansion, transit expansion and the affordable housing needed to address the city's rapidly growing population and the need to connect people in all points of the city.

We'll also continue our modernization efforts, focusing on customer service and finance transformation, to support City operations in an efficient manner using tools that will assist council and the public to better understand the value of the tax dollar.

As we continue to work under the direction and guidance of Toronto City Council, the City has, and continues to be focused on its financial sustainability effort, effectively managing resources and exercising fiscal responsibility to ensure residents and businesses receive high quality services, capital infrastructure and maximum value for their tax dollars.

Heather Taylor
Chief Financial Officer and Treasurer

HIGHLIGHT ON CITY FINANCES

Investing in Infrastructure

The City continued to invest in its capital infrastructure in order to deliver high quality public services that range from transit to social housing, parks to recreational facilities and the maintenance of water, wastewater and road networks. In 2018, a total of $3.5B was spent on acquisitions or construction of new assets, which includes:

$1.3B

for new buses and light rail vehicles, the Toronto York Spadina Subway Expansion and a rail shop amalgamation.

$10.5M

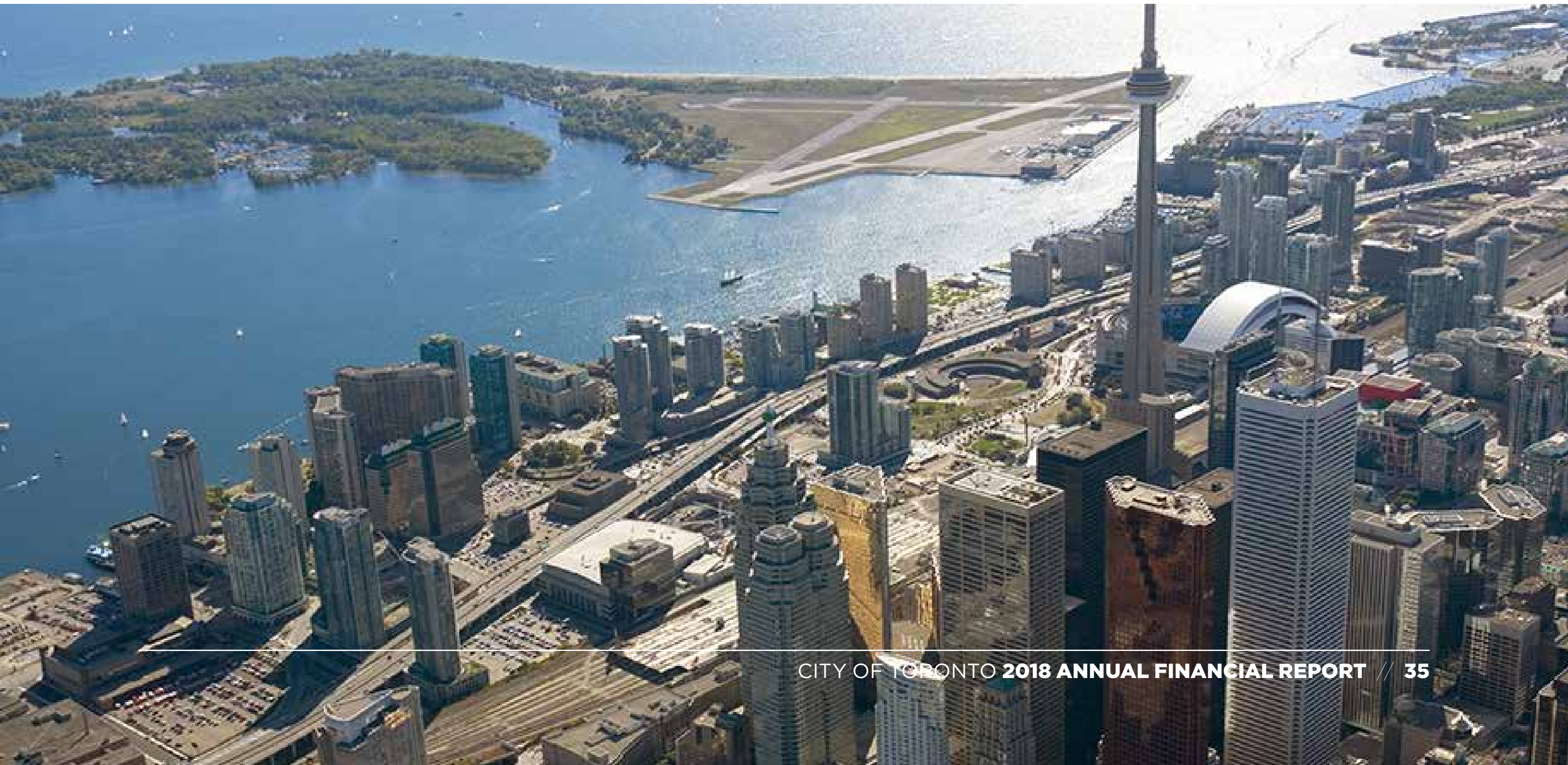
for the completion of North York Central (Phase 1) and Dawes Road Libraries.

$545M

for water and wastewater infrastructure, $59M on the construction of the Coxwell Bypass Tunnel and $122M invested in roads, bridges and traffic signals, including $24.6M to commence work on the Gardiner Expressway.

$77M

for community improvements with new playgrounds and splash pads at Masseygrove and Greenbrae parks, completed expansions at Earl Bales and Birchmount Community Centres, a new skating trail at Queensway Rink and turf replacement at Lamport Stadium.



Investment Activity

City staff continued to administer the City's investment portfolio, which generates a significant revenue stream that supports City services. The City maintains a short-term portfolio which is managed internally by staff, and these funds are used to meet day-to-day operational needs, along with having some funds available for emergencies as required by regulation. Given the nature of this portfolio, the funds are all in cash and cash equivalents. This short-term portfolio averaged $2.98B in 2018, and provided a return of 2.10%.

Long-term fund return on capital earned:
3.3%

Total short and long-term earned income:
$156.5M

Short-term fund return on capital earned:
2.1%

Total short and long-term funds return on investment earned:
2.7%

In addition, provincial regulatory changes on January 1, 2018 means the City is now able to invest in a broader range of assets, such as equities and real estate, in accordance with a prudent investor standard. As a result, in 2018 City staff started the process of transferring the responsibility of managing the long-term investments to the control of the new Toronto Investment Board and their external investment managers. These managers were thoroughly reviewed and chosen given their experience and performance. While most of the portfolio of fixed income assets will be transferred intact, another part of the portfolio was allowed to mature into cash available for other non-fixed income investments. The City's 2018 average long-term investment portfolio was $2.8B, earning an average rate of return of 3.3%.

Finally, Sinking Fund cash is invested in high quality fixed income securities, earning $54.1 million in 2018, or 3.2%.

Reserves and Reserve Funds

The City maintains a number of obligatory and discretionary reserves and reserve funds which are used to pay for capital expenditures and known future liabilities in the City's ten year capital plan as approved by City Council. The 2018 year end Reserve and Reserve Fund balances increased by $1.2B, to $5.7B from the 2017 year end.

$1.1B of the 2018 increase comes from revenues from development charges, park levies and funds related to Section 37 of the Ontario Planning Act, with $842M of the contributions for future investments in water and wastewater infrastructure and $230M to be used for transit. In 2018, $1.3B from these reserves and reserve funds paid for capital infrastructure in water and wastewater, transit and roads.

Reserves and Reserve Funds are part of good management that allow for funds to be spent judiciously over time or to ensure service levels are maintained and not immediately impacted by a potential downturn in the economy. The City of Toronto's reserves and reserve fund balances continue to be a key component of our strong credit rating.

How is the City doing?

Total Reserve and Reserve Funds as a % of Total Expenses:

$$= \frac{\text{Total Reserves and Reserve Funds}}{\text{Total Expenses}}$$

What is it?

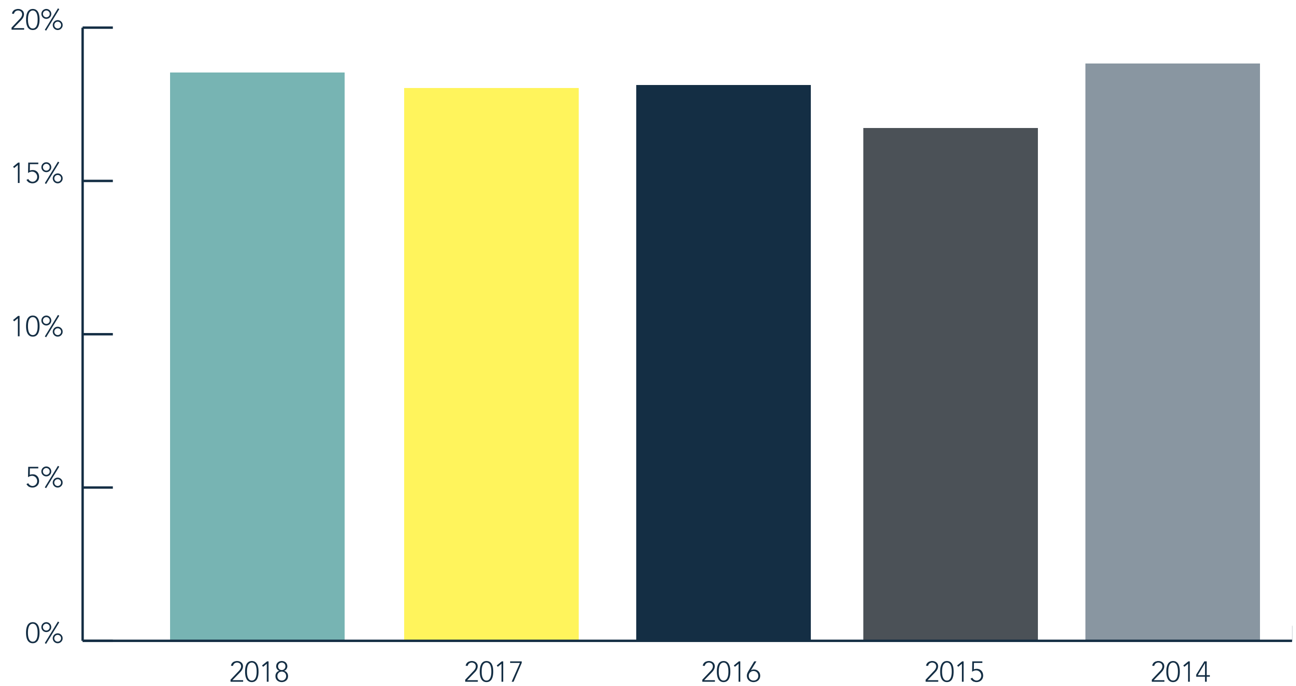
- This ratio represents the percent of annual total expenses that the City's reserves can cover.

What is our number vs. the benchmark?

- Current: **18.5%** (2017 – 18.0%, 2016 – 18.1%)
- **Benchmark:** On average, municipalities range between 10% - 20 %, with a ratio greater than 20% indicating a stronger than average ability to meet unforeseen increases in expenses. (www.mfoa.on.ca/MFOA/WebDocs/SM_Del_1.pdf)

Why does it matter?

- In the event of unforeseen or unanticipated economic changes, the City appears to be well positioned to pay for total expenses.



City Debt

The City continued to borrow responsibly in order to support capital expenditures in 2018, issuing $950M in debentures – a $300M ten-year debenture, a $350M 20-year debenture, and an inaugural green bond offering of $300M with a 30-year maturity, the net proceeds of which will be used to finance capital projects that mitigate and adapt to the effects of climate change.

The 2018 funds raised were allocated to transit projects including Leslie Barns, the Scarborough Subway extension and the purchase of new subway cars; roads such as the Lower Simcoe off-ramp and the Six Points Interchange Reconfiguration; and facilities such as Union Station and the St. Lawrence Market. In order to repay debentures and mortgage debt obligations, sinking funds have been established, where annual contributions are made based on amounts required to retire the debt in the future. Repayments amounted to $385M, which includes $54M in interest earned from invested sinking fund balances.

In 2018, Toronto continued its commitment to developing infrastructure that meets community needs, coupled with a demonstrated commitment to being a clean, green and sustainable city.

How is the City doing?

Long-term Debt Proceeds to Asset Acquisitions

$$= \frac{\text{Proceeds from issued long-term debt}}{\text{Acquisition of tangible capital assets}}$$

What is it?

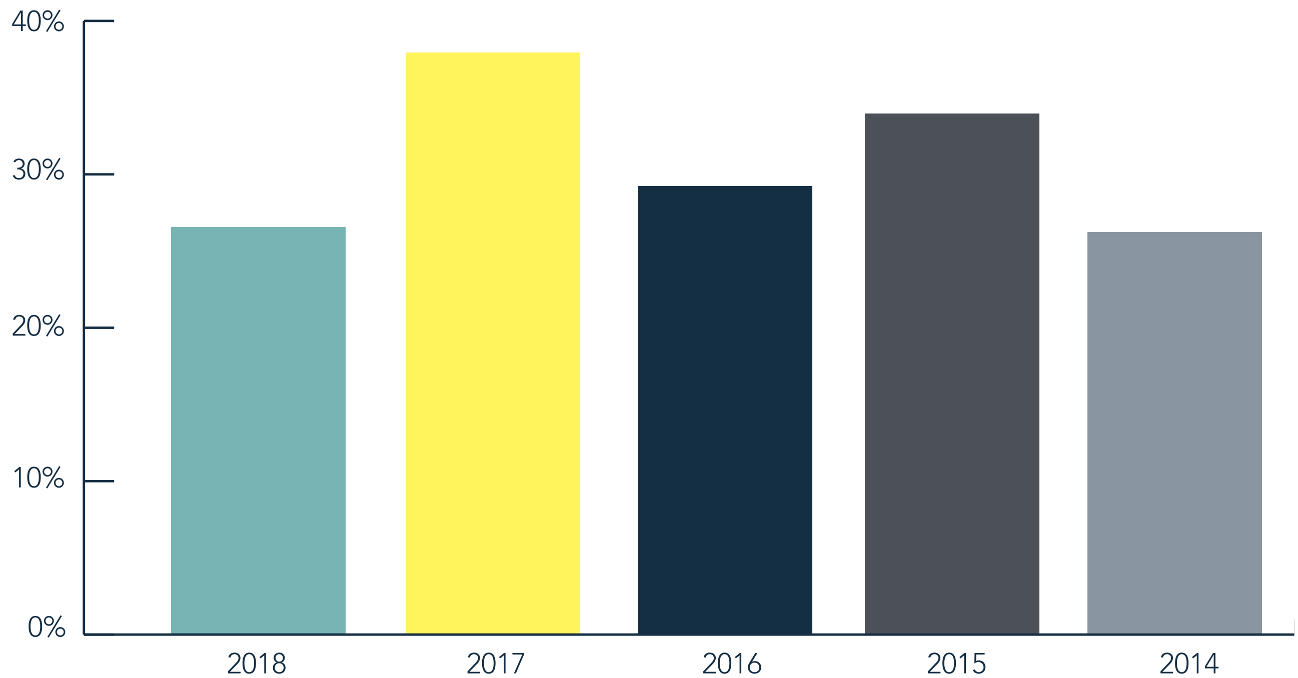
- This ratio represents the percent of tangible capital assets funded through the use of additional long-term debt.

What is our number?

- Current: **26.5%** (2017 – 37.9%, 2016 – 29.2%)

Why does it matter?

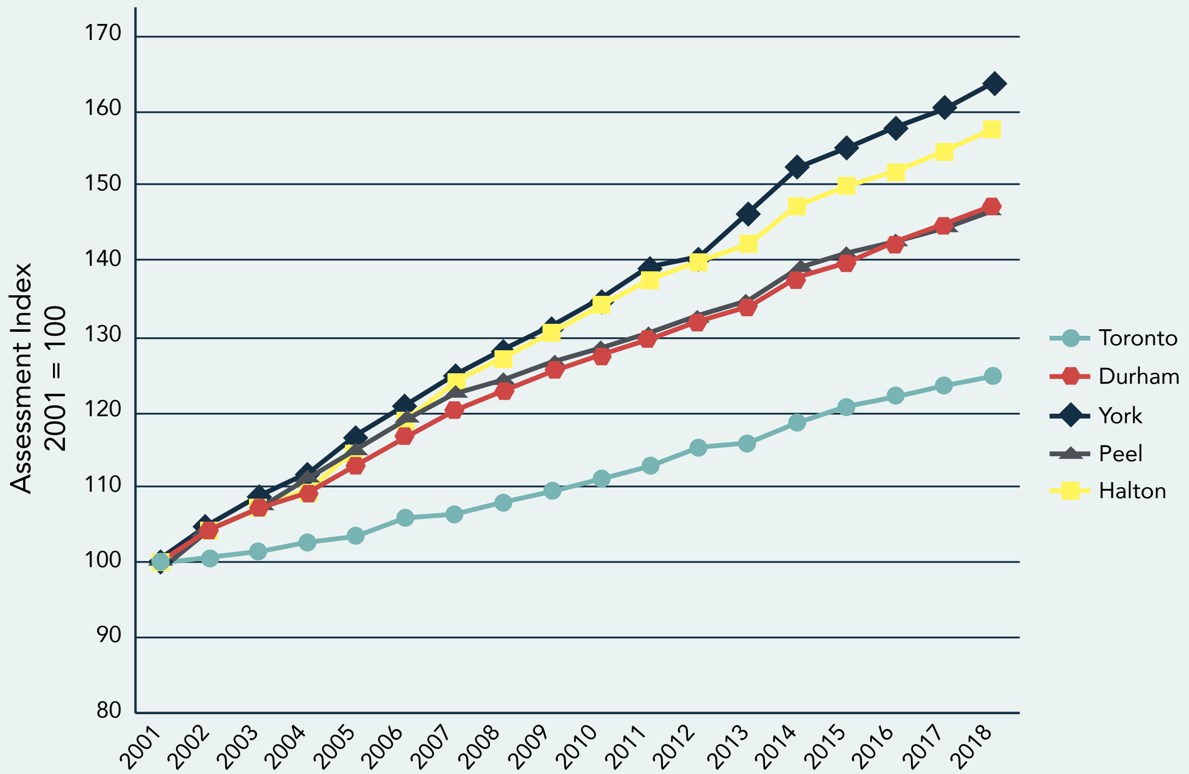
- The lower the ratio the better; this means that the City purchased tangible capital assets not only through the use of long-term debt, but also with its own cash and generated revenue.



Revenues

The City has a number of different revenue sources such as user fees, transfers from provincial and federal governments and the Municipal Land Transfer Tax (MLTT), used to fund operating and capital expenditures. The City's largest source of revenue remains the Property Tax Levy, which accounts for approximately 32% of total revenues.

The assessment value of Toronto properties, used to calculate property taxes, have increased by 86.7% since 2009. City Council continues to maintain property tax rates at or below inflation and considers and approves comprehensive tax policy intended to enhance competitiveness. The chart below shows that Toronto's property assessment was just 25% above its 2001 level, partly due to the conversion of certain industrial properties into residential properties.



In 2018, an average household in Toronto with an assessed value of $624,418 paid $2,907 in municipal taxes and $1,061 for the Education levy:

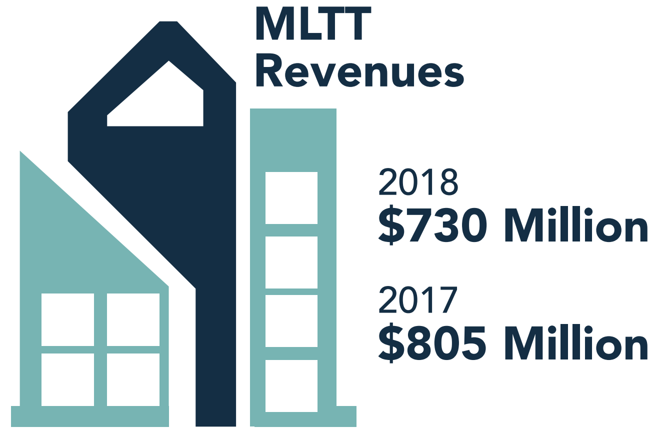
	2018 TAX RATE	2018 PROPERTY RATE
Municipal Purposes	0.4655054%	$2,907
Education Purposes	0.1700000%	$1,061
TOTAL	**0.6355054%**	**$3,968**

In addition, tax ratios for the commercial and industrial tax classes exceed the provincial thresholds. However, both have shown consistent decreases over the past years demonstrating the effectiveness of newly introduced tax policy.

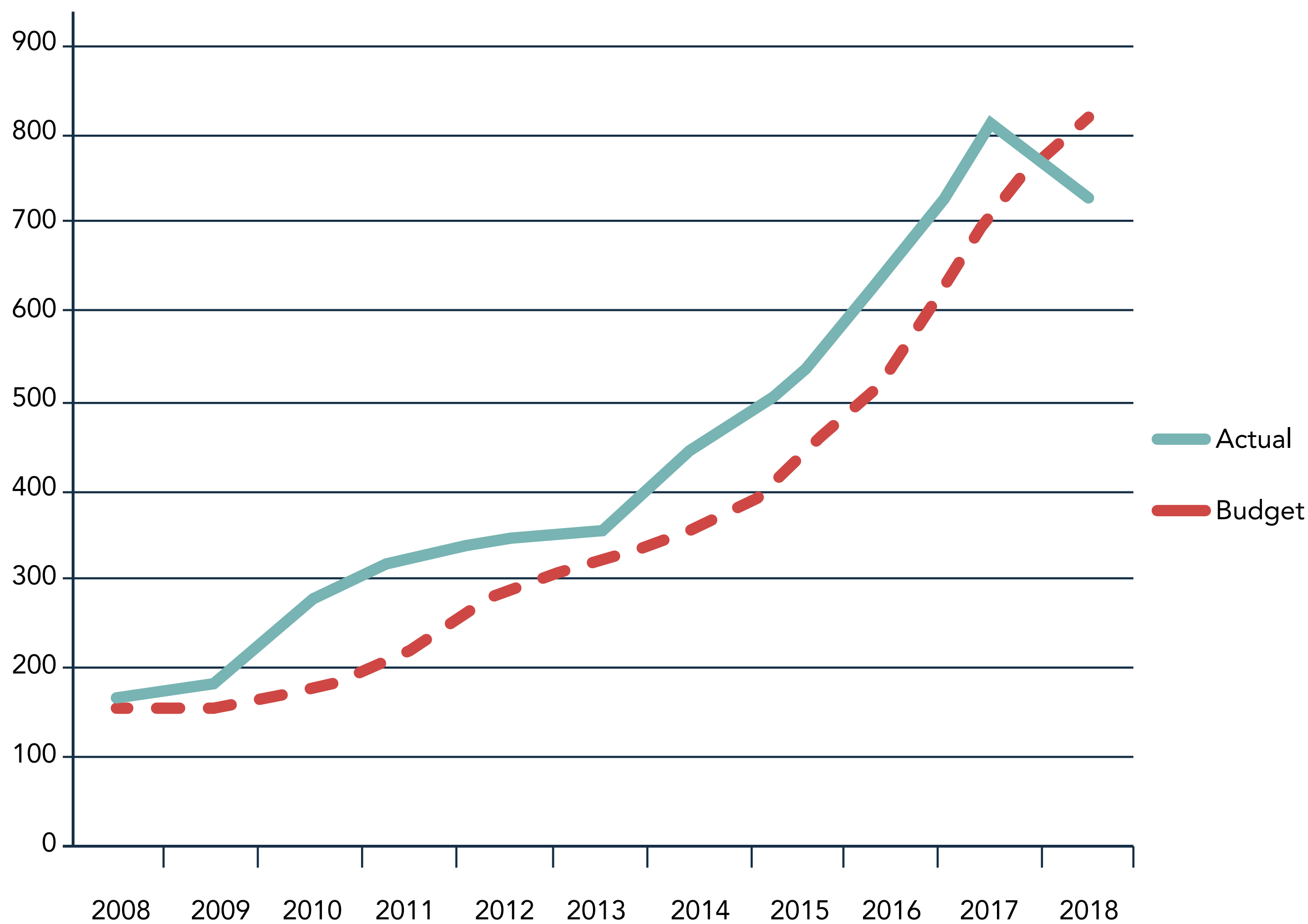
	TAXATION YEAR 2018	PROVINCIAL THRESHOLD
Multi-Residential	2.52	2.74
Commercial	2.85	1.98
Industrial	2.83	2.63

Municipal Land Transfer Tax (MLTT)

The City of Toronto is the only Ontario municipality with the legislative authority, through the City of Toronto Act, to levy taxes other than property taxes. The MLTT was implemented in 2008, and has since then significantly contributed to the City's revenues, accounting for 5.31% of the City's revenues in 2018. The MLTT has outperformed budget since it was implemented, however, it took a downturn in 2018. Although it is a significant source of revenue for the City, the unpredictability of real estate market activity doesn't make it a stable source of revenue.



Budget v/s Actual Revenue ($million)



DID YOU KNOW IN 2018:

$122M invested in roads, bridges, and traffic light systems

$323M invested in social housing

$1.2B in TTC passenger service revenues

$35M invested in buildings and building improvements

OUR FINANCIAL STATEMENTS

FROM THE OFFICE OF THE CONTROLLER

It's my pleasure to present the City of Toronto's Consolidated Financial Statements, which are intended to provide Council, the public, the City's debenture holders, and other stakeholders, with an overview of the state of the City's finances at the end of 2018, and detailed revenues and expenses for the year. We also submit the City's Sinking Fund Statements and Trust Fund Statements for 2018.

The preparation of the Consolidated Financial Statements, the Sinking Fund Statements and the Trust Fund Statements, and all other information included in this financial report is the responsibility of the management of the City of Toronto. The consolidated and other statements were approved by Audit Committee and City Council in July, 2019.

The financial statements are prepared in accordance with generally accepted accounting principles as set by the Chartered Professional Accountants of Canada's Public Sector Accounting Board. In addition to City of Toronto divisions, these statements encompass all organizations, boards, corporations and enterprises controlled by the City and it's Council, including the Toronto Police Service, Toronto Transit Commission, Toronto Community Housing and CreateTO.

PricewaterhouseCoopers LLP (PwC), appointed by City Council, acts as the City's external auditor, whose role is to express an independent opinion on the fair presentation of the City's financial position and operating results, and to confirm that the statements are free from material misstatement. In their opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the City of Toronto and its subsidiaries as at December 31, 2018.

I encourage you to read the full report and emerge with a greater understanding of the City's finances and financial position.

Andrew Flynn
Controller

2018 Year in Review

Financial Position

The table below provides highlights of the City's Statement of Financial Position as of December 31, 2018.

(in millions of dollars)

	2018	2017	DOLLAR CHANGE	% CHANGE
Financial Assets	$11,296	$9,970	$1,326	13.3%
Liabilities	$19,384	$17,125	$2,259	13.2%
Net Debt	$8,088	$7,155	$933	13.0%
Non-Financial Assets	$33,262	$30,895	$2,367	7.7%
Accumulated Surplus	$25,174	$23,740	$1,434	6.0%

Financial assets increased mainly due to an increase in cash and cash equivalents held for investment and accounts receivable related to public transit infrastructure funds from the federal government that flow through the provincial government.

How is the City doing?

Cash and Cash Equivalents as a % of Total Expenses:

$$= \frac{\text{Cash and Cash Equivalents}}{\text{Total Expenses}}$$

What is it?

- This ratio represents the percent of annual expenses that the City's cash can cover.

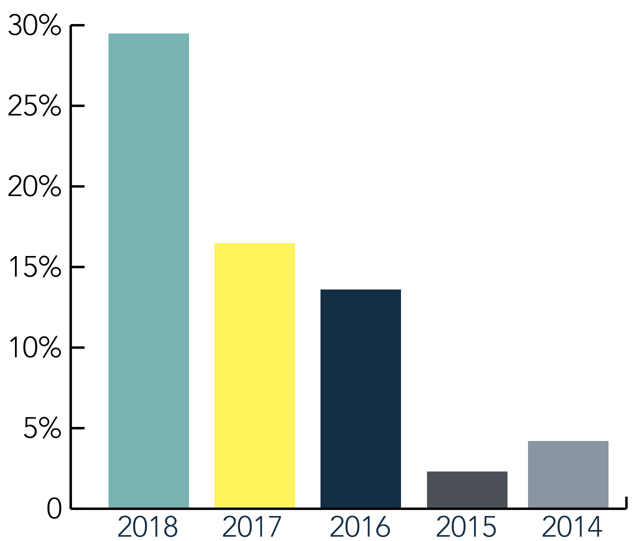
What is our number vs. benchmark?

- Current: **29.5%** (2017 – 16.5%; 2016 – 13.6%)
- Benchmark: On average, municipalities hold between 5% - 10%, with ratios greater than 10% reflecting a considerably strong liquidity position and opportunity for investment.

(www.mfoa.on.ca/MFOA/WebDocs/SM_Del_1.pdf)

Why does it matter?

- A higher value indicates that the City has sufficient cash on hand to meet the majority of operating expenses, and thus has a low risk of insolvency. In 2018, the City maintained higher than normally required cash balances in preparation for investments in equities and real estate as allowed by our new Investment Policy.



Net Taxes Receivable as a % of Taxes Levied:

$$= \frac{\text{Taxes Receivable – Allowance for Uncollectables}}{\text{Property Tax Revenue}}$$

What is it?

- The ratio represents the portion of property taxes that are uncollected at year end.

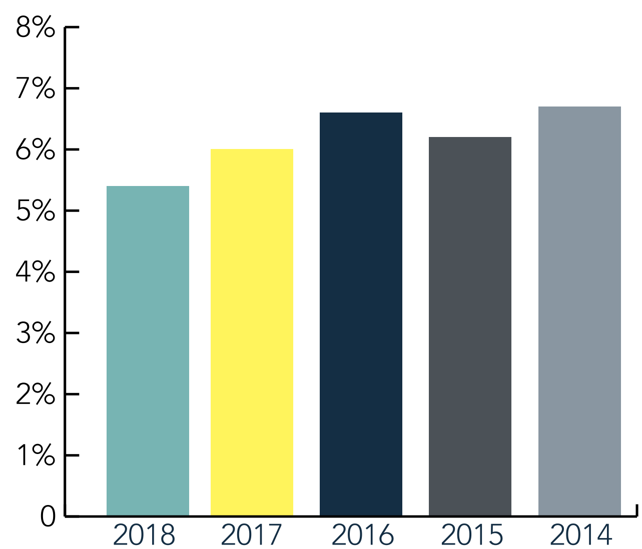
What is our number vs. benchmark?

- Current: **5.4%** (2017 – 6.0%; 2016 – 6.6%)
- Benchmark: On average, municipalities are between 10% - 15%, with ratios less than 10% showing a strong ability to collect taxes receivables.

(www.mfoa.on.ca/MFOA/WebDocs/SM_Del_1.pdf)

Why does it matter?

- Since property taxes are the largest source of revenue for the City, it is important that these taxes are collected quickly to maximize cash flow. In order to achieve such a favourable collection rate, the City has relied on its diligent collection practices.



Liabilities increased mainly due to increased obligatory balances from development charges and park levies recorded as deferred revenue, long-term debt supporting capital expenditures and the City's employee benefits liability where a lower rate was used to discount future payments.

Debt Service Charges as a % of Total Revenue:

$$= \frac{\text{Interest Expense + Principal Repayments on Debt}}{\text{Total Revenue}}$$

What is it?

- This ratio represents the percentage of revenues that must be used to pay for interest and principal on the City's debt.

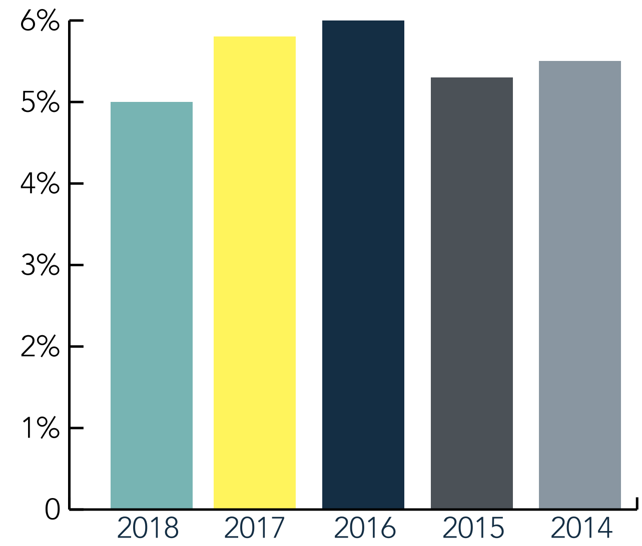
What is our number vs. benchmark?

- Current: **5.0%** (2017 – 5.8%; 2016 – 6.0%)
- Benchmark: On average, municipalities are between 5% - 10%, with ratios less than 5% indicating a stronger than average ability to effectively pay down existing principal and interest on debt.

(www.mfoa.on.ca/MFOA/WebDocs/SM_Del_1.pdf)

Why does it matter?

- The City is taking a responsible approach to the issuance of debt, allowing us to use tax and other revenue dollars to maximize services to citizens.



The City's financial position is calculated as financial assets less liabilities, resulting in a net financial debt of $8.1B, which is an indicator of future revenues required to pay liabilities existing at the financial statement date. The City's investment in tangible capital assets makes up the majority of its' accumulated surplus at the end of 2018. Overall, the City maintained its ability to provide much needed services.

Year End Results

The table below provides highlights of the City's Statement of Operations and Accumulated Surplus for the year ending December 31, 2018.

(in millions of dollars)

	2018	2017	DOLLAR CHANGE	% CHANGE
Revenues	$13,740	$12,564	$1,176	9.4%
Expenses	$12,306	$11,315	$991	8.8%
Surplus	$1,434	$1,249	$185	14.8%

Although the annual budget process focuses primarily on the property tax increase, the City benefits from a number of different revenue sources including transfers from the provincial and federal governments, which are essential to our ability to provide certain services or continue our commitment to building new infrastructure or maintain existing structures in a state of good repair.

Expenses increased over 2017, as a result of cost and service level increases. City staff are accountable for sound financial management and service delivery that focuses on value for money and responsible cost containment.

Five Year Summary of Consolidated Revenues

The five year summary of revenues outlined in the chart below demonstrates that property taxes continue to be one the slowest growing revenue sources for the City. The City continues to be limited by provincial legislation and Council policy from extending tax rate increases on the commercial, industrial and multi-residential assessment base on the same basis as the residential base.

CONSOLIDATED REVENUES – 5 YEAR SUMMARY

(in millions of dollars)

Revenues	Avg. Annual Increase	2018	2017	2016	2015	2014
Property and Other Government Taxes	2.90%	4,350	4,198	4,051	3,966	3,879
Government Transfers	6.78%	3,505	2,800	2,738	2,862	2,752
User Charges	4.39%	3,255	3,028	3,073	2,780	2,753
Municipal Land Transfer Tax	13.82%	730	805	645	524	450
Other Revenue Sources	7.47%	589	479	687	738	512
Rents and Concessions	4.37%	506	469	462	452	427
Development Charges	32.01%	339	314	184	221	133
Government Business Enterprise Earnings	18.06%	247	236	165	294	174
Investment Income	-3.95%	219	235	197	261	271
Total	4.94%	13,740	12,564	12,202	12,098	11,351

As a result of the slow growth of property tax revenue, more reliance has been placed on user fees, the MLTT, transfers from governments and other sources of revenue to meet expense requirements and minimize property tax rate increases. The City has benefited from significant growth of the MLTT until 2018, when revenues decreased by 9.3% as a result of variability in the Toronto real estate market.

Five Year Summary of Consolidated Expenses

The five year summary of consolidated expenses in the chart below indicates that City expenditures continue to grow at a reasonable rate relative to revenue growth.

CONSOLIDATED EXPENSES – 5 YEAR SUMMARY

(in millions of dollars)

Expenses	Avg. Annual Increase	2018	2017	2016	2015	2014
Transportation	6.23%	3,578	3,140	3,067	2,944	2,820
Social and Family Services	6.69%	2,474	2,193	2,038	2,024	1,916
Protection to Persons and Property	0.53%	1,858	1,811	1,808	1,808	1,820
Recreation and Cultural Services	2.57%	1,006	1,008	1,002	989	911
Environmental Services	1.52%	976	955	933	940	919
General Government	2.62%	876	776	760	824	798
Social Housing	3.79%	844	824	780	775	728
Health Services	3.41%	490	461	450	452	429
Planning and Development	16.65%	204	147	116	146	120
Total	4.19%	12,306	11,315	10,954	10,902	10,461

72.5% of the City's expenses are incurred for transit and road maintenance, social assistance to citizens eligible for financial and employment assistance, long-term care, child care services, protecting our residents and property which includes police, fire and other services. Also included are recreation and cultural services which includes the development and maintenance of park space, and high quality recreation programs and investments in local non-profit organizations including public library services.

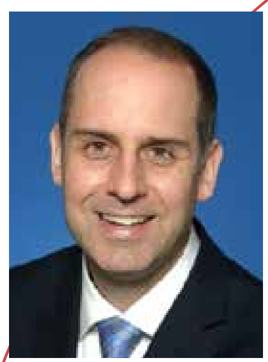
All segments have seen increases in expenditures, both in 2018 and on average, over the past five years. Increased operating costs are the result of:

- Collective bargaining in various organizations, such as the TTC, Toronto Police and Toronto Paramedics
- Increased staffing costs from enhanced services and winter respite programs
- Increased demand for shelter services stemming from the influx of displaced persons into the City of Toronto
- Increase in fee subsidies enabling families to participate in employment and education activities
- Road maintenance as a result of harsher winter conditions
- Full year of operations associated with the Toronto – York Line 1 subway extension (TYSSE)
- Increased costs associated with maintaining aging facilities

Expenditures also increased due to higher amortization of capital assets, such as capitalized costs related to the TYSSE, and an increase in the City's obligation related to contaminated sites, which recognizes the City's responsibility to remediate any properties we own where contamination exceeds acceptable standards.

It is evident that there is a variability in certain program expenditures from year to year, some of which are vulnerable to economic downturns and interest rate fluctuations. In addition, demands for services associated with population growth, traffic congestion, housing affordability and poverty reduction continue to challenge City administrators, who aim to provide high quality services while containing expenditure growth. As a result, City staff have not only worked with Council and other levels of government to find new sources of funding but have looked for cost containment strategies and innovative ways to provide the services that Council envisions and residents require.

AUDIT COMMITTEE

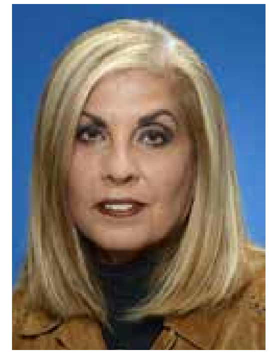


Stephen Holyday (Chair)

John Filion

Michael Ford

Josh Matlow



Frances Nunziata

Mandate:

The Audit Committee's mandate is to:

- Recommend the appointment of the City's external auditor;
  recommend the appointment of an external auditor to conduct the annual audit of the Auditor General's office;
- Consider the annual external audit of the financial statements of the City and its agencies and corporations;
- Consider the external audit of the Auditor General's office;
- Consider the Auditor General's reports and audit plan;
- Conduct an annual review of the Auditor General's accomplishments; and
- Make recommendations to Council on reports the Audit Committee considers.

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 2018 consolidated financial statements have been examined by the City of Toronto's external auditors, PricewaterhouseCoopers LLP, and their report precedes the consolidated financial statements.

Toronto, Canada
July 17, 2019

Andrew Flynn
Controller

Heather Taylor
Chief Financial Officer
and Treasurer

Chris Murray
City Manager

pwc

Independent auditor's report

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

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the City of Toronto and its subsidiaries (together, the City) as at December 31, 2018 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.

What we have audited
The City's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2018;
- the consolidated statement of operations and accumulated surplus for the year then ended;
- the consolidated statement of change in net debt for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

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.

In preparing the consolidated financial statements, management is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the City to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
July 17, 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at December 31, 2018 (in millions of dollars)

	2018	2017
FINANCIAL ASSETS		
Cash and Cash Equivalents	3,626	1,869
Accounts and Taxes Receivable (Note 2)	1,942	1,360
Loans Receivable (Note 3)	152	158
Other Assets (Note 4)	65	42
Investments (Note 5)	3,380	4,118
Investments in Government Business Enterprises (Note 6)	2,131	2,423
Total Financial Assets	**11,296**	**9,970**
LIABILITIES		
Bank Indebtedness (Note 7)	104	49
Accounts Payable and Accrued Liabilities (Note 8)	3,838	3,420
Deferred Revenue (Note 9)	3,867	2,812
Provision for Property and Liability Claims (Note 10)	529	539
Environmental and Contaminated Site Liabilities (Note 11)	241	157
Mortgages Payable (Note 12)	292	316
Long-Term Debt (Note 13)	6,502	5,950
Employee Benefit Liabilities (Note 14)	4,011	3,882
Total Liabilities	**19,384**	**17,125**
NET DEBT	(8,088)	(7,155)
NON-FINANCIAL ASSETS		
Prepaid Expenses	217	119
Inventories (Note 16)	328	312
Tangible Capital Assets (Note 15, Schedule 1)	32,717	30,464
	33,262	30,895
ACCUMULATED SURPLUS (Note 18)	25,174	23,740

Commitments and Contingencies (Note 17)
The accompanying Notes and Appendices are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

for the year ended December 31, 2018 (in millions of dollars)

	2018 BUDGET (Note 19)	2018 ACTUAL	2017 ACTUAL
REVENUE			
Property and Taxation from Other Governments	4,285	4,350	4,198
Government Transfers (Note 20)	3,327	3,505	2,800
User Charges	3,414	3,255	3,028
Municipal Land Transfer Tax	810	730	805
Other Revenue Sources	543	589	479
Rent and Concessions	453	506	469
Development Charges	391	339	314
Government Business Enterprise Earnings (Note 6)	-	247	236
Investment Income	250	219	235
Total Revenue	**13,473**	**13,740**	**12,564**
EXPENSES			
Transportation	3,649	3,578	3,140
Social and Family Services	2,548	2,474	2,193
Protection to Persons and Property	1,827	1,858	1,811
Recreation and Cultural Services	1,053	1,006	1,008
Environmental Services	1,107	976	955
General Government	1,063	876	776
Social Housing	892	844	824
Health Services	471	490	461
Planning and Development	293	204	147
Total Expenses (Note 21)	**12,903**	**12,306**	**11,315**
ANNUAL SURPLUS	570	1,434	1,249
ACCUMULATED SURPLUS - BEGINNING OF YEAR	23,740	23,740	22,491
ACCUMULATED SURPLUS - END OF YEAR (Note 18)	24,310	25,174	23,740

Segmented Information is presented in Appendix 2 and 3.
The accompanying Notes and Appendices are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

for the year ended December 31, 2018 (in millions of dollars)

	2018 BUDGET (Note 19)	2018 ACTUAL	2017 ACTUAL
ANNUAL SURPLUS	570	1,434	1,249
Acquisition of Tangible Capital Assets	(3,641)	(3,530)	(3,043)
Amortization of Tangible Capital Assets	1,267	1,267	1,136
(Gain)/Loss on disposal of Tangible Capital Assets	-	(3)	12
Proceeds on disposal of Tangible Capital Assets	-	13	14
Change due to Tangible Capital Assets	(2,374)	(2,253)	(1,881)
Change in Prepaid Expenses	-	(98)	17
Change in Inventories	-	(16)	(42)
(Increase) in Net Debt	(1,804)	(933)	(657)
NET DEBT - BEGINNING OF YEAR	(7,155)	(7,155)	(6,498)
NET DEBT - END OF YEAR	(8,959)	(8,088)	(7,155)

The accompanying Notes and Appendices are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2018 (in millions of dollars)

	2018	2017
OPERATING ACTIVITIES		
Annual Surplus	1,434	1,249
Add (deduct) items not involving cash:		
Government Business Enterprise Income from Operations	(247)	(236)
Amortization of Tangible Capital Assets	1,267	1,136
Recognition of TPLC contaminated sites	57	-
(Gain) on Sale of Land	-	(36)
(Gain) on Disposal of Tangible Capital Assets	(3)	12
	2,508	2,125
Changes in Operating Assets and Liabilities		
Accounts and Taxes Receivable	(572)	(64)
Accounts Payable and Accrued Liabilities	411	71
Deferred Revenue	1,047	381
Provision for Property and Liability Claims	(10)	(53)
Prepaid Expenses	(98)	-
Inventories	(16)	19
Environmental and Contaminated Sites Liabilities	27	(4)
Employee Benefit Liabilities	129	125
Cash provided by Operating Activities	3,426	2,600
CAPITAL ACTIVITIES		
Acquisition/Construction of Tangible Capital Assets	(3,194)	(3,043)
Proceeds on Disposal of Tangible Capital Asset	13	14
Cash applied to Capital Activities	(3,181)	(3,029)
INVESTING ACTIVITIES		
Other Assets	(19)	(22)
Loans Receivable	6	(4)
Investment in Government Business Enterprises	-	(250)
Investment Maturities and Sales	2,157	1,907
Purchase of Investments	(1,393)	(1,665)
Principal Repayments Due from Toronto District School Board	-	5
Cash assumed on consolidation of TPLC	22	-
Dividends and Distributions from Government Business Enterprises	156	132
Cash provided by Investing Activities	929	103

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended December 31, 2018 (in millions of dollars)

	2018	2017
FINANCING ACTIVITIES		
Bank Indebtedness	55	(16)
Principal Repayments on Mortgages Payable	(24)	(78)
New Mortgages issued by Build Toronto and Lakeshore Arena Corporation	-	31
Proceeds from issued Long-Term Debt	937	1,152
Principal Repayments on Long-Term Debt	(331)	(324)
Interest Earned on Sinking Funds	(54)	(58)
Principal Repayments on Debt by Toronto District School Board	-	(5)
Cash provided by Financing Activities	583	702
Net Increase in Cash during the Year	1,757	376
CASH – BEGINNING OF YEAR	1,869	1,493
CASH – END OF YEAR	3,626	1,869
SUPPLEMENTARY INFORMATION:		
Cash paid for Interest on Debt	296	307
Cash received for Interest on Investments	201	246

The accompanying Notes and Appendices are an integral part of these Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 (in millions of dollars)

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

Basis of Presentation

The Consolidated Financial Statements (Statements) of the City have been prepared by management in accordance with Canadian Public Sector Accounting Standards as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada).

Principles of Consolidation

The Consolidated Financial Statements include all organizations that 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. The City proportionately consolidates two entities held in partnership. The Toronto Waterfront Revitalization Corporation is a 33.33% partnership with each of the Canadian and Ontario Governments, and the Toronto PanAm Sports Centre is a 50% partnership with the University of Toronto.

The City's 100% share of the Toronto Hydro Corporation and Toronto Parking Authority follow Government Business Enterprises (GBE) accounting, using the modified equity basis of accounting where the accounting principles of the GBEs 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.

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
- Lakeshore Arena Corporation
- Civic Theatres Toronto (TOLive)
- Toronto Atmospheric Fund (TAF)
- Toronto Waterfront Revitalization Corporation (TWRC) (1/3 proportionately)
- 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)
- Create TO
- Yonge-Dundas Square
- City of Toronto Economic Development
- Corporation c.o.b. Toronto Port Lands Company (TPLC)

Arenas:

- Forest Hill Memorial
- George Bell
- Leaside Memorial Community Gardens
- McCormick Playground
- Moss Park
- North Toronto Memorial
- Ted Reeve
- 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

Business Improvement Areas (BIAs):

- 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 and St. Clair
- Yonge Lawrence Village
- York Eglinton

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

Trust Funds

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

Use of Estimates and Measurement Uncertainty

The preparation of these consolidated financial statements 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.

Receivables and Revenues

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

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues.

Taxation revenues are recorded at the time tax billings are issued. Additional property tax revenue can be added throughout the year, after the return of the annual assessment roll used for billing purposes, as new properties are occupied or become subject to property tax. The City may receive supplementary assessment rolls over the course of the year from the Municipal Property Tax Assessment Corporation (MPAC) identifying new or omitted assessments. Property taxes for these supplementary and/or omitted amounts are then billed according to the City Council approved tax rate for each property class. Taxation revenues may also be impacted by reductions in assessment values resulting from assessment and/or property tax appeals performed by MPAC. An annual allowance to cover estimated revenue loss attributable to deficiencies in tax revenues is included in the City's Consolidated Statement of Operations and Accumulated Surplus.

MLTT revenues are recorded following the registration of the taxable sale.

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

Government transfers to the City are recognized as revenues in the period in which the events giving rise to the transfer occur, provided the transfers are authorized, any eligibility criteria has been met, and reasonable estimates of the amounts can be made. Transfer Payments provided by the City to individuals or organizations are recognized as expenses once they are authorized and eligibility criteria, if any, are met.

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.

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.

Investments

Investments consist mainly of government and corporate bonds, debentures and short-term instruments of various financial institutions. Investments are accounted for at amortized cost. Where there is a loss in value that is other than temporary, the respective investment is written down to recognize the loss. The disclosed carrying value is at the lower of amortized cost or market value.

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.

With the creation of the City's Investment Board and new investment policy as at January 1, 2018, through provincial regulation 610/06, the City is able to invest in a broader range of asset classes, including fixed income, equities and real assets. Equity investments, when made, will be recorded at market value.

Provision for 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 expenses, developed from the City's historical experience on loss payments. Where the costs are deemed to be likely and reasonably determinable, liabilities are included on the Consolidated Statement of Financial Position, with annual changes expensed as operating costs.

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.

Liabilities for Environmental Costs and Contaminated Sites

Liabilities arising from the remediation of contaminated sites 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 liability can be made.

The estimated amounts of future remediation costs are reviewed regularly, based on available information and governing legislation. Where the costs are deemed to be likely and reasonably determinable, liabilities are included in the Consolidated Statement of Financial Statements, with annual changes expensed as operating costs.

The reclassification of TPLC from a GBE to a City agency has resulted in a change in accounting policy related to the disclosure of contaminated sites and the establishment of a liability for the remediation of contaminants under TPLC's responsibility. The change in accounting policy has been treated prospectively. The estimated liability is based on an external and internal engineering assessments.

The City also provides for the estimated costs to remediate productive contaminated sites when conditions are identified as not compliant with environmental legislation and those costs can be reasonably determined.

The Ontario Environmental Protection 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 site and active landfill sites based on usage.

The estimated liability for the care of Green Lane 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.

Post-closure care activities for inactive 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 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, with changes to the liability reflected on the Statement of Operations.

Deferred Revenue

Deferred revenues, which include advance payments for tickets, building permits and program registration fees and contributions from developers according to Section 37 of the Planning Act, represent fees which have been collected, but for which the related services have not yet been provided. Revenues received that have been set aside for specific purposes (obligatory reserve funds), are also included in deferred revenue.

Advance payments and contributions are recorded as revenues when the related activity occurs.

Deferred revenues are reported on the Consolidated Statement of Financial Position, with amounts recognized as revenues in the fiscal year the services are performed.

Derivative Financial Instruments

Although the City's investment policy prevents the use of derivative financial instruments for trading or speculative purposes, they are utilized in the management of its purchase of electricity and natural gas. 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.

A derivative financial instrument (interest rate swap) is being 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.

Employee Benefit Liabilities

Employee benefit liabilities include sick leave, Schedule 2 employer benefits under the Workplace Safety and Insurance (WSIB) Act, life insurance, and extended health and dental benefits for early retirees. The cost of these benefits are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care cost trends and plan investment performance. Accrued obligations and related costs of funded benefits are net of plan assets.

The costs of WSIB obligations are actuarially determined and expensed in the period they occur. 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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2018 (in millions of dollars)

The cost of the City's multi-employer defined benefit pension plan, the Ontario Municipal Employees Retirement System (OMERS) pension, is accounted for as a defined benefit plan.

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 life of the assets, at the following rates:

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

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

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

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

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 life, is not capitalized.

Reserves and Reserve Funds

Reserves and reserve funds are comprised of funds set aside for specific purposes by Council, 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 reserves and reserve funds are balances within the City's accumulated surplus.

Comparative Amounts

Certain 2017 amounts have been regrouped from Consolidated Financial Statements previously presented to confirm with presentation adopted in 2018.

Future Accounting Pronouncements

The standards noted below were not effective for the year ended December 31, 2018, therefore, have not been applied in preparing these financial statements. Management is assessing the impact of these standards, which are applicable in future years, to determine the impact on future consolidated financial statements.

Standards applicable for fiscal years beginning on or after April 1, 2021:

PS 3450 Financial instruments establishes standards on how to account for and report all types of financial instruments including derivatives.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2018 (in millions of dollars)

PS 2601 Foreign Currency Translation, which replaces PS 2600, establishes standards on how to account for and report transactions that are denominated in a foreign currency in government financial statements.

PS 1201 Financial Statement Presentation, which replaces PS 1200, establishes general reporting principles and standards for the disclosure of information in government financial statements.

PS 3041 Portfolio Investments, which replaces PS 3040, establishes standards on how to account for and report portfolio investments in government financial statements.

PS 3280 Asset Retirement Obligations establishes standards on how to account for and report a liability for asset retirement obligations.

Standards applicable for fiscal years beginning on or after April 1, 2022:

PS 3400 Revenue establishes standards on how to account for and report on revenue, specifically differentiating between revenue arising from transactions that include performance obligations, referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions.

2. Accounts and Taxes Receivable

	2018	2017
Federal and Provincial Governments	1,023	392
Property taxes receivable	237	253
Trade and Other	682	715
	1,942	1,360

Federal and Provincial Government receivables include $536 related to Provincial Transit Infrastructure Fund (PTIF) claims and $84 related to Federal Gas Tax funding (FGT). PTIF funds of $313 and FGT funds of $84 were received in 2019.

3. Loans Receivable

	2018	2017
TCHC promissory notes, loan agreements and receivables, bearing interest between 3.0% and 4.9% (2017 – 3.0% to 4.9%) with maturity dates from 2019 to 2057 (2017 – 2019 to 2057)	74	63
BTI loan facility and vendor-take-back (VTB) mortgage, bearing interest between 3.3% and 5.0% (2017 – 3.3% to 5.0%) with maturity dates from 2023 to 2027 (2017 – 2023 to 2027)	37	53
Loans receivable from community housing organizations bearing interest at rates from 0% to 5.0% (2017 - 0% to 5.0%) per annum, maturing from 2019 to 2074 (2017 - 2018 to 2074)	41	42
	152	158

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2018 (in millions of dollars)

4. Other Assets

	2018	2017
BTI 35% ownership of a General Partnership for the development of condominium properties	33	22
TCHC equal Contribution Equity in revitalization projects and equal interest Co-Tenancy Agreements for construction	22	15
Other	10	5
	65	**42**

5. Investments

	2018		
	Cost	Market value	Carrying value
Government bonds	2,054	2,122	2,054
Money market instruments	853	853	853
Corporate bonds	416	410	410
Other	57	74	57
	3,380	**3,459**	**3,374**

	2017		
	Cost	Market value	Carrying value
Government bonds	2,286	2,407	2,286
Money market instruments	1,201	1,212	1,201
Corporate bonds	573	573	573
Other	58	74	58
	4,118	**4,266**	**4,118**

Government bonds include bonds held in trust by the City's insurance carrier as collateral for the provision of automobile and primary liability insurance with a carrying value of $70.4 (2017 - $70.1).

The weighted average yield on the cost of the bond investment portfolio during the year was 3.04% (2017 – 2.81%). Maturity dates on investments in the portfolio range from 2019 to 2044 (2017 - 2018 to 2044). Included in the City's government bonds portfolio are City of Toronto debentures at coupon rates varying from 2.40% to 6.80% (2017 – 2.40% to 6.80%) with a carrying value of $279.9 (2017 - $236.5).

As it is the City's intention to hold corporate bonds to maturity, no write-down to market value has been recorded.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2018 (in millions of dollars)

6. Investments in Government Business Enterprises (GBEs)

	2018	2017
Toronto Hydro Corporation	1,822	1,736
Toronto Parking Authority	309	304
Toronto Port Lands Company	-	383
	2,131	**2,423**

As a result of a change in shareholder direction made by Toronto City Council effective January 1, 2018, TPLC qualifies as a controlled entity which will be consolidated rather than treated as a GBE. As a result, the City's 2018 opening investment value has been reclassified and the entity fully consolidated on a line by line basis as at December 31, 2018.

The book value continuity of the City's GBEs is as follows:

	2018	2017
Balance - beginning of year	2,423	2,069
Additional investment in Toronto Hydro	-	250
Income from operations (Appendix 1)	245	234
Dividends received (Appendix 1)	(94)	(75)
Distribution to City (Appendix 1)	(62)	(57)
Change in net book value of street-lighting assets eliminated on sale to Toronto Hydro Corporation (Appendix 1)	2	2
Removal of accumulated equity in TPLC	(383)	-
Balance - end of year (Appendix 1)	**2,131**	**2,423**

GBE Earnings on the Consolidated Statement of Operations and Accumulated Surplus consist of the following:

	2018	2017
Income from Operations (Appendix 1)	245	234
Change in net book value of street-lighting assets eliminated on sale to Toronto Hydro Corporation (Appendix 1)	2	2
Government Business Enterprise Earnings	**247**	**236**

Condensed, audited financial results for each government business enterprise are disclosed in Appendix 1 to the Notes to these Consolidated Finanacial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2018 (in millions of dollars)

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

	2018	2017
Street-lighting, electricity, and maintenance services purchased by the City from Toronto Hydro Corporation	277	283

Principal repayments of unsecured Long-Term Debt of the GBEs are as follows:

	Due to others
2019	250
2020	-
2021	300
2022	-
2023	250
Thereafter	1,245
	2,045

7. Bank Indebtedness

The City has an unsecured demand revolving credit facility in the amount of $100 (2017 - $100) bearing interest at the bank prime rate with an effective rate during 2018 of 3.2% (2017 – 3.2%) per annum.

TCHC has a committed revolving credit facility of $200 (2017 - $200) 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%. All bank covenants have been complied with.

	2018	2017
City, net outstanding cheques	58	49
Toronto Housing Corporation	46	-
	104	49

8. Accounts Payable and Accrued Liabilities

	2018	2017
Trade Payables and Accruals	3,293	2,873
Tax Appeal Assessments on Property Taxes Payable	399	411
Wages Payable	146	136
	3,838	3,420

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2018 (in millions of dollars)

9. Deferred Revenue

Deferred Revenues include revenues from third parties that have been set aside for specific, restricted purposes by Provincial legislation or agreements with third parties. Revenues are earned when expenditures related to the specific purpose are incurred.

	2018	2017
Obligatory Balances		
Restricted by Provincial legislation	2,178	1,399
Restricted by Agreements with Third Parties	1,274	1,079
Total Obligatory Deferred Revenues	3,452	2,478
Advance Payments and Contributions	415	334
TOTAL DEFERRED REVENUE	3,867	2,812

Deferred Revenue Continuity:

	2018		
	Obligatory Deferred Revenues	Advance payments and contributions	Total
Balance – beginning of year	2,478	334	2,812
Receipts during the year	2,303	3,370	5,673
Transferred to revenue	(1,329)	(3,289)	(4,618)
Balance – end of year	**3,452**	**415**	**3,867**

	2017		
	Obligatory Deferred Revenues	Advance payments and contributions	Total
Balance – beginning of year	2,092	338	2,430
Receipts during the year	1,805	1,044	2,849
Transferred to revenue	(1,419)	(1,048)	(2,467)
Balance – end of year	**2,478**	**334**	**2,812**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2018 (in millions of dollars)

10. Provision for Property and Liability Claims

	2018	2017
Property and Liability Claims Provision	384	382
TTC Unsettled Accident Claims	145	157
	529	539

The City mitigates its risk through a combination of self-insurance and coverage with insurance carriers.

11. Environmental and Contaminated Sites Liabilities

	2018	2017
Environmental Liabilities	14	16
Contaminated Sites Liabilities	65	7
Active Landfill Site (Green Lane)	14	10
Inactive Landfill Sites	148	124
Total environmental and contaminated sites liabilities	**241**	**157**

Environmental and Contaminated Sites liabilities are based on third-party engineering reports covering estimated costs of remediating sites with known contamination for which City 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 remediation costs are reviewed regularly, based on available information and governing legislation.

Liability for Contaminated Sites held by TPLC

TPLC owns a number of properties, that are not in productive use, where contamination exceeds environmental standards. Although TPLC is responsible for each of these properties, the anticipated land use is not known at this time, therefore, no remediation efforts have been planned. However, to ensure compliance with PS 3260, Liability for Contaminated Sites, recognizing the uncertainty of the remediation action plan until use of this land is known, management has taken a risk management approach to determine a reasonable liability of $56.6 for the purposes of these statements. While some of the more contaminated properties may require full-scale remediation once the land use is known, at this time, it has been determined that risk can be mitigated through the management or containment of the contaminants, where appropriate, through a mixture of engineered and operating controls. Management will continue to monitor this risk and update the liability when conditions change or use is known with greater certainty.

Active Landfill Sites

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

The Green Lane future cash flow requirements for closure and post closure costs have been discounted using the City's average long term borrowing rate of 3.3% (2017- 3.9%).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2018 (in millions of dollars)

Reserve Balances	2018	2017
Green Lane Reserve Fund	12	15
Green Lane Perpetual Care Reserve Fund (GLPC)	5	4
Total	17	19

Both of these reserve fund accounts are included as part of the State of Good Repair Reserve Fund.

2018 contributions to the GLPC reserve of $0.72 (2017- $0.5) are based on a contribution rate of 1.34 cents (2017- 95 cents) per tonne of waste disposed.

Inactive Landfill Sites

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 3.3% (2017 - 3.9%).

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, Conservation and Parks.

	2018	2017
Solid Waste Management Perpetual Care Reserve Fund	26	30
Keele Valley Site Post-Closure Trust Fund (Note 22)	8	8
	34	38

12. Mortgages Payable

	2018	2017
TCHC secured mortgages, collateralized by TCHC housing properties, with interest from 1.39% to 12.75% (2017 – 1.39% to 12.75%) and maturities ranging from 2019 to 2048	262	285
BTI mortgages, secured by assets and corporate guarantees of Build Toronto Holdings One Inc., BTI and common shares of PT Studios, with interest at 3.33%, maturing on March 15, 2027	30	31
	292	316

Principal repayments on mortgages are due as follows:

2019	22
2020	23
2021	25
2022	25
2023	25
Thereafter	172
	292

Principal re-payments made in 2018 were $0.85 (2017 - $nil) on the BTI mortgages and $23.4 (2017 - $78.2) on the TCHC mortgages.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2018 (in millions of dollars)

13. Long-Term Debt

The City's ability to issue long term debt is governed by provincial legislation; debt can only be issued to finance capital expenditures.

	2018	2017
Unsecured debentures issued by the City, bearing interest at various rates ranging from 2.40% to 8.00% (2017 - 2.40% to 8.00%), maturing from 2019 to 2046	6,759	6,264
Less: sinking fund deposits bearing interest at rates between 2% and 5% (2017 - 2% to 5%)	(1,601)	(1,681)
Unsecured debentures, net of sinking fund deposits	**5,158**	**4,583**
TCHC secured by various floating and fixed income investments, loans from Infrastructure Ontario, floating and fixed rates between 2.33% and 4.53% and are also subject to financial covenants, maturing in 2043 to 2047.	835	853
TCHC Debentures, unsecured, consisting of Series A bonds of $250 at 4.87% (2007 to 2037) and Series B bonds of $200 at 5.39% (2010 to 2040).	446	446
TCHC bridge-loan of $35.4 converted to a 12-year interest rate swap facility in 2006 with a fixed interest rate of 4.55%	24	26
Lakeshore Arena Corporation credit facilities secured by a mortgage over the property, a general security agreement and assignments of rents and leases, from Infrastructure Ontario, bearing interest at 3.48%, with a maturity date of October 31, 2042	26	27
BTI, collateralized by a first mortgage charge on the construction site loan facility, bearing interest at prime plus 0.50% and bankers' acceptances at 2%, and prime plus 0.50% respectively, payable in July 2019	12	12
Other, bearing interest between 1.75% to 8.05% maturing from 2020 to 2027	1	3
Consolidated entities debentures	**1,344**	**1,367**
Total Net Long Term Debt	**6,502**	**5,950**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2018 (in millions of dollars)

Principal repayments are due as follows:

	2018
2019	462
2020	414
2021	422
2022	366
2023	374
Thereafter	4,464
	6,502

2018 principal repayments total $331.4 (2017 - $324).

14. Employee Benefit Liabilities

	2018	2017
Sick leave benefits	485	541
WSIB obligations	681	635
Other Employment and Post-Employment Benefits	2,501	2,637
Total Employee Accrued Benefit Obligation	3,667	3,813
Unamortized Actuarial Gain	344	69
Employee Benefit Liabilities	**4,011**	**3,882**

The Employee Accrued Benefit Obligation reflects the full value of the actuarial gain; the gain increases the value of the liability until taken into income when realized.

Reconciliation of the plan assets and accrued benefit obligation, based on an actuarial assessment, to the amounts in the Consolidated Statement of Financial Position is as follows:

	2018			
	Employment and post-employment	TTC Pension Plan (Note 14, b(ii))	City Pension Plans (Note 14, b(iii))	Total
Accrued benefit obligation	3,667	2,688	1,281	7,636
Plan assets	-	3,268	1,467	4,735
Funding deficit (surplus)	3,667	(580)	(186)	2,901
Unamortized actuarial gain	344	18	-	362
Valuation allowance	-	562	186	748
Employee benefit liability	**4,011**	-	-	**4,011**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2018 (in millions of dollars)

	2017			
	Employment and post-employment	TTC Pension Plan (Note 14, b(ii))	City Pension Plans (Note 14, b(iii))	Total
Accrued benefit obligation	3,813	2,637	1,304	7,754
Plan assets	-	3,323	1,597	4,920
Funding deficit (surplus)	3,813	(686)	(293)	2,834
Unamortized actuarial gain	69	210	-	279
Valuation allowance	-	476	293	769
Employee benefit liability	**3,882**	**-**	**-**	**3,882**

Continuity of the City's employee benefit liabilities, in aggregate, is as follows:

	2018			
	Employment and post-employment	TTC Pension Plan (Note 14, b(ii))	City Pension Plans (Note 14, b(iii))	Total
Balance – beginning of year	3,882	-	-	3,882
Current service cost	278	81	-	359
Interest cost (revenue)	114	(38)	(14)	62
Amortization of actuarial (gain)	(24)	(49)	121	48
Employer contributions	(269)	(120)	-	(389)
Plan amendments	30	40	-	70
Change in valuation allowance	-	86	(107)	(21)
Balance – end of year	**4,011**	**-**	**-**	**4,011**

	2017			
	Employment and post-employment	TTC Pension Plan (Note 14, b(ii))	City Pension Plans (Note 14, b(iii))	Total
Balance – beginning of year	3,757	-	-	3,757
Current service cost	273	87	-	360
Interest cost (revenue)	116	(19)	(13)	84
Amortization of actuarial (gain)	(10)	(57)	(20)	(87)
Employer contributions	(239)	(117)	-	(356)
Plan amendments	(15)	38	-	23
Change in valuation allowance	-	68	33	101
Balance – end of year	**3,882**	**-**	**-**	**3,882**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2018 (in millions of dollars)

Continuity of the accrued benefit obligation, in aggregate, is as follows:

	2018			
	Employment and post-employment	TTC Pension Plan (Note 14, b(ii))	City Pension Plans (Note 14, b(iii))	Total
Balance – beginning of year	3,813	2,637	1,304	7,754
Current service cost	278	81	-	359
Interest cost	114	161	62	337
Amortization of actuarial (gain) loss	(299)	(71)	50	(320)
Benefits paid	(269)	(160)	(135)	(564)
Plan amendments	30	40	-	70
Balance – end of year	**3,667**	**2,688**	**1,281**	**7,636**

	2017			
	Employment and post-employment	TTC Pension Plan (Note 14, b(ii))	City Pension Plans (Note 14, b(iii))	Total
Balance – beginning of year	3,598	2,661	1,392	7,651
Current service cost	273	87	-	360
Interest cost	116	148	67	331
Amortization of actuarial (gain) loss	80	(152)	(14)	(86)
Benefits paid	(239)	(145)	(141)	(525)
Plan amendments	(15)	38	-	23
Balance – end of year	**3,813**	**2,637**	**1,304**	**7,754**

Continuity of the plan assets is as follows:

	2018			
	Employment and post-employment	TTC Pension Plan (Note 14, b(ii))	City Pension Plans (Note 14, b(iii))	Total
Balance – beginning of year	-	3,323	1,597	4,920
Contributions	269	120	-	389
Actual return on assets	-	(15)	5	(10)
Benefits paid	(269)	(160)	(135)	(564)
Balance – end of year	**-**	**3,268**	**1,467**	**4,735**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2018 (in millions of dollars)

	2017			
	Employment and post-employment	TTC Pension Plan (Note 14, b(ii))	City Pension Plans (Note 14, b(iii))	Total
Balance – beginning of year	-	3,068	1,651	4,719
Contributions	239	117	-	356
Actual return on assets	-	283	87	370
Benefits paid	(239)	(145)	(141)	(525)
Balance – end of year	**-**	**3,323**	**1,597**	**4,920**

Total expenses related to these employee benefits include the following:

	2018			
	Employment and post-employment	TTC Pension Plan (Note 14, b(ii))	City Pension Plans (Note 14, b(iii))	Total
Current service cost	278	81	-	359
Interest cost (revenue)	114	(38)	(14)	62
Amortization of actuarial (gain)	(24)	(49)	121	48
Plan amendments	30	40	-	70
Change in valuation allowance	-	86	(107)	(21)
Total expense	**398**	**120**	**-**	**518**

	2017			
	Employment and post-employment	TTC Pension Plan (Note 14, b(ii))	City Pension Plans (Note 14, b(iii))	Total
Current service cost	273	87	-	360
Interest cost (revenue)	116	(19)	(13)	84
Amortization of actuarial (gain)	(10)	(57)	(20)	(87)
Plan amendments	(15)	38	-	23
Change in valuation allowance	-	68	33	101
Total expense	**364**	**117**	**-**	**481**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2018 (in millions of dollars)

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

Actuarial assumptions

	2018	2017
Discount rate for accrued benefit obligation:		
Post-employment	3.1%	2.8%
Post-retirement	3.4%	3.2%
Sick leave	3.2%	3.0%
WSIB	3.4%	3.0%
Rate of compensation increase	1.75% to 3.5%	2.25% to 3.5%
Health care inflation – LTD, hospital and other medical	3.0% to 6.5%	3.0% to 7.0%
Health care inflation – dental care	3.0% to 4.5%	3.0% to 4.0%
Health care inflation – drugs	5.5% to 8.08%	6.0% to 8.35%

	2018	2017
Discount rate for benefit costs:		
Post-employment	2.9%	2.7%
Post-retirement	3.3%	3.5%
Sick leave	3.1%	3.1%
WSIB	3.4%	3.1%
Rate of compensation increase	3.29% to 3.4%	1.18% to 3.5%
Health care inflation – LTD, hospital and other medical	4.0% to 6.46%	3.0% to 7.0%
Health care inflation – dental care	3.0% to 4.0%	3.0% to 4.5%
Health care inflation – drugs	5.5% to 10.8%	6.0% to 10.0%

For 2018 benefit costs and year end 2018 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.

The City has established reserve funds to help reduce the future impact of the employee benefit obligation. As at December 31, 2018, the balance in the Employee Benefits Reserve Fund was $229.9 (2017 - $221.9), which includes $42.2 (2017 - $43.9) for sick leave and $17.2 (2017 - $13.6) for workplace safety and insurance.

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 equally to the plan.

The amount contributed to OMERS for 2018 current service was $416.3 (2017 - $423.9) and included as an expense on the Consolidated Statement of Operations. The City is current with all payments to OMERS; there is neither a surplus or deficit with the pension plan contributions.

(ii) TTC Pension Plan

The TTC participates in a defined benefit pension plan (TTC Pension Fund). The TTC Pension Fund is administrated by the Toronto Transit Commission Pension Fund Society (the Society), a separate legal entity. The Board of Directors of the Society consists of 10 voting members, five of whom are appointed from the Toronto Transit Commission and five are appointed from the Amalgamated Transit Union Local 113 (ATU). Pursuant to the Sponsors Agreement between the ATU and the TTC, the TTC Pension Fund was registered as a Jointly Sponsored Pension Plan (JSPP) effective January 1,2011.

The plan is accounted for as a joint defined benefit plan as the TTC and its employees jointly share the risk in the plan and share control of decision related to the plan administration and to the level of benefits and contributions on an ongoing basis. The TTC is required to account for its portion of the plan (i.e. 50%) and therefore, recognized 50% of the pension expense incurred during the year and 50% of the plan's assets and obligation.

The plan covers substantially all employees of the TTC who have completed six months of continuous service. Under the Plan, contributions are made by the plan members and matched by the TTC. The contribution rates are set by the Board, subject to the funding requirements determined in the actuarial report and subject to the limitations in the Sponsors Agreements between ATU and the TTC.

The plan provides pensions to members, based on a formula that factors in the length of credited service and best four years of pensionable earnings up to a base year. A formula exists that sets a target for pensioner increases. The Board of Directors of the Society make decisions with respect to affordable pension formula updates, pension indexing and plan improvements based on the results of the most recent funding valuation and the priorities set out in the plan's by-laws and funding policy.

Effective January 1, 2018, the base year for the TTC pension plan and the funded supplemental pension plans was updated to December 31, 2017 from December 31, 2016. In addition, an ad hoc increase of up to 1.56% (December 31, 2017 - 1.35%) was granted to all pensioners. The TTC's share of the prior service cost of these plan amendments have been reflected in the Consolidated Statement of Operations.

The effective date of the most recent actuarial valuation for funding purposes for the TTC Pension Fund was January 1, 2018. The next required actuarial valuation for funding purposes will be performed as at January 1, 2020. The effective date of the most recent valuation for accounting purposes was December 31, 2018.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2018 (in millions of dollars)

The TTC's portion of the assets in the TTC Pension Fund is carried at market value. As the TTC cannot withdraw the surplus to reduce its contributions, the expected benefit of a surplus is nil and therefore, a valuation allowance of $561.5 (December 31, 2017 - $474.4) is required to reduce the accrual benefit asset to either the value of the net unamortized actuarial losses (if any) or to the value of the fund surplus less net unamortized gains.

Actuarial assumptions for the TTC Pension Plan are as follows:

	2018	2017
Discount rate	3.75%	6.00%
Expected rate of return on plan assets	3.75%	6.00%
Rate of increase in salaries	3.25%	3.25%
Inflation rate	2.00%	2.00%

(iii) City Pension Plan

The City continued to administer 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.

As at December 31, 2018, there were 2,753 (2017 – 2,976) pensioners with an average age of 81.9 (2017 – 81.3) and 2,284 (2017 - 2,358) spousal beneficiaries in receipt of a pension, with an average age of 83.5 (2017 - 83). Pension payments and refunds during the year were approximately $135 (2017 - $140). Given that all remaining members in the plans have over 35 years of service, there are no contributions being made into the plans.

Required actions related to pension plan mergers with OMERS continued throughout 2018 for four of the five pre-OMERS pension plans. Required approvals and regulatory filings with the Financial Services Commission of Ontario continued, with the Superintendent of Financial Services providing his consent to complete the York Pension Plan merger with OMERS on January 8, 2019. The City is proceeding with the surplus distribution as per agreed upon surplus sharing agreements and completing the regulatory documents to wind-up the pension plan.

The City also successfully negotiated surplus sharing agreements and has submitted applications to the Superintendent of Financial Services seeking consent to merge the Civic, Metro and Police pension plans with OMERS. The City is anticipating completing the merger of the Civic and Police plans by the end of 2019 and the Metro plan in early 2020.

In 2019 and 2020, the City will record it's share of the pension plan surpluses. There are no other impacts to the City's Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2018 (in millions of dollars)

Pension Plans	2018 Pension assets – market value – end of year	Actuarial pension obligation – end of year	Net actuarial surplus	2017 Net actuarial surplus
Toronto Civic Employee	303	214	89	114
Metropolitan Toronto	447	381	66	77
Toronto Firefighters	484	477	7	36
City of York Employee	37	36	0.4	5
Metropolitan Toronto Police	198	174	24	61

15. Tangible Capital Assets

	2018 Cost	Accumulated amortization	Net book value	2017 Net book value
General				
Land	4,052	-	4,052	3,638
Land Improvements	1,057	470	587	566
Buildings and Building Improvements	11,372	3,877	7,495	6,865
Machinery and Equipment	2,931	1,580	1,351	1,190
Motor Vehicles	2,711	1,571	1,140	972
Total General	22,123	7,498	14,625	13,231
Infrastructure				
Land	140	-	140	140
Buildings and Building Improvements	810	193	617	538
Machinery and Equipment	2,733	1,220	1,513	1,221
Water and Wastewater Linear	6,604	2,376	4,228	4,069
Roads Linear	4,734	2,291	2,443	2,395
Transit	8,982	4,216	4,766	4,499
Total Infrastructure	24,003	10,296	13,707	12,862
Assets under Construction	4,385	-	4,385	4,371
Total	50,511	17,794	32,717	30,464

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2018 (in millions of dollars)

General capital assets include those assets which are not part of a network. Land includes all of the City's land except land under roads. Land improvements include outdoor parks and recreation facilities, 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 totaling $4.5 (2017 - $5.8).

16. Inventories

	2018	2017
Inventories	171	156
Inventory of Properties	157	156
	328	312

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2018 (in millions of dollars)

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) The City of Toronto has entered into the following commitments:

	Total contract/ contribution	Outstanding amount
City Council approved contribution amount to 2025 for agreements with Province of Ontario and Metrolinx for the execution of the SmartTrack Program.	1,470.0	1,469.0
Contract award to end of 2020 for the rehabilitation of the F.G Gardiner Expressway	314.0	274.0
Contract award to December 29, 2023 for the construction of Coxwell Bypass Tunnel	404.3	389.3
Contract award to end of 2023 for the construction of New Outfall at Ashbridges Bay Treatment Plant.	269.5	269.5

c) The TTC has entered into the following commitments:

	Total contract	Outstanding amount
Outstanding commitment related to 82 train sets delivered in 2018	1,510.0	58.3
Supply of 204 Light Rail Vehicles to be delivered in 2019	1,011.0	358.5
Outstanding commitment for 1,073 articulated, low floor, clean diesel buses, all but 366 buses have been delivered, with the remaining buses set for delivery in 2019	730.7	257.0
Outstanding commitment related to the supply of 128 Low Floor Wheel Trans mini-buses, with 48 to be delivered in 2019	23.6	10.4

d) 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 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 in the aggregate, with individual loan guarantees being limited to a maximum of $10 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 in the aggregate. At December 31, 2018 the City had provided capital loan guarantees to certain third parties amounting to $41.1 (2017 - $43.6), and operating line of credit guarantees of $6.0 (2017 - $5.9), primarily related to several cultural non-profit organizations, and direct City loans amounting to $57.9 (2017 - $60.1), primarily to City agencies.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2018 (in millions of dollars)

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.

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 $0.25 as at 2018 year end (2018 – $0.25).

e) At December 31, 2018, the City is committed to future minimum annual operating lease payments as follows:

2019	75
2020	56
2021	43
2022	34
2023	29
Thereafter	173
	410

18. Accumulated Surplus

	2018	2017
Operating Fund	2,786	3,215
Capital Fund	(1,030)	(1,133)
Reserve and Reserve Fund (a)	2,276	2,038
Net Investment in TCA (b)	25,682	24,041
Liabilities to be Funded (c)	(4,540)	(4,421)
Total	**25,174**	**23,740**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2018 (in millions of dollars)

	2018	2017
(a) Reserve and Reserve Fund		
Reserves:		
Corporate	764	674
Stabilization	204	164
Water and Wastewater	139	76
Donations	1	1
	1,108	915
Reserve Funds:		
Employee Benefits	289	279
Corporate	492	466
Community Initiatives	139	129
State of Good Repair	248	249
	1,168	1,123
Total Reserves and Reserve Funds	**2,276**	**2,038**
(b) Net Investment in TCA		
Tangible Capital Assets (Note 15)	32,717	30,464
Mortgages Payable (Note 12)	(292)	(316)
Long-Term Debt (Note 13)	(6,502)	(5,950)
Environmental and Contaminated Sites Liabilities (Note 11)	(241)	(157)
Total Net Investment in TCA	**25,682**	**24,041**
(c) Liabilities to be funded		
Employee Benefit Liabilities (Note 14)	(4,011)	(3,882)
Provision for Property and Liability Claims (Note 12)	(529)	(539)
Total Liabilities to be Funded	**(4,540)**	**(4,421)**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2018 (in millions of dollars)

19. Budget Data

Budget data presented in these consolidated financial statements are based upon the 2018 operating and capital budgets approved by Council. Adjustments to budgeted values were required to provide comparative budget figures 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
Revenues	
Approved Budget	15,538
Transfer from reserve funds, net	(694)
Proceeds of debt issued	(1,669)
Consolidated entities, net	298
Total revenues	13,473
Expenses	
Approved Budget	15,600
Acquisition of tangible capital assets	(3,641)
Debt principal repayments	(292)
Amortization	1,267
Contribution to Operating from Capital Fund and Reserve and Reserve funds	(294)
Consolidated entities, net	263
Total expenses	12,903
Annual Surplus	570

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2018 (in millions of dollars)

20. Government Transfers

	2018	2017
By Function		
Social and Family Services	1,929	1,709
Transportation	897	470
Health Services	323	308
General Government	118	102
Social Housing	107	117
Protection to Persons and Property	56	43
Environmental Services	40	27
Planning and Development	26	3
Recreation and Cultural Services	9	21
Total Transfers by Function	**3,505**	**2,800**
By Source		
Operating Transfers		
Federal	208	162
Provincial	2,348	2,152
Other	13	19
	2,569	2,333
Capital Transfers		
Federal	766	188
Provincial	132	112
Other	38	167
	936	467
Total Transfers by Source	**3,505**	**2,800**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2018 (in millions of dollars)

21. Total Expenses

	2018	2017
Salaries, Wages and Benefits	5,813	5,623
Contracted Services	1,865	1,628
Transfer Payments	1,463	1,367
Materials	1,289	1,015
Amortization (Schedule 1)	1,267	1,136
Interest on Long-Term Debt	328	320
Other	281	226
	12,306	**11,315**

22. Trust Funds

Trust funds administered by the City amounting to $26 (2017 - $26) have not been consolidated in these financial statements.

	2018	2017
Keele Valley Site Post-Closure Trust Fund (Note 11)	8	8
Homes for the Aged Trust Fund – Residents	6	6
Community Centre Development Levy Trust Fund – Railway Lands	5	5
Toronto Police Service Board Mounted Unit	2	2
Waterpark Place Trust Fund	1	1
Contract Aftercare Trust Fund	1	1
Other Trust Funds	3	3
	26	**26**

23. Subsequent Events

Invest Toronto was a council-controlled organization which promoted tourism and investment in the City of Toronto. In 2016, Toronto City Council approved participation in Toronto Global, a new Foreign Direct Investment Regional Agency, to be funded in partnership with municipalities and regions in the Greater Toronto Area and with the provincial and federal governments. Once operational, Toronto Global delivered the same service for the City as Invest Toronto, but at a regional scale. As such, City Council and the Board approved in 2017 the voluntary wind-up of the Invest Toronto, and a transition plan and transfer of assets to Toronto Global. Council appointed the City Manager to act as liquidator of the estate and effects of the Invest Toronto, which involves settling all outstanding liabilities and distributing remaining assets to the shareholder. With provincial approval, the entity will be dissolved during the 2019 fiscal year.

On June 4, 2019, Ontario's government passed Bill 107, Getting Ontario Moving Act, 2019 (Transportation Statute Law Amendment). Schedule 3 amends the Metrolinx Act, 2006, wherein the Lieutenant Governor in Council may prescribe that a rapid transit design, development or construction project is the sole responsibility of Metrolinx. If a rapid transit project is the sole responsibility of Metrolinx, the City of Toronto and its agencies, including the TTC cannot take further action on that project. Further, the Lieutenant Governor in Council may, by order, transfer to Metrolinx, with or without compensation, all or some of the City of Toronto's and its agencies' assets, liabilities, rights and obligations with respect to a project prescribed as a rapid transit project. The City and the TTC continue to work with the provincial to determine the impact on existing construction in progress for expansion related projects.

24. Greenhouse Gas (GHG) Emission Reductions (unaudited)

Toronto's climate action strategy (TransformTO) lays out a set of long-term, low-carbon goals and strategies to reduce local greenhouse gas emissions, and improve our health, grow the economy, and progress social equity. Under this strategy, Toronto's targets are to reduce GHG emissions from the 1990 levels by 30% by 2020, 65% by 2030 and 80% by 2050.

Subsequent to December 31, 2018, Toronto has released its 2016 inventory on community-wide GHG emissions which indicates that GHG emissions in Toronto were 33% lower in 2016 than in 1990.

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

SCHEDULE 1

As at and for the year ended December 31, 2018 (millions of dollars)

	2018									
	Cost 2018					Accumulated Amortization 2018				Net Book Value 2018
	Beginning	Additions	Disposals / Transfers	Donated	Ending	Beginning	Amortization	Disposals	Ending	
General										
Land	3,637	421	(6)	-	4,052	-	-	-	-	4,052
Land improvements	1,004	53	-	-	1,057	438	32	-	470	587
Buildings and building improvements	10,403	1,037	(68)	-	11,372	3,538	339	-	3,877	7,495
Machinery and equipment	2,642	342	(53)	-	2,931	1,452	180	(52)	1,580	1,351
Vehicles	2,585	374	(248)	-	2,711	1,613	205	(247)	1,571	1,140
Total General	**20,271**	**2,227**	**(375)**	**-**	**22,123**	**7,041**	**756**	**(299)**	**7,498**	**14,625**
Infrastructure										
Land	140	-	-	-	140	-	-	-	-	140
Buildings and building improvements	715	95	-	-	810	178	15	-	193	617
Machinery and equipment	2,363	370	-	-	2,733	1,142	78	-	1,220	1,513
Water and wastewater linear	6,364	246	(6)	-	6,604	2,293	87	(4)	2,376	4,228
Roads linear	4,592	150	(8)	-	4,734	2,198	97	(4)	2,291	2,443
Transit	8,531	501	(50)	-	8,982	4,032	234	(50)	4,216	4,766
Total infrastructure	**22,705**	**1,362**	**(64)**	**-**	**24,003**	**9,843**	**511**	**(58)**	**10,296**	**13,707**
Assets under construction	**4,371**	**894**	**(880)**	**-**	**4,385**	**-**	**-**	**-**	**-**	**4,385**
TOTAL	47,347	4,483	(1,319)	-	50,511	16,884	1,267	(357)	17,794	32,717

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

SCHEDULE 1

As at and for the year ended December 31, 2017 (millions 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	27	(4)	-	3,638	-	-	-	-	3,638
Land improvements	972	40	(8)	-	1,004	411	29	(2)	438	566
Buildings and building improvements	8,658	1,754	(9)	-	10,403	3,251	292	(5)	3,538	6,865
Machinery and equipment	2,292	387	(38)	-	2,641	1,330	159	(38)	1,451	1,190
Vehicles	2,380	295	(90)	-	2,585	1,514	185	(86)	1,613	972
Total General	**17,917**	**2,503**	**(149)**	**-**	**20,271**	**6,506**	**665**	**(131)**	**7,040**	**13,231**
Infrastructure										
Land	140	-	-	-	140	-	-	-	-	140
Buildings and building improvements	707	9	-	-	716	165	13	-	178	538
Machinery and equipment	2,269	94	-	-	2,363	1,071	71	-	1,142	1,221
Water and wastewater linear	6,251	113	(1)	-	6,363	2,211	83	-	2,294	4,069
Roads linear	4,399	208	(15)	-	4,592	2,118	94	(15)	2,197	2,395
Transit	7,222	1,316	(7)	-	8,531	3,829	210	(7)	4,032	4,499
Total infrastructure	**20,988**	**1,740**	**(23)**	**-**	**22,705**	**9,394**	**471**	**(22)**	**9,843**	**12,862**
Assets under construction	**5,578**	**895**	**(2,102)**	**-**	**4,371**	**-**	**-**	**-**	**-**	**4,371**
TOTAL	44,483	5,138	(2,274)	-	47,347	15,900	1,136	(153)	16,883	30,464

CONSOLIDATED SCHEDULE OF GOVERNMENT BUSINESS ENTERPRISES

APPENDIX 1

As at and for the year ended December 31, 2018 (millions of dollars)

Condensed Financial Results ($) Fiscal Year Ended	Toronto Hydro Corporation		Toronto Parking Authority		Toronto Port Lands Company *		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Financial Position								
Assets								
Current	517	527	85	54	-	41	602	622
Capital	4,711	4,439	206	204	-	357	4,917	5,000
Other	137	254	53	73	-	-	190	327
	5,365	**5,220**	**344**	**331**	-	**398**	**5,709**	**5,949**
Liabilities								
Current	975	771	32	23	-	7	1,007	801
Long-term	2,551	2,696	3	4	-	8	2,554	2,708
	3,526	**3,467**	**35**	**27**	-	**15**	**3,561**	**3,509**
Net equity	**1,839**	**1,753**	**309**	**304**	-	**383**	**2,148**	**2,440**
City's share (Note 6)	**1,822**	**1,736**	**309**	**304**	-	**383**	**2,131**	**2,423**
Results of Operations								
Revenues	3,527	3,865	156	151	-	18	3,683	4,034
Expenses	3,349	3,703	89	90	-	7	3,438	3,800
Net income (loss)	**178**	**162**	**67**	**61**	-	**11**	**245**	**234**
City's share (Note 6)	**178**	**162**	**67**	**61**	-	**11**	**245**	**234**
Distribution to City (Note 6)	-	-	62	52	-	5	62	57
Dividends paid to City (Note 6)	94	75	-	-	-	-	94	75
Net book value of assets sold from the City to Toronto Hydro Corporation (Note 6)	17	19	-	-	-	-	17	19

* As of January 1, 2018, the Toronto Port Lands Company is fully consolidated and no longer accounted for as a GBE (Note 6)

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – SERVICE

for the year ended December 31, 2018 (millions of dollars)

	2018									
	General Government	Protection	Transportation	Environmental	Health	Social and Family	Social Housing	Recreation and Cultural	Planning and Development	Consolidated
Taxation	5,080	-	-	-	-	-	-	-	-	**5,080**
User charges	72	205	1,351	1,343	2	66	18	162	36	**3,255**
Government transfers	118	56	898	40	323	1,929	107	9	25	**3,505**
Net GBE income	247	-	-	-	-	-	-	-	-	**247**
Other	343	69	375	73	4	18	472	226	73	**1,653**
Total Revenues	5,860	330	2,624	1,456	329	2,013	597	397	134	**13,740**
Salaries, wages and benefits	474	1,678	1,597	274	389	610	165	574	52	**5,813**
Materials	168	31	384	97	20	315	131	98	45	**1,289**
Contracted services	183	33	486	269	35	555	91	131	82	**1,865**
Interest on long-term debt	6	11	193	12	1	4	78	12	11	**328**
Transfer payments	(163)	54	200	112	38	970	172	72	8	**1,463**
Other	112	13	36	19	3	18	30	47	3	**281**
Amortization	96	38	682	193	4	2	177	72	3	**1,267**
Total Expenses	876	1,858	3,578	976	490	2,474	844	1,006	204	**12,306**
Annual Surplus/ (Deficiency)	4,984	(1,528)	(954)	480	(161)	(461)	(247)	(609)	(70)	1,434

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – SERVICE
for the year ended December 31, 2017 (millions of dollars)

	2017									
	General Government	Protection	Transportation	Environmental	Health	Social and Family	Social Housing	Recreation and Cultural	Planning and Development	Consolidated
Taxation	5,003	-	-	-	-	-	-	-	-	**5,003**
User charges	60	203	1,356	1,135	2	60	18	159	35	**3,028**
Government transfers	103	43	470	27	308	1,709	117	21	2	**2,800**
Net GBE income	236	-	-	-	-	-	-	-	-	**236**
Other	215	62	309	120	5	30	480	193	83	**1,497**
Total Revenues	5,617	308	2,135	1,282	315	1,799	615	373	120	**12,564**
Salaries, wages and benefits	446	1,649	1,548	268	370	583	156	557	46	**5,623**
Materials	164	28	333	108	17	73	142	95	55	**1,015**
Contracted services	168	24	450	288	33	418	81	152	14	**1,628**
Interest on long-term debt	2	12	190	11	-	5	76	14	10	**320**
Transfer payments	(183)	48	-	74	35	1,096	198	80	19	**1,367**
Other	91	14	23	28	2	17	8	42	1	**226**
Amortization	88	36	596	179	3	1	163	68	2	**1,136**
Total Expenses	776	1,811	3,140	956	460	2,193	824	1,008	147	**11,315**
Annual Surplus/ (Deficiency)	4,841	(1,503)	(1,005)	326	(145)	(394)	(209)	(635)	(27)	1,249

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – ENTITY

for the year ended December 31, 2018 (millions of dollars)

	2018						
	City	Toronto Police Service	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies and Corporations	Total
Taxation	5,080	-	-	-	-	-	**5,080**
User charges	1,952	30	1,178	4	18	73	**3,255**
Government transfers	2,516	55	892	6	-	36	**3,505**
Net GBE income	247	-	-	-	-	-	**247**
Other	562	31	200	16	666	178	**1,653**
Total Revenues	10,357	116	2,270	26	684	287	**13,740**
Salaries, wages and benefits	2,890	1,101	1,413	144	165	100	**5,813**
Materials	764	13	260	7	131	114	**1,289**
Contracted services	1,390	24	244	28	91	88	**1,865**
Interest on long-term debt	238	9	-	-	78	3	**328**
Transfer payments	2,414	-	(533)	(187)	(260)	29	**1,463**
Other	184	4	29	3	30	31	**281**
Amortization	434	28	579	36	178	12	**1,267**
Total Expenses	8,314	1,179	1,992	31	413	377	**12,306**
Annual Surplus/ (Deficiency)	**2,043**	(1,063)	**278**	(5)	**271**	(90)	**1,434**

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – ENTITY

for the year ended December 31, 2017 (millions of dollars)

	2017						
	City	Toronto Police Service	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies and Corporations	Total
Taxation	5,003	-	-	-	-	-	**5,003**
User charges	1,717	32	1,182	4	18	75	**3,028**
Government transfers	2,272	42	468	8	-	10	**2,800**
Net GBE income	236	-	-	-	-	-	**236**
Other	666	29	146	17	470	169	**1,497**
Total Revenues	9,894	103	1,796	29	488	254	**12,564**
Salaries, wages and benefits	2,782	1,080	1,370	141	156	94	**5,623**
Materials	548	10	217	9	142	89	**1,015**
Contracted services	1,250	15	232	26	81	24	**1,628**
Interest on long-term debt	232	10	-	-	76	2	**320**
Transfer payments	2,438	2	(595)	(186)	(240)	(52)	**1,367**
Other	176	4	9	3	9	25	**226**
Amortization	408	27	495	33	163	10	**1,136**
Total Expenses	7,834	1,148	1,728	26	387	192	**11,315**
Annual Surplus/ (Deficiency)	**2,060**	**(1,045)**	**68**	**3**	**101**	**62**	**1,249**

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – TANGIBLE CAPITAL ASSETS BY ENTITY

APPENDIX 4

for the year ended December 31, 2018 and 2017 (millions of dollars)

2018 and 2017

	City, including Toronto Police Service	Toronto Transit Commission	Toronto Community Housing Corporation	Toronto Public Library	Other Agencies and Corporations	Total
2018						
General						
Cost	8,260	7,770	5,026	490	577	22,123
Accumulated amortization	2,363	2,886	1,957	187	105	7,498
Net Book Value	**5,897**	**4,884**	**3,069**	**303**	**472**	**14,625**
Infrastructure						
Cost	15,021	8,982	-	-	-	24,003
Accumulated amortization	6,080	4,216	-	-	-	10,296
Net Book Value	**8,941**	**4,766**	**-**	**-**	**-**	**13,707**
Assets under construction	**2,070**	**1,998**	**128**	**38**	**151**	**4,385**
Total	**16,908**	**11,648**	**3,197**	**341**	**623**	**32,717**
2017						
General						
Cost	7,967	7,087	4,523	476	218	20,271
Accumulated amortization	2,236	2,751	1,781	181	91	7,040
Net Book Value	**5,731**	**4,336**	**2,742**	**295**	**127**	**13,231**
Infrastructure						
Cost	14,174	8,531	-	-	-	22,705
Accumulated amortization	5,811	4,032	-	-	-	9,843
Net Book Value	**8,363**	**4,499**	**-**	**-**	**-**	**12,862**
Assets under construction	**1,958**	**2,052**	**223**	**30**	**108**	**4,371**
Total	**16,052**	**10,887**	**2,965**	**325**	**235**	**30,464**

CITY OF TORONTO SINKING FUNDS

Independent auditor's report

To the Members of City Council of the City of Toronto

Our opinion

In our opinion, the accompanying financial statements of the City of Toronto Sinking Funds (the Entity) as at December 31, 2018 and for the year then ended are prepared, in all material respects, in accordance with the basis of accounting as described in note 2 to the financial statements.

What we have audited
The Entity's financial statements comprise:

- the statement of financial position as at December 31, 2018;
- the statement of operations and changes in unrestricted surplus for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence
We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter – basis of accounting and restriction on distribution and use

We draw attention to note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Members of City Council to assess the financial performance of the Entity. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Members of City Council and management, in accordance with the terms of our engagement, and should not be distributed to or used by parties other than the Members of City Council and management. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements in accordance with the basis of accounting as described in note 2 to the financial statements; this includes determining that the financial reporting framework is acceptable in the circumstances, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or

conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
July 16, 2019

CITY OF TORONTO SINKING FUNDS
STATEMENT OF FINANCIAL POSITION
as at December 31, 2018 (in thousands of dollars)

	2018	2017
ASSETS		
Current		
Cash	268,449	1,631
Investments (Note 4)	1,369,148	1,741,064
Total Current Assets	**1,637,597**	**1,742,695**
LIABILITIES AND NET ASSETS		
Current		
Accounts Payable and Accrued Liabilities	11	16
Total Current Liabilities	**11**	**16**
Actuarial Requirements (Note 5)	1,562,398	1,604,283
Total Liabilities	**1,562,409**	**1,604,299**
Net Assets		
Unrestricted Surplus (Note 6)	20,585	30,442
Internally Restricted Surplus (Note 6)	54,603	107,954
Total Surplus	**75,188**	**138,396**
	1,637,597	**1,742,695**

CITY OF TORONTO SINKING FUNDS
STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED SURPLUS

for the year ended December 31, 2018 (in thousands of dollars)

	2018	2017
REVENUES		
Contributions	291,463	282,920
Investment Income (Note 7)	28,444	38,130
	319,907	321,050
EXPENSES		
Change in Actuarial Requirements (Note 6)	383,115	381,186
Deficiency of revenues over expenses for the year	(63,208)	(60,136)
Surplus, beginning of year	138,396	198,532
Total surplus, end of year	75,188	138,396

CITY OF TORONTO SINKING FUNDS
STATEMENT OF CASH FLOWS
for the year ended December 31, 2018 (in thousands of dollars)

CASH PROVIDED BY (USED IN)	2018	2017
OPERATING ACTIVITIES		
Deficiency of revenues over expense for the year	(63,208)	(60,136)
Add (Deduct) items not involving cash:		
Amortized discount on investments	(34,767)	5,695
Increase in accrued interest	53	2,374
Unrealized loss on investments	24,895	22,313
Increase in actuarial requirements	383,115	381,186
	310,088	**351,432**
Changes in non-cash working capital balances related to operations:		
(Decrease) in accounts payable and accrued liabilities	(5)	(7)
Cash provided by operating activities	**310,083**	**351,425**
INVESTING ACTIVITIES		
Purchase of investments	(856)	(360,105)
Proceeds from maturities of investments	377,773	388,984
Proceeds from sale of investments	4,818	54,310
Cash provided by (used in) investing activities	**381,735**	**83,189**
FINANCING ACTIVITIES		
Maturity of debenture	(425,000)	(500,000)
Cash used in financing activities	**(425,000)**	**(500,000)**
Increase (decrease) in cash during the year	266,818	(65,386)
Cash, beginning of year	1,631	67,017
Cash, end of year	**268,449**	**1,631**

CITY OF TORONTO SINKING FUNDS
NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2018 (in thousands of dollars)

1. PURPOSE OF SINKING FUNDS

The City of Toronto Sinking Funds [the Sinking Funds] accumulate amounts through periodic contributions, which are calculated such that the contributions and interest earnings will be sufficient to retire the principal amount of the Sinking Fund debt when it matures. When the accumulated Sinking Fund exceeds the maturity value of the related debenture, the excess may be refunded or applied against other Sinking Fund accounts created for the same purpose.

Note 8 in these financial statements contains the schedule of projected debenture maturity amounts.

The City of Toronto Sinking Funds are governed under the City of Toronto Act, 2006 and are exempt from income taxes under Section 149(1) of the Income Tax Act (Canada).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian public sector accounting standards, except that investments are recorded at fair value to better reflect their ability to meet debt obligations. The significant accounting policies are summarized below.

(i) Financial instruments

The Sinking Funds financial assets include cash, short-term and long-term investments. Cash is recorded at amortized cost, which approximates fair value. Short term investments are comprised of money market instruments, such as guaranteed investment certificates and are valued based on cost plus accrued income. The Sinking Funds invest in debentures issued or guaranteed by Provincial and Municipal governments and corporate bonds; the fair value of investments recorded in the financial statements is based on the latest bid prices and the change in fair value is included in the Statement of Operations as Investment Income. Investment transactions are recorded on a settlement date basis and transaction costs are expensed as incurred.

The Sinking Funds' investment activities expose it to a range of financial risks, including market risk, credit risk, and liquidity risk (Note 9).

(ii) Revenue recognition

Contributions are recognized as revenue in the year receivable. Interest income is recorded when earned.

Sinking Fund debenture issues are grouped by Sinking Fund interest rates. These rates represent the investment earnings assumptions for each of the respective funds and are used in determining the annual contributions required to retire the outstanding debt.

Investment income includes investment income and interest income, net of bank service charges, audit fees and unrealized gain (loss) on the increase/decrease in the fair value of the investments.

3. MANAGEMENT ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities and deficit/surplus at the reporting date and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates. In particular, there is significant judgement applied in determining actuarial requirements for Sinking Funds.

The Actuarial Requirements Liability of the Sinking Funds for the year represents the amounts levied during the year as set out in the Sinking Funds debenture bylaws plus interest accrued, compounded at the Sinking Fund rates of 3.5%, 4%, or 5% per annum on debt issued in 1997 and after; and 2.0%, and 2.5% per annum on debt issued in 2015 and after. These actuarial requirement liabilities are presented at amortized cost, which approximates fair value.

for the year ended December 31, 2018 (in thousands of dollars)

4. INVESTMENTS

Fair value represents bid price for each financial instrument, while face value represents the original cost of the investment at the purchase date.

	Fair Value	Face Value
2018		
Debt investments issued or guaranteed by:		
Provincial Governments	1,027,182	1,198,513
City of Toronto	93,574	86,397
Other Canadian municipalities	216,754	198,867
Corporations	31,638	31,769
Total	1,369,148	1,515,546
2017		
Debt investments issued or guaranteed by:		
Provincial Governments	1,222,136	1,414,983
City of Toronto	124,076	106,108
Other Canadian municipalities	237,175	219,294
Corporations	157,677	156,915
Total	1,741,064	1,897,300

	2018	2017
Amortized cost	1,336,599	1,683,567
Weighted average yield	3.79%	3.84%
Average term to maturity	6.38 years	5.97 years
Excess of fair value over amortized cost	32,549	57,497

5. ACTUARIAL REQUIREMENTS

	2018	2017
Actuarial Requirements, beginning of year	1,604,283	1,723,097
Add change in Actuarial liability requirements	383,115	381,186
	1,987,398	2,104,283
Less value of debentures matured during the year	425,000	500,000
Actuarial Requirements, end of year	1,562,398	1,604,283

for the year ended December 31, 2018 (in thousands of dollars)

6. NET ASSETS

	2018	2017
City of Toronto unrestricted deficit based on amortized cost	(9,354)	(24,393)
Unrealized gain on investments	29,939	54,835
Total unrestricted surplus	20,585	30,442
Internally restricted surplus	54,603	107,954
Total net assets	**75,188**	**138,396**

7. INVESTMENT INCOME

	2018	2017
Investment income	50,886	59,758
Interest income	2,453	685
Unrealized loss on change in fair value	(24,895)	(22,313)
Total investment income	**28,444**	**38,130**

8. SCHEDULE OF PROJECTED DEBENTURE MATURITIES

For the year ended December 31, 2018, the following is a list of the projected maturities of the Sinking Fund debentures, held within the City of Toronto:

	$
2019	400,000
2021	650,000
2023	300,000
2024	300,000
2025	300,000
2026	300,000
2027	700,000
2035	400,000
2036	750,000
2040	600,000
2041	450,000
2042	300,000
2044	300,000
2046	500,000
2048	300,000
	6,550,000

9. RISK EXPOSURE

The Sinking Funds are subject to market risk, credit risk, and interest rate risk with respect to the investment portfolio. The Sinking Funds' interest bearing investments are exposed to interest rate risk. Sinking Funds' investments are at risk due to fluctuations in market prices whether changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. The Sinking Funds manage risk by investing across a wide variety of asset classes and investment strategies.

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

The Sinking Funds' liquidity risk is the risk of being unable to settle or meet commitments as they come due. These commitments include payment of the funding obligations of the Sinking Funds. Liquidity risk is managed by ensuring the Sinking Funds invest in securities that are actively traded.

With the creation of the City's Investment Board and new investment policy as at January 1, 2018, through provincial regulation 610/06, sinking fund contributions can be invested in a broader range of asset classes including fixed income, equities and real assets.

10. CAPITAL MANAGEMENT

In managing capital, the Sinking Funds focus on liquid resources available for reinvestment. The Sinking Funds' objective is to have sufficient liquid resources to meet its debenture obligations when they mature. The need for sufficient liquid resources is considered in the investment process. As at December 31, 2018, the Sinking Funds have met their objective of having sufficient liquid resources to meet current obligations.

CITY OF TORONTO TRUST FUNDS

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Independent auditor's report

To the Members of City Council of the City of Toronto

Our opinion

In our opinion, the accompanying consolidated financial statements of City of Toronto Trust Funds (the Entity) as at December 31, 2018 and for the year then ended are prepared, in all material respects, in accordance with the basis of accounting as described in note 1 to the financial statements.

What we have audited
The Entity's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2018;
- the consolidated statement of operations and changes in fund balances for the year then ended;
- the consolidated statement of continuity of fund balances; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter – basis of accounting and restriction on distribution and use

We draw attention to note 1 to the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared to assist the Members of City Council to assess the financial performance of the Entity. As a result, the consolidated financial statements may not be suitable for another purpose. Our report is intended solely for the Members of City Council and management, in accordance with the terms of our engagement, and should not be distributed to or used by

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

parties other than the Members of City Council and management. Our opinion is not modified in respect of this matter.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation of the consolidated financial statements in accordance with the basis of accounting as described in note 1 to the financial statements; this includes determining that the financial reporting framework is acceptable in the circumstances, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.

pwc

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
July 16, 2019

CITY OF TORONTO TRUST FUNDS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at December 31, 2018 (in thousands of dollars)

	2018	2017
ASSETS		
Cash	5,321	5,030
Accounts Receivable	42	180
Due from City of Toronto (Note 3)	13,005	12,840
Investments (Note 4)	52,245	52,794
Total Assets	**70,613**	**70,844**
LIABILITIES		
Accounts Payable	169	168
Fund Balances	**70,444**	**70,676**
Total Liabilities and Fund Balances	**70,613**	**70,844**

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

CITY OF TORONTO TRUST FUNDS
CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

for the year ended December 31, 2018 (in thousands of dollars)

	2018	2017
REVENUES		
Investment Income	1,101	6,210
Contributions and Other Income	4,840	9,521
	5,941	15,731
EXPENDITURES		
Expenditures	6,173	11,817
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FOR THE YEAR	(232)	3,914
FUND BALANCES, BEGINNING OF YEAR	70,676	66,762
FUND BALANCES, END OF YEAR	70,444	70,676

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

CITY OF TORONTO TRUST FUNDS
CONSOLIDATED STATEMENT OF CONTINUITY OF FUND BALANCES
for the year ended December 31, 2018 (in thousand of dollars)

	Balance January 1, 2018	Contributions	Investment Income	Expenditures	Balance December 31, 2018
Investments held in trust for:					
Toronto Atmospheric Fund	44,373	1,200	767	2,361	43,979
Keele Valley Site Post-Closure	7,573	-	34	-	7,607
Homes for the Aged Residents	6,303	3,492	73	3,641	6,227
Community Centre Development Levy Trust	5,010	-	111	-	5,121
Toronto Police Services Board Mounted Unit	1,816	-	7	-	1,823
Indemnity Deposit – Waterpark Place	1,108	-	25	-	1,133
Contract Aftercare Project	1,104	-	18	-	1,122
Community Services and Facilities	778	-	17	-	795
Regent Park Legacy Trust	720	-	16	-	736
Music Garden Trust Fund	615	-	8	9	614
Queen's Quay Community Services	335	-	7	-	342
Lakeshore Pedestrian Bridge	255	-	6	-	261
Children's Green House Trust	118	-	3	-	121
Green Lane Small Claims	113	-	3	-	116
Public Art Maintenance Trust	107	-	2	-	109
Toronto Police Services Board	92	147	-	162	77
Preservation Trust	55	-	1	-	56
Hugh Clydesdale	45	-	1	-	46
Michael Sansone	43	-	-	-	43
Tenant Displacement	28	-	1	-	29
90 Lisgar Street Trust	21	-	-	-	21
Municipal Elections Candidates' Surplus	-	1	-	-	1
Other Trust Funds	64	-	1	-	65
Total	70,676	4,840	1,101	6,173	70,444

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

CITY OF TORONTO TRUST FUNDS
CONSOLIDATED STATEMENT OF CONTINUITY OF FUND BALANCES
for the year ended December 31, 2017 (in thousand of dollars)

	Balance January 1, 2017	Contributions	Investment Income	Expenditures	Balance December 31, 2017
Investments held in trust for:					
Toronto Atmospheric Fund	42,388	4,205	5,996	8,216	44,373
Keele Valley Site Post-Closure	7,552	-	21	-	7,573
Homes for the Aged Residents	6,279	3,233	65	3,274	6,303
Community Centre Development Levy Trust	4,941	-	69	-	5,010
Toronto Police Services Board Mounted Unit	-	1,806	10	-	1,816
Indemnity Deposit – Waterpark Place	1,105	-	3	-	1,108
Contract Aftercare Project	1,102	-	2	-	1,104
Community Services and Facilities	767	-	11	-	778
Regent Park Legacy Trust	713	-	10	3	720
Music Garden Trust Fund	615	-	9	9	615
Queen's Quay Community Services	340	-	5	10	335
Lakeshore Pedestrian Bridge	254	-	1	-	255
Children's Green House Trust	116	-	2	-	118
Green Lane Small Claims	111	-	2	-	113
Public Art Maintenance Trust	221	-	3	117	107
Toronto Police Services Board	3	277	-	188	92
Preservation Trust	54	-	1	-	55
Hugh Clydesdale	45	-	-	-	45
Michael Sansone	43	-	-	-	43
Tenant Displacement	28	-	-	-	28
90 Lisgar Street Trust	21	-	-	-	21
Municipal Elections Candidates' Surplus	-	-	-	-	-
Other Trust Funds	64	-	-	-	64
Total	66,762	9,521	6,210	11,817	70,676

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

CITY OF TORONTO TRUST FUNDS
NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2018 (in thousands of dollars)

The City of Toronto Consolidated Trust Funds (Trust Funds) consist of various trust funds administered by the City of Toronto. The Trust Funds are not subject to income taxes under Section 149 (1) of the Income Tax Act (Canada).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements include trust funds administered by the City as well as those within organizations that are accountable to the City. The Trust Funds' consolidated financial statements are the representation of management and have been prepared in accordance with Canadian public sector accounting standards, except that investments are recorded at fair value to reflect their ability to support the purpose for which they were created. The significant accounting policies are summarized below.

(i) Revenue recognition

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

Investment income includes dividends, interest and realized and unrealized gains and losses and is included in the consolidated statement of operations and changes in fund balances.

(ii) Financial instruments and investment income

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

Investments consisting of government and corporate bonds, debentures and short-term instruments of various financial institutions are authorized investments pursuant to the provisions of the Municipal Act.

The Trust Funds' investment activities expose it to a range of financial risks, including market risk, and credit risk. The value of investments recorded in the consolidated financial statements is the fair value determined as follows:

[a] Short-term investments are comprised of money market instruments, such as bankers acceptances and are valued based on cost plus accrued income.

[b] Publicly traded bonds and debentures are determined based on the latest bid prices.

Transactions are recorded on a settlement date basis.

(iii) Expenditures

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

Distributions, withdrawal from and management fees for investments held in trust for the Toronto Atmospheric Fund are recorded as expenditures in the period incurred in the consolidated statement of operations and changes in fund balances.

Transaction costs are expensed as incurred.

2. USE OF ESTIMATES

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities and surplus at the reporting date and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. DUE FROM CITY OF TORONTO

As at December 31, 2018 the Trust Funds have amounts due from the City of Toronto of $13,005 (2017 - $12,840) for investment and banking transactions, since the City maintains bank accounts or holds investments on behalf of the Trust Funds. These amounts are non-interest bearing and are due on demand.

4. INVESTMENTS

Investments consist of the following:

	Fair Value	Book Value
2018		
Short-Term Investments	6,732	6,554
Mutual Fund Investments	45,513	29,106
Total	52,245	35,660
2017		
Short-Term Investments	6,898	6,867
Mutual Fund Investments	45,896	30,274
Total	52,794	37,141

	2018	2017
Weighted average yield	2.15%	1.93%
Range of maturity dates	2019-2020	2018-2019
Excess of fair value over book value ($000)	16,585	15,653

5. FINANCIAL INSTRUMENTS

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

Market risks include exposure arising from holdings of foreign currency denominated investments and equity prices. The Trust Funds' reporting currency is Canadian dollars. A decrease in the relative value of the Canadian dollar as compared to the US dollar will result in an increase to the Trust Funds' US dollar investments. An increase in the relative value of the Canadian dollar as compared to the US dollar will result in a decrease to the Trust Funds' US dollar investments. Equity price risk is the risk the fair value or future cash flows of an equity financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument, or its issuer, or factors affecting all similar financial instruments traded in the market. The Trust Funds manage risk by investing across a wide variety of asset classes and investment strategies.

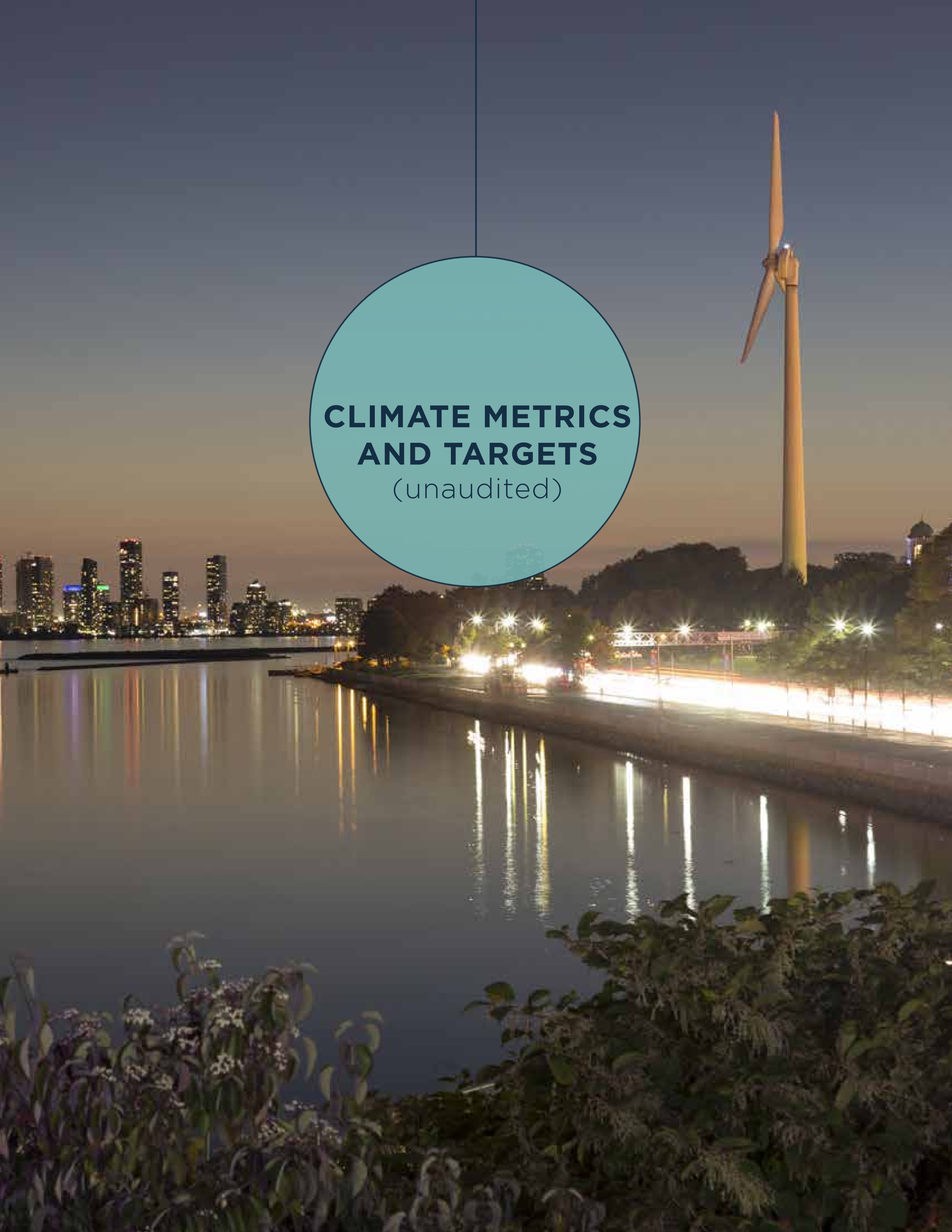
The Trust Funds hold investments in fixed income securities issued by corporations and government entities and as such have fixed income credit risk. The Trust Funds mitigate this risk by limiting the investment portfolio to investments in BBB grade or higher.

6. CAPITAL MANAGEMENT

In managing capital, the Trust Funds focus on liquid resources available for reinvestment. The Trust Funds' objective is to have sufficient liquid resources to meet payout requirements. The need for sufficient liquid resources is considered in the investment process. As at December 31, 2018, the Trust Funds have met their objective of having sufficient liquid resources to meet their current requirements.

7. CONSOLIDATED STATEMENT OF CASH FLOWS

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



CLIMATE METRICS AND TARGETS
(unaudited)

TORONTO'S CLIMATE METRICS AND TARGETS

In June 1988, the first major international conference on climate change was hosted in Toronto. Officially called Our Changing Atmosphere: Implications for Global Security, it convened over 300 scientists and policy makers from over 45 countries to discuss global warming caused by growing greenhouse gas (GHG) emissions.

Toronto was one of the first cities to acknowledge this emerging climate crisis and in 1991 it created the Toronto Atmospheric Fund, known today as The Atmospheric Fund (TAF), with an endowment of $23 million to finance local initiatives to combat climate change and improve air quality in Toronto.

The reduction of global (GHG) emissions remains an urgent priority. In October, 2018, a report issued by the United Nations Intergovernmental Panel on Climate Change stressed that global CO2 emissions need to be net-zero by 2050 to limit global warming to 1.5 degrees and avoid catastrophic impacts. Without a significant reduction in global emissions, the scale of change and costs that will be incurred by cities, businesses and residents to adapt to the changes imposed by a changing climate and extreme weather will only grow in significance.

Tracking Carbon Emissions

Since the publication of its first GHG emissions inventory in 2007, Toronto has maintained a program of regular reporting of community-wide emissions. The methodologies used for reporting a community-wide GHG emissions inventory have evolved and improved over time. Currently, Toronto reports according to the Global Protocol for Community-Scale Greenhouse Gas Emission Inventories (GPC), which has become the standard for cities like Toronto which are part of the C40 Cities Climate Leadership Group and the Global Covenant of Mayors.

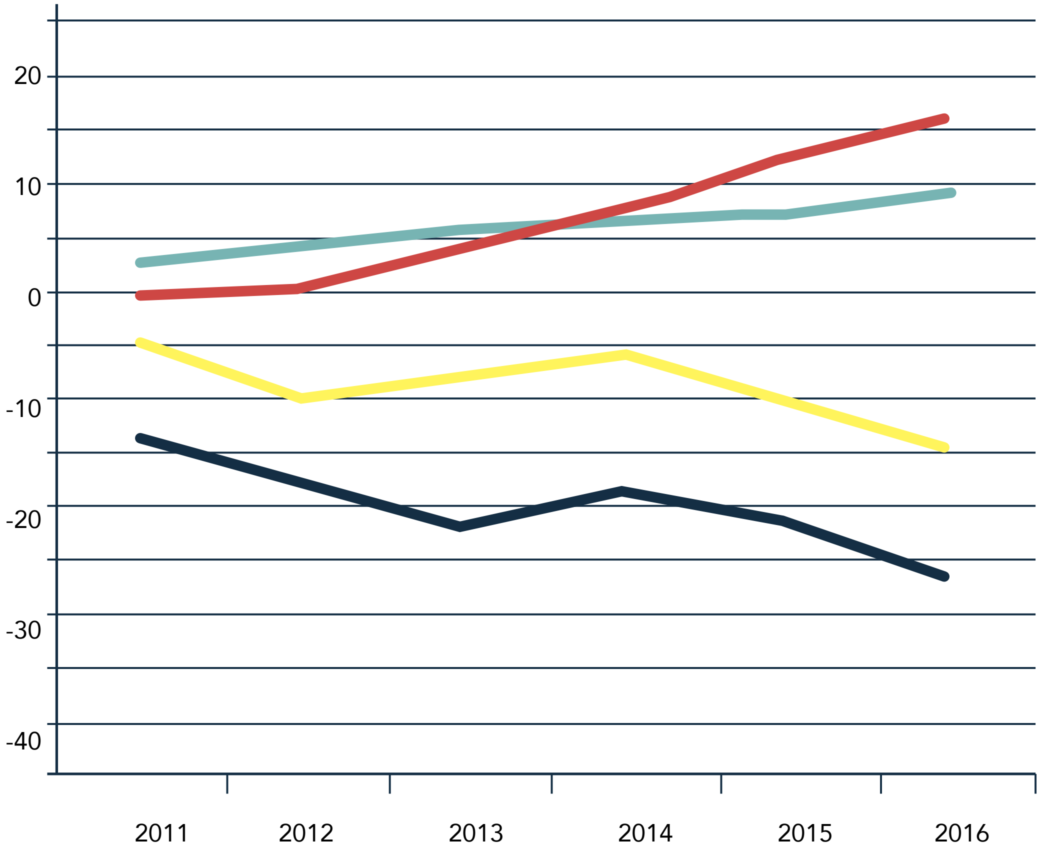
Progress towards GHG targets

TransformTO, Toronto's climate action strategy, lays out a set of long-term, low-carbon goals and strategies to reduce local greenhouse gas emissions, improve our health, grow the economy, and progress social equity. Under this strategy, Toronto City Council-approved targets are to reduce GHG emissions from the 1990 levels by 30% by 2020, 65% by 2030 and 80% by 2050.

Toronto has released its 2016 inventory on community-wide GHG emissions which indicates that GHG emissions in Toronto were 33% lower in 2016 than in 1990. This result, achieved while Toronto's population and economy sustained significant growth, reflects cumulative action by all orders of government including the City of Toronto, and a significant response by the community and private sector.

While this is a significant achievement and should be celebrated, Toronto still generates about 18 mega tonnes in GHG emissions and has one of the highest per capita rates of emissions in the world.

Chart 1: Percentage Change in GDP, Population, Energy Use and GHG Emissions (2008-2016)



Key Indicators:

Gross Domestic Product | Population | Energy Use (GJ) | GHG Emissions (eCO_2)

Adapting to a Changing Climate

In 2012, the City published Toronto Future Weather and Climate Drivers Study which identified how Toronto's weather patterns are likely to change over the next 30 to 40 years as a result of climate change. That study highlighted that Toronto can expect to see dramatic changes in extreme rainfall and extreme heat events, or in other words a hotter, wetter and wilder weather. Since the year 2000, Toronto has experienced 14 major storm events that have resulted in significant damage to private property. In 2013, a major storm resulted in urban flooding causing damage in excess of a billion dollars.

	Very Hot Days (+30°C) Per Year	Annual Precipitation (Millimetres)	Heavy PrecipitationDays (+20 Millimetres)
Recent Past **1976-2005**	**12.2** days	**786** mm	**6.6** days
Immediate Future **2021-2050**	**30.7** days	**817** mm	**6.9** days
Near Future **2051-2080**	**54.9** days	**854** mm	**7.8** days

On June 4, 2019 Toronto released its Resilience Strategy which, building upon existing initiatives, outlines the directions the City needs to take and accelerate in order to better adapt to the extreme weather that is now occurring as a result of climate change. From a climate adaptation perspective the strategy highlights the need to stay focused on adapting to extreme rain and heat events.

Toronto's Climate Strategies and Governance

Integration of climate considerations into financial planning and decision making

1. **Long-Term Financial Plan**

- Adopted by Executive Committee, with amendments, in 2018, the Long-Term Financial Plan provides a framework for longer-term financial decision-making, including strategies and key actions to facilitate multi-year, integrated, strategic decision-making.
- The plan references climate change as a key stress impacting the long-term future of the city that will require an increase in low-carbon infrastructure investments.

2. **Climate Lens**

- Work has commenced to develop a climate lens policy to institutionalize greenhouse gas reduction and climate risk assessments across City Divisions and Agencies, where appropriate. Currently, such a policy exists with the Government of Canada that requires detailed GHG reduction and climate risk assessments linked to large capital grant funding programs and regulatory measures. Adapting such a policy to cover all significant City infrastructure, assets and operations is important to ensuring better value for money, de-risking carbon intensive capital investment and achieving long-term emissions reduction targets, per TransformTO.

3. **Asset Management**

- Adopted by City Council in June 2019, the Corporate Asset Management Policy establishes the framework for asset management and ensures that the City has the capacity to maintain its infrastructure, make strategic decisions about future investments and provide the level of services needed to support Toronto residents.
- As part of its asset management planning, the City will consider risks and vulnerabilities and the impact of climate change on its municipal infrastructure assets and associated adaptation and mitigation actions.

4. **Risk Management**

- In 2010, the City developed a Climate Change Risk Assessment Process and Tool to assist City operations in evaluating risks to their infrastructure and services as a result of climate change.
- In June 2014, City Council received the report, Resilient City: Preparing for Climate Change, which outlines an approach for integrating climate change resilience into decision making and co-ordination of City operations and services.
- The approach was endorsed with the adoption of the Climate Change Risk Management Policy, which establishes the necessary processes and controls for systematically identifying, assessing and taking action to mitigate risks arising from a changing climate and defines roles and responsibilities of executive management.
- In November 2016, City Council received a report outlining the outcomes of a High Level Risk Management Assessment in three thematic areas: utilities, transportation and water.

Climate Action Strategies

Climate action falls into two broad categories:

1) Climate change mitigation which relates to steps to reduce and eliminate the release of greenhouse gases into the atmosphere and thereby help avoid the occurring and expected changes in extreme weather and global weather systems.

2) Climate change adaptation which relates to taking steps to adapt to the expected changes in extreme weather and thereby reduce the potential harm that may occur as a result of an increasingly erratic global weather patterns.

Toronto's climate strategies and plans outlined in the following table have been developed at the direction of City Council. Development has involved resident, stakeholder and expert engagement, critical analysis and research, and review of best practices and lessons from other leading cities. Implementation status reports, with a focus on outcomes, are provided regularly to City Council and the community.

<table>
<tr><th>Strategy</th><th>Governance and Reporting</th></tr>
<tr><td>TransformTO: Climate Action for a Healthy, Equitable and Prosperous Toronto (Report #1 & Report #2)

TransformTO 2017-2020 Short-Term Strategies

TransformTO, Toronto's Climate Action Strategy, identifies how Toronto's urban systems (land use, buildings, energy supply, transportation and waste) will need to change as we collectively work towards the goal of becoming a low-carbon city.</td><td>Adopted by City Council in July 2017, the plan updated the first climate action plan adopted by City Council in 2007. In February 2018, City Council fully funded implementation of the TransformTO 2017-2020 Short Term Strategies.

The Environment and Energy Division is responsible for guiding implementation and reporting on progress. The first TransformTO Status Report was released on July 10, 2019 and future status reports will be presented every two years.

The TransformTO strategy provides the long-term goals with implementation guided by the short-term strategies and the integration of Toronto's climate goals into related strategies, in particular the:

• Toronto Official Plan
• Cycling Network Plan
• TTC Ridership Growth Strategy
• Long Term Waste Management Strategy
• Electric Mobility Strategy
• Sustainable Energy Strategy
• Freight & Goods Movement
• Autonomous Vehicles</td></tr>
<tr><td>Resilience Strategy
Developed through Toronto's involvement in the global 100 Resilient Cities initiative, this strategy identifies the key socio-economic stresses influencing Toronto's ability to be resilient to shocks, including climate change.</td><td>Released on June 4, 2019, this Strategy outlines the directions Toronto needs to take to become a resilient city. The next phase for this effort is the development of a short-term implementation plan for consideration by City Council.

Guiding and reporting on the progress on implementation will be managed by the Environment and Energy Division and reported every two years as part of the TransformTO status reporting.</td></tr>
</table>

Strategy

Wet Weather Flow Management Master Plan & the Basement Flooding Protection Program

When extreme weather occurs the sewer system can become overloaded, leading to surface and basement flooding. This increases pressure on the sewer and road drainage system. While the topography, road drainage and sewer system all play a role in flooding, so too does the storm itself.

For example, the storm on August 7 2018 was localized and slow moving, with some reports of 80 to 100 millimetres (a typical month's worth of rain) falling in two hours in some areas, while other areas in the city received much less than 20 millimetres of rain.

Governance and Reporting

Led by the Toronto Water Division, Toronto has in place two storm water management initiatives which are helping to reduce the risk of flooding due to extreme rain events.

Toronto Water's ten year (2019-2028) capital plan includes $3.4 billion for the:

- Basement Flooding Protection program ($1.69 billion); and
- Wet Weather Flow Master Plan, including the Don River and Central Waterfront Project ($1.68 billion).

The Basement Flooding Protection program includes taking action to upgrade and improve storm water infrastructure to reduce the risk of basement flooding and the provision of financial subsidies of up to $3,400 to assist homeowners in installing flood protection devices.

Toronto Water provides regular updates on implementation of these two key strategies to City Council.

In addition to the Basement Flooding Protection Program the City has a number of programs to help manage the issues associated with both the quality and quantity of stormwater:

- Mandatory Downspout Disconnection
- Wet Weather Flow Management Guidelines
- Toronto Green Standard
- Green Streets Technical Guidelines
- Design Guidelines for 'Greening' Surface Parking Lots
- Green Roof Bylaw & EcoRoof Program
- Tree Planting Program
- Watercourse Erosion Management
- Operations and Management of Stormwater management ponds

Additionally, Toronto is embarking on the largest and most significant stormwater management program in the city's history: the Don River and Central Waterfront project. The project will greatly improve the water quality in the Lower Don River, Taylor-Massey Creek and along Toronto's Inner Harbour by keeping combined sewer overflow out of our waterways while upgrading the technology and capacity capture, transport and treat it.

Strategy

Heat Relief Strategy

Evidence demonstrates that heat is growing in intensity, and heat waves are more frequent and longer in duration.

- Hot temperatures can be dangerous to health, with impacts ranging from mild symptoms such as heat rash or fainting, through to heat exhaustion and heat stroke.
- It is estimated that heat contributes to an average of 120 premature deaths per year in the City, and these could increase with climate change.
- It is projected that by 2050, the City can expect to experience approximately 31 days with maximum temperatures above 30°C.

Published evidence shows that access to cool space is a key intervention to reduce the impacts of hot weather.

On November 19, 2018, the Board of Health adopted the recommendation that in collaboration with Toronto Public Health, the Deputy City Manager, Corporate Services will:

- Lead an interim Heat Relief Working Group and coordinate a Strategy for 2019.

The mandate of the group is to develop a Heat Relief Strategy to be implemented in May 2019 that includes cross-divisional actions to improve resilience to extreme heat across the City, and identify a long term plan.

Convened in the fall of 2018, the working group included ten City divisions in addition to organizations such as Toronto Public Library and Toronto Community Housing Corporation.

Governance and Reporting

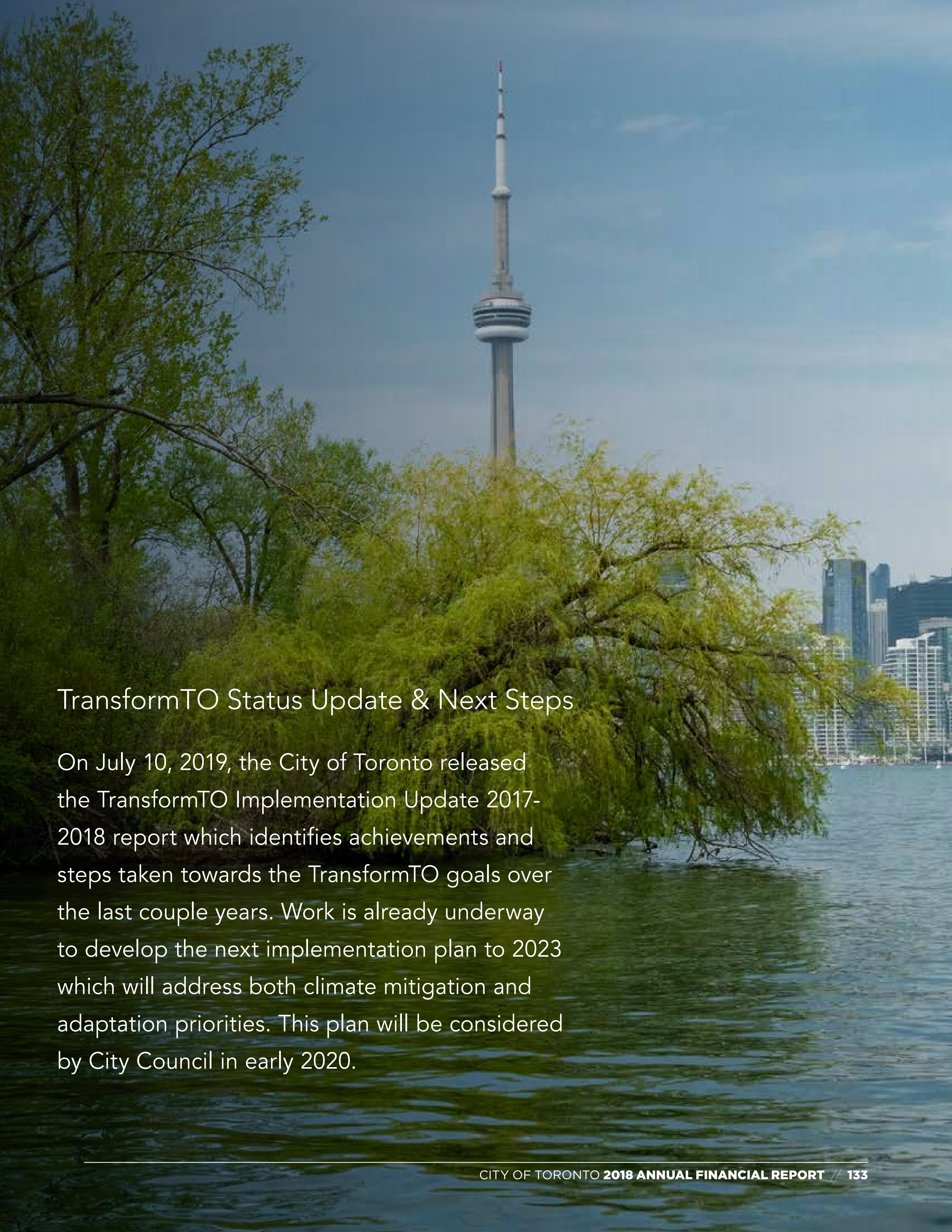
2019 Strategy

This year, the City is strengthening its response to heat and coordinating a City-wide Heat Relief Strategy which includes:

- Expanding access to cool spaces throughout the summer season at more than 300 locations as part of the Heat Relief Network. The expanded network includes libraries, community centres and pools, some Civic Centres and City facilities, drop-ins, and several private and non-profit organizations, including some shopping malls and YMCA locations.
- Implementing a proactive outreach initiative to better reach vulnerable populations during hot weather.
- Promoting Environment and Climate Change Canada's heat warnings through social and traditional media and City staff.
- The City is also implementing a neighbour checking pilot program where resident champions promote heat relief messages in their buildings.

Key Activities:

1. Expanded Heat Relief Network
2. New searchable online map for cool space
3. Updated "Staying Healthy in Hot Weather" webpages online
4. Neighbour checking pilot
5. Vulnerable population outreach initiative (with Shelter Support & Housing Administration)
6. Resources for landlords, community organizations, and City partners
7. Staff training on heat relief and 2019 approach
8. Communications strategy (with Municipal Licensing & Standards)



TransformTO Status Update & Next Steps

On July 10, 2019, the City of Toronto released the TransformTO Implementation Update 2017-2018 report which identifies achievements and steps taken towards the TransformTO goals over the last couple years. Work is already underway to develop the next implementation plan to 2023 which will address both climate mitigation and adaptation priorities. This plan will be considered by City Council in early 2020.

SUPPLEMENTAL FINANCIAL AND STATISTICAL INFORMATION

FIVE YEAR REVIEW SUMMARY

(Not subject to audit; all dollar amounts are in thousands except per capita figure)
(See accompanying notes and schedules to financial statements)

	2018	2017	2016	2015	2014
Population (Note 1)	2,956,024	2,878,589	2,822,902	2,786,571	2,775,416
Households (Note 1)	1,222,235	1,190,220	1,167,195	1,116,605	1,112,135
Areas in square kilometres	634	634	634	634	634
Full-time employees	48,801	47,209	46,609	45,876	44,807
Housing starts	22,761	15,112	19,617	18,913	11,671
Building permit values	$15,077	$14,845	$10,297	$7,135	$8,792

TAXATION ASSESSMENT UPON WHICH TAX RATES WERE SET (Note 2)

(Not subject to audit; all dollar amounts are in thousands except per capita figure)
(See accompanying notes and schedules to financial statements)

	2018	2017	2016	2015	2014
Residential, Multi-residential, New Multi-residential, Farmlands, and Managed Forest	$522,560	$480,320	$439,853	$410,372	$383,084
Commercial, Industrial and Pipeline	$121,103	$111,940	$104,593	$99,831	$95,293
TOTAL	**$643,663**	**$592,260**	**$544,447**	**$510,203**	**$478,376**
Total per capita	$217,746	$205,746	$192,868	$183,094	$172,362

TAX RATES (URBAN AREA) (Note 2)

	2018	2017	2016	2015	2014
Residential, New Multi-Residential, Farmlands and Managed Forest (expressed in %) - Note - Full Rate Only					
City purposes	0.4655054%	0.4826472%	0.4999731%	0.5106037%	0.5200085%
School board purposes	0.1700000%	0.1790000%	0.1880000%	0.1950000%	0.2030000%
TOTAL	0.6355054%	0.6616472%	0.6879731%	0.7056037%	0.7230085%
Multi-Residential (expressed in %)					
City purposes	1.1447559%	1.2844065%	1.4521427%	1.5315482%	1.5980491%
School board purposes	0.1700000%	0.1790000%	0.1880000%	0.1950000%	0.2030000%
TOTAL	1.3147559%	1.4634065%	1.6401427%	1.7265482%	1.8010491%
Commercial (expressed in %)					
City purposes	1.3138506%	1.3802233%	1.4598602%	1.5387137%	1.6056690%
School board purposes	1.0900000%	1.1400000%	1.1800000%	1.2278260%	1.2921380%
TOTAL	2.4038506%	2.5202233%	2.6398602%	2.7665397%	2.8978070%
Industrial (expressed in %)					
City purposes	1.2862662%	1.3698567%	1.4521427%	1.5327263%	1.6006027%
School board purposes	1.1607730%	1.2164150%	1.2536020%	1.2946100%	1.3399890%
TOTAL	2.4470392%	2.5862717%	2.7057447%	2.8273363%	2.9405917%
Pipeline (expressed in %)					
City purposes	0.8954295%	0.9284027%	0.9617302%	0.9821789%	1.0002695%
School board purposes	1.3400000%	1.3900000%	1.4820840%	1.5065730%	1.5318740%
TOTAL	2.2354295%	2.3184027%	2.4438142%	2.4887519%	2.5321435%

PROPERTY TAXES RECEIVABLE, END OF THE YEAR

	2018	2017	2016	2015	2014
Amount	$237	$253	$261	$241	$252
Per Capita	$80	$88	$92	$86	$91

NET LONG-TERM DEBT- END OF YEAR

	2018	2017	2016	2015	2014
Amount	$6,502	$5,950	$5,072	$4,746	$4,179
Per Capita	$2,200	$2,067	$1,797	$1,703	$1,506

INTEREST CHARGES FOR NET LONG-TERM DEBT

	2018	2017	2016	2015	2014
Amount	$296	$307	$289	$279	$276
Per Capita	$100	$107	$102	$100	$99

LONG-TERM DEBT SUPPORTED BY PROPERTY TAXES

	2018	2017	2016	2015	2014
Gross Long-Term Debt	$6,794	$6,266	$5,436	$5,257	$4,758
Net Long-Term Debt (Net of Sinking Fund deposits)	$6,502	$5,950	$5,072	$4,746	$4,179

LONG-TERM DEBT AND MORTGAGES CHARGES

(includes principal repayments, interest on long-term debt and interest earned on sinking funds)

	2018	2017	2016	2015	2014
Amount	$705	$781	$890	$787	$669
Percentage of Total Consolidated Expenses	5.73%	6.90%	8.12%	7.22%	6.40%

LEGAL DEBT LIMIT (Note 3)

(15% of Property Tax Levy)

	2018	2017	2016	2015	2014
Property Tax Levy Amount	$4,246	$4,102	$3,939	$3,880	$3,768
Debt Limit	$637	$615	$591	$582	$565

TAXES COLLECTED

	2018	2017	2016	2015	2014
City Collection	$5,137	$4,988	$4,651	$4,466	$4,202
Taxes Transferred to the School Board	2,169	2,057	1,980	1,951	1,842
TOTAL	$7,306	$7,045	$6,632	$6,417	$6,043

TRUST FUNDS BALANCE - END OF YEAR

	2018	2017	2016	2015	2014
Trust Fund Balance	$70	$71	$67	$50	$48

SUMMARY OF CONSOLIDATED REVENUES AND EXPENSES (Note 4)

CONSOLIDATED OPERATIONS

REVENUE BY SOURCE

	2018	2017	2016	2015	2014
Residential and commercial property taxation	4,246	4,102	3,939	3,880	3,768
Municipal land transfer tax	730	805	645	524	450
Taxation from other government	103	96	112	86	112
User charges	3,255	3,028	3,074	2,781	2,753
Funding transfers from other governments	3,505	2,800	2,738	2,862	2,752
Government business enterprise earnings	247	236	166	294	174
Investment income	219	235	197	260	271
Development charges	339	314	184	221	133
Rental and concessions	506	469	461	452	427
Other	589	479	686	737	512
TOTAL	$13,740	$12,564	$12,202	$12,098	$11,351

CONSOLIDATED EXPENSES BY FUNCTION (NOTE 4)

	2018	2017	2016	2015	2014
General government	877	776	760	824	798
Protection to persons and property	1,858	1,811	1,808	1,808	1,820
Transportation	3,578	3,140	3,067	2,944	2,820
Environment services	976	956	933	940	919
Health services	490	461	450	452	429
Social and family services	2,474	2,193	2,038	2,024	1,916
Social housing	844	824	779	775	728
Recreation and cultural services	1,006	1,008	1,002	989	911
Planning and development	204	147	116	146	120
TOTAL	$12,306	$11,315	$10,954	$10,903	$10,462
ANNUAL SURPLUS	$1,434	$1,249	$1,248	$1,194	$889

ACCUMULATED SURPLUS (Note 4)

	2018	2017	2016	2015	2014
Financial Assets	11,296	9,970	9,293	9,071	8,533
Liabilities	19,384	17,125	15,792	15,151	13,828
Net Debt	(8,088)	(7,155)	(6,498)	(6,080)	(5,295)
Non-Financial Assets	33,262	30,895	28,989	27,323	25,343
Accumulated Surplus	**$25,174**	**$23,740**	**$22,491**	**$21,243**	**$20,049**

CONSOLIDATED SUMMARY OF FUNDING TRANSFERS FROM OTHER GOVERNMENTS (Note 4)

	2018	2017	2016	2015	2014
Social Assistance	982	949	898	890	875
Child Care Assistance	500	388	345	323	298
Health Services	182	175	170	179	172
Social Housing	388	334	287	350	375
Other	555	654	477	481	498
Government of Canada Transfer - TTC	707	163	269	280	246
Government of Canada Transfer - Capital	60	25	248	304	238
Province of Ontario Transfer - Capital	132	112	43	55	51
TOTAL	**$3,505**	**$2,800**	**$2,738**	**$2,862**	**$2,752**

CONSOLIDATED EXPENSES BY OBJECT (Note 4)

	2018	2017	2016	2015	2014
Salaries, wages and benefits	5,813	5,623	5,618	5,565	5,350
Materials	1,289	1,015	1,011	1,015	919
Contracted Services	1,865	1,627	1,596	1,674	1,794
Interest on long-term debt & TCHC mortgage	328	320	320	315	313
Transfer payments	1,463	1,367	1,185	1,269	1,001
Amortization	1,267	1,136	974	851	871
Other	281	226	249	214	214
TOTAL	**$12,306**	**$11,315**	**$10,954**	**$10,903**	**$10,462**

RESERVE & RESERVE FUND BALANCE

	2018	2017	2016	2015	2014
- End of the year	**$2,276**	**$2,038**	**$1,983**	**$1,826**	**$1,964**

TANGIBLE CAPITAL ASSETS

COST:

	2018	2017	2016	2015	2014
General Assets	22,123	20,271	17,917	16,774	15,603
Infrastructure	24,003	22,705	20,988	19,465	18,343
Assets under construction	4,385	4,371	5,579	5,803	5,451
TOTAL	$50,511	$47,347	$44,483	$42,042	$39,397

ACCUMULATED AMORTIZATION:

	2018	2017	2016	2015	2014
General Assets	7,498	7,040.1	6,505.7	6,071.2	5,741.2
Infrastructure	10,296	9,842.8	9,394.0	9,005.6	8,685.4
TOTAL	17,794	16,883	15,900	15,077	14,427
NET BOOK VALUE	$32,717	$30,464	$28,584	$26,965	$24,970

Note 1: Source of population data and number of households is from the City of Toronto, City Planning Division - which uses the data from the last Annual Demographic Estimate of Statistics Canada. Year 2013 to 2017 was revised based on Statistics Canada March 2019

Note 2: Taxation related information reflect Current Value Assessment (CVA).

Note 3: Debt Limit is approved by City Council as per the City of Toronto Act (COTA) effective 2007. Debt Limit shall not be greater than 15% of the property tax levy.

Note 4: On January 1, 2013, the City adopted Public Sector Accounting Standard PS 3510, Tax Revenue. This standard was adopted on a retroactive basis from the date of adoption. There were no adjustments as a result of adoption of this standard, however, in conjunction with implementation of PS 3510, presentation of solid waste rebates have been regrouped to net against solid waste revenues, as the rate charged is the net amount. The regrouping was done for 2012 and prior years (see Note 2 of the 2013 consolidated financial statements).

During 2015, Toronto Hydro Inc.(THI) adopted IFRS 14 Regulatory Deferral Accounts, which allows for continuation of regulatory deferral accounts until the International Accounting Standards Board (IASB) completes its comprehensive project on rate regulated activities. As THI had previously been converted to IFRS for reporting in these consolidated financial statements, this standard, implemented retro-actively, has resulted in changes to 2014 numbers (see Note 23 of the 2015 consolidated financial statements).

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

Government Finance Officers Association

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For its Annual
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for the Year Ended

December 31, 2017

Executive Director/CEO

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Canadian Award for Financial Reporting to the City of Toronto for its annual financial report for the fiscal year ended December 31, 2017. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.

In order to be awarded a Canadian Award for Financial Reporting, a government unit must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments and address user needs.

A Canadian Award for Financial Reporting is valid for a period of one year only. The City of Toronto is continuing this standard of high-quality reporting for the submission and evaluation to the GFOA for the 2018 Award Program.