2015 CITY OF TORONTO FINANCIAL REPORT

For the fiscal year ending December 31, 2015, City of Toronto, Ontario, Canada

TORONTO

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For the fiscal year ending December 31, 2015

City of Toronto, Ontario, Canada

This report was prepared by:
The City of Toronto, Accounting Services, Corporate Finance,
Design Services and Strategic Communications

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Government Finance Officers Association

Canadian Award for Financial Reporting

Presented to

City of Toronto

Ontario

For its Annual
Financial Report
for the Year Ended

December 31, 2014

Executive Director/CEO

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Canadian Award of Financial Reporting to the City of Toronto for its annual financial report for the fiscal year ending December 31, 2014. 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 2015 Award Program.

A message from the Toronto Mayor

John Tory

Toronto is a vibrant and growing city, but it is changing quickly.

As Mayor, I'm focused on helping Toronto compete in today's global economy and maintaining our city's character as vibrant, welcoming and affordable for all ages and income levels.

Along with my Council colleagues and City staff, we're providing services with a direct, positive impact for the public. We continue to build a modern city through our transit network expansion and mobility improvements, and continued investments in the city's poverty reduction strategy, affordable housing efforts and programs that contribute to Toronto's standing as one of the most liveable cities in the world.

We are modernizing our services while investing in our citizens and celebrating the values and character that make Toronto great.

With an unprecedented alignment between all three levels of government, Toronto is at the forefront of vital economic growth, innovation and important ongoing efforts to ensure equality of opportunity for all our residents.

I look forward to working with my colleagues on City Council and our counterparts at Queen's Park and on Parliament Hill to realize a bold and inclusive vision for Toronto.

Sincerely,

Mayor John Tory
City of Toronto

A message from the City Manager

Peter Wallace

I am pleased to present the City of Toronto's 2015 Annual Financial Report. This report provides details about the City's financial performance, progress and achievements in the past year.

When I joined the City of Toronto in mid-July, the Pan Am Games were underway and the City of Toronto never looked better. For six weeks running, City staff demonstrated great teamwork and collaboration in helping to host the largest multi-sport event and athletic competition ever held in Canada, casting Toronto in a very favorable light, across Canada and internationally.

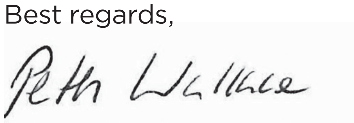
In October, a number of proposed amendments to the existing City of Toronto Act (COTA) were brought forward and subsequently approved by Council. The proposed amendments were submitted to the Province of Ontario as part of the Act's ongoing five-year review process. The proposed amendments are intended to increase the City's authority for more effective decision-making in key areas, provide improved flexibility to enhance service delivery, support financial sustainability and improve accountability and transparency.

With almost three million residents, Toronto is a thriving and growing city. The City strives to balance the need to provide high quality, affordable services and invest in infrastructure to support city building, while keeping taxes low for businesses and residents. The City has established ambitious plans to provide comprehensive services to its residents. Toronto, like other large cities, is addressing urban challenges that include population growth, aging infrastructure, traffic congestion, lack of investment in social housing, poverty, and the distribution of community services.

From a staff perspective, the Toronto Public Service By-Law came into effect on December 31, 2015. This by-law codifies our public service values and sets out the rights and responsibilities of members of the Toronto Public Service in ethical areas, including conflict of interest and confidentiality, political activity and the disclosure of wrongdoing and reprisal protection.

As well, the City of Toronto was recently named one of Greater Toronto's Top Employers for the second year in a row and the third time overall. I take great pride in this City and the accolades that it receives through the dedication of the Toronto Public Service. For the first time ever, the City of Toronto won a Canada's Best Diversity Employers award from Mediacorp Canada Inc. for our successful diversity initiatives in a variety of areas including programs for employees from five groups: women; members of visible minorities; persons with disabilities; Aboriginal peoples; and Lesbian, Gay, Bisexual and Transgendered (LGBT) peoples.

Best regards,



Peter Wallace
City Manager

INTRODUCTION

Profile on Toronto

Toronto in World Rankings

Toronto is one of the most liveable and competitive cities in the world as demonstrated by various international rankings and reports. In addition to securing its position on the world stage, Toronto's rankings confirm that it continues to offer a high quality of life for about 2.8 million residents who choose to live and work here.

Best Place to Live – Economist Intelligence Unit
The Economist

According to the Economist Intelligence Unit, Toronto is the best place to live among 50 global cities included in the study. The survey evaluated safety, liveability, cost of living, business environment, democracy and global food security.

Most Competitive, Sustainable and Livable Metropolis
PwC

PwC in conjunction with the Asia-Pacific Economic Cooperation (APEC), named Toronto the best city among 28 global cities in the Asia Pacific region to live and do business. The ranking was based on 39 indicators grouped under five themes, including culture and social health, connectivity, health and welfare, environmental sustainability and economics.

Most Livable City
Metropolis Magazine

Architecture and design trade publication, Metropolis Magazine, named Toronto as the most livable city in the world, based on rankings completed by a team of experts in urban planning and architecture. The rankings were based on criterial related to smart infrastructure, walkability and preservation.

Best Economy for Young People
Youth Economic Strategy Index – Citi Foundation/Economist Intelligence Unit

According to a study done by the Economist Intelligence Unit, Toronto is the best economic environment for young people. The Index, based on 31 economic indicators, evaluates economic drivers and enablers in 35 cities across the world under four themes, including government support, employment and entrepreneurship, education and training, and human and social capital.

Second Most High-Rise Buildings Under Construction in North America
Emporis.com

According to Emporis, a global provider of building information, Toronto continues to rank high in their survey of cities with the most high-rise buildings under construction in North America, with a second place ranking next to top ranked New York City and third ranked Houston.

Best City to Invest in Real Estate in the Long Term (Most Resilient City)
Grosvenor Group

According to Grosvenor Group, a U.K.-based real estate developer, Toronto is the best bet for long-term investment in real estate according to their global resiliency ranking of 50 global cities. In fact, Canadian cities (Toronto, Vancouver and Calgary) were ranked as the top three cities based on a combination of low vulnerability and high adaptive capacity. Also according to the research, Canadian cities are well governed and well planned.

Most Tax-Competitive Major Global City
KPMG

According to KPMG, in a report entitled "Competitive Alternatives 2014: Focus on Tax", Toronto ranked first overall among 51 major international cities studied. The study assessed tax competitiveness by comparing various tax rates in each location including: corporate income tax, property taxes, capital taxes, sales taxes, miscellaneous local business taxes and statutory labour costs.

City of Toronto, GTA and CMA

Toronto is Canada's largest city with a population of 2.8 million residents. It is the heart of a large urban agglomeration of 6.4 million called the Greater Toronto Area (GTA)[1]. The city has one of the most ethnically diverse populations in North America. Almost one in four visible minority persons in Canada resides in Toronto. Nearly half of the city's population (47%) considers itself as part of a visible minority group.

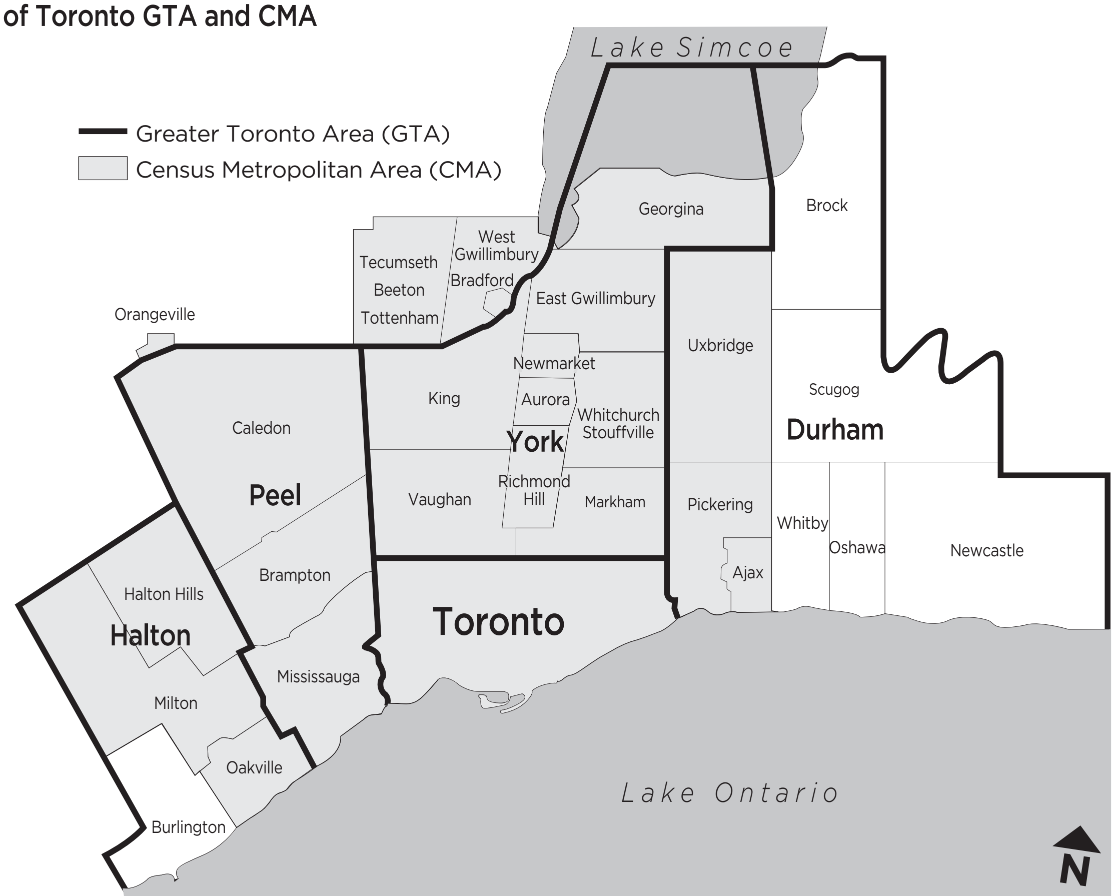
Toronto, with 89,000 businesses, is the major economic engine of the country. The city is both the political capital of the Province of Ontario and the corporate capital of Canada. As well, it is the major centre for culture, entertainment and finance in the country. The city is the home to more national and internationally ranked companies than any other city in Canada.

The GTA is one of the largest regional economies in North America, characterized by concentrated and fast-growing finance-related industries and highly specialized knowledge-based jobs. An estimated $317 billion of goods and services (2007 $s) are produced in the Toronto Census Metropolitan Area (CMA)[2] according to the Conference Board of Canada. Toronto accounts for approximately half of this total.

[1]Greater Toronto Area (GTA) refers to the City of Toronto plus the surrounding regions of Durham, York, Peel and Halton which include four upper tier and 24 lower tier municipalities.

[2]Toronto CMA (Census Metropolitan Area) refers to the municipalities assigned by Statistics Canada on the basis of labour market and commuting criteria. It comprises the City of Toronto and 23 other municipalities.

City of Toronto GTA and CMA



City of Toronto Planning and Development Department

In addition to the modern network of highways and transcontinental railway lines that traverse Toronto, local businesses are also well served by two airports: Pearson International Airport, the largest in Canada and Billy Bishop Toronto City Airport which is located near the downtown core. Union Station, the city's central, multimodal transportation hub is the busiest, multimodal, passenger transportation hub in Canada, serving a quarter-million people daily. It is connected to numerous methods of travel, including subway, commuter rail, commuter bus, passenger rail and bicycle. Union Station is undergoing a major revitalization to improve the quality and capacity of pedestrian movement, restore heritage elements and to transform Union Station into a major destination for shopping, dining and visiting. The revitalization project is expected to be completed in 2016.

Key Employment Sectors

Toronto has one of the most diverse economies in North America and provides companies with an equally rich mix of partners, suppliers and talented professionals to meet the demands of business today.

The financial services sector is emerging as the one of Toronto's highest growth industries with a large and highly concentrated workforce. The Toronto region is home to the functional head offices of the five major banks in Canada and the majority of foreign banks/subsidiaries/branches in Canada. Toronto was ranked 8th of 84 cities in the 2015 Global Financial Centres Index. According to a November 2015 Conference Board of Canada report, Toronto's financial services sector directly employs over 250,000 people in Toronto and is home to 30% of all financial services headquarters in Canada. Also, according to the report, the share of financial services employment in the Metropolitan Toronto area has risen from 28.2% in 2004 to 32.3% in 2014.

As part of the health sector, the biomedical and biotechnology cluster in Toronto is the fourth largest in North America. The Discovery District is a downtown research park with 7 million square feet of facilities — Canada's largest concentration of research institutes, business incubators and business support services. The Medical and Related Sciences (MaRS) project, the Faculty of Pharmacy building at the University of Toronto, and the Centre for Cellular and Biomolecular Research (CCBR) help give the Discovery District its name. According to BIOTECanada, the national industry association for Biotechnology, Canada is the second largest nation in the world for biotechnology. The Toronto/Ontario cluster is the largest in the country with 163 companies. Toronto is also home to 55% of Canada's pharmaceutical companies.

Continued investment in the Arts, Entertainment and Recreation sector is vitally important for the attraction of tourists and film production to the city. Toronto has undergone a 'cultural renaissance' with the unprecedented building and architectural transformation of close to a dozen major arts and cultural institutions, including the Michael Lee-Chin Crystal (an expansion of the Royal Ontario Museum), the Art Gallery of Ontario, the new home of the Toronto International Film Festival, the Four Seasons Centre for the Performing Arts which is the new home of the National Ballet of Canada and the Canadian Opera Company, and the Gardiner Museum of Ceramic Art. In fall 2013, Ripley's Aquarium of Canada opened its doors as a major new tourist attraction in the city featuring 450 species of more than 15,000 fish. The production of domestic and foreign film and television is a major local industry. Toronto contains the headquarters of major English language Canadian television networks such as CBC, CTV, Citytv and Global. Toronto is home to two national daily newspapers (Globe and Mail and National Post), two local daily newspapers (Toronto Star and Toronto Sun), approximately 79 ethnic newspapers/magazines, and many other community papers.

The technology cluster in the Toronto CMA is the largest in Canada and third largest in North America, behind San Francisco and New York, employing over 200,000 people at more than 14,600 technology companies. Of the top 250 technology companies, 40% are based in Toronto Region. Toronto has a vibrant web start-up scene and growing mobile application development community. Google Canada recently opened offices on Richmond Street, in the heart of the downtown core, showing a commitment to Toronto's technology sector. Likewise, three of the world's largest social networking sites - LinkedIn, Facebook Canada and Twitter Canada also established their head offices in Toronto.

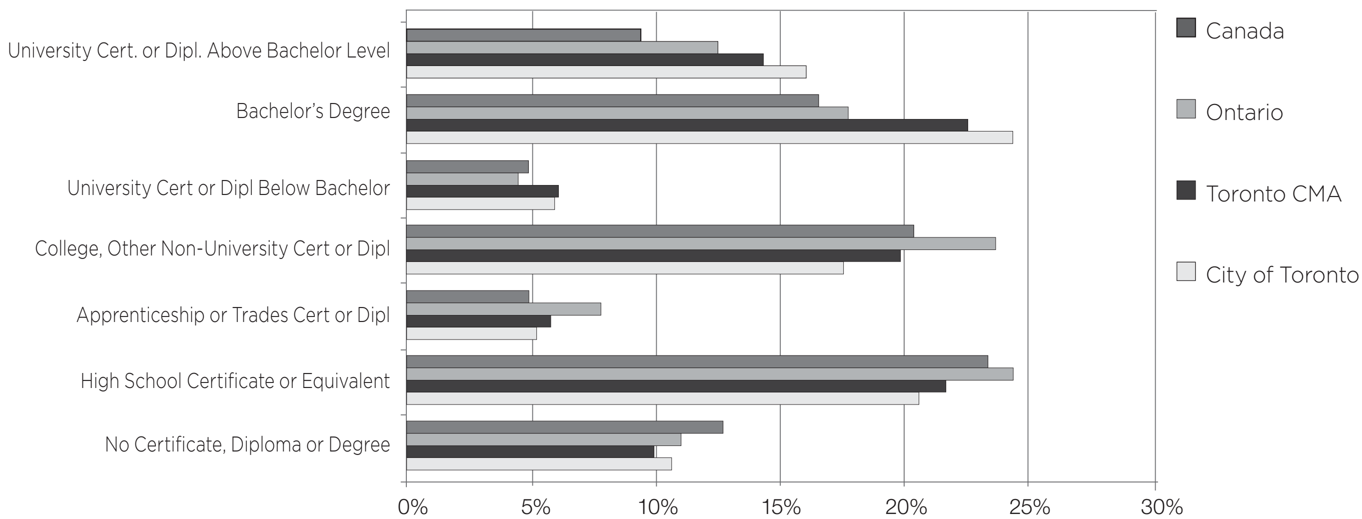
The backbone of the technology sector in the Toronto CMA is its telecommunication infrastructure. Home to two of the three largest telecommunications companies in Canada as well as to smaller service providers, Toronto is connected by sophisticated high speed networks. A critical mass of talent and growing number of experienced developers has also helped Toronto become a successful mobile application development hub. Mobile development camps, incubators for mobile start-ups, and investments in Toronto mobile firm mean that mobile companies continue to thrive here.

One significant trend is that employment in the manufacturing industry in the city, though still one of the largest sectors, declined at an average annual rate of 4.3% from 2001 to 2011. By 2011, the number of employed people in the manufacturing industry was less than two-thirds of what it was in 2001.

Workforce

Toronto has a large educated, skilled and multilingual workforce. Toronto is the home to four universities (University of Toronto, York University, Ryerson University, and Ontario College of Art and Design), and four community colleges (Centennial, Seneca, Humber and George Brown). More than 60% of Toronto workers have post-secondary degrees, diplomas or certificates.

Population by Age 25 - 64 By Education



Source: Statistics Canada - Census (2011)

With an estimated 1.55 million people working in Toronto, it continues to be a net importer of labour from the surrounding regions. The net inflow of people to the city is estimated to be over 200,000 people every day. However the surrounding regions are changing rapidly in that they are experiencing growth in manufacturing and other types of employment and thus transforming themselves from residential suburbs to employment destinations. The rest of the GTA has now also become a net importer of labour from the surrounding regions beyond the GTA.

Economic Growth

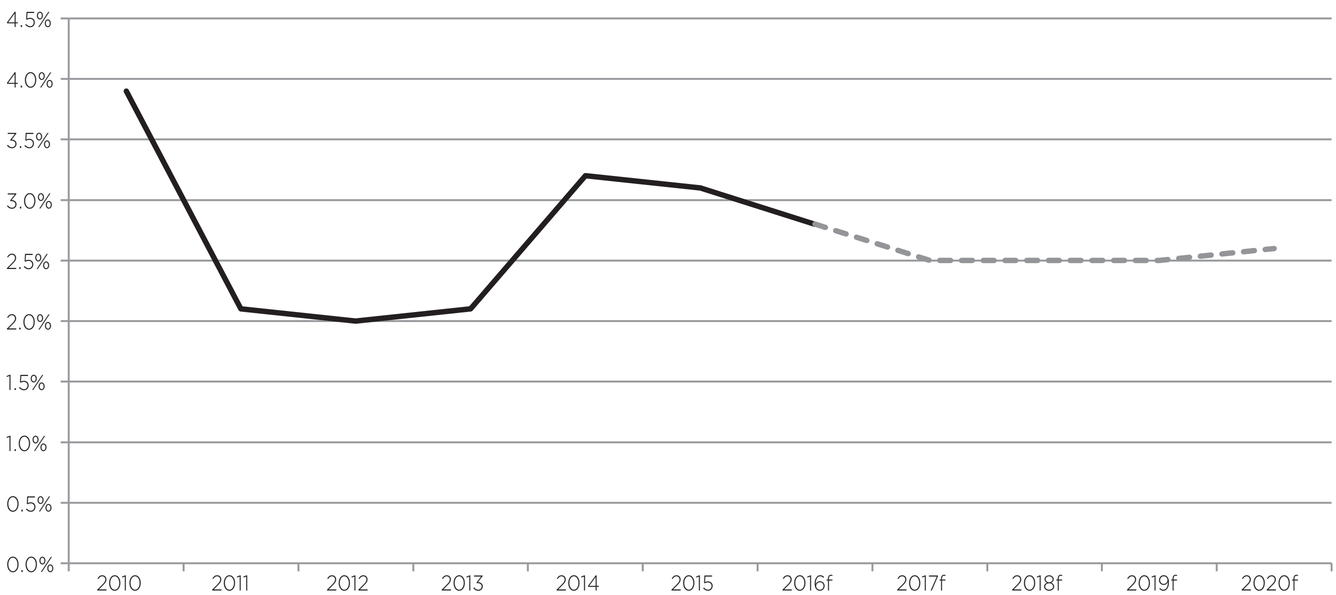
The Canadian economy is expected to grow at a slow pace in 2016, held back by the prolonged slump in the energy sector but also by weak consumer spending. Canada's real GDP is forecasted to grow by a moderate 1.7% in 2016 and then inch upward to 2.3% growth in 2017 and 2.2% growth in 2018 before settling back to 2.0% growth in 2019 and 2020.

Ontario is expected to benefit from a growing U.S. economy and a low Canadian dollar which is helping to boost export growth. The Conference Board is forecasting that Ontario's real GDP will grow by 2.4% in 2016, before returning to moderate economic growth of 2.1% from 2017 to 2019. A bounce-back in economic strength is expected in 2020 with 2.4% GDP growth anticipated.

In Toronto, the outlook for the non-residential construction sector remains bright as a large number of office building construction and transit expansion projects will continue to keep the construction industry busy. In particular, the Toronto-York Spadina Subway line extension and Eglinton Crosstown, Finch West and Sheppard East LRT lines are large transit projects that will continue to support the local construction industry.

As the following chart illustrates, the Conference Board is forecasting that Toronto CMA is expected to encounter growth of 2.8% real GDP growth in 2016, 2.5% growth from 2017-2019 and 2.6% growth in 2020. The higher economic growth in the forecast period is supported by an expectation of strong growth in the service sector, including finance, insurance, real estate and personal services industries.

GDP Growth Rate
Toronto CMA

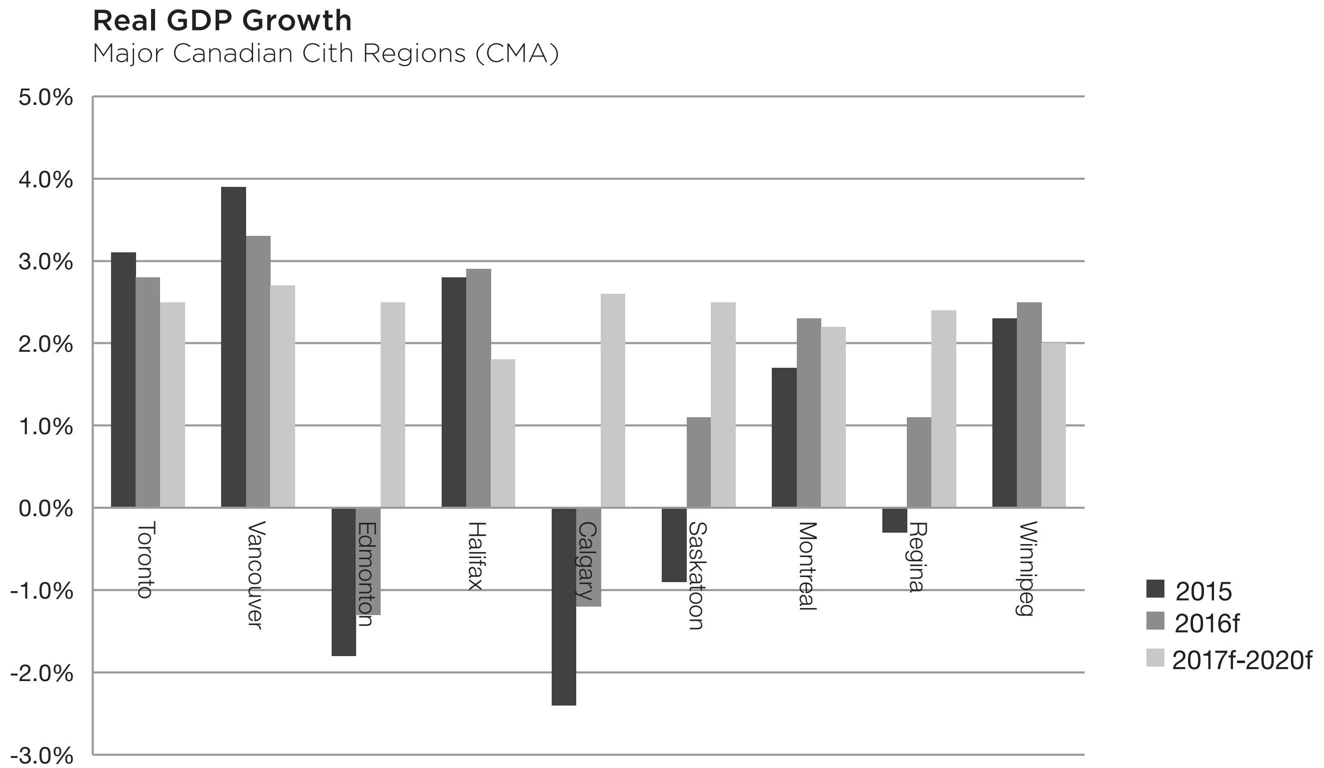


Source: Conference Board of Canada Metropolitan Outlook: Winter 2016

Real GDP Growth

Major Canadian Cities (CMAs)

The following chart compares the economic growth of major Canadian city-regions (CMAs). Toronto is expected to have healthy growth through the forecast period.



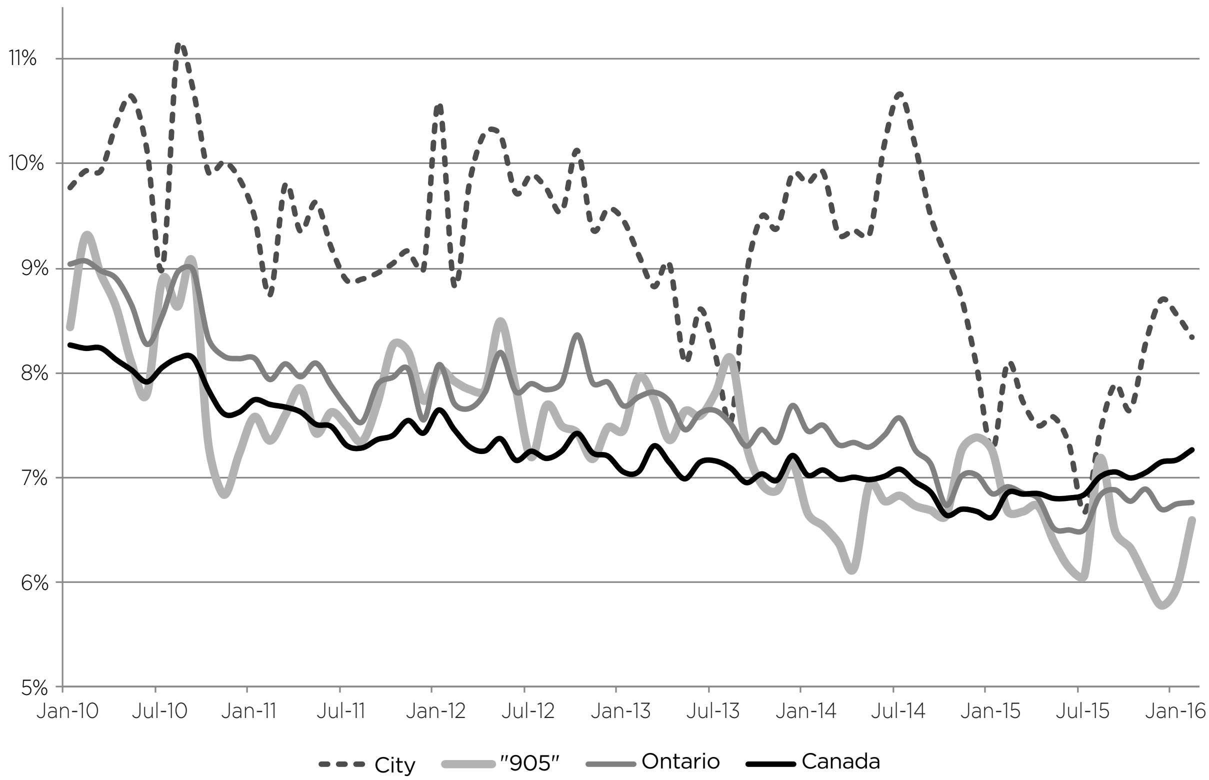
Source: Conference Board of Canada Metropolitan Outlook Winter 2016

Economic Indicators

Unemployment Rate

Within the Toronto region, the city and the rest of the CMA region ("905") exhibited different economic growth patterns. In the city, job losses during the recession coupled with decreased participation rates led the city's unemployment rate to average 10% in 2009 and 2010, a level not seen since the early/mid-1990s. Toronto's unemployment rate remained stubbornly high until the final quarter of 2014 when the unemployment rate started to decline steadily to reach a low of 6.8% (seasonally adjusted) by July 2015. Since then, the city's unemployment rate moved slowly upward, reaching 8.7% in December 2015.

Unemployment Rate Trend – 2010 to 2016
City of Toronto, 905 Municipalities, Ontario and Canada



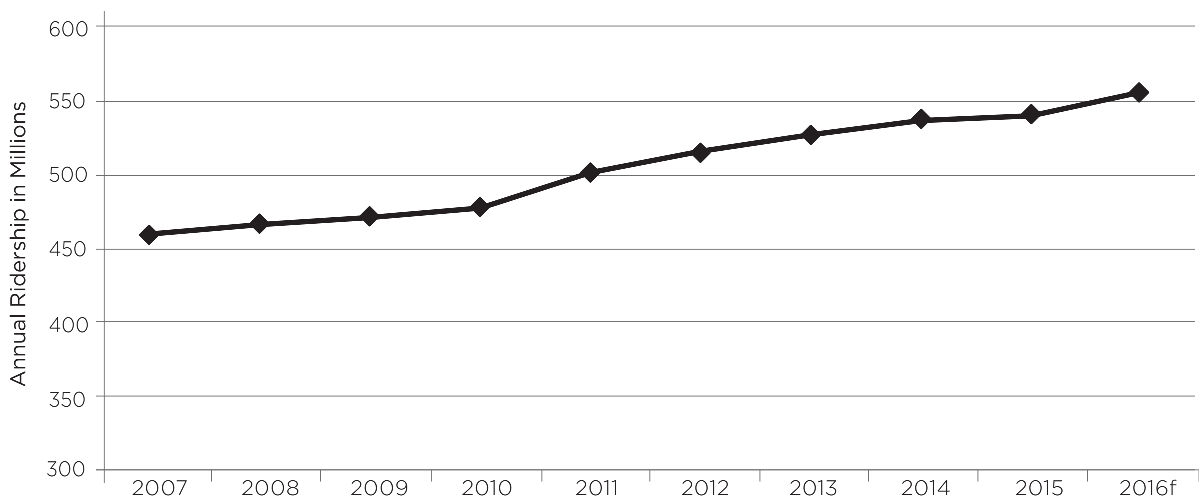
Social Assistance Caseload

The number of cases and people on social assistance is largely associated with the unemployment rate, and to a certain extent, population and participation rate. The City's Social Assistance (Ontario Works) caseload has followed a similar historical trend as its unemployment rate (although lagging by anywhere from 6 to 12 months). Since 2006, the average monthly caseload has risen from approximately 72,000 average monthly cases to a peak of approximately 104,000 average monthly cases in 2012, before dropping back as a result of improved employment conditions to approximately 90,000 average monthly cases in 2015.

Transit Ridership

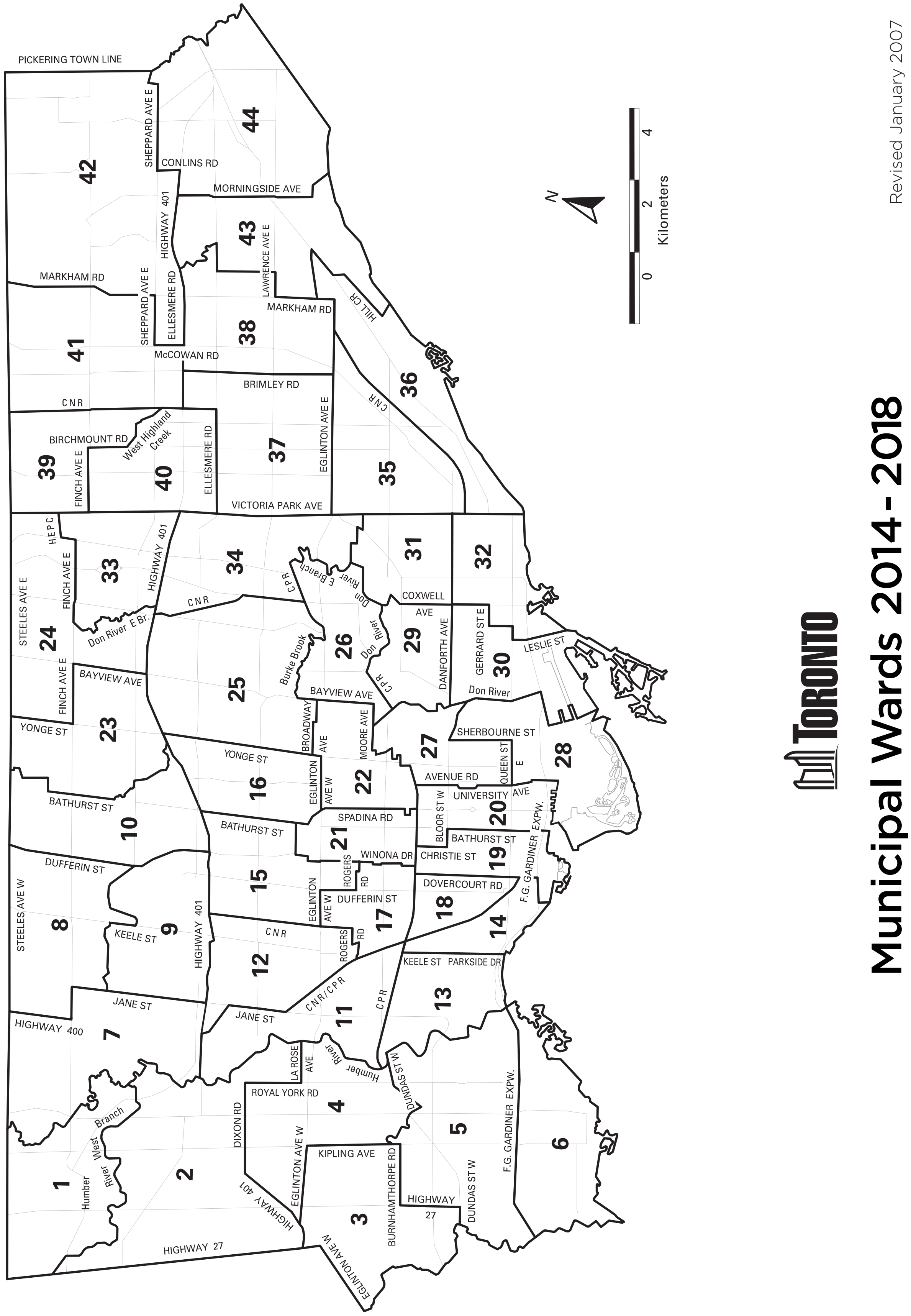
Transit ridership continued its upward trend with a record 535 million riders in 2014 and slightly higher ridership of 538 million in 2015. While the Toronto Transit Commission ("TTC") budgeted 553 million riders for 2016, early ridership results in 2016 were below expectation. Management are currently reviewing actions that could be taken to get ridership numbers back on target. The impact of low gasoline prices and ridesharing were identified as contributors to the declining ridership performance in 2016 to-date.

Transit Ridership

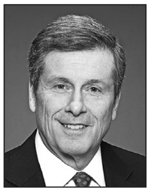


Source: Toronto Transit Commission

Map of Electoral Wards



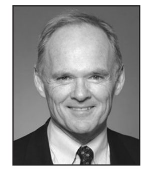
Toronto City Council


Mayor John Tory


Ward 1
Vincent Crisanti


Ward 2
Rob Ford


Ward 3
Stephen Holyday


Ward 4
John Campbell


Ward 5
Justin Di Ciano


Ward 6
Mark Grimes


Ward 7
Giorgio Mammoliti


Ward 8
Anthony Perruzza


Ward 9
Maria Augimeri


Ward 10
James Pasternak

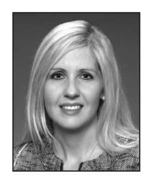

Ward 11
Frances Nunziata

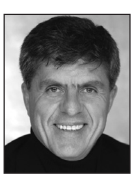

Ward 12
Frank Di Giorgio


Ward 13
Sarah Doucette


Ward 14
Gord Perks


Ward 15
Josh Colle


Ward 16
Christin
Carmichael Greb


Ward 17
Cesar Palacio


Ward 18
Ana Bailão


Ward 19
Mike Layton


Ward 20
Joe Cressy


Ward 21
Joe Mihevc


Ward 22
Josh Matlow


Ward 23
John Filion


Ward 24
David Shiner


Ward 25
Jaye Robinson


Ward 26
Jon Burnside


Ward 27
Kristyn Wong-Tam


Ward 28
Pam McConnell


Ward 29
Mary Fragedakis


Ward 30
Paula Fletcher


Ward 31
Janet Davis


Ward 32
Mary-Margaret McMahon


Ward 33
Shelley Carroll


Ward 34
Denzil Minnan-Wong

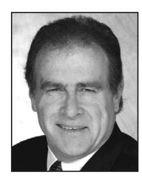

Ward 35
Michelle Holland


Ward 36
Gary Crawford


Ward 37
Michael Thompson


Ward 38
Glenn De Baeremaeker

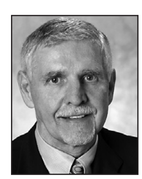

Ward 39
Jim Karygiannis


Ward 40
Norm Kelly

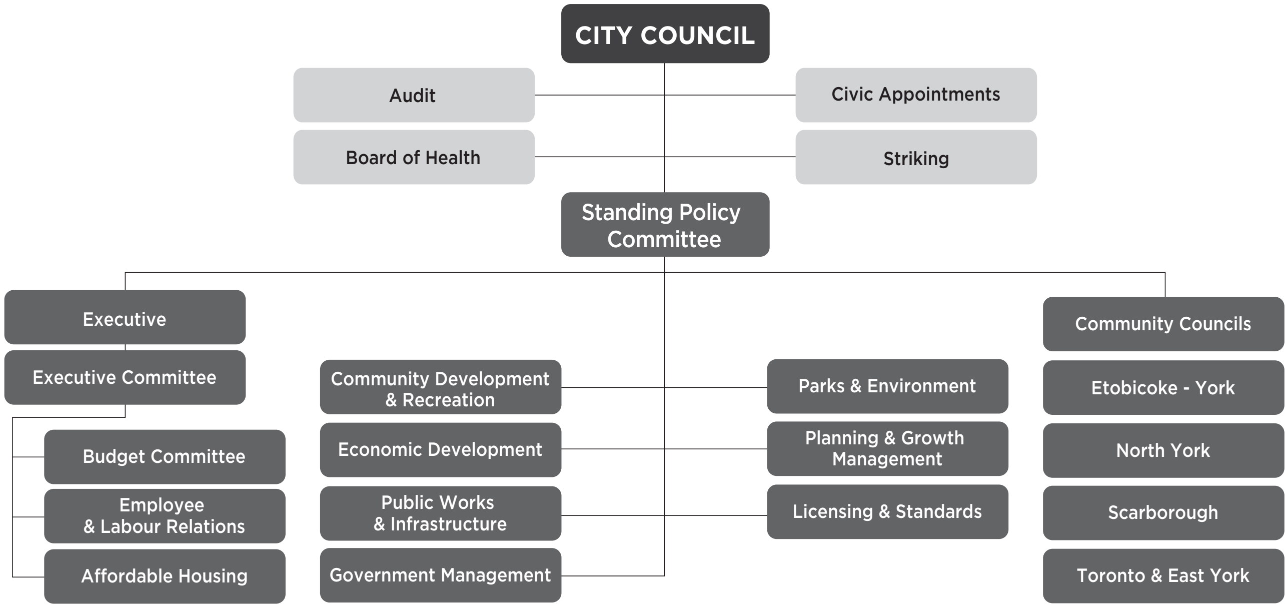

Ward 41
Chin Lee


Ward 42
Raymond Cho


Ward 43
Paul Ainslie


Ward 44
Ron Moeser

2014-2018 Executive Committee and Standing Committee Mandates



EXECUTIVE COMMITTEE:

The Executive Committee's mandate is to monitor and make recommendations on the priorities, plans, international and intergovernmental relations, and the financial integrity of the City.

The responsibilities of the Executive Committee include:
(1) Council's strategic policy and priorities in setting the agenda;
(2) Governance policy and structure;
(3) Financial planning and budgeting;
(4) Fiscal policy including revenue and tax policies;
(5) Intergovernmental and international relations;
(6) Council and its operations; and
(7) Human resources and labour relations.

The Executive Committee makes recommendations or refers to another committee any matter not within the Standing Committee's mandate or that relates to more than one Standing Committee.

AUDIT COMMITTEE

The responsibilities of the Audit Committee include:
1. Recommending the appointment of the City's external auditor;
2. Recommending the appointment of an external auditor to conduct the annual audit of the Auditor General's office;
3. Considering the annual external audit of the financial statements of the City and its agencies and corporations;
4. Considering the external audit of the Auditor General's office;
5. Considering the Auditor General's reports and audit plan;
6. Conducting an annual review of the Auditor General's accomplishments;
7. Making recommendations to Council on reports the Audit Committee considers.

STANDING COMMITTEES

The standing committees are organized along seven broad policy areas:

Community Development and Recreation Committee – will focus on social inclusion and undertake work to strengthen services to communities and neighbourhoods.

Economic Development Committee – will focus on the economy and undertake work to strengthen Toronto's economy and investment climate.

Public Works and Infrastructure Committee – will focus on infrastructure and undertake work to deliver and maintain Toronto's infrastructure needs and services.

Government Management Committee – will focus on government assets and resources and undertake work related to the administrative operations of the City.

Parks and Environment Committee – will focus on the natural environment and undertake work to ensure the sustainable use of Toronto's natural environment.

Planning and Growth Management Committee – will focus on the urban form and undertake work related to good city planning and sustainable growth and development.

Licensing and Standards Committee – will focus on consumer safety and protection and undertake work related to licensing of businesses and enforcement of property standards.

Note: Reference should be made to the Municipal Code – Chapter 27, Council Procedures, for the specific responsibilities of each committee.

City 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*

Administrative Structure
June, 2016

- **CITY COUNCIL**
  - Auditor General – Beverly Romeo-Beehler
  - Integrity Commissioner – Valerie Jepson
  - Lobbyist Registrar – Stephen Littlejohn (Interim)
  - Ombudsman – Kwame Addo (Interim)
  - City Clerk's Office – Ulli S. Watkiss, City Clerk
  - Legal Services – Brian Haley, City Solicitor (Interim)
  - **City Manager – Peter Wallace**
    - Equity, Diversity & Human Rights – Uzma Shakir, Director
    - Executive Management – Gwen McIntosh, Director
    - Human Resources – Kerry Pond, Executive Director
    - Internal Audit – Gwen McIntosh, Director (Acting)
    - Strategic & Corporate Policy – Peter Notaro, Executive Director
    - Strategic Communications – Jackie DeSouza, Director
    - **Deputy City Manager – Giuliana Carbone**
      - Public Health* – Dr. David McKeown, Medical Officer of Health
      - Affordable Housing – Sean Gadon, Director
      - Long-Term Care Homes & Services – Reg Paul, General Manager
      - Children's Services – Elaine Baxter-Trahair, General Manager
      - Parks, Forestry & Recreation – Janie Romoff, General Manager
      - Court Services – Barry Randell, Director
      - Shelter, Support & Housing Administration – Rob Cressman, General Manager (Acting)
      - Economic Development & Culture – Michael H. Williams, General Manager
      - Social Development, Finance & Administration – Chris Brillinger, Executive Director
      - Emergency Medical Services – Paul Raftis, TPS Chief & General Manager
      - Toronto Office of Partnerships – Phyllis Berck, Director
      - Employment & Social Services – Patricia Walcott, General Manager
    - **Deputy City Manager – John Livey**
      - Major Capital Infrastructure Coordination Office – Jeffrey Climans, Director
      - Office of Emergency Management – Loretta Chandler, Director
      - Engineering & Construction Services – Michael D'Andrea, Executive Director
      - Fire Services – J.W. (Jim) Sales, Fire Chief & General Manager
      - Toronto Building – Ann Borooah, Chief Building Official & Executive Director
      - Municipal Licensing & Standards – Tracey Cook, Executive Director
      - Toronto Water – Lou Di Gironimo, General Manager
      - Policy, Planning, Finance & Administration – Carol Moore, Executive Director
      - Transportation Services – Stephen Buckley, General Manager
      - Solid Waste Management Services – Jim McKay, General Manager
      - City Planning – Jennifer Keesmaat, Chief Planner & Executive Director
      - Waterfront Secretariat – David Stonehouse, Director
    - **Deputy City Manager & Chief Financial Officer – Roberto Rossini**
      - Corporate Finance – Joe Farag, Executive Director
      - Financial Planning – Josie La Vita, Executive Director
      - Finance & Administration – Bruce Shintani, Director
      - Information & Technology – Rob Meikle, Chief Information Officer
      - Treasurer – Mike St. Amant
        - Accounting Services – Iqbal M. Ali, Director (Acting)
        - Pension, Payroll & Employee Benefits – Michael Wiseman, Director
        - Purchasing & Materials Management – Michael Pacholok, Director
        - Revenue Services – Casey Brendon, Director
      - Chief Corporate Officer – Josie Scioli
        - Facilities Management – Sunil Sharma, General Manager
        - Corporate Security (Section) – Dwaine Nichol, Director
        - 311 Toronto – Gary Yorke, Director
        - Environment & Energy – Jim Baxter, Director
        - Fleet Services – Lloyd Brierley, Director
        - Real Estate Services – Joe Casali, Director

City of Toronto Special Purpose Bodies

AGENCIES [1]

Service Agencies

- Board of Health
- Exhibition Place
- Heritage Toronto
- Police Services Board
- Public Library Board
- Sony Centre for the Performing Arts (operating name for Hummingbird Centre)
- St. Lawrence Centre for the Arts
- Toronto Atmospheric Fund
- Toronto Centre for the Arts
- Toronto Parking Authority
- Toronto Transit Commission
- Toronto Zoo
- Yonge-Dundas Square

Community-Based:

- 8 Arena Boards
- 10 Association of Community Centre Boards (AOCCs)
- 81 Business Improvement Areas (BIAs)

Quasi-Judicial & Adjudicative Boards

- Committee of Adjustment
- Committee of Revision
- Compliance Audit Committee
- Property Standards Committee/Fence Viewers
- Rooming House Licensing Commissioner and Deputy [3]
- Sign Variance Committee
- Toronto Licensing Tribunal

Partnered Agency

- Toronto and Region Conservation Authority

CORPORATIONS [2]

City Corporations

- Build Toronto Inc.
- Casa Loma Corporation
- Invest Toronto Inc.
- MasterCard Centre (operating name for Lakeshore Arena Corporation)
- Toronto Community Housing
- Toronto Hydro Corporation
- Toronto Port Lands Company (operating name for Toronto Economic Development Corporation)
- Toronto Pan Am Sports Centre Inc. (TPASC)

Partnered Corporations

- Waterfront Toronto

Notes:

1. Previously referred to as agencies, boards and commissions.
2. Ontario Business Corporations Act (OBCA) corporations.
3. Rooming House Licensing Commissioner and Deputy are Officers, rather than an agency of the City, but in all other respects function as a quasi-judicial and adjudicative board.

2015 CITY OF TORONTO FINANCIAL REPORT

FINANCIAL CONDITION & PERFORMANCE

A message from the Deputy City Manager & Chief Financial Officer

ROBERTO ROSSINI

The 2015 Annual Financial Report for the City of Toronto provides an in-depth look at the City's financial performance over the past year, and highlights our progress toward the City's major goals for Toronto's residents and businesses.

Reliable public transit plays a crucial role in the overall well-being and prosperity of the city, connecting Toronto residents to jobs and services. The City is undertaking work as part of the Official Plan review to identify the next phase of transit expansion priorities through the development of a comprehensive transit plan.

In addition to hard infrastructure investments, the City is also focused on key social development initiatives to protect the City's vulnerable population. In November, City Council adopted the vision, objectives, recommendations, and actions contained in the TO Prosperity: Toronto Poverty Reduction Strategy. While this strategy was being developed, funding was allocated in the 2015 Budget to undertake some immediate measures to address poverty in Toronto, including:

- Expanding the Student Nutrition program
- Launching a pilot program to assist single parents on Ontario Works to achieve meaningful employment
- Free TTC rides for children under 12 years of age
- Doubling the number of employers participating with the City's Partnership to Advance Youth Employment (PAYE) program to increase access to jobs for young people
- Increasing transportation options for seniors to get to appointments, access services and participate in community events

As the City launched the 2016-2025 Capital Budget and Plan at the end of 2015, a key area of focus was infrastructure rehabilitation. In October, Council approved a plan in principle to use an alternative financing and procurement ("AFP") approach to rehabilitate the Gardiner Expressway, potentially accelerating the rehabilitation and decreasing the construction period from 12 to 6 years. Compared to the 2015-2024 Capital Budget and Plan, the 2016-2025 Capital Budget and Plan is expected to increase capital expenditures for the common nine years of the Plan by $2.2 billion. The majority of this additional funding is required to fully fund the Gardiner rehabilitation.

For the ninth consecutive year, the City of Toronto has won the Government Finance Officers Association of the United States and Canada Award for Excellence in Financial Reporting. The City of Toronto also won the Government Finance Officers Association's Distinguished Budget Presentation Award. These awards would not have been possible without the dedication of the professional team that I am privileged to work with every day.

Sincerely,

Roberto Rossini

Roberto Rossini
Deputy City Manager & Chief Financial Officer

Physical Infrastructure

The City owns a significant amount of physical assets - comprising roads, expressways, bridges, traffic signal controls, water and wastewater treatment facilities, distribution and collection pipes, reservoirs, pumping stations, subways, streetcars, buses, civic centres, recreation facilities, public housing buildings, parkland and other lands. This infrastructure, excluding land, is currently estimated to be worth in excess of $76 billion. The City's capital program is driven largely by the costs of maintaining these physical assets in a state of good repair.

City's Physical Infrastructure

Transportation	$11 Billion
Public Transit	$15 Billion
Water & Wastewater	$29 Billion
Facilities including Parks, Forestry & Recreation, Fleet	$ 9 Billion
Community Housing Infrastructure	$ 9 Billion
Parkland & Other Land	$ 3 Billion
Total (Replacement Cost Estimates)	**$76 Billion**

The City's road network, the majority of which was constructed in the 1950s and 1960s, is in need of major repair and rehabilitation. In recognition of the need to reduce the State-of-Good Repair backlog related to the City's transportation infrastructure, 84% of the 2016-2025 Capital Plan for Transportation Services is dedicated to State-of-Good-Repair projects, compared to approximately 57% across all other Programs. The City's water and wastewater network is similarly aged — the average age of the City's watermains and pipes is 60 years and nearly 13% of them are more than 80 years old. Recognizing the need to eliminate the State-of-Good-Repair backlog by 2025, City Council approved $1.1 billion in additional capital investments for Toronto Water in the 2016-2025 Capital Budget and Plan, largely funded through the approval of water rate increases of 8% 2016 and 5% for 2017 and 2018, and 3% thereafter.

In addition, capital requirements resulting from population growth and demographic changes will add additional financial pressures. The City's 2002 Official Plan projected population growth of up to a million people in the city of Toronto, raising the population to 3.5 million people by 2031. More buses, social housing, recreation centres, etc. are required, which will put pressure on the City's capital and operating budgets to provide additional services, and build and operate new facilities.

Investment in physical infrastructure is typically funded by the following sources: federal and provincial funding where applicable, reserve and/or reserve funds, development charges, donations, operating contribution and debt. Debt is the funding source of last resort for capital purposes.

Capital Financing and Debt

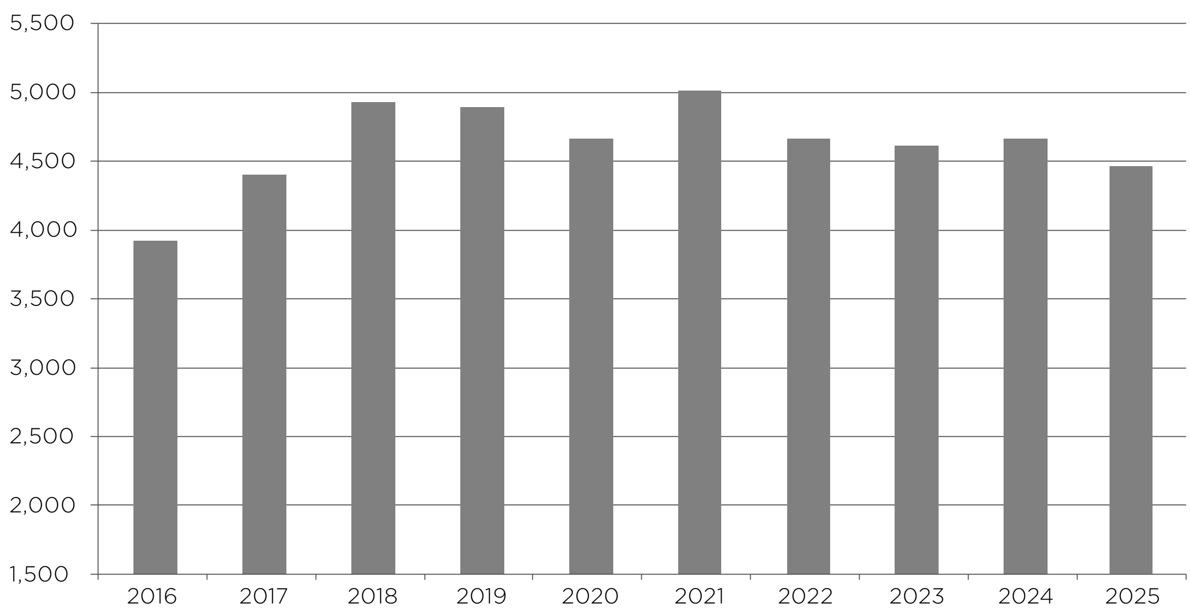
The City borrows money to finance capital expenditures. It cannot borrow to finance operating expenditures under the City of Toronto Act. The goal for capital financing is to maximize all funding from external sources, including federal and provincial governments, development charges, donations and reserve funding, before using the City's own revenue sources, namely operating contributions to capital and the issuance of debt. Toronto has enjoyed relatively low debt levels in the past; however, in light of the growing capital infrastructure needs, there is a sizeable and growing gap between future capital expenditure needs and ongoing sustainable revenue sources. As well, the City does not have the fiscal capacity for all necessary growth related expenditures, e.g. TTC and Transportation Services needs. For the next 10 years, the TTC is projected to make up the majority of the new debt required to fund the City's capital requirements, most of which is for new infrastructure and enhancement projects rather than State-of-Good-Repair projects.

The City has implemented a framework for developing multi-year capital and operating budgets that ensure that limited resources are aligned to priorities to maximize the benefits for Toronto's residents.

The City in 2010 refinanced parts of its debt by paying down existing debt and borrowing funds for selected projects on 30-year terms as opposed to 10-year terms. The 30-year debt was used to finance long-term assets to more closely match the life span of the infrastructure being built or purchased, e.g. subway tunnels and subway cars.

Even with the above-noted actions, estimates showed that the City's net long-term outstanding debt would increase from $3.9 billion in 2016 to peak at approximately $5.1 billion in 2021, and then decrease to $4.5 billion by 2025 as shown in the chart below.

City of Toronto Net Tax-Supported Debt
(Including Scarborough Subway)
($ Millions)

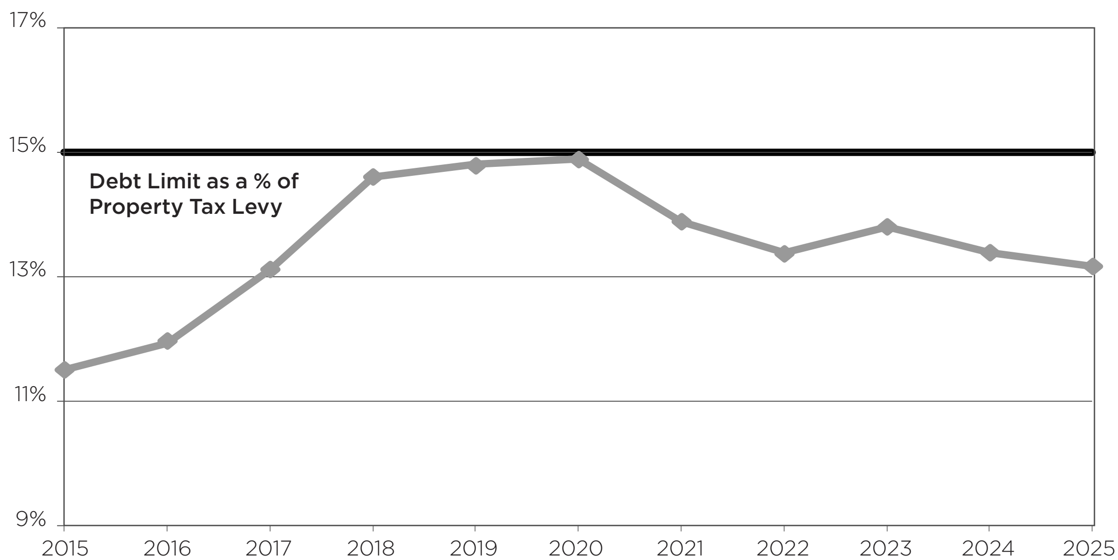


	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net Debt	3,905	4,462	4,910	4,843	4,656	5,055	4,643	4,552	4,663	4,470

City Council has ultimate authority in setting borrowing restrictions as the City of Toronto is exempt under the City of Toronto Act from the Provincial Municipal Act requirement that generally limits long-term borrowing of other municipalities to 25% of most own-source revenues (excluding development charges). Nevertheless, the City of Toronto's debt service limit is well under the provincial standard.

City Council previously approved a debt service limit such that the debt service cost (annual principal and interest payments) would not exceed 15% of property tax revenues in a given year. This limit means that at least 85 cents on each tax dollar raised is available for operating purposes. As shown in the chart to follow, the City is expected to stay below the 15% debt charges to Property Tax Levy ratio limit over the next ten years.

Debt Charges as a % of the Property Tax Levy – 2015 to 2025

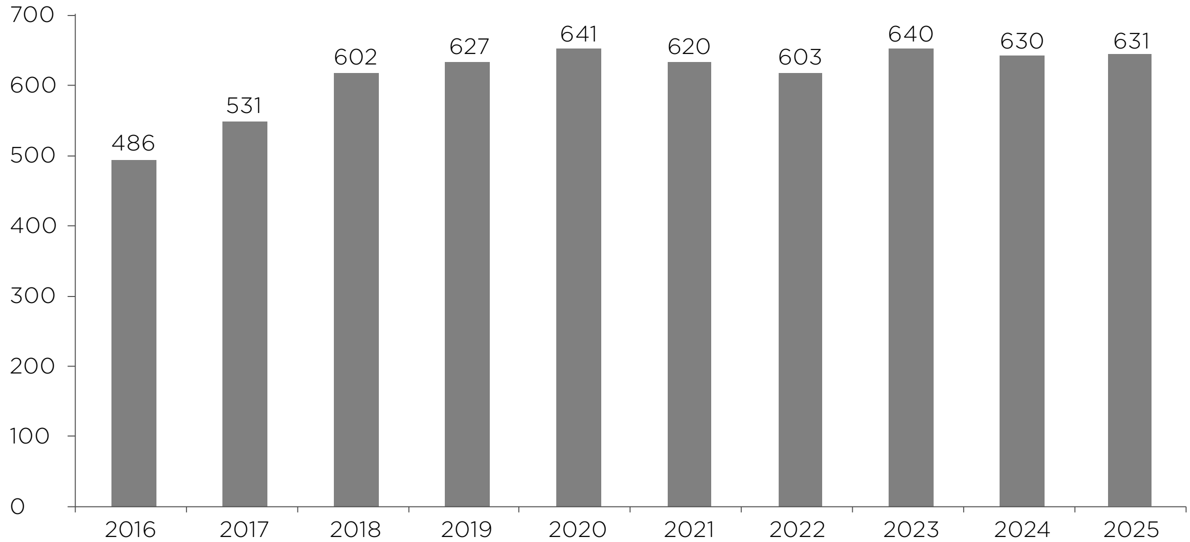


Compared to the 2015-2024 Capital Budget and Plan, the 2016-2025 Capital Budget and Plan increased capital expenditures for the common nine years of the Plan by $2.2 billion. The majority of this additional funding is required to fully fund the rehabilitation of the F. G. Gardiner Expressway. $1.3 billion has been added to accelerate repairs that could further accelerate the work by up to six years.

All non-debt sources of funding were maximized in 2016. It should be noted that, debt still represents 39% of total funding required for capital work, while Capital-from-Current (CFC) accounts only for 10% of funding. Accordingly, the City capital financing strategy seeks to increase the level of capital investment funded from property taxes (ie. CFC).

To meet its borrowing obligations, the City budgets debt service charges in its Operating Budget to repay both the principal and interest cost associated with its debt issuance for capital projects. In 2016, the debt service charge is budgeted at $486 million, increasing to $631 million by 2025.

City of Toronto Debt Charges
($ Millions)



Investment Activities and Capital Markets

Investment Activity

The City owns and manages the General Group of Funds and the Sinking Fund, each having specific goals and objectives. The General Group of Funds portfolio is composed of two individual funds (the Bond and Money Market Funds) that are managed interactively. The Bond Fund is positioned to fund the City's future reserve and reserve fund requirements and therefore takes a longer view of the market. The Money Market portfolio is primarily focused on ensuring that adequate liquidity is maintained to meet the immediate cash flow requirements of the City's daily operations. The Sinking Fund is for the use of retiring the City's debt as it becomes due and payable. The City also manages other smaller funds where the assets are not owned by the City (e.g. Trust Funds).

Investment earnings are composed of the annual earned interest income and capital gains/losses that are realized on each portfolio. In 2015, investment earnings on the City's managed funds totalled $137.4 million. The earnings were allocated to the Operating Budget ($120.9 million) and reserve funds ($16.5 million) according to the Council approved interest allocation policy.

The 2015 distribution of investment earnings is summarized in the following table:

2015 Investment Portfolio Income ($Millions)

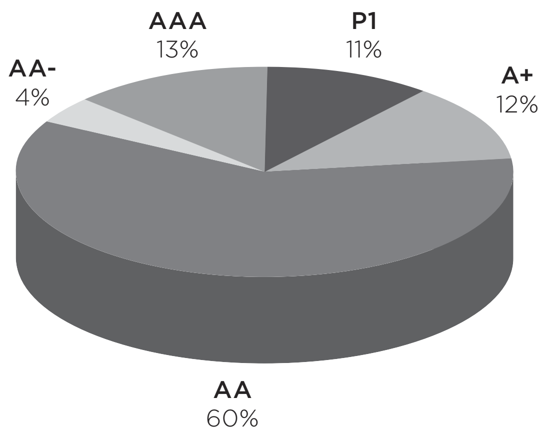
Portfolio ($ million)	Average Capital Balance	Earned Income	Return on Capital
1. Bond Fund	$2,935.3	$118.3	4.0%
2. Money Market	$2,134.6	$19.1	0.9%
Total General Funds	**$5,069.9**	**$137.4**	**2.7%**

The Operating Budget component was under budget in the Non-Program account by $0.9 million. This variance was due to a higher than targeted income allocation to the reserve funds which was attributable to slower than forecasted spending of the reserve funds. The $137.4 million in investment revenue generated in 2015 was lower than the $143.7 million generated in 2014 as forecasted. The decline was due to persistent low interest rates. Indeed, interest rates made new historic lows in 2015.

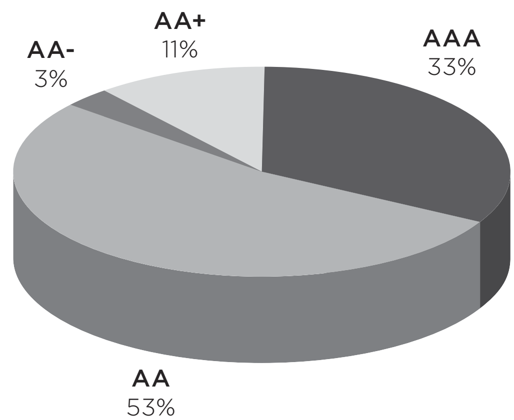
The City's General Group of Funds portfolio continues to exhibit high credit quality and liquidity (see following pie charts for Money Market and Bond Funds), especially during these extended periods of economic turbulence and market turmoil. The following pie charts show a breakdown of the two funds by credit quality (ie. AAA, AA+, AA, AA-).

Credit Quality – Money Market and Bond Funds
As at December 31, 2015

Credit Quality – Money Market



Credit Quality – Bond Fund



Sinking funds were established by the City and are required by legislation when a municipality issues debt. Currently, the City has six separate sinking fund portfolios that accept annual contributions in support of 25 individual debenture issues that are invested and earn income to accumulate sufficient funds to repay the sinking fund debt on maturity.

Sinking fund assets as at December 31, 2015 were $2.1 billion. These assets are invested in high quality fixed-income securities issued and guaranteed by the federal, provincial and municipal governments and corporate bonds to refund debt of $5.4 billion (2014 - $5.0 billion) maturing in various years between 2016 and 2044. Additional contributions from the City will be received annually during the period from 2016 to 2044.

2015 Capital Markets Review

2015 was a volatile year for Canadian fixed income markets. International factors such as the slowdown in Chinese economy and the ongoing decline in oil and other resource prices, had a big influence on the Canadian market. The Bank of Canada (BoC) cut rates by 25 basis points on January 21, 2015. The BoC cited the spillover effect of the oil price decline beyond the oil sector itself to the broader economy, and also the effect that the declining price of exports relative to imports would have on the incomes of all Canadians as reasons for the cut. BoC cut rates for a second time in July 2015 as a result of continued weakness in commodities and GDP growth.

The Canadian dollar depreciated by 16% against the U.S. dollar in 2015. It was driven by weak commodities, weak GDP data, and by the Bank of Canada's unanticipated rate cut in July.

During 2015, the City issued in the public capital market $700 million of the $900 million that was approved for the year, consisting of $300 million 10-year debentures and $400 million 20-year debentures.

Reserves and Reserve Funds

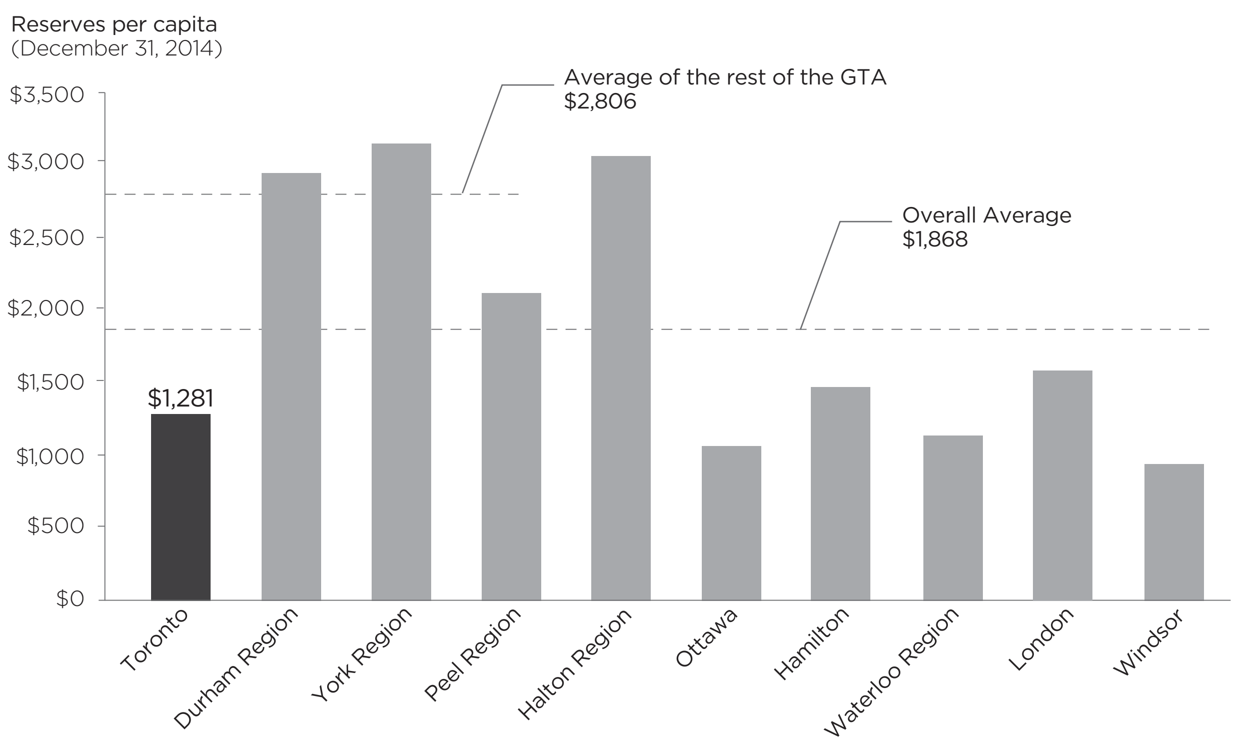
Reserves and Reserve Funds are monies set aside by Council to finance future expenditures for which it has authority to spend money, to defend the City against an unbudgeted or unforeseen event that may result in a budget deficit such as an economic downturn, to smooth out future program expenditures which may fluctuate from one year to the next, or to accumulate funds for future capital requirements or contingent liabilities. While the reserve fund balances would appear to be a large sum, it should be noted that the majority of these funds are committed to special purposes.

Toronto Municipal Code, Chapter 227 - Reserves and Reserve Funds - provides all pertinent information regarding the City's reserves and reserve funds, including definitions, the authority to establish new reserves and reserve funds, closing out inactive reserves and reserve funds, as well as the use and administration of reserves and reserve fund monies. A link to Chapter 227 of the Toronto Municipal Code is provided below:

http://www.toronto.ca/legdocs/municode/1184_227.pdf

On a comparative basis, the City's overall reserve fund balance on a per capita basis is much lower than those in other Ontario jurisdictions. Toronto's 2014 reserve per capita of $1,281 was considerably less than the rest of the GTA ($2,806), and 69% of the provincial average ($1,868). The City has established long-term reserve strategies for major reserves, e.g. employee benefits reserves, landfill sites and water and wastewater stabilization reserves, and make sure that adequate funds are in place, by determining needs and establishing contribution policies.

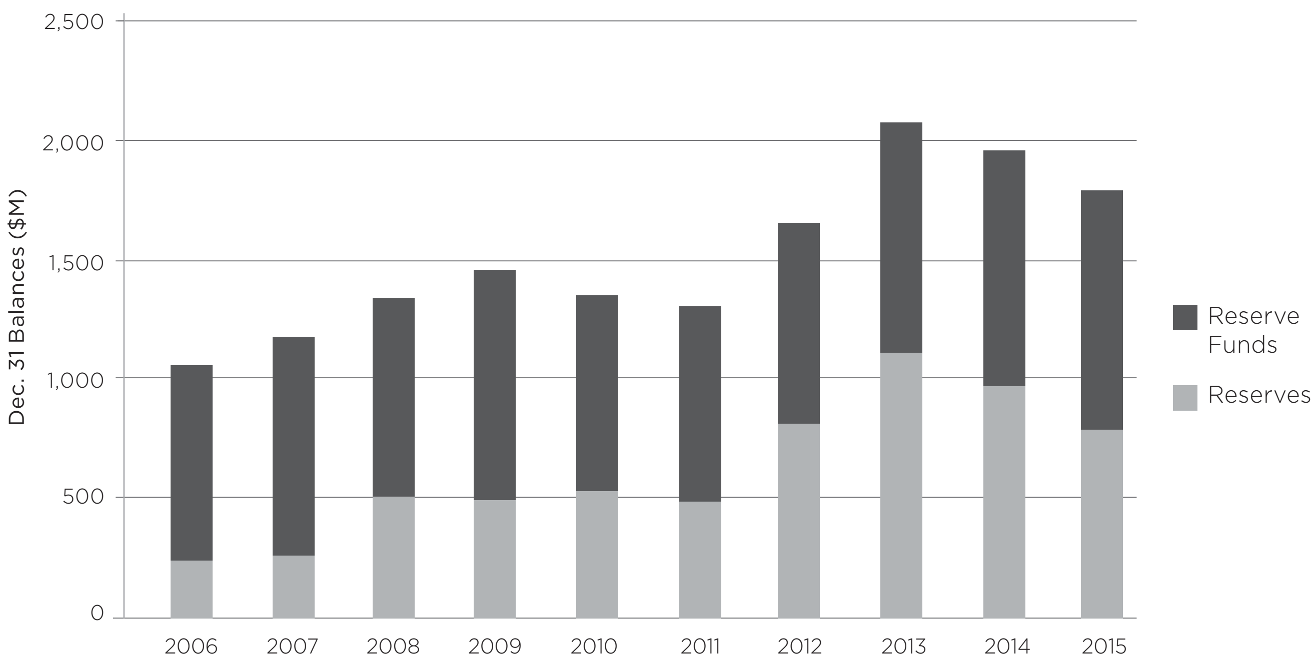
Comparison of Per Capita Reserves and Reserve Fund Balances



Sources: Ontario Ministry of Municipal Affairs & Housing - 2014 FIR
Regional data consolidated for upper and lower tiers
Balances include Obligatory Reserve Funds/Deferred Revenues

The following chart shows the historical trend of reserve and reserve fund balances since 2006. While the overall trend had been rising, there was a brief dip between 2009 and 2011 after the recession. Growth resumed in 2012 and 2013 as a result of funds being directed to the Capital Financing Reserve and other underfunded Reserves and Reserve Funds as mandated by Toronto City Council's Surplus Management Policy.

Reserves and Reserve Funds
(Excluding obligatory reserve funds/deferred revenues)



Deferred Revenues

Funds that are set aside for specific purposes by legislation, regulation or agreement and may only be used in the conduct of certain programs or the completion of specific work are reported as Deferred Revenues (previously Obligatory Reserve Funds). These include funds received from the other orders of government, Development Charges from third parties earmarked for certain purposes, e.g. Transit, Social Housing, Parkland Acquisition, Long Term Care Homes and Services. These amounts are recognized as liabilities in the year the funds are deposited, and received into revenue in the fiscal year the related expenditures are incurred or services performed. These funds are all committed, for uses including funding the City's priority capital needs like transit expansion.

Revenues

Property Tax

Property tax revenue is the City's single largest source of revenue. The City collects $3.9 billion from residential and business property owners for municipal purposes, which represents 39% of its total tax-supported Operating Budget.

Each year, the City is required by provincial legislation to establish tax rates that raise property tax revenues in the amount of the City's budgetary requirement. In addition, the City is also required to levy and collect property taxes for school purposes at the education tax rates set by the Province.

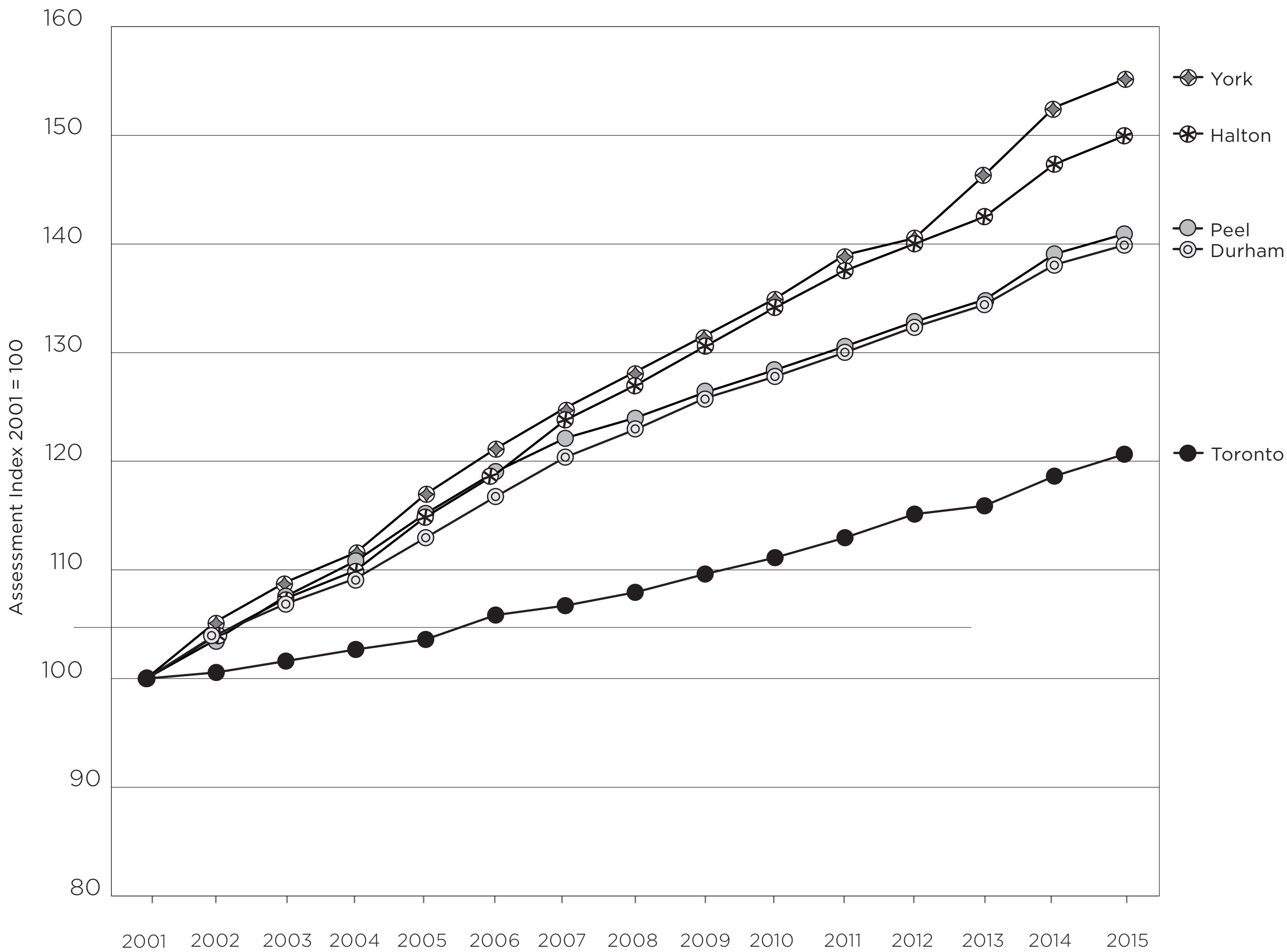
The amount of property taxes payable by a property is determined by multiplying the Current Value Assessment (CVA) of a property by the applicable tax rate for that class of property (e.g., residential, commercial, industrial, or multi-residential) subject to any legislative or Council-mandated adjustments. The total tax rate for a class consists of a municipal tax rate necessary to meet the City's budgetary requirement and the education tax rate necessary to raise the amount required by the Province for education funding.

The Municipal Property Assessment Corporation (MPAC), a provincial agency, is responsible for property assessment in Ontario and preparing the assessment rolls for municipalities on a Current Value Assessment (CVA) basis. The CVA of a property represents an estimated market value, or the amount that the property would sell for in an open market, arm's length sale between a willing seller and a willing buyer at a fixed point in time.

Over the last two decades, the GTA experienced quite remarkable economic and population growth following the recession of the early 1990s. The Toronto region (CMA) contains a number of the fastest-growing municipalities in Canada. The bulk of the new construction and the associated assessment increases are located in the surrounding areas in the GTA. For example, from 2001 to 2015 the rest of the GTA had cumulative assessment increases in excess of 40%: York Region: 55%, Halton Region: 50%, Peel Region: 41%, and Durham Region: 40%. By contrast, Toronto's property assessment in 2015 is just 21% above its 2001 level, partly due to the conversion of certain industrial properties into residential properties.

This trend is illustrated in the chart below:

TORONTO DOES NOT HAVE THE SAME ASSESSMENT GROWTH ENJOYED BY THE NEIGHBOURING REGIONS

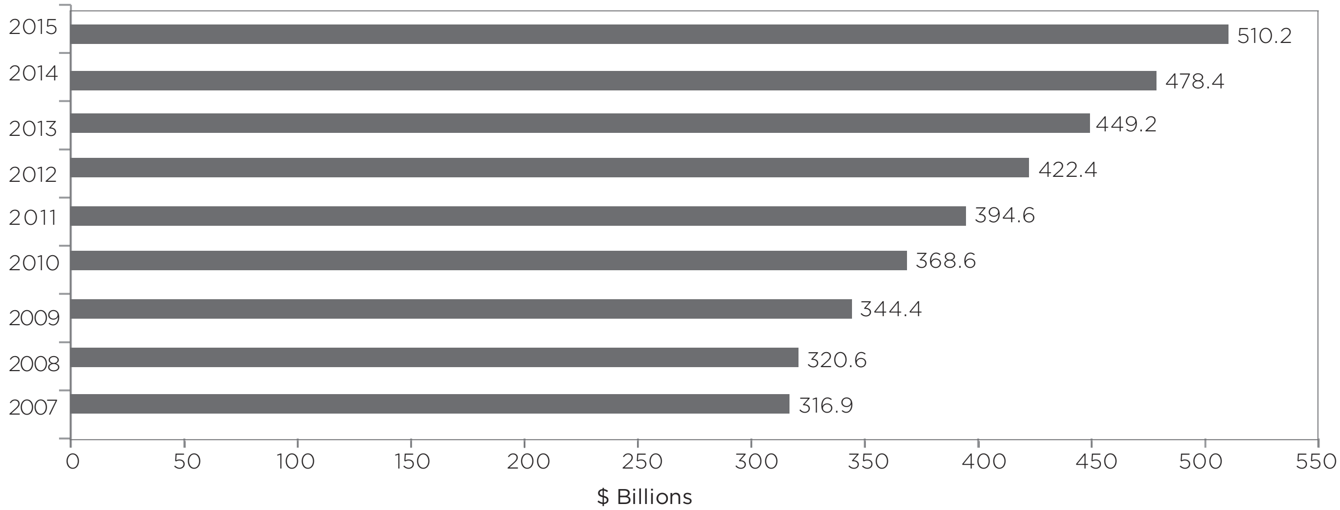


Source: Municipal Property Assessment Corporation

Property Assessment

The following chart depicts the total value of all property classes of the City of Toronto's current value assessment in each of the years from 2007 to 2016.

Total Property Assessment Values
City of Toronto 2007-2015



Beginning in 1998, Ontario municipalities whose commercial, industrial or multi-residential tax ratios exceeded threshold ratios established by the Province were restricted from passing on municipal property levy increases to those classes. In the years prior to 2004, this meant that no municipal levy (budgetary) increases could be passed on to these classes as the tax ratios exceeded the threshold limits. Instead of accessing the full assessment base, the City could increase tax rates only on the residential class at the time.

Since 2004, the Ontario Government made adjustments to the municipal rules under the Ontario Property Tax System, which amongst other things, allowed tax rate increases on the non-residential classes to be no more than 50% of the tax rate increase for the residential tax class. Although the relaxing of the restriction on non-residential classes is not permanent, it does provide partial relief from the budgetary levy restrictions imposed by Provincial legislation. In Toronto, tax ratios for the commercial, industrial and multi-residential classes all exceed the provincial thresholds, as shown in the following chart.

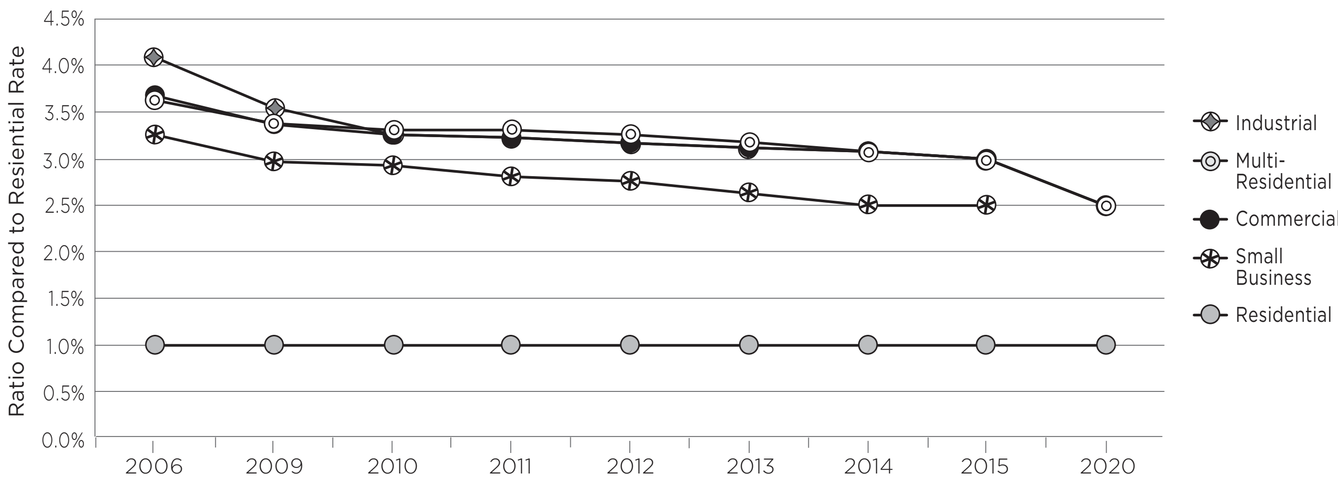
Toronto's Tax Ratios vs. Provincial Threshold Ratios

Taxation Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	Provincial Threshold Ratios
Multi-residential	3.546	3.469	3.380	3.316	3.316	3.316	3.224	3.118	3.054	**2.74**
Commercial	3.584	3.506	3.373	3.267	3.237	3.212	3.160	3.118	3.054	**1.98**
Commercial Small		3.410	3.265	3.108	3.020	3.070	2.997	2.922	2.836	**1.98**
Industrial	3.920	3,740	3.547	3.375	3.237	3.212	3.160	3.160	3.054	**2.63**

In late 2005 Council approved a comprehensive property tax policy "Enhancing Toronto's Business Climate - It's Everybody's Business" to improve the business climate in the City. In 2006, Council implemented the policy of limiting municipal tax rate increases within the Commercial, Industrial, and Multi-Residential tax classes to one-third of the residential tax rate increase (i.e. a 3% residential tax increase would result in a 1% non-residential tax rate increase). This measure was designed to reduce non-residential tax ratios to 2.5 times the residential rate over 15 years. In addition, the policy provided for an accelerated tax rate reduction for neighbourhood retail and small businesses that will see their tax ratios fall to 2.5 times residential within 10 years (by 2015).

Business Tax Ratios Have Been Reduced



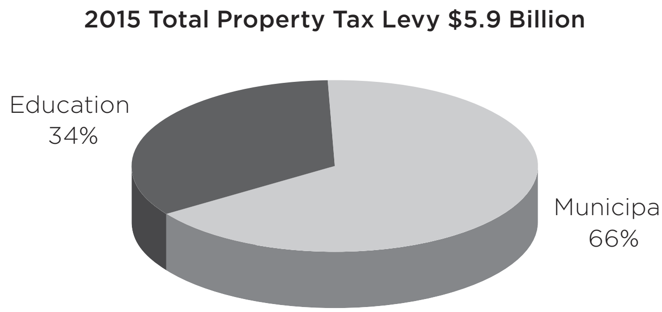
Other City efforts to enhance competitiveness have resulted in a successful agreement with the provincial government to reduce Business Education Tax (BET) rates for City of Toronto businesses closer to the average of the surrounding GTA municipalities, creating a new, fair water rate structure for industrial and manufacturing companies and continuing the relief of development charges for the city's commercial industry.

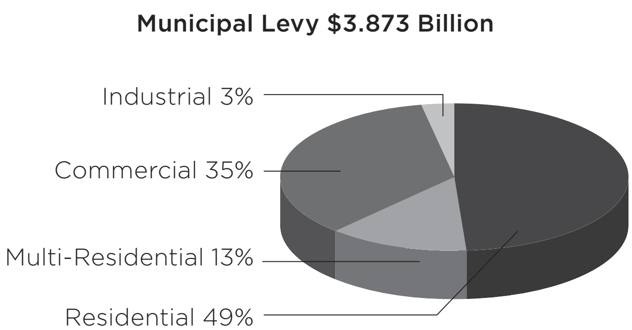
The Municipal Act and the City of Toronto Act mandate limits on re-assessment related tax increases for the commercial, industrial and multi-residential property classes. The amount of tax revenues foregone as a result of this cap, however, is fully recovered by an equivalent amount that is clawed-back from properties facing tax decreases.

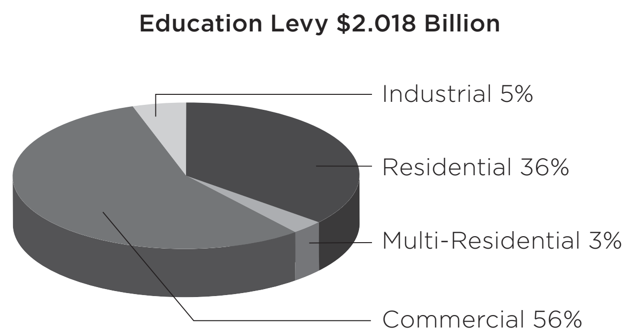
Special provisions to provide tax relief for low-income seniors and disabled persons, as well as charities and similar organizations, are also required. Tax relief policies in effect for 2016 include:

- The cancellation of any tax increase for seniors aged 65 or older, or disabled person living with a household income of $40,600 or less, who have occupied their home for at least one year, and the home's assessed value is equal or less than $715,000.
- The interest free deferral of any tax increase for seniors aged 65 years or older, or aged 60-64 years and receiving a Guaranteed Income Supplement and/or Spousal Allowance, or aged 50 years or older and receiving either a registered pension or pension annuity, or disabled persons, receiving support from one or more specified disability programs, whose household income is $50,000 or less, and have owned the property for at least one year.
- A 40% rebate of taxes paid for registered charities owning or occupying space in commercial or industrial properties and meeting other conditions of the program.

City of Toronto Property Tax Levy







The chart below illustrates the 2015 taxes payable for the average household in Toronto with an assessed value of $524,833.

	2015 Tax Rate	2015 Property Tax
Municipal Purposes	0.5106037%	$2,679
Educational Purposes	0.1950000%	$1,024
Total	**0.7056037%**	**$3,703**

Funding Transfers from Other Governments

The City receives grants and subsidies from other orders of government which are mainly for mandated programs such as Social Assistance, Child Care, Public Health, Social Housing, and some Transit capital funding. These transfers represent about 21% of its Tax-Supported Operating Budget.

User Fees

User fees are the City's third largest source of funding for the Operating Budget after grants and subsidies from other governments. Excluding Rate-Supported Programs, the City collects over $1.6 billion in user fee revenues annually through approximately 3,000 individual user fees. The largest component is TTC passenger fares of $1.2 billion, which generates about 65% of the TTC's operating funding.

As a result of a comprehensive User Fee Review in 2011, City Council approved a new corporate policy for establishing the initial and annual price of a user fee and determining the amount that should be recovered.

A new funding system for Solid Waste Management Services, the volume-based rate structure, was implemented November 1, 2008 to fund the service objective of 70% waste diversion. This funding plan transforms Solid Waste Management (garbage, recycling, green bin, litter prevention, landfill management and other diversion programs) from being property tax-based to user fee-based, and its fees are now part of the City's Utility Bill, together with the water charges. The entire Solid Waste Management program is now funded from revenue other than property taxes (representing user fees, funding from Waste Diversion Ontario, and sales proceeds from recyclable materials).

Development Charges

Development charges are fees collected from developers at the time a building permit is issued and represent an important source of funding for the Capital Budget. The fees help pay for the cost of growth-related, eligible capital projects (and related operating costs). Most municipalities in Ontario use development charges to ensure that the cost of providing infrastructure to service new development is not imposed on existing residents and businesses in the form of higher property taxes.

City Council adopted a new Development Charges Bylaw on October 11, 2013, in accordance with the requirements of the Development Charges Act, 1997 and related Regulations, with higher rates - 75% increase in residential rates and 25% for non-residential rates. In order to mitigate the potential adverse effect of the higher development charges on the rate of development in the City, the new by-law includes a schedule to phase-in the adopted rates over a two year period.

The following categories of services are eligible for varying pre-determined portions of development charge revenues:

- Spadina Subway Extension – 7.3%
- Transit (Balance) – 32.6%
- Parks and Recreation – 14.8%
- Library – 4.1%
- Subsidized Housing – 3.3%
- Police – 1.9%
- Fire – 0.9%
- Emergency Medical Services – 0.5%
- Development-related Studies – 0.7%
- Civic Improvements – 0.6%
- Child Care – 1.0%
- Health – 0.2%
- Pedestrian Infrastructure – 0.2%
- Roads & Related – 12.3%
- Water – 10.0%
- Sanitary Sewer – 7.6%
- Stormwater Management – 2.0%

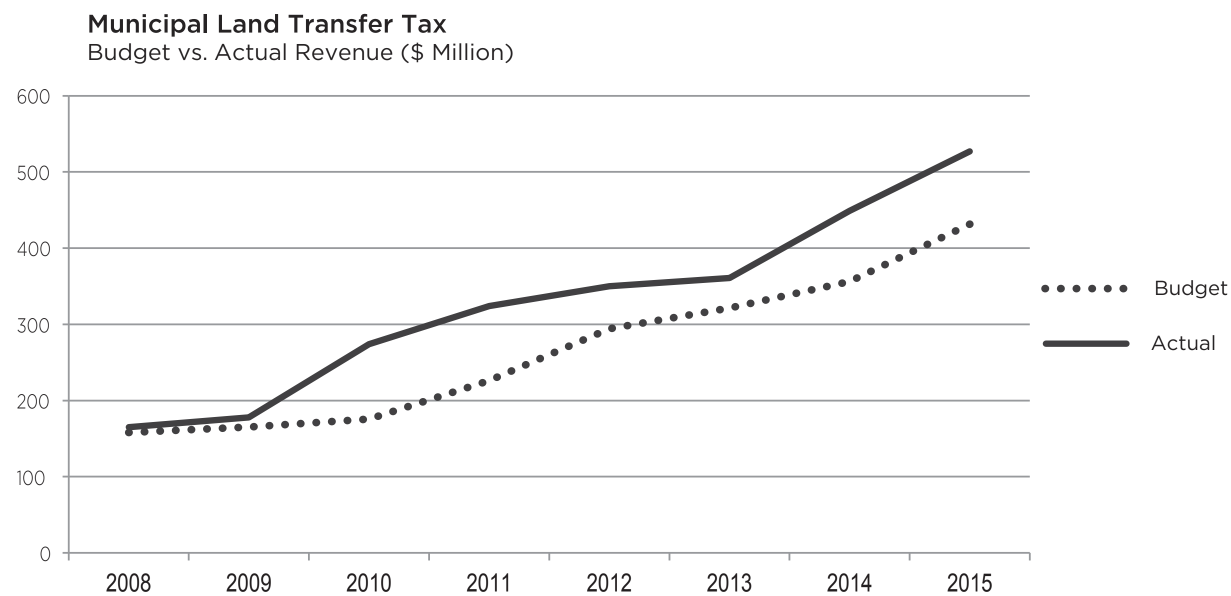
Note: Percentages relate to Development Charges for a Two Bedroom and Larger Apartment on February 1, 2016.

Other Taxation

The City of Toronto is the only Ontario municipality with the legislative authority (City of Toronto Act, 2006) to allow it to levy taxes other than property taxes. The Municipal Land Transfer Tax (MLTT) was implemented on February 1, 2008, and Personal Vehicle Tax (PVT) on September 1, 2008. On December 16, 2010, however, City Council approved the termination of the City's Personal Vehicle Tax (PVT) effective January 1, 2011.

MLTT revenues continue to exceed expectations. In 2016, budgeted gross MLTT revenues were $532 million (including transaction fees), as continued low mortgage rates have helped to keep housing sales strong in the city of Toronto. In 2015 and 2016, $40 million of the budgeted revenues were earmarked to the Capital Budget and placed in the Capital Financing Reserve to protect the Operating Budget in the event of lower than budget revenues.

The chart below illustrates how actual MLTT revenues from 2008-2015 compared with budget revenues.



City Council approved the Third Party Sign Tax in 2009. Implementation of the tax, however, was delayed by a court challenge from the outdoor advertising industry. After a favourable court ruling in 2012, the City began a retroactive collection of sign tax revenues for the period from 2009 to 2012. In 2013, City Council approved a plan to use retroactive and future Third Party Sign Tax revenues, which generates approximately $11 million per year, to boost Arts & Culture funding.

Credit Rating

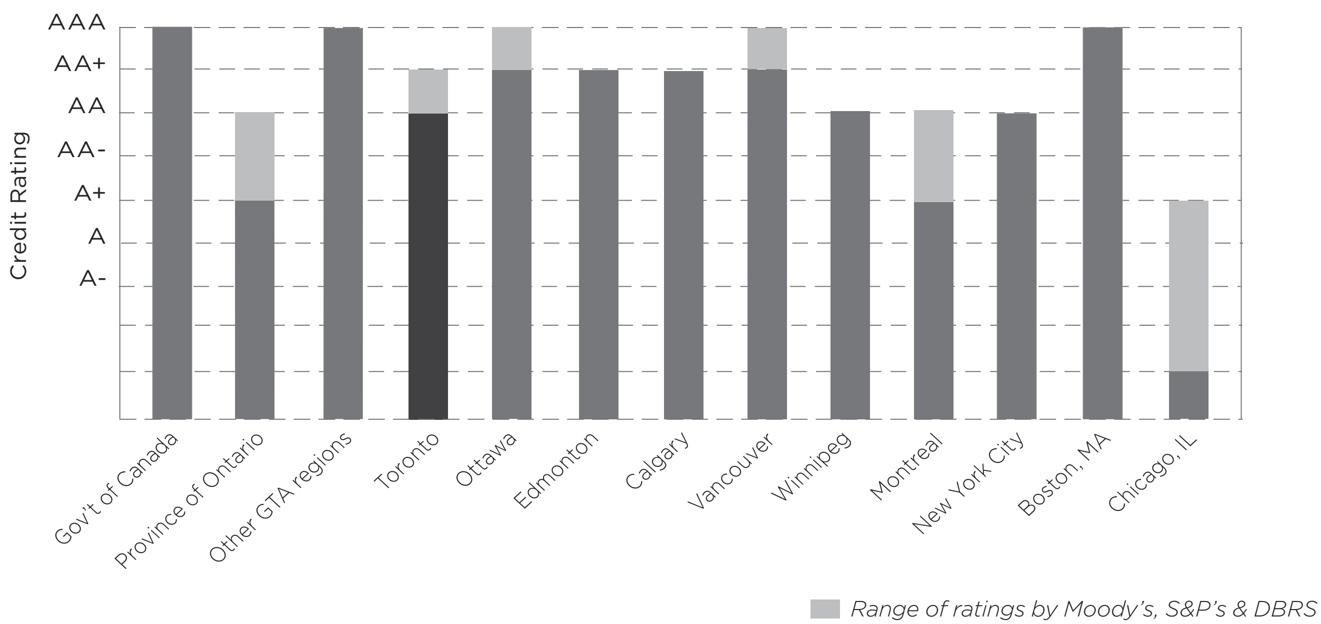
The City of Toronto is recognized as an important participant in global financial markets. The maintenance of a high quality credit rating is essential to ensure that the City's ability to access the most cost-effective world capital markets will continue as it needs to borrow funds for capital purposes.

Credit rating agencies assess the City's financial position by comparing it with other cities and regions. A number of factors affect the credit rating, such as quality of management; strength of economy; level of reserves, state of repair of assets, debt levels, etc. If a municipality's current debt levels and future trends appear to be high, this will have a negative impact on its credit rating. If debt levels are considered low, this will have a positive impact. The rating essentially indicates the City's ability to make payments on the debt now and in the future.

Credit ratings affect the City's ability to borrow, as well as the cost of borrowing. A higher rating translates into a lower cost of borrowing, as well as a wider market for investors to invest in City debt. Below a certain rating, investors may have policies that don't allow them to purchase the City's debt. Then the City would have to offer a higher interest rate to attract investors.

The City's credit rating remains comparable to other large North American cities such as New York, Boston, Vancouver and Montreal.

Toronto's Credit Rating



Toronto's credit rating: Moody's: Aa1 (=AA+); DBRS: AA (stable), S&P's: AA (stable)

Currently, the City of Toronto's credit ratings are:

- AA with a stable outlook from Standard and Poor's Canada (S&P's) – confirmed October 28, 2015
- AA with a stable trend from the Dominion Bond Rating Service Ltd. (DBRS) – confirmed August 7, 2015
- Aa1 with a stable outlook from Moody's Investor Service – confirmed June 4, 2015

City of Toronto's Credit Rating History	1997 and prior	1998-2001	2002-2015
Dominion Bond Rating Service	AAA	AA (High)	–AA (Stable)
Standard and Poor's	AA+/AAA	AA+	– AA (Stable)
Moody's Investors Service	Aa2	Aa2	– Aa1 (Stable) (Equivalent to AA+)

Credit Rating agencies regularly issue reports respecting the industries and individual issuers. Here are some of the excerpts from those reports that generally explained the high rating held by the City of Toronto.

"The ratings reflect our view of Toronto's exceptional liquidity, very strong economy, low debt burden, strong financial management, and strong budgetary flexibility. The ratings also reflect our positive view of the "very predictable and well-balanced" institutional framework for Canadian municipalities."

Standard & Poor's, October 28, 2015

"The ratings are supported by Toronto's large and well-diversified economy, manageable debt burden and track record of fiscal prudence in recent years that has helped to build a considerable base of liquidity to manage unforeseen events."

DBRS, August 7, 2015

"The City of Toronto's Aa1 rating benefits from a low debt burden (43% of operating revenue in 2013), a healthy liquidity profile evidenced by a net cash position, a large and diversified economic base as well as a track record of consolidated surpluses over the last five years. The rating also reflects the city's additional unique taxation powers, which allow it to access additional revenue sources besides property taxes and user charges for environmental services."

Moody's Investors Service, June 4, 2015

Toronto's Long-Term Fiscal Plan (LTFP)

The City has made much progress since introducing the comprehensive Long-Term Fiscal Plan (LTFP) in 2005. City Council has taken many steps to implement the recommendations of the Plan, while working with other orders of government to improve the funding of capital programs such as transit, and provincial cost-shared programs.

The following LTFP Scorecard summarizes the major financial issues identified in the Plan and the current status:

Fiscal Health Issue	Current Status	Score
Expenditures • City has higher costs than other municipalities • Demands for growth needs to be adequately funded • Upload of social services and transit partnership	Costs reduced	✓
	Updated the City's Development Charges Bylaw	✓
	Social Services & Court Services upload. Restore 50% of funding on OW administrative costs	✓
	Upload of Social Housing costs	✗
	Receiving Gas Tax Revenue & Metrolinx funding	✓
	50% provincial funding for transit operating (on-going objective)	✗
Revenues • Business taxes need to be more competitive • Province needs to properly fund income support programs • New revenues for City building and growth	Improving business competitiveness	✓
	Secured permanent share of Fed./Prov. Gas Tax	✓
	MLTT Added – Provincial Upload on schedule but additional revenues needed to help fund capital infrastructure	—
Assets & Liabilities • Aging infrastructure must be replaced while minimizing debt • Employee benefits and other liabilities need to be adequately funded	10 Year Capital Plan – More than 70% to be spent on State of Good Repair (SOGR)	✓
	Debt increase migrated through surplus management policy	✓
	Sick Pay liability partially capped, but some liabilities still growing	—

Legend ✓ Improving or compares favourably — Stabilizing or work in progress ✗ Not achieved

Update of the LTFP

The LTFP is currently being updated as one of 26 strategic actions of the City's 2013-2018 Strategic Plan. The first report will be presented in the second quarter of 2016 and will provide a high-level overview of the City's financial condition and historical expenditure and revenue trends. Through the Plan, strategies will be recommended to guide the City in the development of a multi-year expense management plan and new revenue strategies, including ways to modernize City business processes and get maximum value from City assets. The Plan is also expected to report on a framework for the City's annual financial and budget processes.

Performance Measurement and Benchmarking Results

To provide context when examining Toronto's service delivery performance, it is important to consider that municipal property taxes represent approximately 9% of the total taxes, in all forms, paid annually by an average Ontario family to all orders of government. These various forms of taxes include income taxes, consumption taxes such as the Harmonized Sales Tax, and embedded taxes, which are included in the price of items such as gasoline, liquor and tobacco. The discussion that follows on Toronto's performance is focused on how Toronto utilizes its 9% share of the total tax dollar.

Toronto's annual Performance Measurement and Benchmarking Report (PMBR) is based on data from the Municipal Benchmarking Network Canada (MBN Canada, formerly known as OMBI). The City of Toronto builds on MBN Canada data to compare to 15 other national municipalities and reflect on the City of Toronto's historical trends. The Report includes:

- Over 230 service/activity level indicators and performance measurement results for 36 service areas;
- Over ten years of Toronto's historical data to examine short and long term internal trends, as well as results compared externally to 15 other Canadian municipalities (ranked by quartile);
- Web links where similar neighbourhood-based data for Toronto are available through Wellbeing Toronto to complement the city-wide information in the report;
- A listing of initiatives completed in 2014 or planned for 2015 that will contribute to improving customer service, efficiency and effectiveness of services, and quality of life for residents; and
- Results from various international rankings and reports issued by external organizations comparing Toronto to other international cities.

By examining our own operations and working with other municipalities through the Municipal Benchmarking Network of Canada, these processes encourage Toronto's service areas to continuously look for opportunities to improve operations and performance.

Summary of Toronto's Results

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

Despite the unique characteristics of Toronto, there is value in comparing results to other municipalities to understand how well Toronto is doing. Through the MBN Canada partnership, performance measurement results are shared between municipalities and are included in Toronto's own Benchmarking Report. Toronto's results are ranked and placed in quartiles relative to the other participating municipalities.

By examining our own operations and by working with other municipalities through the MBN Canada process, these practices encourage Toronto's service areas to continuously look for opportunities to improve operations and performance. Many of these improvement efforts completed or planned for are summarized in the report including:

- Initiatives to improve customer service
- Initiatives to improve efficiency
- Initiatives to improve effectiveness
- Initiatives to improve the quality of life for Torontonians

The 36 municipal services included in the Report each have a colour coded summary of results at the front of their respective sections, and are supported with and referenced to charts and detailed narratives for approximately 230 indicators and measures.

Highlights of Toronto's overall results are described below.

Internal Trends - Service/Activity Level Indicators
Of the 49 service/activity level indicators included in the Benchmarking Report, 90% of results remained stable or increased in relation to the previous year. Examples of some of the areas in which Toronto's service levels or levels of activity have increased or remained stable include:

- More building permits issued
- Increased library holdings
- More park land and trails added
- More registered sports and recreation programming were offered
- More transit vehicle hours were provided

Internal Trends – Performance Measures
Of the 188 performance measurement results, of efficiency, customer service and community impact included in the Benchmarking Report, 62% had results that were either improved or remained stable relative to previous years.

Examples of areas in which Toronto's performance indicators improved include:

- Higher number of invoices processed by staff
- Increased commercial/industrial construction values
- Decrease in time to resolve a property standards complaint
- High rate of satisfaction with the services received from Court Services
- Increase in the number of green vehicles
- Decreased crime rates in all crime categories
- Reduction of fire-related injuries and fatalities
- Increased public transit usage

External Comparison – Service/Activity Level Indicators

There are 54 service/activity level indicators included in the report for which Toronto's results can be compared and ranked with other municipalities. Toronto's service/activity levels are at or higher than the MBN Canada median for 69% of the indicators.

Examples from the Report where Toronto has higher service levels in relation to other cities include:

- Highest rate of library holdings
- Highest rate of social housing units
- Highest rate of transit vehicle hours provided

External Comparison – Performance Measures

There are 153 measures of efficiency, customer service and community impact in the report where Toronto's results can be compared and ranked with other municipalities.

Toronto's results are higher than the MBN Canada median for 49% of the measures. Changes in Toronto's quartile ranking for individual measures are more likely to occur over a five year period or longer. Areas where Toronto has the top/best result in comparison to the other municipalities include:

- Highest rate of commercial/industrial construction values per capita
- Highest rate of library uses per capita
- Lowest cost of governance and corporate management
- Highest percentage of paved lanes rated as good/very good
- Highest rate of transit trips per capita

For additional information on the City of Toronto's Benchmarking Report please visit our website at *www.toronto.ca/progress*

Other Methods of Assessing Toronto's Progress

Toronto's award-winning initiatives

Throughout 2015 and 2016, Toronto's initiatives received numerous awards from external organizations. Some of these awards include:

- For a second year in a row, the job search engine, Eluta.ca, named the City of Toronto as one of Greater Toronto's Top Employers, as well as one of Canada's Best Diversity Employers, for 2016.
- The City of Toronto was the recipient of the 2015 Ontario Wood Award, which is presented annually to an organization that has made an outstanding contribution to promoting and supporting local wood programs and producers. The City was also recognized for its urban forestry services and for its innovative programs for turning wood from diseased trees into usable lumber.
- The Communication, Education and Marketing Tools Excellence Award from the Solid Waste Association of North America (SWANA) recognizes excellence in the creation of individual, unique printed and digital resources intended to promote programs, ideas, or behavior change. The City of Toronto won Bronze in both categories for its "Chuck and Vince - We Want It!" campaign.

- The City of Toronto was recognized for the commitment to showing waste reduction leadership and innovation by the Recycling Council of Ontario. It received a Gold award for its Community Environment Day events. Also, the City of Toronto was recognized for its waste reduction leadership and innovation by the Recycling Council of Ontario. It received a Gold award in the Municipal Communications category for its 'Get with the Program' advertising campaign.
- Toronto Water received the 2015 Great Lakes and St. Lawrence Cities Initiative Water Conservation Framework 'Most Innovative Water Conservation Method Award' for its Industrial Water Rate strategy that helps the Industrial, Commercial and Institution's sector realize water conservation.
- The Canadian Sport Tourism Alliance awarded the International Sport Event of the Year Award to the City of Toronto in recognition of the Toronto 2015 Pan Am/Parapan Games. The City shares the Award with key Games partners, including the Provincial Pan Am Games Secretariat (PPAGS) based in the Ontario Ministry of Tourism, Culture and Sport, the Federal Government of Canada, the Canadian Olympic and Paralympic Committees, TO2015 (the Games Organizing Committee) and 16 Host Municipalities across the GTA.
- The City of Toronto has received four awards for energy reduction through Civic Action's Race to Reduce Challenge. The Race challenged building owners, landlords and tenants across the GTHA to collectively reduce energy use by 10 per cent from 2011 to 2014. Four City buildings significantly exceeded the target: Toronto Archives (59 per cent), City Hall (21 per cent), Metro Hall (15 per cent) and 277 Victoria Street (19 per cent).
- The Archaeological Institute of America (AIA) awarded the 2016 Conservation and Heritage Management Award to the City of Toronto, in honour of its outstanding contributions to the field of heritage management. The award recognizes the excellence and best practices of the City's Archaeological Management Plan (AMP), which sets planning procedures, policies and protocols for conserving the city's archaeological record.
- The Ontario Professional Planners Institute (OPPI) presented a 2015 Excellence in Planning Award to City Planning, Toronto Public Health, Transportation Services, Gladki Planning Associates and landscape design firm DTAH, in the category of Community Planning & Development Studies/Reports, for their report, Active City: Designing for Health. The Excellence in Planning Awards recognize innovation, creativity, professionalism, problem-solving, and communications.
- In 2015, one of the City's long-term care homes, Wesburn Manor, received an Honourable Mention for outstanding achievements at the Mississauga Halton Local Health Integration Network (LHIN) inaugural "Partnering for a Healthier Tomorrow Awards." Wesburn Manor's quality improvement project – Wound Care Management – was recognized at an event which allowed the team to share the processes and partnerships that enabled the home to successfully improve healing and reduce skin ulcers with other healthcare organizations.
- At its September 2015 national conference in Ottawa, the Canadian Association of Community Health Centres formally presented its Agent of Change Award to Toronto Public Health for its formal recommendation of Supervised injection Sites as part of a comprehensive continuum of health services for people who inject drugs.
- In 2016, Waterfront Toronto has received the Consulting Engineers of Ontario (CEO) Award of Merit for Queens Quay Revitalization and the Canadian Society of Landscape Architects (CSLA) Public Landscapes Designed by a Landscape Architect National Award for the West Don Lands.

- In 2016, the City of Toronto also received a Special Mention from the Lee Kuan Yew World City initiative. In particular, Toronto was recognised for its "outstanding social integration strategies, and reversing the trend of suburban sprawl and revitalising its city centre over the past 40 years".

More detailed information about awards received by City divisions can be found on toronto.ca by navigating to the *Awards by City Division* section.

The City Manager's Awards for Toronto Public Service Excellence
In addition to various external awards the City Manager's Office also recognizes divisional and cross-corporate initiatives. The award is presented annually to a City division or program that has achieved a high and measurable standard of excellence. In 2015, the City Manager's Awards were presented to three initiatives, including:

- Respect@TPH (Toronto Public Health) won the Human Rights, Access, Equity & Diversity category.
- Welcome to Parenting – Online Prenatal Program (Toronto Public Health) won the Divisional Project category.
- Online Account Lookups (Revenue Services) won the Cross-Corporate Project category.

For more information about current and past City Manager's Awards for Public Service Excellence, please visit the City's website.

The World Council on City Data (WCCD) and ISO-37120 Standards

In addition to the benchmarking and performance initiatives described in the sections above, Toronto also compares its results to other global cities through the World Council on City Data (WCCD). In 2014, in partnership with the International Organization for Standardization, the WCCD released a new International Standard for city indicators (ISO-37120). The availability of reliable and comparable indicator data allows Toronto to compare, share and learn about different approaches to urban issues, including gridlock, adequate city revenue tools, aging infrastructure, air quality, aging populations, youth unemployment, public safety and social inequity. As of June 2016, the WCCD cities that are now certified with ISO-37120 designation, and have published online their results, include:

Amman, Jordan
Amsterdam, Netherlands
Barcelona, Spain
Boston, USA
Bogotá, Colombia
Buenos Aires, Argentina
Dubai, UAE
Guadalajara, México
Haiphong, Vietnam
Helsinki, Finland
Johannesburg, South Africa
León, México
London, UK
Los Angeles, USA
Makkah, Saudi Arabia
Makati, Philippines
Melbourne, Australia
Greater Melbourne, Australia
Minna, Nigeria
Rotterdam, Netherlands
Shanghai, China
Toronto, Canada
Valencia, Spain
Vaughan, Canada
Porto, Portugal
San Diego, USA
Shawinigan, Canada
Taipei City, Taiwan

The indicators currently identified by ISO-37120 cover a total of 100 indicators across a range of themes relating to quality of life and the outcomes or impacts that services have on residents. The responsibility of city governments under these theme areas can vary from one country to another, as well as within a country. Moreover, federal, provincial or state governments can play an important role in the outcomes in many of these theme areas.

Using the ISO standardized city indicators provides cities with a common language and standardized technical definitions in measuring city performance, as well as a global framework for third party verification of city data. International standardization of city data is a vital aspect in ensuring reliable data. It enables a foundation for meaningful comparisons and conversations among global cities. Comparable data supports more informed and fact-based decision-making on urban issues that are important to residents, and will enable cities to share better practices in order to become more sustainable and prosperous.

The WCCD data allows Toronto to compare its results to other ISO-certified cities. Results from Toronto and the other participating cities are available at *www.dataforcities.org*.

Toronto Progress Portal

The Toronto Progress Portal (*www.toronto.ca/progress*) is an initiative intended to consolidate, in one location, multiple sets of performance and indicator data and other information. It allows users to better understand how Toronto is progressing over multiple dimensions. The first phase of the Progress Portal has launched, but will continue to evolve in the future. The Progress Portal includes information or links to items such as:

- Metrics related to service delivery
- A dashboard that describes the social and economic conditions for Toronto
- Toronto's position in various world rankings authored by third parties
- Neighbourhood level indicators (Wellbeing Toronto)
- Awards won by the City
- Customer Service Standards

The first phase of Toronto's Progress Portal, Toronto's Dashboard, has launched, and the next phase continues to promote a culture of continuous improvements.

Balancing the optimal combination of efficiency and customer service/community impact requires ongoing commitment. City staff are responsible for the efficient delivery of services, while considering the highest customer service and/or positive impact on the community as possible. At the same time, the City adheres to the financial resources and associated service levels and standards approved by Council. An isolated focus on efficiency may have an adverse effect on customer service or community impact; and vice versa.

The Toronto Progress Portal measures its performance to identify where the City is doing well and where more effort or new approaches are needed. This knowledge strengthens the City's accountability and enhances transparency for everyone.

For additional information on the City of Toronto's progress please visit our website at *toronto.ca/progress*

Treasurer's Report

Mike St. Amant
Treasurer

The Consolidated Financial Statements are intended to provide Council, the public, the City's debenture holders, and other stakeholders, an overview of the state of the City's finances at the end of the fiscal year and indicate revenues, expenses and funding for the year.

The preparation, content and accuracy of the Consolidated Financial Statements and all other information included in the financial report are the responsibility of management.

As required under Section 231 of the City of Toronto Act, the financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as set by the Chartered Professional Accountants of Canada (CPA Canada) Public Sector Accounting Board (PSAB).

These Consolidated Financial Statements have been audited by PricewaterhouseCoopers LLP 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. The external auditor's opinion is to provide comfort to third parties that the financial statements can be relied upon by all stakeholders.

Consolidated Financial Statements

The Consolidated Financial Statements include the following individual statements:

Name	Purpose
Consolidated Statement of Financial Position	Summarizes the assets (financial and non-financial), liabilities, net debt (financial assets less financial liabilities), and accumulated surplus (all assets less all liabilities) as at December 31st.
Consolidated Statement of Operations and Accumulated Surplus	Outlines revenues, expenses, surplus for the year and accumulated surplus at year end. This statement reflects the combined operations of the operating, capital, reserve and reserve funds for the City and its consolidated entities, and provides the calculation of the City's accumulated surplus at year end.
Consolidated Statement of Change in Net Debt	Outlines the changes in net debt as a result of annual operations, tangible capital asset transactions, as well as changes in other non-financial assets.
Consolidated Statement of Cash Flows	Summarizes the City's cash position and changes during the year by outlining the City's sources and uses of cash.

The Consolidated Financial Statements combine the financial results of the City's divisions with the financial results of the agencies and corporations, and government business enterprises that the City effectively controls. There are 122 entities that are directly included in the financial statements and these are listed in Note 1 to the Consolidated Financial Statements. There are also a number of subsidiaries of agencies and corporations which are not included in the entity count above. The notes to the statements provide further detail about the City's financial results and are an integral part of the statements.

Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position is the municipal equivalent of the private sector's balance sheet. This statement focuses on the City's assets (financial and non-financial) and liabilities. The difference between the liabilities and financial assets is the City's Net Debt, which represents the net liabilities that must be financed from future budgets.

The detailed breakdown of the accumulated surplus, including all of its components:

- amount invested in capital assets;
- operating fund, capital fund, reserve and reserve fund balances; and,
- amounts to be recovered from future revenues,

is reflected in Note 17 to the Consolidated Financial Statements.

The City has received funds for specific purposes under legislation, regulation or agreements. The recognition of these funds as revenues has been deferred until related expenses occur in the future. For example, development charges, parkland dedication fees and certain federal and provincial government transfers received (such as public transit funding), are not recognized as revenues until such time as the projects are constructed. These restricted funds are included in liabilities as "Deferred Revenue" and not in the accumulated surplus. A breakdown of the City's deferred revenue obligatory reserve funds can be found in Note 8(a) to the Consolidated Financial Statements.

As a result of the significant investment in tangible capital assets, there is a large accumulated surplus, which occurs at the same time that the City has a significant net debt, which must be financed through future revenues. Although tangible capital asset balances are considerable for municipalities – much larger on a percentage basis than any other level of government – they do not provide liquidity (i.e. cash), and are not typically available for sale, the proceeds of which could be used for other purposes. It is for this purpose that tangible capital assets are not included in the calculation of net debt, arguably the most important financial statistic for governments.

Consolidated Statement of Operations and Accumulated Surplus
The Consolidated Statement of Operations and Accumulated Surplus is considered to be the municipal equivalent to the private sector's Statement of Income and Retained Earnings.

The Consolidated Statement of Operations and Accumulated Surplus provides a summary of the revenues, expenses and surplus throughout the reporting period, and outlines the change in accumulated surplus.

The 2015 budget values presented in this statement have been adjusted to reflect the differences between amounts as budgeted at the City on a modified "cash requirements" basis and amounts recorded in these financial statements on a "full accrual" basis. Note 18 outlines the adjustments to the approved budget, particularly exclusion of debt proceeds, principal payments, and tangible capital asset purchases, and inclusion of estimated amortization expense. These adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. The accrual based budget typically results in a surplus, as the City must fund reinvestment in assets at amounts greater than their historical cost.

Consolidated Statement of Change in Net Debt
The Consolidated Statement of Change in Net Debt is unique to governments. This statement focuses on the debt of the City, adjusting the annual surplus for the impact of tangible capital assets: mainly deducting the costs to acquire assets, and adding back amortization charged during the year.

Net Debt is a term defined by the Public Sector Accounting Board (PSAB) as all liabilities (both shorter and longer term liabilities) less financial assets. Net Debt (also referred to as net liabilities) may be materially different than the amount of the City's consolidated outstanding debt captured as "Net long-term debt" on the City's Consolidated Statement of Financial Position, details of which are provided in Note 12 of the Consolidated Statements.

New Accounting Standard adopted in 2015:

PS 3260 – Liability for Contaminated Sites.
On January 1, 2015, the City adopted the Public Sector Accounting Standard PS 3260, *Liability for Contaminated Sites*. This standard was adopted on a prospective basis from the date of adoption.

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

Adoption of this standard did not have a material effect on the financial results for the current year, the liability recorded is $6.5M.

Financial Condition

An important measure of any government's financial condition is its Net Debt (also referred to as net liabilities): calculated as liabilities (e.g. trade and employment payables, mortgages and debentures) less financial assets (e.g. cash, receivables, and investments).

The City's Net Debt as at December 31, 2015 increased by $0.8B to $6.1B (2014 - $5.3B). This increase is due primarily to the City's financing of tangible capital assets, offset by its considerable accounting surplus during 2015. For more information on the change in Net Debt, please refer to the Consolidated Statement of Change in Net Debt in the Consolidated Financial Statements.

Table 1

Net Debt – 5 year Summary ($000's)

Net Debt	**4 Year Average Annual Increase**	**2015**	**2014**	**2013**	**2012**	**2011**
Liabilities	6.7%	15,151,299	13,828,081	13,117,281	12,505,032	11,672,374
Financial assets	5.6%	9,071,480	8,533,390	8,554,867	8,259,997	7,283,091
Net Debt	**8.5%**	**6,079,819**	**5,294,691**	**4,562,414**	**4,245,035**	**4,389,283**
Percentage Increase (decrease)		**14.8%**	**16.1%**	**7.5%**	**(3.3%)**	

The City's Net Debt has increased by a compound annual rate of 8.5% over the last four years, attributable mainly to increases in long-term debt to third parties and in long-term net employee benefit liabilities. Both of these items are dealt with in more detail later in this report.

In order to improve the City's financial position, the City is developing an updated framework that will include strategies and processes to strengthen the City's multi-year financial and budget processes, including a multi-year expense management plan, a multi-year revenue strategy, and asset optimization plans.

Debt financing has grown and will continue to grow due to state of good repair funding requirements and increased focus on expanding public transit infrastructure to meet the demands of a growing population. The City will be reviewing its capital budget and related financing strategies including debt policies.

Another key indicator of a government's financial condition is the amount that must be recovered from future revenues as included in Note 17 of Consolidated Financial Statements. These liabilities include TCHC mortgages, debentures, employee benefit liabilities, property and liability claim provisions, landfill liabilities and environmental liabilities. In 2015, the total amount that must be recovered from future property taxes and other revenues grew by $672M to $9.4B (2014 - $8.7B). This increase mainly consists of:

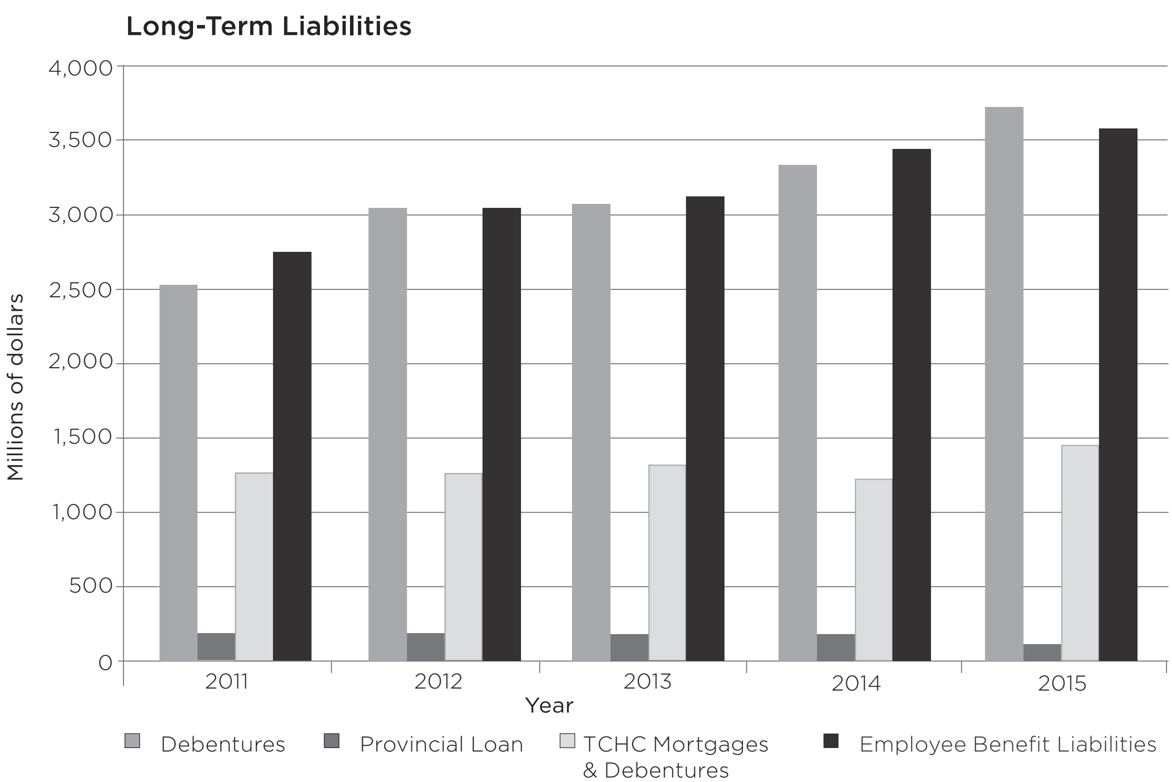
- an increase of $189M in the net employee benefits liabilities as gross employee benefit liabilities decreased by $40M offset by increase in unamortized gain of $228M;
- a net increase of $466M in mortgages and net long term debt;
- an increase of $2M in landfill closure and post-closure, due to some marginally higher cost estimates over the 40 year period;
- increase of $4M in Property and liability claims provision; and
- new liability of $7M for Contaminated Sites as per implementation of PS3260 in 2015.

The significant growth in net long-term debt has been driven mainly by the need to finance transit capital expenditures and other transportation projects.

The growth of employee benefit liabilities in 2015 has been driven primarily by change in demographics, change in trend rates, change in mortality tables and change in retirement scale all of which were updated from 2012, as a full valuation was done in 2015. This was slightly offset by lower discount rates in 2015. Council has contained some of the growth of this liability through changes in benefit plans and other cost containment initiatives.

Chart A provides the breakdown of long-term liability growth by debt type.

Chart A



Information on the mortgage liabilities of TCHC is provided in Note 11, the provincial loan and debenture debt is outlined in Note 12, and further detail about employee benefit liabilities is provided in Note 13 of the Consolidated Financial Statements.

To put the City's net liability (i.e. Net Debt) into a different context, Chart B expresses the Net Debt as a percentage of the City's own source revenues (excluding government transfers and earnings from government business enterprises). The net liability as a percentage of own source revenues has gone from 57.4% to 68.5% over the last five years.

Chart B

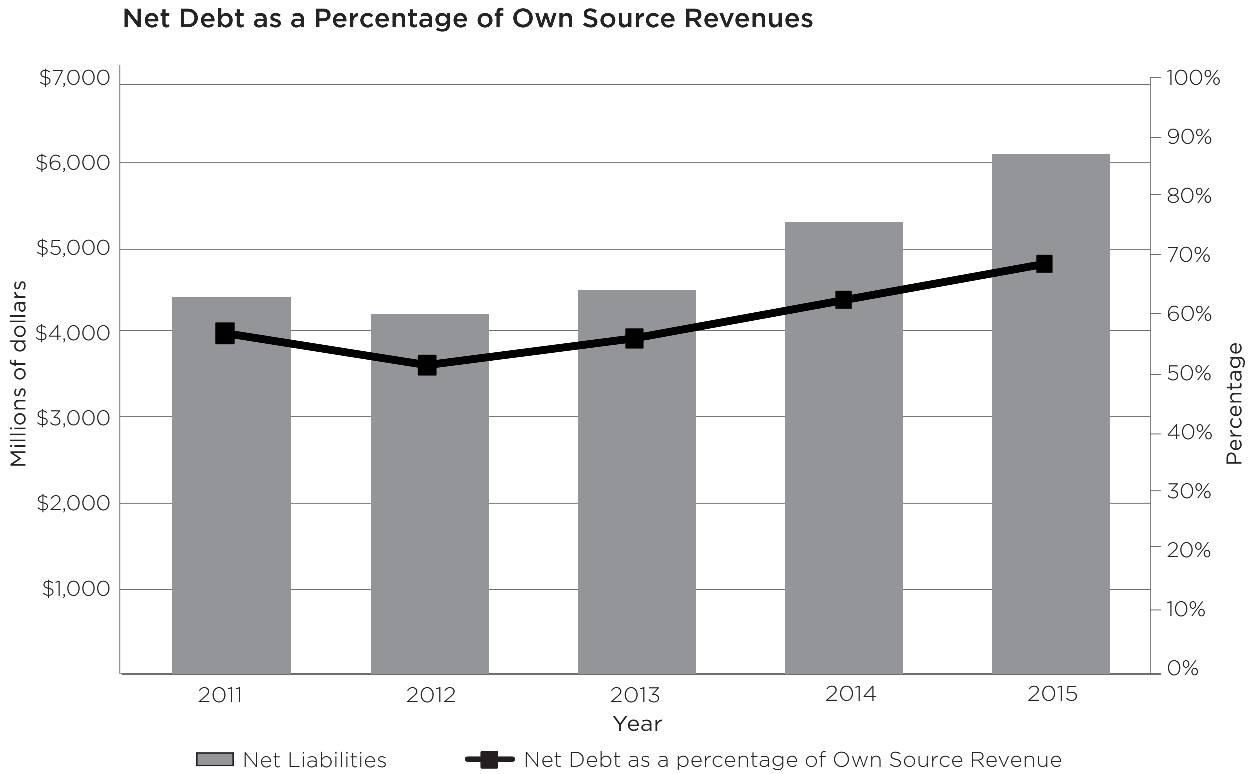
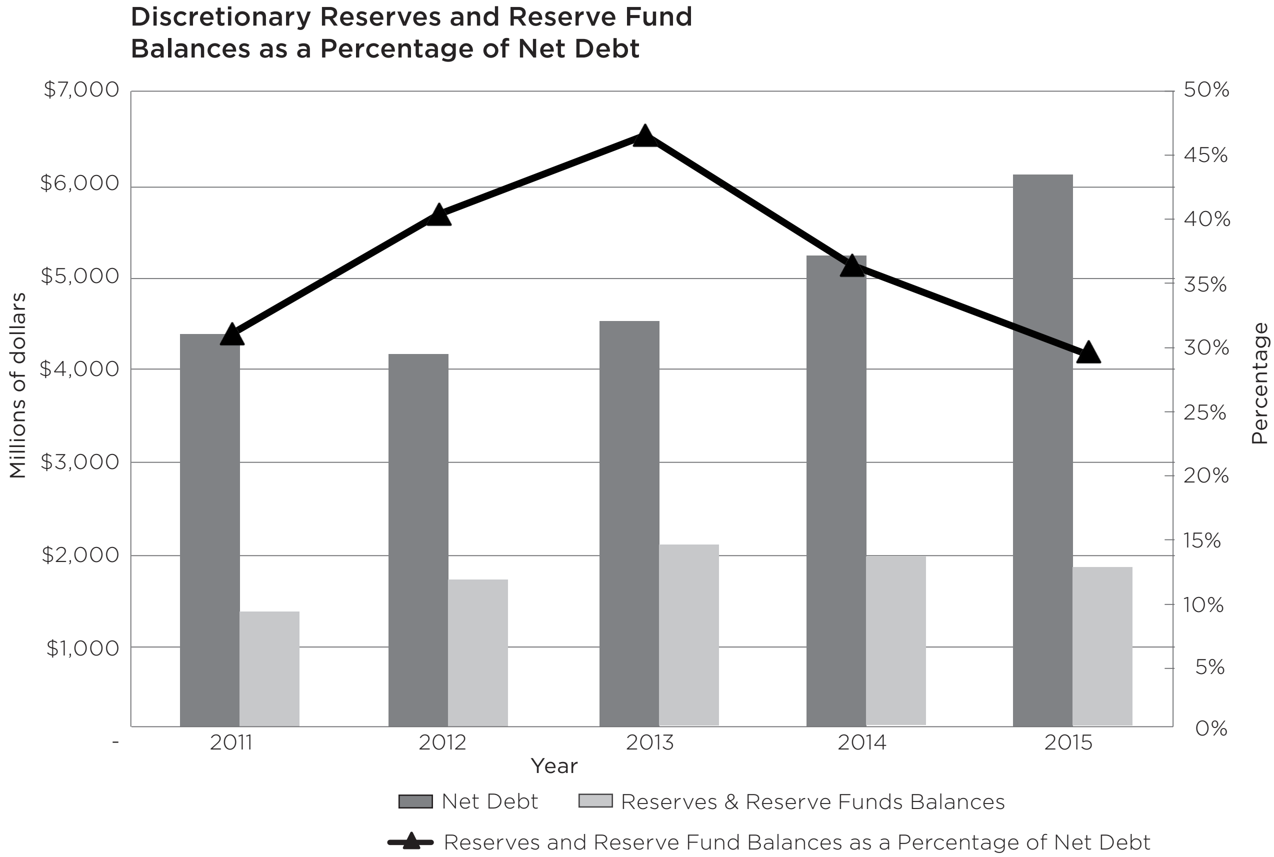


Chart C



Note: Reserve and Reserve Funds exclude Obligatory Reserve Funds because they are required to be shown as Deferred Revenues in the Financial Statement.

The City's Net Debt substantially exceeds the City's reserve and reserve fund balances as shown in Chart C. Reserves and Reserve Fund balances decreased in 2015 by $137M mainly due to capital funding from the Capital Financing Reserve. The vast majority of the reserve and reserve funds are committed to fund capital projects identified in the ten (10) year capital plan, and future known liabilities, leaving only a small portion available for discretionary spending. Also, the current balances of some reserve funds (e.g. Employee Benefits) provide only a small portion of the funding to cover the future obligations for which they have been set aside.

The balances of all the Obligatory Reserve Funds are restricted for specific purposes as designated by legislation or contractual agreements and all capital reserves/reserve funds are required to replace and maintain capital assets.

If the Obligatory Reserve Funds were included in Chart C, then the Reserve and Reserve Fund Balances would be 60.9% of Net Debt (2014 – 66.9%).

For financial statement purposes, PSAB requires that Obligatory Reserve Fund balances (such as development charges and unspent provincial public transit funding) be classified as deferred revenue (Note 8(a) of the Consolidated Financial Statements). As a result, the reserve and reserve fund balances in the financial statements (Note 17), are lower than those included in staff reports to the Budget Committee.

Analysis of Key Asset and Liability Accounts

Accounts Receivable (Note 2)

The breakdown of accounts receivable at December 31, 2015, with 2014 comparatives, is as follows:

(in $'000s)

Accounts Receivable	2015	2014
Government of Canada	149,368	146,919
Government of Ontario	318,427	285,868
Other municipal governments	32,625	22,918
School board	1,361	519
Utility fees	159,951	146,942
Other fees and charges	534,893	450,432
Total	**1,196,625**	**1,053,598**

Accounts receivable balances increased by $143M in 2015. The increase consists primarily of the following:

- increase in receivable from Government of Ontario ($33M) due primarily to increase in receivable at TPS due to billings for Pan Am Games;
- increase in receivable from other municipal government (York Region) ($9.7M), due primarily to higher receivable at year end from York Region for their contribution to the TYSSE;
- increase in utility fees receivable ($13M) primarily attributable to higher water billing accrual in 2015 due to extra day of accrual as compared on 2014;
- increase in other fees and charges ($84.5M) due primarily to:

	($ millions) **Increase (Decrease)**
Increase in receivable from TPA due to 2015 accrual for City's share of air rights and increase in accrued revenues	69.9
Interest accrual on investments	7.4
Solid Waste Rebate Program accrual	6.0
Other increases and decreases	1.2
Total	**84.5**

Property Taxes Receivable
Property taxes receivable consists of all outstanding taxes, items that have been added to the tax roll (such as utilities arrears, drainage charges, and local improvement charges), accumulated penalties and interest charges, net of an allowance for uncollectible taxes.

A breakdown of this receivable is as follows:

	(in $'000s)	
Property Taxes Receivable	**2015**	**2014**
Current year	164,662	157,732
Prior year	32,498	27,255
Previous years	48,956	52,899
Interest/penalty	50,399	48,602
Less: allowance for doubtful accounts	(55,815)	(34,121)
Net Receivables	**240,700**	**252,367**

Other Assets (Note 3)
Other Assets decreased by $30M to $239M (2014 - $269M) due primarily to:

- decrease in TCHC's other assets by $45M ; offset by
- increase in Build Toronto Inc. equity in joint ventures of $11M; and
- increase in market value of $3M for Real Estate inventory at Build Toronto.

Investments (Note 4)
Investments increased by $561M to $5.2B (2014 - $4.6B) due primarily to more cash available for investing activities as a result of increases in revenue from: municipal land transfer tax ($161M); higher distribution and dividends from government business enterprises (GBE's) ($120M); and net increase in investments in TCHC due to TCHC finalizing a financing transaction with Infrastructure Ontario (IO) ($153M).

Investment in government business enterprises (GBEs) (Note 5)
Investment in government business enterprises increased by $120M to $2.0B (2014 - $1.9B). This is primarily due to the Toronto Hydro surplus of $72M and an increase in Toronto Parking Authority, net of distributions, of $47M.

Additional information regarding the City's GBEs as at December 31, 2015, including 2015 transactions for all GBEs with the City and condensed financial results, are provided in Note 5 and Appendix 1 to the Consolidated Financial Statements.

Accounts Payable and Accrued Liabilities (Note 7)

The breakdown of accounts payable and accrued liabilities at December 31, 2015, with 2014 comparatives, is as follows:

	(in $'000s)	
Accounts Payable	**2015**	**2014**
Agencies & corporations trade payables	983,745	771,245
City trade payables and accruals	1,243,329	1,151,408
Payable to school boards	454,349	347,506
Provision for tax appeals & rebates	253,893	278,386
Credit balances on property tax accounts	94,129	135,337
Wages accruals	113,214	103,231
Total	**3,142,659**	**2,787,113**

- Agencies & corporations trade payables are higher ($213M) in 2015 primarily due to increases in Toronto Transit Commission (TTC) trade payables and accruals.
- City trade payables and accruals are higher ($92M) primarily due to:

	($ millions) **Increase (Decrease)**
Timing of payment to OMERS	43.7
Year end activity related to TTC Capital Projects	74.0
Year end accruals for construction	43.0
Trade Accounts Payable	(71.9)
Other increases and decreases	3.1
Total	**91.9**

- Payable to school boards was higher ($107M) in 2015 due to increase in school board taxes and lower reduction for tax appeals.
- The provision for tax assessment appeals decreased by approximately $24M as there were fewer appeals pending as at December 31, 2015.
- The $41M decrease in credit balances on property tax accounts is primarily due to processing refunds for reassessments.

Deferred Revenue (Note 8)
Deferred Revenue increased by $234M to $2.2B (2014 - $2.0B) primarily as a result of:

- increase in net funds received for Development Charges, Building Code and Planning Act of $173M;
- increase in Obligatory Reserve Funds for Water and Wastewater of $162M due to higher contributions as compared to withdrawals for capital purchases; offset by
- decrease in Obligatory Reserve Funds for Public Transit of $35M due to withdrawals for transit capital purchases;
- decrease in funds for Building Code Act of $7M;
- decrease in funds received for park levy payments of $11M; and
- decrease of $34M re: Union Station due to recognition of revenue for $50M for sale of York Concourse offset by contribution from Metrolinx ($16M) for the Union Station revitalization project.

Other Liabilities (Note 9)
Other Liabilities increased by $55M to $704M (2014 - $650M), mainly as a result of:

- an increase in Toronto Transit Commission (TTC) unsettled accident claims of $28M;
- an increase in tree guarantee deposits and tree planting donations of $2M;
- an increase in property and liability claims provision of $4M;
- liability for contaminated sites of $7M due to implementation of new Public Sector Accounting Standard PS 3260;
- Fuel Hedging liability for TTC outstanding at December 31, 2015 of $3M due to the timing of settlement;
- Traffic Signal maintenance fees of $3M;
- Alternate Park Levy Clearing account – cleared in 2016 $3M; and
- 2015 Debt issued with a discount resulting in net change of $5M.

Net Long-Term Debt, including TCHC Mortgages (Notes 11 and 12)
Net long-term debt increased by $466M to $5.2B (2014 - $4.8B) as follows:

	($ millions) **Increase (Decrease)**
Issuance of Debt – City	700.0
– TCHC	243.2
– Sony Centre	0.4
Debt Repayment – City	(318.3)
– TCHC	(19.7)
Interest earned on sinking funds	(71.5)
Mortgage repayments	(68.6)
Total	**465.5**

Table 2 below lists all consolidated debt issued in 2015.

Table 2

Debt Issued – 2015 ($000's)

Summary by Service	Total	Sony Centre ≤ 5 years	TCHC ≤ 5 years	City 10 years	City 20 years	THCH 30 years
Exhibition Place	11,090	-	-	-	11,090	-
Social Housing	243,163	-	15,491	-	-	227,672
Solid Waste Management	43,133	-	-	43,133	-	-
Sony Centre	425	425	-	-	-	-
Toronto Public Library	7,783	-	-	-	7,783	-
Transportation	55,000	-	-	30,000	25,000	-
Transit	582,994	-	-	226,867	356,127	-
Total	**943,588**	**425**	**15,491**	**300,000**	**400,000**	**227,672**

Table 3 lists consolidated net long-term debt from all sources for the past five years:

Table 3

Five year comparison of Net Long-Term Debt & Mortgages ($000's)

	2015	2014	2013	2012	2011
Property taxes and user charges	3,490,977	3,201,340	2,880,269	2,841,620	2,552,969
Solid Waste	266,478	237,969	252,098	265,667	108,184
FCM Energy Retrofit	2,029	2,758	3,488	4,217	4,947
TCHC	1,431,940	1,277,914	1,298,895	1,254,372	1,301,973
Lakeshore Arena Corporation	19,602	19,932	38,937	39,234	39,547
Leaside Arena	956	991	1,052	-	-
Sony Centre	425	-	-	-	-
TDSB	10,974	17,013	22,410	26,371	30,190
Net long-term debt	**5,223,381**	**4,757,917**	**4,497,149**	**4,431,481**	**4,037,810**

Employee Benefit Liabilities (Note 13)

Employee benefit liabilities represent the amount payable to employees or third parties in future years for services that were provided by employees in the current or past years. These amounts represent amounts payable for items such as workers compensation, long term disability, health care benefits for early retirees, and benefits for those retirees covered by the City's legacy pension plans. Actuarial valuations are undertaken every three years to calculate the liabilities, estimating expected future costs and then calculating the present value based on the applicable municipal bond rate (the discount rate) as at December 31, 2015 in accordance with PSAB standards.

The gross employee benefits liability for the City and its consolidated entities (identified as "Total employee accrued benefit obligation" in Note 13 of the Consolidated Financial Statements) decreased by $40M to $3.5B (2014 - $3.5B), primarily due to the following:

- decrease in sick leave benefits ($30M) primarily due to the salary scale assumption, reduced from 4.5% to 3.5%, as sick leave benefits are directly linked to future salary levels;
- decrease in post-employment benefits ($15M), primarily due to the change in mortality tables, change in retirement scale updated to reflect the most recent OMERS Primary Pension Plan Report and change in claim costs; offset by
- increase in workers' compensation benefits ($5M), primarily due to changes in administration fees.

Table 4

Employee Benefit Liabilities by Type for the City and its Consolidated Entities ($000's)

	2015	2014	2013	2012	2011
Sick Leave	522,834	552,420	489,170	471,472	479,559
WSIB	553,983	548,985	432,533	428,767	459,565
Post Retirement and LTD	2,421,622	2,436,744	2,102,038	2,076,852	2,115,655
Pension	-	-	7,969	26,694	123,980
Gross Liabilities	**3,498,439**	**3,538,149**	**3,031,710**	**3,003,785**	**3,178,759**
Unamortized Gain/(Loss)	100,409	(127,902)	134,772	32,208	(402,592)
Net Liabilities	**3,598,848**	**3,410,247**	**3,166,482**	**3,035,993**	**2,776,167**

While the gross employee benefit liabilities decreased slightly 1.1% ($40M), the unamortized actuarial gain changed by $228M in 2015 (from a loss of $128M in 2014 to gain of $100M in 2015), resulting in an overall increase in net employee benefit liabilities of $189M (from $3.4B in 2014 to $3.6B in 2015).

Unamortized gains and losses are the amount of actuarial gains or losses, relating to gains or losses upon valuation of employee future liabilities, which must be recognized in income over the expected average remaining service life of the employee group.

The $228M change in unamortized gains and losses, is primarily related to:

- a decrease in the discount rate of approximately 0.1 to 0.3% for the various benefits; offset by
- large unamortized gains from differences in actual and expected 2015 benefit payments, change in demographics, change in trend rates, change in mortality tables and change in retirement scale.

As actuarial gains and losses are amortized over the estimated average remaining service life of the employee group, these actuarial gains and losses will be recognized over the next 12.4 to 16.3 years.

Table 5 shows employee benefits liabilities by entity.

Table 5

Employee Benefit Liabilities by Entity ($000's)

	2015	2014	2013	2012	2011
City	2,069,029	2,033,942	1,703,964	1,720,870	1,809,615
City Legacy Pensions	-	-	7,969	26,694	123,980
Police	573,943	695,038	599,325	568,949	581,651
Other Entities	855,467	809,169	720,452	687,272	663,513
Gross Liabilities	**3,498,439**	**3,538,149**	**3,031,710**	**3,003,785**	**3,178,759**
Unamortized Gain/(Loss)	100,409	(127,902)	134,772	32,208	(402,592)
Net Liabilities	**3,598,848**	**3,410,247**	**3,166,482**	**3,035,993**	**2,776,167**

Due to measures undertaken by the City to contain the growth in employee benefit liabilities (such as actions to reduce drug costs, negotiated benefit plan design changes for Unionized and Management employees, and changes in the post-65 retiree benefit plan for Firefighters) the City's gross liability had been decreasing since 2011. However with the decrease in discount rates in 2013, 2014 and 2015 the gross liability has been increasing with substantial increase in 2014 primarily due to changes in discount rates and the expansion of Ontario Government regulations to include additional cancers presumed to be work related.

The improvement in the legacy pension plans is a result of the improved economy and better investment returns than projected.

Tangible Capital Assets (Note 14)

Note 1 to the consolidated financial statements outlines the significant accounting policies including an overview of the policy for recording tangible capital assets. In short, tangible capital assets are recorded at cost and amortized over their useful lives.

The breakdown of tangible capital assets, as well as accumulated amortization, as at December 31, 2015 with 2014 comparatives, is presented in Note 14 and Schedule 1. Tangible capital assets by entity are presented in Appendix 4.

During the year, consolidated asset additions totalled $2.9B, consisting mainly of:

- Building and Building Improvements of $720M, consisting of $413M at the TTC, $210M at the TCHC, $16M at the Library, and $60M at the City;
- Transit Infrastructure of $608M; and,
- Vehicles additions of $154M, primarily $114M for TTC, $35M for City and $5M for Toronto Police Services.
- Machinery and Equipment purchases of $203M, primarily:
    - Infrastructure equipment of $15M for Water and Wastewater treatment plant equipment, pumping stations and Road Traffic Signals; and
    - General equipment of $188M, primarily: Green Lane Landfill gas and leachate collection systems, computer hardware, water meters, security systems, police and transit equipment.
- Linear assets of $546M: $333M for Water & Wastewater and $213M for Roads.
- Land Improvements of $228M, including $133M for the Queens Quay revitalization project developed by Waterfront Toronto and transferred to the City.

During the year, amortization of tangible capital assets decreased by $20M to $851M (2014 - $871M), mainly as a result of decrease in TTC amortization of $33M offset by increase in amortization of $13M for the City.

Consolidated Annual Accounting Surplus

Table 6

Consolidated Accounting Surplus

(in thousands of dollars)

	2015 Budget	2015 Actual	Difference: Positive / (Negative) Variance	Change	2014 Actual
Revenues					
Property Taxation	3,832,852	3,879,877	47,025	1.2%	3,768,009
Municipal Land Transfer Tax	431,524	524,000	92,476	21.4%	449,604
Taxation from other governments	97,525	86,302	(11,223)	(11.5%)	111,598
User Charges	3,030,908	2,780,791	(250,117)	(8.3%)	2,753,273
Funding transfers from other governments	2,960,889	2,862,220	(98,669)	(3.3%)	2,752,112
Government Business Enterprise Earnings	-	294,189	294,189	-	174,326
Investment Income	219,804	259,679	39,875	18.1%	270,603
Development Charges	315,769	221,192	(94,577)	(30.0%)	132,523
Rent and Concessions	434,322	451,776	17,454	4.0%	426,929
Other	668,569	660,497	(8,072)	(1.2%)	511,685
Total	**11,992,162**	**12,020,523**	**28,361**	**0.2%**	**11,350,662**
Expenses					
General Government	860,332	747,196	113,136	13.2%	798,088
Protection to persons and property	1,783,447	1,807,909	(24,462)	(1.4%)	1,820,074
Transportation	2,924,080	2,943,786	(19,706)	(0.7%)	2,819,666
Environmental services	1,112,862	940,017	172,845	15.5%	919,204
Health services	444,602	452,389	(7,787)	(1.8%)	429,491
Social and family services	2,086,093	2,023,910	62,183	3.0%	1,915,780
Social Housing	801,808	775,450	26,358	3.3%	727,715
Recreational and cultural services	1,080,017	989,349	90,668	8.4%	911,428
Planning and development	156,551	146,102	10,449	6.7%	120,188
Total	**11,249,792**	**10,826,108**	**423,684**	**3.8%**	**10,461,634**
CONSOLIDATED ANNUAL ACCOUNTING SURPLUS	**742,370**	**1,194,415**	**452,045**	**60.9%**	**889,028**

Table 6 provides a comparison of 2015 Consolidated Revenues and Expenses versus budget, and also shows 2014 actuals. The table also provides a comparison of expense by type or category of service.

The budget column included in the Consolidated Financial Statements reflects the approved budget at the time the tax levy is approved by Council. Although City Council approves revisions to the budget throughout the year, these amendments are not reflected in the budget column shown in the Consolidated Financial Statements (see Note 18 in the Consolidated Financial Statements). The budget is however, adjusted to exclude purchases of tangible capital assets from expenses, to also exclude debt principal from revenues and expenses, and to allow for amortization of tangible capital assets.

Consolidated Revenues

While the annual budget process focuses primarily on property tax increases, it must be emphasized that property taxes are only one of the City's many revenue sources. In 2015 property taxes made up 32.2% (2014 – 33.5%) of the City's consolidated operating revenue.

Property Taxation revenue exceeded budget by $47M primarily due to supplementary/omit rolls being higher than forecast by $15M and tax write offs being lower than budget by $29M.

Municipal Land Transfer Tax (MLTT) exceeded budget by $92M primarily due to stronger than expected average home prices and sales volumes.

Taxation from other governments (Payment in Lieu (PIL) of Taxes) revenue were under budget by $11M primarily due to higher than budgeted appeals and adjustments.

User Charges were under budget by $250M due primarily to:

- delayed capital expenditures resulting in lower than budgeted spending of $134M on Capital projects funded from obligatory reserve funds for Water/Wastewater, resulting in lower revenue being recognized in 2015 than budgeted;
- lower revenues from sale of water of $90M; and
- lower revenues at TTC of $26M primarily due to lower than budgeted ridership.

Funding Transfers from other governments were under budget by $99M primarily due to:

- Lower than budget spending on the Toronto-York Spadina Subway Extension by $38M;
- Lower than budget spending on Union Station by $39M;
- Ontario Works operating subsidies lower by $39M, due primarily to lower subsidies for the Ontario Works Financial Assistance Program; offset by
- Increased subsidies for Shelter, Support and Housing Administration for $17M.

Government Business Enterprise Earnings ($294M) represent the earnings from Toronto Hydro Corporation, Toronto Parking Authority and Toronto Port Lands Company. Details are available in Note 5 and Appendix 1 of the Consolidated Financial Statements.

Investment earnings were higher than budget by $40M due to more robust cash flow in 2015 including funds received from Toronto Parking Authority for air rights not budgeted for, increases in reserves and reserve funds, and higher cash balances due to the overall annual surplus achieved in 2015. This resulted in increased investment balances and additional income.

Development Charges applied to capital spending were under budget by $95M, due to lower than budget spending on capital projects. As an obligatory reserve, development charge revenues are not recognized until the funds are spent for the intended purposes.

Rent and Concessions were higher than budget by $17M due primarily to rental income recognized in 2015 for rent settlements.

Five Year Summary of Consolidated Revenues
The five year summary of revenues outlined in Table 8, demonstrates that property taxes continue to be one the slowest growing revenue sources for the City. The City is 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.

As a result of the slow growth of property tax revenue, more reliance has been placed on user fees, the Municipal Land Transfer Tax, senior government transfers and other sources of revenue to meet expenses and minimize property tax rate increases.

Table 7

Consolidated Revenues – 5 year Summary
(in thousands of dollars)

Revenues	**Avg. Annual Increase**	**2015**	**2014**	**2013**	**2012**	**2011**
Property taxes	2.8%	3,966,179	3,879,607	3,808,030	3,807,904	3,555,309
Municipal land transfer tax (MLTT)	12.8%	524,000	449,604	360,884	349,798	324,065
User charges	3.4%	2,780,791	2,753,273	2,638,543	2,482,754	2,436,025
Government transfers	(2.4%)	2,862,220	2,752,112	2,952,158	3,054,218	3,148,351
Gain on Sale of Enwave	N/A	-	-	-	96,611	-
GBE Earnings	11.8%	294,189	174,326	175,544	180,097	188,041
Investment Income	1.1%	259,679	270,603	232,244	246,760	248,397
Development Charges	23.5%	221,192	132,523	164,004	141,133	94,952
Rent and Concessions	4.0%	451,776	426,929	438,698	395,470	386,073
Other	2.2%	660,497	511,685	462,454	720,915	605,283
Total	**2.3%**	**12,020,523**	**11,350,662**	**11,232,559**	**11,475,660**	**10,986,496**
Percentage Increase		5.9%	1.1%	(2.1%)	4.5%	

Consolidated Expenses

Gross consolidated expenses for 2015 totalled $10.8B (2014 - $10.5B).

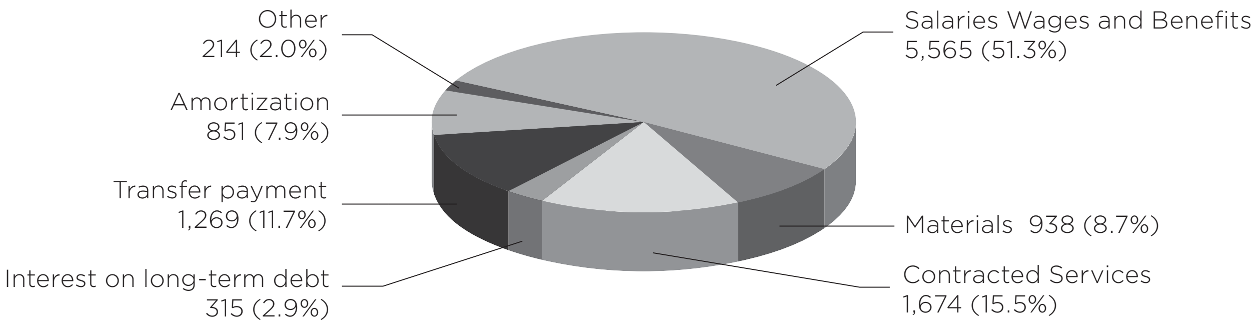
Expense variance explanations by major program areas, are as follows:

- Costs for General Government were lower than budget by $113M, primarily due to lower spending in Facilities due to various State of Goods Repair (SOGR) maintenance projects and lower spending in Finance and Information Technology due to delaying system upgrades and maintenance of various projects.
- Costs for Protection to persons and property were $24M higher than budget primarily due to:
  - An increase of $11M for Police Services; and
  - a net increase of $11M for Fire Services.
- Costs for Transportation were $20M higher than budget primarily due to:
  - Higher than budgeted net spending of $9M in Transportation Services due to higher than budgeted expenditures for traffic signal operations;
  - Higher PSAB adjustments for increased employee benefits for TTC for $56M and Transportation $5M; offset by
  - Lower spending in TTC of $24M primarily due to underspending in supplies and services to support vehicle maintenance activities, leasing expense for bus storage and maintenance facilities, hydro and utilities and reduction in healthcare benefits being utilized; and
  - Lower spending at Transportation of $28M due to delay in State of Good Repair projects such as neighbourhood improvements, side walk repairs and other road maintenance work.
- Environmental services spending was lower than budget by $173M due primarily to:
  - Lower spending at Toronto Water of $132M related to $108M from various State of Good Repair maintenance projects, and $24M primarily due to savings in salaries and benefits;
  - Lower spending at Solid Waste of $48M, with $36M attributable to various maintenance projects and $12M due to lower than planned expenditures for salaries and benefits and savings from capital financing due to lower than planned debentures issued.
- Social and Family Services spending was lower than budget by $62M, primarily due to:
  - Ontario Works (OW) financial benefits were under spent by $51M due to a lower than budgeted OW caseload; and
  - Children's Services was under budget by $10M primarily due to salary savings.
- Social housing spending was lower than budget by $26M, primarily due to lower spending of $23M at TCHC.
- Recreational and cultural services was lower than budget by $91M due primarily to:
  - Lower spending of $21M on repairs and maintenance for Recreation and State of Good repair projects;
  - Lower spending of $51M on various Parks maintenance projects such as camp sites maintenance, tree maintenance, storm damage maintenance and other preventive maintenance projects; and
  - Lower spending of $13M primarily in the Toronto Zoo maintenance projects due to delays in various building maintenance such as Wildlife Health Centre maintenance, Exhibit refurbishments and other maintenance.

Consolidated Expenses by Object

Chart D breaks down gross expenses by cost object. Salaries, wages and benefits accounted for the largest portion at 51.3% of the total amount. Principal re-payments on debt are not included in accounting analyses, as they are considered financing transactions for accounting purposes and are not considered expenses.

Chart D **Expenses by Object**
(in millions of dollars)



Note 20 to the Consolidated Financial Statements provides a consolidated (operating and capital) summary of expenses by object.

Risks and Mitigation

The City continues to face a number of risks that could have a negative impact on the City's financial future. These risks include:

- growing demand for services;
- lack of long-term dedicated funding to assist the City in addressing its infrastructure deficit, including building and expanding the transit system to meet the City's growth;
- accessing non-property tax revenue sources that grow with the economy to ensure long term sustainable funding; and
- inadequate funding of provincial cost-shared programs and reduced funding for Social Housing has resulted in significant financial pressure to the City.

In 2015, the City continued to make progress to address these risks by continuing to implement its Long Term Financial Plan. Appendix B lists eight (8) specific financial issues/risks and the actions taken in 2015 to help address them.

Highlights include:

- The City continued to adopt strict budget guidelines for City divisions, agencies and corporations: resulting in a 1.5% increase in net expenditures for 2015 Approved Operating Budget;
- The 2015 Operating Budget included efficiency and service changes savings of $85 million and other savings of $40 million;
- During 2015, City Council directed the Deputy City Manager & Chief Financial Officer to implement shared services in the following areas: *Learning, Insurance, Procurement and Information & Technology* and to report annually to City Council on the status of Shared Services projects and benefits delivered;
- The Province, Metrolinx and the City continued to jointly plan for new transit lines with Provincial contributions of $8.4B towards the plan. Metrolinx is responsible for delivering the Eglinton Scarborough Crosstown, Finch West and Sheppard Ave East Light Rail Transit (LRT) projects, and the Province/ Metrolinx have agreed to contribute to the City's Scarborough RT replacement (subway) project;
- City's Development Charges Bylaw was updated to include the growth related to the Scarborough Subway Extension (SSE) project costs;
- In its 10 year Capital Plan, the City continued to implement a non-debt capital funding plan to fund an additional $3.0B in TTC/Transportation, Facilities, Technology and Water/Wastewater capital project priorities from operating budget surpluses, increases in Development Charge revenues, sales of assets and dividends from City's agencies and corporations; and
- For 2015, the City continued to reduce tax rate ratios for business/non-residential properties. Council is on track to meet its objectives of reducing the tax ratio for commercial, industrial and multi-residential properties to 2.5 times the residential tax rate by 2020; and also reduction in tax rates for smaller businesses, with a target of 2.5 times the residential rate by 2015, which was met in 2015.

Mike St. Amant
Treasurer

Toronto, Canada
July 13, 2016

Appendix A: Key Issues/Risks Facing the City of Toronto

Issues / Risks	Actions Taken with Impacts in 2015	Actions planned for 2016 and beyond
The City continues to be challenged by growing demand for services and lack of a fully diversified, predictable and sustainable set of revenue sources. Additionally, the City has a higher cost structure than other municipalities in the Greater Toronto Area (GTA).	• City Council continued to adopt strict budget guidelines for City divisions, agencies and corporations: 0% target set; achieved a 1.5% increase in net expenditures for 2015 Approved Operating Budget. • Commenced collective bargaining negotiations with Locals 416 and 79 with objective of ensuring that future salaries and benefits cost increases do not escalate above the general rate of inflation. • Continued to undertake continuous improvement, program reviews and cost containment initiatives, and to develop the service-based, multi-year Financial Planning, Analysis and Reporting System (FPARS). • Continued to benchmark operations with other Ontario municipalities. • The 2015 Operating Budget included efficiency and service changes savings of $85 million and other savings of $40 million. • During 2015, City Council directed the Deputy City Manager & Chief Financial Officer to implement shared services in the areas identified below and to report annually to City Council on the status of Shared Services projects and benefits delivered: - *Learning* – move to a consolidated model where the small Agencies use the City's common learning and training - *Insurance* – move the City's vehicle insurance from an external provider to the Toronto Transit Commission Insurance Company, if approved by the Government of Ontario - *Procurement* – evaluate and report back on a strategic sourcing model - *Information & Technology* – move to an Enterprise Partnership model for infrastructure services, subject to approval of final business case • Phase 1 of the Toronto Progress Portal, Toronto's Dashboard, was launched in November. The Progress Portal is intended to consolidate in one location multiple sets of City performance and indicator data and other information, and allow users to better understand how Toronto is progressing over multiple dimensions, including cost competitiveness with other municipalities. • In late 2015 the Province filed regulations which now allow the possible merger of the City's five Pre-OMERS pension plans with OMERS. City staff have been working with the plans and OMERS to review potential mergers.	• Continue strict budget targets for 2016 and future years. • As part of the 2016 Budget, seek Council approval for a new dedicated property tax levy for priority transit and housing capital projects. • Develop an updated framework to provide for strategies and processes to strengthen the City's multi-year financial and budget processes, including a multi-year expense management plan, a multi-year revenue strategy, and asset optimization plans. • Continue to negotiate collective agreements with CUPE Local 416 and 79 to ensure future salaries and benefits cost increases do not escalate above the general inflation rate. • Update the analysis of the City of Toronto Act revenue potential including the impact of obtaining permission and collecting a municipal sales tax, and a range of best practice municipal funding models from North American cities that utilize diversified revenue models. • Maintain continuous improvement initiatives including enhanced performance measures and benchmarking. • Continue to develop and implement the new Financial Planning, Analysis and Reporting system (FPARS) to improve budget analysis and performance reporting. • Internal Audit and Auditor General continue to conduct audit reviews with a view to maintain and improve internal controls and identify opportunities for further efficiencies. • Continue to benchmark operations with other Canadian municipalities. • Implement a corporate Common Management Framework by 2018 to systematically measure and continuously improve, among other things, planning and financial management. • Continue to develop/evolve Toronto's Progress Portal and related Dashboard.

Issues / Risks	Actions Taken with Impacts in 2015	Actions planned for 2016 and beyond
		• Continue to implement shared services between the City and its agencies for common corporate functions to improve service delivery and customer service, and /or achieve cost savings by the end of 2018. • Continue to evaluate and review business cases for possible merger of each of the City's five Pre-OMERS pension plans with OMERS.
Demands for growth as laid out in the City's Official Plan or other Sectoral and Program plans are not adequately funded	• The Province, Metrolinx and the City continued to jointly plan for new transit lines with the Province contributing $8.4 billion towards the plan. Metrolinx is responsible for delivering the, Eglinton Scarborough Crosstown, Finch West and Sheppard Ave East Light Rail Transit (LRT) projects, and the Province/Metrolinx have agreed to contribute to the City's Scarborough RT replacement (subway) project. • Updated the City's Development Charges Bylaw to include the growth related of the Scarborough Subway Extension (SSE) project costs. • As part of recent changes in the Development Charges By-law, 2015 represents the second year of a three-year (2014 –2016) phase-in of the Council-adopted development charge rate increases.	• Continue to refine cost estimates related to growth plans. • Continue to work with the Province and Metrolinx to plan new transit lines. • Update the development charges bylaw to reflect updates to the City's growth-related capital plans and changes to Provincial legislation. • Continue to direct funding to the infrastructure backlog. • Continue special 30-year property tax levy for the Scarborough Subway Extension Project with a three-year phase-in period that started in 2014.

Issues / Risks	Actions Taken with Impacts in 2015	Actions planned for 2016 and beyond
There is a variability in certain program expenditures from year to year, some of which are vulnerable to economic down turns and interest rate fluctuations	• Continued to work with the Province on a Toronto-Ontario partnership agreement on permanent, sustainable transit operating funding. • Continued to monitor and take action on other risks impacting the City with potential financial impacts: - Climate change adaptation and environmental risks management. - Interest rate changes on Social Housing costs, investment returns and debt charges. - Affordable housing alternatives and the end of federal subsidies. • Continued to work with OMERS on urging the Province to file the required regulations under the Pension Benefits Act governing pension plan mergers. • In accordance with the City's Surplus Management Policy, select Reserves and Reserve Funds were allocated 2014 Operating Surplus funds to accommodate fluctuations in demands.	• Continue to work with the Province to operationalize the upload and refine the relationship regarding social and related services: Ontario Works (OW) benefit costs upload, which began in 2010 will be completed by 2018. • Through the Social Service upload, the Province has re-established the principle that income support programs should not be funded from the property tax base. As such, the City will continue its discussion with the Province regarding its funding responsibilities for Social Housing. • Continue to work with the Province on the agreed upload of court security costs by 2018. • Continue to negotiate with the Province on permanent, sustainable transit operating funding (50% of transit operating costs) and the need for additional capital funds. • Implement the new Community Homelessness Prevention Initiative (CHPI). • Closely monitor key economic indicators and market conditions to identify trends and forecast impacts on expenditures and revenues, and continue to develop funding strategies to mitigate financial risks. • Continue to monitor the adequacy of the City's Reserves and Reserve Fund balances.
Business property taxes are not competitive with the surrounding urban area (905 area code)	• The City has continued the implementation of "Enhancing Toronto's Business Climate" initiative, adopted by City Council in October 2005 – a plan to reduce the ratio for property tax rates for businesses (i.e. commercial and industrial and multi-residential properties) to 2.5 times the residential tax rate by 2020 (a 15 year plan); and further, to provide for an accelerated reduction in tax rates for smaller businesses, with a target of 2.5 times the residential rate by 2015, which was met in 2015. The estimated benefit to businesses over the 15-year period is approximately $250 million. • Council approved a modest property tax increase for residents and businesses for 2015.	• Council approved a modest property tax increase for residents and businesses in February 2016. • Continue the implementation of the "Enhancing Toronto's Business Climate" initiative. Council is on track to meet its targets of 2015 and 2020.

Issues / Risks	Actions Taken with Impacts in 2015	Actions planned for 2016 and beyond
The City lacks adequate revenue sources to fund its municipal responsibilities	• Funding for capital projects from other orders of government has been secured over the years. These include: Share of federal and provincial gas taxes ($300 million per year); Transit Plan ($9 billion); Economic Stimulus Project funding ($460 million 2009 to 2011); and funding for the construction of sports facilities for the 2015 Panam/Parapan Am Games ($1 billion). • Municipal Land Transfer Tax (MLTT) continued to attract a record level of revenue in 2015 ($524 million).	• Update the analysis of the City of Toronto Act revenue potential to include the impact of obtaining permission and collecting a municipal sales tax, and a range of best practice municipal funding models from North American cities that utilize diversified revenue models. • Report back to Council on ways to maximize existing and new revenues • Continue to work with the Provincial and Federal governments to secure long term permanent funding solutions for such items as social housing and transit. • Continue to budget cautiously for MLTT to avoid negative budget impacts and contribute to any surplus to fund the capital shortfall.
Improper funding of Provincial cost-shared programs and reduced funding for Social Housing has resulted in significant financial pressures to the City	• The Province continued to honour its cost sharing formulae for Ontario Works. • The City of Toronto and Toronto Community Housing continued to urge the Federal and Provincial governments to help maintain traditional social housing funding and contribute an equal 1/3 share for Toronto Community Housing's anticipated $2.6 billion in capital repair needs over ten years. In addition, the City is urging equity on rent subsidies, as private landlords currently receive higher rent subsidies than TCHC. • Social services programs engaging provincial counterparts regarding existing funding formulae to urge removal of funding caps and to provide funding for inflation and other program cost increases.	• Province to continue honoring its planned cost sharing formulae for Ontario Works and Court Security. • Continue to highlight costs and funding requirements in areas of joint City / Provincial responsibility, such as social housing, long-term care, shelters and child care. • Continue to implement additional mortgage refinancing of Toronto Community Housing mortgages to free up equity for State-of-Good-Repair capital. • Advocate for a fairer and larger allocation of the Federal/Provincial Investment in Affordable Housing funding. • Seek Council approval of a "Made-in-Toronto" child care funding model that will direct Provincial and City of Toronto funding in a more effective and targeted manner.

Issues / Risks	Actions Taken with Impacts in 2015	Actions planned for 2016 and beyond
City's investment in ageing infrastructure has been lagging	• The City continued to plan for capital on a 10 year basis. • Continued to implement a non-debt capital funding plan to help fund an additional $3.0 billion in capital project requirements related to transit transportation, facilities, technology and water/wastewater infrastructure from operating budget surpluses, increases in Development Charge revenues, sale of assets and dividends from City agencies and corporations. • Continued to set aside funds in the Capital Financing Reserve and other Capital Replacement Reserve Funds. • Continued to grow Capital-from-Current funding by 10% annually.	• Continue to develop firm 10-year Capital Plans with an emphasis on the state of good repair activities. • Complete transition to a multi-year, service-based operating budget and plan. • Continue in the implementation of the non-debt capital funding strategy to fund additional TTC and Transportation Capital shortfalls identified in the ten year (2015 to 2024) Capital Plan. • Continue to grow Capital-from-Current funding by 10% annually. • Continue to seek funding for transit projects from provincial and federal governments. • Continue advocacy campaigns to restore provincial and federal funding for social housing and the development of a National Housing Strategy.
Employee benefits and other long-term liabilities are not adequately funded	• The City updated the actuarial reviews of its employee benefit plans. • The City has continued its objective of implementing cost containment changes to benefit plans, including the retiree plans that have helped reduce the post-retirement liabilities. • In 2012 and 2013 changes to the benefit plans, including limits to para-medicals, dispensing fee cap, one year lag for dental fee guide, limitation for physiotherapy, limitation for orthopaedic shoes. • In 2013, the post-65 lifetime retiree benefit plan for former Toronto and North York Firefighters was eliminated and replaced with a 10 year Health Care Spending Account. • The sick bank payout for new Firefighters hired after June 26, 2013 was reduced from 100% of the available sick credits to 50%, to a maximum of 6 months' salary. • Funding contributions were made to employee benefits reserve funds from the 2011-2014 operating budget surpluses. • Commenced collective bargaining negotiations with Locals 416 and 79 with objective of ensuring that future salaries and benefits cost increases do not escalate above the general rate of inflation.	• Implementation of approved strategies to reduce the funding gap between employee benefits reserve and the liabilities: - First stage: to require City's agencies and corporations to contribute annual funding to the Sick Leave Reserve Fund to match budgeted withdrawals (pay as you go); and, - Second stage: to revise the annual benefit charges to Divisions and applicable City's agencies and corporations to reflect additional funding requirements for retired employees, employees on long-term disability, workplace safety (pre-amalgamation) and sick leave gratuity payouts. This is scheduled for implementation in advance of the 2017 budget. • Continue to negotiate collective agreements with CUPE Local 416 and 79 to ensure future salaries and benefits cost increases do not escalate above the general inflation rate.

2015 CITY OF TORONTO FINANCIAL REPORT

CONSOLIDATED FINANCIAL STATEMENTS

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 2015 consolidated financial statements have been examined by the City of Toronto's external auditors, PricewaterhouseCoopers LLP, and their report precedes the consolidated financial statements.

Toronto, Canada
July 13, 2016

Mike St. Amant
Treasurer

Roberto Rossini
Deputy City Manager & Chief Financial Officer

Peter Wallace
City Manager

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of the City of Toronto, which comprise the consolidated statement of financial position as at December 31, 2015 and the consolidated statement of operations and accumulated surplus, consolidated statement of change in net debt, and consolidated statement of cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the City of Toronto as at December 31, 2015 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Canada
July 13, 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2015
(with comparative figures as at December 31, 2014)
(all dollar amounts in thousands of dollars)

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

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

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

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

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

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

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The City of Toronto (the "City") is the largest city in Canada, and is the provincial capital of Ontario. The City was incorporated March 6, 1834. In 1998, the existing City was formed through the amalgamation of the City, Metropolitan Toronto, East York, Etobicoke, North York, Scarborough and York. The City operates under the provisions of the *City of Toronto Act, 2006*.

1. Summary of Significant Accounting Policies

Basis of accounting

The consolidated financial statements of the City have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPAC").

Principles of consolidation

The consolidated financial statements include all organizations that are accountable for the administration of their financial affairs and resources to City Council ("Council") and are controlled by the City. These statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, reserves and reserve funds of the City and each entity, except for government business enterprises which are accounted for by the modified equity basis of accounting and the Toronto Waterfront Revitalization Corporation and Toronto Pan Am Sports Centre Inc. which are accounted for by proportionate consolidation.

Consolidated entities:

Agencies and Corporations:

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

Arenas:

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

Community Centres:

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

Business Improvement Areas:

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

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

Government business enterprises (GBEs)

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

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

Trust funds

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

Use of estimates and measurement uncertainty

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting year. Significant estimates and assumptions, which include employee benefit liabilities; property tax assessment appeals; property, liability and accident claims provisions; landfill closure and post-closure liabilities; and environmental provisions, are based on management's best information and judgment. Actual amounts, which are accounted for as they become known, may differ significantly from these estimates.

Tax revenues

Annually, the City bills and collects property tax revenues for municipal purposes as well as provincial education taxes on behalf of the Province of Ontario (the "Province") for education purposes. The authority to levy and collect property taxes is established under the *City of Toronto Act, 2006*, the *Assessment Act*, the *Education Act*, and other legislation.

The amount of the total annual property tax levy is determined each year through Council's approval of the annual operating budget. Municipal tax rates are set annually by Council for each class or type of property, in accordance with legislation and Council-approved policies, in order to raise the revenues required to meet operating budget requirements. Education tax rates are established by the Province each year in order to fund the cost of education on a Province-wide basis.

Property assessments, on which property taxes are based, are established by the Municipal Property Assessment Corporation ("MPAC"), a not-for-profit corporation funded by all of Ontario's municipalities. The current value assessment ("CVA") of a property represents an estimated market value of a property as of a fixed date. Assessed values for all properties within the municipality are provided to the City in the returned assessment roll in December of each year.

The amount of property tax levied on an individual property is the product of the CVA of the property (assessed by MPAC) and the tax rate for the class (approved by Council), together with any adjustments that reflect Council-approved mitigation or other tax policy measures, rebate programs, etc.

Property taxes are billed by the City twice annually. The interim billing, issued in January, is based on 50% of the total property's taxes in the previous year, and provides for the cash requirements of the City for the initial part of the year prior to Council's approval of the final operating budget and the approved property tax levy for the year. Final bills are issued in May, following Council's approval of the capital and operating budget for the year, the total property tax levy, and the property tax rates needed to fund the City's operations.

Taxation revenues are recorded at the time tax billings are issued. Additional property tax revenue can be added throughout the year, related to new properties that become occupied, or that become subject to property tax, after the return of the annual assessment roll used for billing purposes. The City may receive supplementary assessment rolls over the course of the year from MPAC, identifying new or omitted assessments. Property taxes for these supplementary and/or omitted amounts are then billed according to the approved tax rate for the property class.

Taxation revenues in any year may also be reduced by reductions in assessment values resulting from assessment and/or property tax appeals. Each year, an amount is identified within the annual operating budget to cover the estimated amount of revenue loss attributable to assessment appeals, tax appeals or other deficiencies in tax revenues (e.g., uncollectible amounts, write-offs, etc.).

In Toronto, annual property tax increases for properties within the commercial, industrial and multi-residential tax classes have been subject to limitations on the maximum allowable year-over-year increase since 1998, in order to mitigate dramatic tax increases due to changes in assessed values.

In October 2005, Council adopted a staff report entitled "Enhancing Toronto's Business Climate – It's Everybody's Business," that introduced a number of new tax policy initiatives that began in 2006. These changes included limiting allowable annual tax increases on these property classes to 5% of the previous year's full CVA taxation level, and gradually reducing the proportion of the total property tax levy that is borne by the commercial, industrial and multi-residential classes through 2020.

Beginning in 2008, the City implemented the Municipal Land Transfer Tax, which applies to all land sales. The revenues are transaction-based and are recognized at the time of the transaction, at registration of the sale of land.

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

Government transfers
Government transfer revenues are transfers from senior levels of government that are not the result of an exchange transaction and are not expected to be repaid in the future. Government transfers without eligibility criteria or stipulations are recognized as revenue when the transfer is authorized. All other transfers are recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that any stipulations give rise to an obligation that meets the definition of a liability for the City.

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

Development charges
Development charges are charges imposed on land development or redevelopment projects. Fees are set out in a City by-law, which conforms to the requirements of the *Development Charges Act, 1997*. Development charges are collected when an above grade building permit is issued, and recognized in revenues when used to fund capital projects.

Other revenue
Other revenues are recognized in the year that the events giving rise to the revenues occur and the revenues are earned. Amounts received which relate to revenues that will be earned in a subsequent year are deferred and reported as liabilities.

Expenses
Expenses are recognized in the year that the events giving rise to the expenses occur and there is a legal or constructive obligation to pay.

Investments
Investments are recorded at amortized cost less any amounts written off to reflect a permanent decline in value. All investments consists of authorized investments pursuant to provisions of the *City of Toronto Act, 2006* and comprises government and corporate bonds, debentures and short-term instruments of various financial institutions. TCHC and TAF have their own investment policies, which allow them to invest in equities.

Investment income is reported as revenue in the period earned. Investment income earned on reserve funds that are set aside for specific purposes by legislation, regulation or agreement, is added to the fund balance and forms part of the respective deferred revenue balances.

Property and liability claims

Estimated costs to settle property and liability claims are actuarially determined based on available loss information and projections of the present value of estimated future expenditures, developed from the City's historical experience on loss payments. Where the costs are deemed to be likely and reasonably determinable, claims are reported as an operating expenditure, and are included in other liabilities on the Consolidated Statement of Financial Position.

TTC unsettled accident claims

The TTC has a self-insurance program for automobile and general liability claims. When claims are reported, case reserves are initially estimated on an individual basis by adjusters and lawyers. A provision is made, on a present value basis, for claims incurred, for claims incurred-but-not-reported, and for internal and external adjustments.

Environmental provisions

The City provides for the cost of compliance with environmental legislation when conditions are identified which indicate non-compliance and costs can be reasonably determined.

The estimated amounts of future restoration costs are reviewed regularly, based on available information and governing legislation. Where the costs are deemed to be likely and reasonably determinable, claims are reported as an operating expense, and are included in other liabilities on the Consolidated Statement of Financial Position.

Liability for remediation of contaminated sites

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

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

Landfill closure and post-closure liabilities

The costs to close existing landfill sites and to maintain closed solid waste landfill sites are based on estimated future expenditures in perpetuity in current dollars, adjusted for estimated inflation. These costs are reported as a liability on the Consolidated Statement of Financial Position.

Deferred revenue

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

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

Derivative financial instruments

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

Employee benefit liabilities

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

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

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

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

Tangible capital assets

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

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.

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

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

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

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

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

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

2. Accounts Receivable

Accounts receivable consist of the following:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

3. Other Assets

Other assets consist of the following:

	2015	2014 (see Note 24)
	$	$
Build Toronto Inc. loan receivable from Pinewood Toronto Studios Inc. (PTSI), due September 2018, bearing interest at 5.61%, to be converted into a 25 year amortizable debenture upon maturity.	33,404	33,404
Build Toronto Inc. investment property at the film studio $13,159 (2014 - $13,159), 20% interest in Toronto Waterfront Studios Inc. (TWSI) and Toronto Waterfront Studios Development Inc. (TWSDI) $2,588 (2014 - $1,991), and joint venture agreement with Build Toronto Holdings (Harbour) Inc. (BTHHI) $22,643 (2014 - $12,157).	38,390	27,307
Real Estate inventory that was valued at a market value of $153,865 consists of capitalized actual costs including decommissioning cost, development cost, and pre-acquisition cost.	23,634	20,771
Provincial affordability housing grants for the development of three TCHC projects are paid monthly and have been set up as grant receivable. The remaining Grants receivable are the Province of Ontario and from a registered Charity.	18,710	17,217
TCHC's equity in Joint Ventures consists of a co-tenancy agreement with a developer for the construction of certain properties in Regent Park and a loan agreement with Parliament and Gerrard Development Corporation (PGDC) to finance the pre-development costs of condominium buildings. Additionally, TCHC's wholly owned subsidiaries Railway Lands Development Corporation (RLDC) and Allenbury Garden Development Corporation (AGDC) have entered into equal interest co-tenancy agreement with a developer, for the construction of certain properties.	17,055	28,364
TCHC Mortgages receivable are related to sales-type leases from 2010 to 2057 for commercial space in a TCHC building. Maturity dates on these mortgages of this lease vary from May 11, 2037 to May 11, 2057. The interest rates on these mortgages vary from 4.877% to the negotiated coupon rate on the Debenture Series A bonds.	11,744	11,778
During 2013 and 2014, Infrastructure Ontario (IO) provided loans of $154,703 and $49,710 respectively to TCHC for paying off various maturing mortgages and capital expenditures. TCHC allocated $25,667 of the 2013 funds as restricted cash for future capital expenditures. During 2015, TCHC earned investment income of $1,140 from the restricted cash and spent the whole principal funds of capital expenditures and used $1,030 of the investment income as operating cash and retained the balance of $110.	110	25,667
Proceeds from the sale of standalone homes of $14,509 (2014 - $23,398) were internally restricted in cash and maintained in a fund to manage the TCHC buildings in a state of good repair. Vendor performance bonds of $672 (2014 - $0) were added to this fund. Additionally, a portion of the City funds received was allocated as externally restricted cash of $27,926 (2014 - $32,618) for future capital expenditures and included in this fund. A portion of the Developer Funds of $4,380 (2014 - $319) was also added to this fund.	47,487	56,335
Loans receivable from community housing organizations bearing interest at rates from 0% to 5% (2014 - 0% to 5%) per annum, maturing from 2015 to 2044.	35,315	37,051
Other	13,093	11,272
	238,942	**269,166**

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

4. Investments

Investments consist of the following:

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

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

Municipal and Federal government bonds include bonds held in trust by the insurance carrier as collateral for the provision of automobile and primary liability insurance with a carrying value of $70,238 (2014 - $70,120). The weighted average yield on the cost of the bond investment portfolio during the year was 3.00% (2014 - 3.54%). Maturity dates on investments in the portfolio range from 2016 to 2045 (2014 - 2015 to 2042). Included in the City's municipal government bonds portfolio are City of Toronto debentures at coupon rates varying from 2.95% to 8.00% (2014 - 3.40% to 8.65%) with a carrying value of $272,930 (2014 - $231,050).

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

Other investments are held by the following entities:

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

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

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

5. Investments in Government Business Enterprises (GBEs)

Government business enterprises consist of 100% interest in Toronto Hydro Corporation (a hydro-electric local distribution company), Toronto Parking Authority (an operator of public parking for the City of Toronto), and Toronto Port Lands Company (a company involved in development of real estate in the Toronto port lands).

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

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

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

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

b) Condensed financial results for each government business enterprise are disclosed in Appendix 1 to the notes to these consolidated financial statements.

c) Government Business Enterprise Earnings on the Consolidated Statement of Operations and Accumulated Surplus consists of the following:

	2015	2014 (see Note 23)
	$	$
Income from Operations	292,669	172,806
Change in net book value of street-lighting assets – Toronto Hydro	1,520	1,520
Government Business Enterprise Earnings	**294,189**	**174,326**

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

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

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

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

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

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

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

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

6. Bank indebtedness

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

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

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

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

Bank indebtedness consists of the following:

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

7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

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

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

8. Deferred Revenue

(a) Obligatory reserve funds

Revenues received that have been set aside for specific purposes by Provincial legislation, as well as certain City bylaws or agreements, are included in deferred revenue and reported on the Consolidated Statement of Financial Position.

Details of these deferred revenues are as follows:

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

(b) Advanced payments and contributions

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

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

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

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

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

9. Other Liabilities

Other liabilities consist of the following:

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

10. Landfill Closure and Post-Closure Liabilities

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

Active Sites

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

The estimated liability for the care of this landfill site is the present value of future cash flows associated with closure and post-closure costs discounted using the City's average long-term borrowing rate of 3.5% (2014 - 3.5%). The estimated present value of future expenditures for closure and post-closure care as at December 31, 2015 is $9,527 (2014 - $8,099), based on the percentage of total approved capacity used of 44.12% (2014 - 40.81%).

In order to help reduce the future impact of these obligations, the City has established two reserve fund accounts. The Green Lane account holds surpluses from the operations of the Green Lane landfill site, and the Green Lane Perpetual Care account provides funding for the future costs of long-term post-closure care of the Green Lane landfill site. The balance in the Green Lane account as at December 31, 2015 was $15,300 (2014 - $15,103) and the balance in the Green Lane Perpetual Care account as at December 31, 2015 was $3,725 (2014 - $3,208). Total contributions to the Green Lane Perpetual Care account of $498 (2014 - $402) were based on a contribution rate of 88¢ (2014 - 88¢) per tonne of waste disposed. Both of these reserve fund accounts are included as part of the State of Good Repair Reserve Fund (Note 17).

Inactive Sites

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

Post-closure care activities for landfill sites are expected to occur in perpetuity and will involve surface and ground water monitoring, maintenance of drainage structures, monitoring leachate and landfill gas, and maintenance of the landfill cover.

The estimated liability for the care of inactive landfill sites is the present value of future cash flows associated with closure and post-closure costs discounted using the City's average long-term borrowing rate of 3.5% (2014 - 3.5%). The estimated present value of future expenditures for post-closure care as at December 31, 2015 was $132,043 (2014 - $131,217).

In order to help reduce the future impact of these obligations, the City has established a reserve fund for the care of these sites and maintains a trust fund in satisfaction of requirements of the Ministry of the Environment. The balance in the Solid Waste Management Perpetual Care Reserve Fund as at December 31, 2015 was $29,381 (2014 - $24,976) and is included as part of the State of Good Repair Reserve Fund (Note 17), and the balance in the Keele Valley Site Post-Closure Trust Fund as at December 31, 2015 was $7,534 (2014 - $7,514) (Note 22).

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

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

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

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

11. Mortgages Payable

Mortgages payable are as follows:

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

Principal repayments are due as follows:

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

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

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

12. Net Long-Term Debt

Provincial legislation restricts the use of long-term debt to finance only capital expenditures. Provincial legislation also allows the City to issue debt on behalf of the Toronto District School Board ("TDSB") at TDSB's request. The responsibility of raising the amounts to service these liabilities lies with TDSB. The debt is a direct, joint and several obligation of the City and TDSB.

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

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

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

Principal repayments are due as follows:

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

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

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

Sinking fund assets are comprised of short-term notes and deposits, government and government-guaranteed bonds and debentures, and corporate bonds. Government and government-guaranteed bonds and debentures include City of Toronto debentures with a carrying value of $132,496 (2014 - $160,302) and a market value of $150,975 (2014 - $180,876).

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

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

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

13. Employee Benefit Liabilities

Employee benefit liabilities as at December 31 are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Actuarial valuation reports were prepared for the valuation of post-retirement, post-employment, sick leave gratuity and self-insured Workplace Safety Insurance Board ("WSIB") benefit plans for the City, Toronto Police Services and the City's Agencies and Corporations as at December 31, 2015. The significant actuarial assumptions adopted in measuring the City's accrued benefit obligations and benefit costs for these post-retirement and post-employment, and other retirement benefits are as follows:

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

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

For 2015 benefit costs and year end 2015 benefit obligation, the health care inflation rate for Long-Term Disability (LTD), hospital, other medical, and drugs is assumed to reduce to 4.0% by 2020. The health care inflation rate for dental care is assumed to reduce to 3.0% by 2015.

(i) Vested Sick Leave Benefit Liability

Under the sick leave benefit plan, employees were credited with a maximum of 18 days sick time per annum. Unused sick leave can accumulate and employees may become entitled to a cash payment, capped at one half (or 100% for former City of Toronto employees who retire) of unused sick time to a maximum of 130 days when they leave the City's employment. The liability for the accumulated sick leave represents the extent to which sick leave benefits have vested and could be taken in cash by employees on termination of employment. A Sick Leave Reserve Fund is established to help reduce the future impact of these obligations.

Effective March 1, 2008, a new short-term disability plan for all management and non-union employees (approximately 4,000) came into effect. Under the plan, existing employees in this group, who had a vested payout entitlement (10 or more years of service), had their sick days and service frozen as of March 1, 2008 and are entitled to a future payout of this frozen entitlement upon termination based on the former municipality's policy provisions. Employees with less than 10 years of service as of March 1, 2008 had their days frozen and are not entitled to a future payout. Instead, they can use these days to top up their short-term disability plan, if necessary. The new short-term disability plan does not have a cash payout provision and will help contain sick leave benefit liabilities over time.

In addition, effective July 31, 2009, the City ratified new collective agreements with TCEU Local 416 and CUPE Local 79, which provided for a new Illness or Injury Plan ("IIP") to replace the existing Sick Pay Plan ("SPP") for all employees hired after July 31, 2009. During 2009, all employees hired on or before the date of ratification who were in an SPP were provided with a one-time option to join the new IIP, effective January 1, 2010, and receive a partial payout of their sick credits or freeze their sick credits for a payout upon termination/retirement. As a result, 40% of this group of employees joined the IIP, reducing the City's sick leave liability.

As of December 31, 2015, the balance in the Sick Leave Reserve Fund is $39,962 (2014 - $42,833) and is included in the Employee Benefits Reserve Fund grouping (Note 17). Payments during the year amounted to $51,850 (2014 - $49,319).

(ii) WSIB Obligations

The City is a Schedule 2 employer under the Workplace Safety and Insurance Act and, as such, assumes responsibility for financing its workplace safety insurance costs. The accrued obligation represents the actuarial valuation of claims to be insured based on the history of claims with City employees. A Workers' Compensation Reserve Fund was established to help reduce the future impact of these obligations. As at December 31, 2015, the balance in the Workers' Compensation Reserve Fund is $13,098 (2014 - $11,632) and is included as part of the Employee Benefits Reserve Fund (Note 17). Payments during the year by the City to the WSIB amounted to $34,060 (2014 - $33,305).

(iii) Other Employment and Post-Employment Benefits

The City provides health, dental, life insurance and long-term disability benefits to certain employees. The accrued liability represents the actuarial valuation of benefits to be paid based on the history of claims with City employees. An Employee Benefits Reserve Fund was established to help reduce the future impact of these obligations. As at December 31, 2015, the balance in the Employee Benefits Reserve Fund was $186,146 (2014 - $179,789) and is included as part of Employee Benefits Reserve Fund (Note 17). Payments during the year amounted to $55,757 (2014 - $54,185).

(b) Pension benefits

(i) OMERS Pension Plan

The City makes contributions to the Ontario Municipal Employees' Retirement System plan ("OMERS"), a multi-employer pension plan, on behalf of most of its employees. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay. Employees and employers contribute jointly to the plan.

Because OMERS is a multi-employer pension plan, the City does not recognize any share of the pension plan deficit of $5,259 (2014 - $5,307) based on the fair market value of the Plan's assets, as this is a joint responsibility of all Ontario municipalities and their employees. Employer contributions for current service amounted to $191,401 (2014 - $188,269) and were matched by employee contributions in a similar amount.

The amount contributed for past service to OMERS for the year ended December 31, 2015 was $898 (2014 - $739). Employer's contributions for current and past service are included as an expenditure on the Consolidated Statement of Operations and Accumulated Surplus.

(ii) TTC Pension Plan

The TTC participates in a joint defined benefit/defined contribution pension plan that covers substantially all of its employees. This pension plan is registered as a Jointly Sponsored Pension Plan (JSPP) effective January 1, 2011. The pension plan is operated by the Toronto Transit Commission Pension Fund Society (the "Society"), a separate legal entity. The Society provides pensions to members, based on the length of service and average base year (pensionable) earnings. The Society also administers defined benefit supplemental plans designed to pay employees and executives the difference between their earned pension under the by-laws of the Society and the maximum allowable pension under the Income Tax Act (Canada).

The City has accounted for its 50% portion of the plan in accordance with the standards for defined benefit plans.

Actuarial valuations of the pension plan are carried out each year, as at December 31, with the most recent valuation carried out on December 31, 2015. Plan assets are carried at market value. Since there is uncertainty about the TTC's right to the funded surplus, these amounts have not been reflected in the Consolidated Statement of Financial Position. As a result, the accrued benefit asset as at December 31, 2015 is comprised solely of unamortized actuarial losses.

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

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

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

(iii) City Sponsored Pension Plans

The City sponsors five defined benefit pension plans that provide benefits to employees who were employed prior to the establishment of the OMERS pension plan. The plans cover closed groups of employees hired prior to July 1, 1968 and provide for pensions based on length of service and final average earnings.

The plans provide increases in pensions to retirees and their spouses in accordance with the criteria set out under the applicable by-laws. As at December 31, 2015, there was 1 (2014 - 2) active member with an average age of 70.5 (2014 - 67.4). There were also 3,407 (2014 - 3,619) pensioners with an average age of 80 (2014 - 79.3) and 2,503 (2014 - 2,577) spousal beneficiaries in receipt of a pension, with an average age of 82.3 (2014 - 81.8). Pension payments and refunds during the year were approximately $151,149 (2014 - $154,653).

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

Actuarial valuations for funding purposes for each of the five plans are carried out annually using the projected benefit method pro-rated on service. The most recent actuarial funding reports were prepared as at December 31, 2015. The accrued benefit obligation as at December 31, 2015 is based on actuarial valuations for accounting purposes as at December 31, 2015. The actuarial gains or losses in each of the five plans are accounted for in 2015.

The actuarial valuations were based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases, and employee turnover and mortality. The assumptions used reflect the City's best estimates. The inflation rate is estimated at 2.50% per annum (2014 - 2.50%) and the rate of compensation increase is estimated at 3.50% per annum (2014 - 3.50%) for determining the accrued benefit obligation. The discount rate used to determine the December 31, 2015 accrued benefit obligation is 5.20% (2014 - 5.50%) and the discount rate used to determine the fiscal year 2015 benefit cost is 5.50% (2014 - 5.80%).

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

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

As at December 31, 2015 all plans (2014 - all plans), the Toronto Civic Employee Pension Plan, the Metropolitan Toronto Pension Plan, the Toronto Firefighters Pension Plan, the City of York Employee Pension Plan, and Metropolitan Toronto Police Pension Plan are in a surplus position (shaded in the table below). Since there is uncertainty about the City's right to this accrued benefit asset, these amounts have not been reflected in the Consolidated Statement of Financial Position.

	2015	2015	2015	2014
	Pension assets – market value – end of year	**Actuarial pension obligation – end of year**	**Net actuarial surplus (deficit)**	**Net actuarial surplus (deficit)**
	$	**$**	**$**	**$**
Toronto Civic Employee Pension Plan	337,047	250,488	86,559	81,883
Metropolitan Toronto Pension Plan	521,252	457,632	63,620	55,600
Toronto Firefighters Pension Plan	236,348	215,466	20,882	26,757
City of York Employee Pension Plan	43,081	41,512	1,569	1,743
Metropolitan Toronto Police Pension Plan	549,424	508,408	41,016	34,580

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

14. Tangible capital assets

Tangible capital assets consist of the following:

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

General capital assets include those assets which are not part of a network. Land includes all of the City's land except land under the roads. Land improvements include outdoor parks and recreation facilities, land improvements around buildings, and the active landfill site. Buildings include office buildings, community centres, police, fire and ambulance stations, TCHC housing units and transit buildings. Machinery and equipment includes equipment used by Fire and Emergency Medical Services as well as computers and furniture. Corporate fleet and transit buses make up the vehicle assets.

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

General machinery and equipment includes capital leases from TCHC totalling $8,320 (2014 - $9,607).

Contributed (Donated) Tangible Capital Assets
Contributed tangible capital assets are recognized at fair market value at the date of contribution. Contributed assets received during the year were valued at $9,872 (2014 - $nil) for land, $4,077 (2014 - $473) for land improvements, and $267 (2014 - $271) for machinery and equipment.

Tangible Capital Assets Recognized at Nominal Value
Tangible capital assets are recognized at nominal value whenever fair value cannot be determined. Land is the only capital asset category which includes nominal values and these are primarily for small parcels of land such as reserve strips and walkways.

Works of Art and Historical Treasures
The City of Toronto owns both works of art and historical treasures at various City owned facilities such as Casa Loma, Old City Hall, and its museums, such as Fort York. The City of Toronto maintains and preserves these assets because of their historical and cultural significance. These assets are not recorded as tangible capital assets and are not amortized.

Impairment of Tangible Capital Assets
Capital asset condition and state of good repair reviews are conducted on a regular basis to assess potential impairments. Minor impairments are addressed through the capital plans. Any capital assets which are significantly impaired are written down by the value of the impairment.

Additional information on the City's tangible capital assets is provided in Schedule 1.

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

15. Inventories and Prepaid Expenses

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

16. Commitments and contingencies

a) The City is subject to various litigation and claims arising in the normal course of its operations. The final outcome of the outstanding claims cannot be determined at this time. However, management believes that the ultimate disposition of these matters will not materially exceed the amounts recorded in the accounts. Any amendment to amounts accrued will be recorded once new information becomes available.

b) Exposures on property, liability, and accident claims are covered by a combination of self-insurance and coverage with insurance carriers. Provisions for property, liability and accident claims are recorded in other liabilities (Note 9) on the Consolidated Statement of Financial Position in the aggregate amount of $585,807 (2014 - $553,901).

c) On December 21, 2006, a contract was awarded by the TTC for the purchase of 234 subway cars or 39 train sets. In May 2010, the TTC approved purchasing an additional 10 subway train sets for the Toronto-York Spadina Subway line extension and 21 replacement train sets. In March 2014, the TTC approved a further purchase of 10 train sets for future ridership growth bringing the total delivery requirement to 80 train sets. In June 2015, an amendment to the contract was authorized by TTC for modification of four 6-car trainsets into six 4-car trainsets to support the conversion to ATC-equipped trainsets. This brought the total delivery requirements to 82 trainsets, with the total contract value of $1,448,700. At December 31, 2015, 71 train sets had been delivered at a cost of $1,356,900. The outstanding commitment as at December 31, 2015 is $91,800.

d) On June 26, 2009, a contract was awarded by the TTC for the design and supply of 204 Light Rail Vehicles (“LRVs”). As at December 31, 2015 the total contract cost remained unchanged at $1,009,300. As at December 31, 2015, 17 LRVs had been delivered and TTC had incurred costs of $530,300. The balance of deliveries will continue in 2016 with all 204 cars scheduled to be delivered by 2019. At December 31, 2015, the outstanding commitment is $479,000.

e) In July 2012, a contract was awarded by the TTC for purchase of 27 60-foot Articulated Low Floor Clean Diesel Buses. In March 2013, TTC approved an amendment to the contract authorizing the purchase of additional 126 60-foot Articulated Low Floor Clean Diesel Buses and on April 30, 2014 a subsequent contract was awarded for additional 55 40-foot low floor clean diesel buses. In February 2015 and July 2015, TTC approved a further purchase of 50 40-foot low floor clean diesel buses and 108 40-foot low floor clean diesel buses respectively bringing the total delivery requirement to 366 buses for a total contract cost of $266,200. At December 31, 2015, 258 buses had been delivered at a cost of $201,900. At December 31, 2014, the outstanding commitment is $64,300.

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

f) At December 31, 2015, the TTC has other various capital project contractual commitments of $555,300 (2014 - $1,788,800). Of this amount, $176,500 (2014 - $196,400) relate to multi-component shared projects for Toronto Waterfront, Toronto-York Spadina Subway Extension project (TYSSE) and TTC; contractual commitments of $239,000 (2014 - $428,400) relate to the TYSSE project and $139,800 (2014 - $1,164,000) relate to various TTC construction projects.

g) The TTC and Build Toronto have provisions for environmental costs of $5,703 (2014 - $6,750); and $17,642 (2014 - $17,325) respectively. These estimated costs based on third-party engineering reports are to cover estimated costs of remediating sites with known contamination for which these entities are responsible. Given that the estimate of environmental liabilities is based on a number of assumptions, actual costs may vary. The estimated amounts of future restoration costs are reviewed regularly, based on available information and governing legislation. Provisions for environmental costs are recorded in other liabilities (Note 9) on the Consolidated Statement of Financial Position.

h) The Ministry of the Environment has issued Certificates of Approval for 29 (2014 - 29) of the identified 160 (2014 - 160) inactive landfill sites. Applications for Certificates of Approval at other inactive sites may be required prior to the commencement of any remediation work. It is not possible to quantify the effect, if any, of this request on these consolidated financial statements beyond those amounts recorded as landfill closure and post-closure liabilities (Note 10).

i) Council has approved the Policy for the Provision of Line of Credit and Loan Guarantees for Cultural and Community-Based Organizations that have a financial relationship with the City. The total amount of all lines of credit provided by the City under the policy for operating line of credit guarantees is limited to $10 million in the aggregate. The total amount of all capital loan guarantees provided by the City under the policy for capital loan guarantees is limited to $300 million in the aggregate, with individual loan guarantees being limited to a maximum of $10 million. The total amount of all direct loans provided by the City under the policy for direct City loans is limited to $125 million in the aggregate. At December 31, 2015 the City had provided capital loan guarantees to certain third parties amounting to $40,318 (2014 - $42,124), and operating loan and line of credit guarantees of $3,905 (2014 - $3,905), primarily related to several cultural non-profit organizations, and direct City loans amounting to $70,660 (2014 - $89,639), primarily to City agencies.

j) At December 31, 2015, the City is committed to future minimum annual operating lease payments for premises and equipment as follows:

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

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

17. Accumulated Surplus

Accumulated surplus is comprised of the following:

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

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

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

Reserves and reserve funds consist of the following:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

18. Budget Data

Budget data presented in these consolidated financial statements are based upon the 2015 operating and capital budgets approved by Council. Adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. The following chart reconciles the approved budget with the budget figures as presented in these consolidated financial statements.

	Budget Amount $
Revenue	
Approved budgets:	
Operating	9,946,672
Capital	3,165,321
Reserve	17,866
	13,129,859
Adjustments:	
Proceeds on debt issue	(1,137,697)
Total revenue	**11,992,162**
Expenses	
Approved budgets:	
Operating	9,756,225
Capital	3,721,583
	13,477,808
Adjustments:	
Tangible Capital Assets (TCA)	(2,855,097)
Amortization	851,193
Debt principal repayments	(224,112)
Total expenses	**11,249,792**
Annual surplus	**742,370**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

19. Funding Transfers from Other Governments

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

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

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

20. Expenses by Object

Expenses by object comprise the following:

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

21. Segmented Information

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

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

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

Appendix 2 includes the following segments:

- **General government** is comprised of Council, administration and amounts paid to the Municipal Property Assessment Corporation. These groups are responsible for bylaws and administrative policies, levying taxes, acquiring and managing City assets, ensuring effective financial management, planning and budgeting, monitoring financial and operating performance, and ensuring that high quality City service standards are met.
- **Protection to persons and property** is comprised of police, fire and other protective services such as By-law Enforcement, Animal Control, Vehicle and Business Licensing, Security and Provincial Offences. These groups maintain the safety and security of all citizens by reducing or eliminating loss of life and property, maintaining law enforcement, and preserving peace and good order.
- **Transportation** includes transit, roads, traffic and parking services. Transit services provide local public transportation for all citizens within the City of Toronto. Other transportation services provide planning, development, and maintenance of roads, traffic operations, parking, winter control and street lighting.

- **Environmental services** include water supply and distribution, wastewater treatment, and waste and recycling services. These services provide clean drinking water to residents, collect and treat wastewater, and collect and properly process waste and recycling items.

- **Health services** include paramedic and mandated health services. Mandated health services promote and maintain health programs that optimize the health of residents. Paramedic services deliver timely and effective care for pre-hospital emergency care, along with medically required inter-hospital transportation.

- **Social and family services** include social assistance, long-term care and child care services. Social assistance services determine, issue, and monitor clients' eligibility for financial, social, and employment assistance. Long-term care services provide secure and supervised health services for seniors who can no longer live at home. Child care services provide subsidized child care spaces and provide funding for wage subsidy, pay equity, and special needs.

- **Social housing** provides a range of services including high-quality housing for low and moderate income tenants, emergency shelters, outreach, search, and stabilization to people in the community.

- **Recreation and cultural services** include parks services, recreational programs, recreation facilities, golf courses, libraries, museums and other cultural services and activities. Parks and recreation services develop and deliver high-quality recreational programs, and develop and maintain recreational facilities, parks and sports fields to ensure all residents have the opportunity to enjoy a healthy lifestyle. Cultural services invest in local non-profit organizations that deliver services on behalf of the City. Library services provide public library services to the citizens via physical facilities, bookmobile, virtual and telephone services.

- **Planning and development** manages urban development for residential and business interests as well as infrastructure. It includes planning and zoning, commercial and industrial developments and forestry.

Appendices 3 and 4 reflect disclosure by entity which are significant agencies and corporations for the City of Toronto.

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

22. Trust Funds

Trust funds administered by the City amounting to $24,180 (2014 - $24,625) have not been included on the Consolidated Statement of Financial Position nor have their operations been included in the Statement of Operations and Accumulated Surplus. Separate Audited Financial Statements are prepared for funds held in Trust by the City. Trust fund balances as at December 31 are as follows:

	2015	**2014**
	$	**$**
Keele Valley Site Post-Closure Trust Fund (Note 10)	7,534	7,514
Homes for the Aged Trust Fund – Residents	6,208	6,216
Community Centre Development Levy Trust Fund – Railway Lands	4,891	4,837
Contract Aftercare Trust Fund	1,095	1,091
Waterpark Place Trust Fund	1,095	1,089
Community Services Levies Trust Fund	759	1,225
Music Garden Trust Fund	615	613
Heritage and Culture Trust Funds	412	407
Development Charges Trust Fund – Queen's Quay	337	548
Regent Park Legacy Trust	300	297
Lakeshore Pedestrian Bridge Trust Fund	252	251
Candidates' Municipal Election Surpluses Trust Fund	178	-
Children's Greenhouse Trust Fund – Allan Gardens	115	114
Green Lane Small Claims Trust Fund	110	109
Preservation Trust Fund	53	52
Hugh Clydesdale Trust Fund	45	45
Michael Sansone Trust Fund	43	43
Tenant Displacement Trust Fund	28	28
Ontario Home Renewal Project	22	22
90 Lisgar Street Trust Fund	21	20
Police Trust Funds	2	39
Other trust funds	65	65
	24,180	**24,625**

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

23. Change in Accounting Policy

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

Consolidated Statement of Financial Position

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

Consolidated Statement of Operations and Accumulated Surplus

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

24. Comparative Values

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

Consolidated Schedule of Tangible Capital Assets – SCHEDULE 1

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

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

Consolidated Schedule of Tangible Capital Assets – SCHEDULE 1

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

2014

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

Schedule of Government Business Enterprises – APPENDIX 1

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

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

Consolidated Schedule of Segment Disclosure – Service – 2015 – APPENDIX 2*

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

2015

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

**Definition of Segments by Service provided in Note 21 – Segmented Information.*

Consolidated Schedule of Segment Disclosure – Service – 2014 – APPENDIX 2*

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

2014

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

**Definition of Segments by Service provided in Note 21 – Segmented Information.*

Consolidated Schedule of Segment Disclosure – Entity – APPENDIX 3

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

2015

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

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

Consolidated Schedule of Segment Disclosure – Entity – APPENDIX 3

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

2014

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

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

Consolidated Schedule of Segment Disclosure – Tangible Capital Assets by Entity – APPENDIX 4

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

2015 and 2014

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

2015 CITY OF TORONTO FINANCIAL REPORT

GLOSSARY

Glossary

Accrued Benefit Obligation: see Employee Benefits Liability – Gross.

Accrued Benefit Liability: see Employee Benefits Liability – Net.

Accrual Accounting: the accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay. This is also known as the full accrual basis of accounting. Prior to 2009, municipal governments did not capitalize tangible capital assets and recorded them as expenditures. This was the only exception to the accrual basis of accounting and therefore municipal accounting was previously referred to as the modified accrual basis of accounting.

Accumulated amortization: the sum of all amortization expensed on a given asset or asset class to-date.

Accumulated surplus: the difference between the City's financial and non-financial assets and its liabilities. The accumulated surplus represents the net financial and physical assets / resources available to provide future services. It is the sum of amounts invested in: tangible capital assets; the operating, capital, reserve and reserve funds; net of amounts to be recovered from future revenues.

Agencies and Corporations: The City's agencies, boards and corporations are referred to as agencies and corporations.

Amortization expense: annual charge to expense to represent allocation of an asset's cost over its useful life.

Amounts to be recovered: the sum of items that have not been included in previous budgets and that will be recovered from future rates or taxes. Amounts to be recovered consist of outstanding debt, unfunded future employment costs, unfunded landfill post-closure costs, as well as unfunded environmental, property and liability claims.

Assets: have three essential characteristics: (a) they embody a future benefit that involves a capacity, singly or in combination with other assets, to provide future net cash flows, or to provide goods and services; (b) the government can control access to the benefit; and (c) the transaction or event giving rise to the government's control of the benefit has already occurred.

Bankers Acceptance (BA): A short-term debt instrument that is guaranteed by a commercial bank.

BOG: the Board of Governors of Exhibition Place

Budget - operating: an outline of the government's operating revenue and expense plan for the upcoming year. The Operating Budget is formally presented early each year, and is subject to public consultation and debate prior to approval. Separate operating budgets are prepared for the tax supported and each of the rate supported areas. The Operating Budget sets out the amount of taxes to be collected for the year, as well as fees to be charged and authorized expenses.

Budget - capital: an outline of the government's capital revenue and expense plans for the upcoming year. Certain capital projects are budgeted on a life-to-date basis.

Business Improvement Area (BIA): A Business Improvement Area is an association of commercial property owners and tenants within a defined area who work in partnership with the City to create thriving, competitive, and safe business areas that attract shoppers, diners, tourists, and new businesses.

CICA: the Canadian Institute of Chartered Accountants. The CICA conducts research into current business issues and supports the setting of accounting, auditing and assurance standards for business, not-for-profit organizations and government.

City of Toronto Act, 2006: an Ontario Statute that outlines the broad permissive powers of the City of Toronto to pass by-laws that range from public safety, to the City's economic, social and environmental well being.

COLA: Cost of Living Adjustment

Consolidated statements: financial statements which include all of the entities controlled by the City.

Consolidation: inclusion of all entities controlled by the City, except for those which qualify as government business enterprises, on a line-by-line basis in the City's financial statements.

Contingent Liabilities: possible obligations that may result in the future sacrifice of economic benefits arising from existing conditions or situations involving uncertainty. The uncertainty will ultimately be resolved when one or more future events not wholly within the government's control occur or fail to occur. Resolution of the uncertainty will confirm the incurrence or non-incurrence of a liability.

Contra-account: an account in the financial records that offsets or reduces the balance of a related account. For example, Accumulated Amortization of an asset class is contra to the Tangible Capital Asset account for that same class.

Contractual Obligations: obligations of a government to others that will become liabilities when the terms of a contract or agreement are met.

CVA: Under Current Value Assessment a property is assessed for tax purposes at the price that it would be expected to sell for by a willing seller to a willing buyer at the assessment date.

DBRS: is a credit rating agency know as Dominion Bond Rating Service (DBRS). It is a bond rating service.

Debenture: a debt instrument where the issuer promises to pay interest and repay the principal by the maturity date. It is unsecured, meaning there is no lien on any specific asset.

Debt: a financial obligation to another entity from borrowing money.

Deferred revenue: amounts received regarding obligatory reserve funds or funds with other internal or external restrictions, which have remained unspent at year end. These amounts are shown with liabilities and are recognized in revenue when the revenues are earned, which may include spending the monies for their intended purpose.

Deficit: the amount, if any, by which government expenses exceed revenues in any given year. Unlike the senior levels of government, municipalities cannot budget to run a deficit.

Derivatives: financial contracts that derive their value from other underlying instruments. TCHC has used a derivative to hedge interest costs.

Employee Benefits Liability - Gross: the present value of the expected payouts for benefits which employees have earned at year end. This amount is calculated by the City's actuaries every three years, and updated based on actual data between valuations.

Employee Benefits Liability - Net: the amount recorded in the Statement of Financial Position representing the present value of the expected payouts for benefits which employees have earned at year end, after allowing for the required smoothing of actuarial gains and losses. PSAB requires amortization of each actuarial gain or loss over the Expected Average Remaining Service Life of the employee group, at the time of the actuarial valuation. This net liability may be lower than the gross liability when actuarial losses exceed gains, or larger than the gross liability when gains exceed losses.

Fair Value: the price that would be agreed upon in an arm's length transaction and in an open market between knowledgeable, willing parties who are under no compulsion to act. It is not the effect of a forced or liquidation sale.

Financial Assets: assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets include cash; an asset that is convertible to cash; a contractual right to receive cash or another financial asset from another party; a temporary or portfolio investment; and a financial claim on an outside organization or individual.

Fiscal Year: the City of Toronto's fiscal year runs from January 1 to December 31.

GAAP: generally accepted accounting principles, as laid out in the relevant Handbook – the Public Sector Accounting Handbook for government organizations and the CICA Handbook or IFRS for Government Business Enterprises.

GAAS: generally accepted auditing standards. Standards established by Canadian Institute of Chartered Accountants (CICA) for use by public accountants when conducting external audits of the financial statements.

Government Business Enterprise (GBE): an organization that has all of the following characteristics: a) it is a separate legal entity with the power to contract in its own name and that can sue and be sued; b) it has been delegated the financial and operational authority to carry on a business; c) it sells goods and services to individuals and organizations outside of the government reporting entity as its principal activity; and d) it can, in the normal course of its operations, maintain its operations and meet its liabilities from revenues received from sources outside of the government reporting entity. Government business enterprises are accounted for under the modified equity method.

Hedging: a strategy to minimize the risk of loss on an asset (or a liability) from market fluctuations such as interest rate or foreign exchange rate changes. This is accomplished by entering into offsetting commitments with the expectation that a future change in the value of the hedging instrument will offset the change in the value of the asset (or the liability).

IAS: International Accounting Standards

Indemnity: an agreement whereby one party agrees to compensate another party for any loss suffered by that party. The City can either seek or provide indemnification.

Infrastructure: the facilities, systems and equipment required to provide public services and support private sector economic activity including network infrastructure (e.g., roads, bridges, water and wastewater systems, large information technology systems), buildings (e.g., hospitals, schools, courts), and machinery and equipment (e.g., medical equipment, research equipment).

International Financial Reporting Standards (IFRS): Government Business Enterprises must follow IFRS for fiscal years beginning on or after January 1, 2011. Other government organizations may also choose to follow IFRS. IFRS reporting is also mandatory for publicly accountable (non-government) enterprises beginning in 2011. IFRSs are now available in part I of the CICA Handbook.

Jointly Sponsored Pension Plan: a jointly sponsored pension plan is a pension plan where members and the entity (TTC) share responsibility for plan governance, plan administration, and plan terms, including funding of the plan.

Liabilities: are present obligations of a government to others arising from past transactions or events, the settlement of which is expected to result in the future sacrifice of economic benefits. These liabilities have three essential characteristics: (a) they embody a duty or responsibility to others, leaving a government little or no discretion to avoid settlement of the obligation; (b) the duty or responsibility to others entails settlement by future transfer or use of assets, provision of goods or services, or other form of economic settlement at a specified or determinable date, on occurrence of a specified event, or on demand; and (c) the transactions or events obligating the government have already occurred.

Loan Guarantee: an agreement to pay all or part of the amount due on a debt obligation, in the event of default by the borrower.

LRT: Light Rail Transit

LRVs: Light Rail Vehicles

LTD: Long-Term Disability

Modified Equity Method of Accounting: investment balances are adjusted for any earnings or losses of the government business enterprise, without adjustment to correspond to public sector GAAP.

MPAC: The Municipal Property Assessment Corporation is a non profit organization which serves Ontario property taxpayers together with provincial and municipal stakeholders by providing property assessments and enumeration services.

Multi-employer Pension Plan: is a defined benefit pension plan to which two or more governments or government organizations contribute, usually pursuant to legislation or one or more collective bargaining agreements. The main distinguishing characteristic of a multi-employer plan is that the contributions by one participating entity are not segregated in a separate account or restricted to provide benefits only to employees of the entity and, thus may be used to provide benefits to employees of all participating entities.

Net Book Value of Tangible Capital Assets: historical cost of tangible capital assets less both the accumulated amortization and the amount of any write-downs.

Net Debt: the difference between the City's total liabilities and financial assets. It represents the City's future revenue requirements to pay for past transactions and events.

Non-Financial Assets: assets that normally do not generate cash capable of being used to repay existing debts. For the Province, it comprises tangible capital assets and net assets of broader public sector organizations.

Obligatory reserve funds: amounts collected from developers or through other legislation or legal agreement, which must be spent in a prescribed manner.

Option: a contract that confers the right, but not the obligation, to buy or sell a specific amount of a commodity, currency or security at a specific price, on a certain future date.

Other than a Temporary Decline: a loss in value of a portfolio investment that is other than a temporary decline occurs when the actual value of the investment to the government becomes lower than the carrying value and the impairment is expected to remain for a prolonged period.

OW: Ontario Works financial assistance and employment assistance.

Prepaid Expenses: non-financial assets which result when payments are made in advance of the receipt of goods or services. Prepaid expenses may arise from payments for insurance premiums, leases, professional dues, memberships and subscriptions.

PSAB: the Public Sector Accounting Board (PSAB) of the CICA sets standards and provides guidance for financial and other performance information reported by the public sector.

Present Value: the current worth of one or more future cash payments, determined by discounting the payments using a given rate of interest.

Recognition: the process of including an item in the financial statements of an entity.

Reserves and reserve funds: fiscal and accounting entity segregated by Municipal Council for the purpose of carrying on specific activities or attaining certain objectives in accordance with internally or externally established restrictions or limitations. By City policy and practice, interest earnings are applied only to reserve funds, while reserves do not earn interest.

S&P: Standard & Poor's (S&P) – is a financial service company that publishes financial research analysis in stocks and bonds. It is known for its stock market indices.

Segment: a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to help users of the financial statements identify the resources allocated to support the major activities of the government.

Sinking Fund Debenture: a debenture that is secured by periodic payments into a fund established to retire long-term debt.

Straight-Line Basis of Amortization: a method whereby the annual amortization expense is computed by dividing i) the historical cost of the asset less the residual value by ii) the number of years the asset is expected to be used.

Subordinated debt: debt which ranks after other debts should a company fall into liquidation or bankruptcy.

Surplus: the amount by which revenues exceed expenses in any given year.

TAF: the Toronto Atmospheric Fund

Tangible Capital Assets: physical assets including land, buildings, transportation and transit infrastructure, water & wastewater infrastructure, vehicles and equipment. These assets are recorded in the City's consolidate financial statements for the first time in 2009.

TCHC: the Toronto Community Housing Corporation

TDSB: the Toronto District School Board

TEDCO: Toronto Economic Development Corporation, carrying on business as Toronto Port Lands Company (TPLC)

Total Debt: the City's total borrowings outstanding.

TPA: Toronto Parking Authority

TPASC: Toronto Pan Am Sports Centre

TPLC: see TEDCO

Transfer Payments: grants or transfers of monies to individuals, organizations or other levels of government for which the government making the transfer does not receive any goods or services directly in return, as would occur in a purchase or sale transaction; expect to be repaid, as would be expected in a loan; or expect a financial return, as would be expected in an investment.

TTC: the Toronto Transit Commission

TWRC: the Toronto Waterfront Revitalization Corporation

Unamortized Gain or Loss: the amount of actuarial gains or losses, relating to gains or losses upon valuation of pension or employee future liabilities, which will be recognized in income over the expected average remaining service life of the employee group.

Unrealized Gain or Loss: an increase or decrease in the fair value of an asset accruing to the holder. Once the asset is disposed of or written off, the gain or loss is realized.

WSIA: the Workplace Safety and Insurance Act

WSIB: the Workplace Safety and Insurance Board

2015 CITY OF TORONTO FINANCIAL REPORT

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)

	2015	2014	2013	2012	2011
Population (Note 1)	2,826,498	2,808,503	2,771,770	2,741,775	2,704,622
Households (Note 1)	1,132,602	1,125,391	1,110,672	1,098,653	1,083,765
Areas in square kilometres	634	634	634	634	634
Full-time employees	45,876	44,807	44,506	43,970	45,388
Housing Starts	18,913	11,671	15,618	25,416	18,972
Building Permit Values	$7,134,638	$8,791,779	$8,784,032	$7,286,017	$8,514,926
TAXATION ASSESSMENT UPON WHICH TAX RATES WERE SET (Note 2)					
Residential, Multi-residential, New Multi-residential, Farmlands, and Managed Forest	$410,372,169	$383,083,723	$358,492,808	$336,408,271	$328,192,641
Commercial, Industrial and Pipeline	$99,830,933	$95,292,597	$90,686,368	$86,027,525	86,108,916
TOTAL	**$510,203,102**	**$478,376,320**	**$449,179,176**	**$422,435,796**	**$414,301,557**
Total per capita	$180,507	$170,331	$162,055	$154,074	$153,183
TAX RATES (URBAN AREA) (Note 2)					
Residential, New Multi-Residential, Farmlands and Managed Forest (expressed in %)					
Note – Full Rate Only					
City purposes	0.5106037%	0.5200085%	0.5337653%	0.5501981%	0.5619218%
School board purposes	0.1950000%	0.2030000%	0.2120000%	0.2210000%	0.2310000%
TOTAL	**0.7056037%**	**0.7230085%**	**0.7457653%**	**0.7711981%**	**0.7929218%**
Multi-Residential (expressed in %)					
City purposes	1.5315482%	1.5980491%	1.6981011%	1.7950082%	1.8635584%
School board purposes	0.1950000%	0.2030000%	0.2120000%	0.2210000%	0.2310000%
TOTAL	**1.7265482%**	**1.8010491%**	**1.9101011%**	**2.0160082%**	**2.0945584%**
Commercial (expressed in %)					
City purposes	1.5387137%	1.6056690%	1.6716412%	1.7455255%	1.8257360%
School board purposes	1.2278260%	1.2921380%	1.3638850%	1.4360970%	1.5404080%
TOTAL	**2.7665397%**	**2.8978070%**	**3.0355262%**	**3.1816225%**	**3.3661440%**
Industrial (expressed in %)					
City purposes	1.5327263%	1.6006027%	1.6662458%	1.7385006%	1.8203441%
School board purposes	1.2946100%	1.3399890%	1.3888080%	1.4491840%	1.5657920%
TOTAL	**2.8273363%**	**2.9405917%**	**3.0550538%**	**3.1876846%**	**3.3861361%**
Pipeline (expressed in %)					
City purposes	0.9821789%	1.0002695%	1.0267316%	1.0583411%	1.0808925%
School board purposes	1.5065730%	1.5318740%	1.5580410%	1.5875130%	1.6371510%
TOTAL	**2.4887519%**	**2.5321435%**	**2.5847726%**	**2.6458541%**	**2.7180435%**

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)

	2015	2014	2013	2012	2011
PROPERTY TAXES RECEIVABLE, END OF THE YEAR					
Amount	$240,700	$252,367	$239,516	$224,878	$244,209
Per Capita	$85	$90	$86	$82	$90
NET LONG-TERM DEBT- END OF YEAR					
Amount	$4,712,547	$4,178,512	$3,856,165	$3,699,256	$3,264,220
Per Capita	$1,667	$1,488	$1,391	$1,349	$1,207
INTEREST CHARGES FOR NET LONG-TERM DEBT					
Amount	$279,433	$275,708	$257,627	$243,682	$221,072
Per Capita	$99	$98	$93	$89	$82
LONG-TERM DEBT SUPPORTED BY PROPERTY TAXES					
Gross Long-Term Debt	$5,223,381	$4,757,917	$4,497,149	$4,431,481	$4,037,810
Net Long-Term Debt (Net of Sinking Fund deposits)	$4,712,547	$4,178,512	$3,856,165	$3,699,256	$3,264,220
LONG-TERM DEBT AND MORTGAGES CHARGES (includes principal repayments, interest on long-term debt and interest earned on sinking funds)					
Amount	$786,912	$669,400	$666,311	$628,241	$563,294
Percentage of Total Consolidated Expenses	7.27%	6.40%	6.53%	6.25%	5.49%
LEGAL DEBT LIMIT (Note 3) (15% of Property Tax Levy)					
Property Tax levy Amount	$3,879,877	$3,768,009	$3,696,738	$3,701,304	$3,457,436
Debt Limit	$581,982	$565,201	$554,511	$555,196	$518,615
TAXES COLLECTED					
City Collection	$4,466,007	$4,201,770	$4,103,183	$4,106,755	$4,029,667
Taxes Transferred to the School Board	1,950,585	1,841,707	1,813,572	1,895,139	1,906,588
TOTAL	**$6,416,592**	**$6,043,477**	**$5,916,755**	**$6,001,894**	**$5,936,255**
TRUST FUNDS BALANCE - END OF YEAR	**$49,558**	**$47,898**	**$46,474**	**$46,514**	**$45,993**

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)

	2015	2014	2013	2012	2011
SUMMARY OF CONSOLIDATED REVENUES AND EXPENSES (Note 4)					
CONSOLIDATED OPERATIONS					
REVENUE BY SOURCE					
Residential and commercial property taxation	$3,879,877	$3,768,009	$3,696,738	$3,701,304	$3,457,436
Municipal land transfer tax	524,000	449,604	360,884	349,798	324,065
Taxation from other government	86,302	111,598	111,292	106,600	98,596
User charges	2,780,791	2,753,273	2,638,543	2,482,754	2,436,025
Funding transfers from other governments	2,862,220	2,752,112	2,952,158	3,054,218	3,148,351
Government business enterprise earnings	294,189	174,326	175,544	180,097	188,041
Investment income	259,679	270,603	232,244	246,760	248,397
Development charges	221,192	132,523	164,004	141,133	94,952
Rental and concessions	451,776	426,929	438,698	395,470	386,073
Other	660,497	511,685	462,454	817,526	604,560
TOTAL	**$12,020,523**	**$11,350,662**	**$11,232,559**	**$11,475,660**	**$10,986,496**
CONSOLIDATED EXPENSES BY FUNCTION (Note 4)					
General government	$747,196	$798,088	$770,411	$646,346	$887,937
Protection to persons and property	1,807,909	1,820,074	1,656,046	1,558,447	1,667,615
Transportation	2,943,786	2,819,666	2,769,289	2,828,174	2,642,260
Environment services	940,017	919,204	838,344	810,859	834,088
Health services	452,389	429,491	422,038	397,210	399,207
Social and family services	2,023,910	1,915,780	1,963,092	1,999,896	2,032,670
Social housing	775,450	727,715	758,024	850,026	804,577
Recreation and cultural services	989,349	911,428	905,987	861,716	847,271
Planning and development	146,102	120,188	127,660	96,533	143,636
TOTAL	**$10,826,108**	**$10,461,634**	**$10,210,891**	**$10,049,207**	**$10,259,261**
ANNUAL SURPLUS	**$1,194,415**	**$889,028**	**$1,021,668**	**$1,426,453**	**$727,235**
ACCUMULATED SURPLUS (Note 4)					
Financial Assets	$9,071,480	$8,533,390	$8,554,867	$8,259,997	$7,283,091
Liabilities	15,151,299	13,828,081	13,117,281	12,505,032	11,672,374
Net Debt	(6,079,819)	(5,294,691)	(4,562,414)	(4,245,035)	(4,389,283)
Non-Financial Assets	27,322,933	25,343,390	23,722,085	22,410,101	21,030,694
Accumulated Surplus	**$21,243,114**	**$20,048,699**	**$19,159,671**	**$18,165,066**	**$16,641,411**

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)

	2015	2014	2013	2012	2011
CONSOLIDATED SUMMARY OF FUNDING TRANSFERS FROM OTHER GOVERNMENTS (Note 4)					
Social Assistance	$889,873	$875,200	$896,038	$920,131	$883,817
Child Care Assistance	323,214	298,329	277,613	274,771	264,866
Health Services	178,744	171,506	168,727	162,739	162,332
Social Housing	350,273	375,214	445,308	468,977	526,697
Other	481,037	497,863	524,494	411,311	539,545
Government of Canada Transfer - TTC	279,674	245,918	271,140	255,539	329,693
Government of Canada Transfer - Capital	304,474	237,545	303,959	522,330	420,643
Province of Ontario Transfer - Capital	54,931	50,537	64,879	38,420	20,758
TOTAL	**$2,862,220**	**$2,752,112**	**$2,952,158**	**$3,054,218**	**$3,148,351**
CONSOLIDATED EXPENSES BY OBJECT (Note 4)					
Salaries, wages and benefits	$5,565,309	$5,349,900	$4,972,018	$5,069,438	$5,053,750
Materials	938,054	918,934	918,231	762,249	879,684
Contracted Services	1,674,201	1,793,882	1,627,179	1,411,269	1,458,019
Interest on long-term debt & TCHC mortgage	314,827	313,318	298,800	287,990	267,240
Transfer payments	1,268,651	1,000,937	1,368,597	1,414,398	1,480,742
Amortization	851,194	871,099	847,090	801,845	814,522
Other	213,872	213,564	178,976	302,018	305,304
TOTAL	**$10,826,108**	**$10,461,634**	**$10,210,891**	**$10,049,207**	**$10,259,261**
RESERVE & RESERVE FUND BALANCE – END OF THE YEAR	**$1,826,231**	**$1,963,671**	**$2,117,607**	**$1,715,128**	**$1,365,006**
TANGIBLE CAPITAL ASSETS					
COST					
General Assets	$16,773,816	$15,602,558	$14,792,576	$14,266,713	$13,828,522
Infrastructure	19,465,195	18,342,839	17,747,566	17,122,938	16,443,845
Assets under construction	5,802,565	5,451,183	4,670,845	3,896,892	2,971,227
TOTAL	**42,041,576**	**39,396,580**	**37,210,987**	**35,286,543**	**33,243,594**
ACCUMULATED AMORTIZATION					
General Assets	$6,071,207	$5,741,220	$5,380,067	$4,948,857	$4,589,901
Infrastructure	9,005,590	8,685,419	8,444,639	8,227,393	7,954,531
TOTAL	**15,076,797**	**14,426,639**	**13,824,706**	**13,176,250**	**12,544,432**
NET BOOK VALUE	**26,964,779**	**24,969,941**	**23,386,281**	**22,110,293**	**20,699,162**

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)

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. This was updated in 2013 and as a result the prior year numbers have been updated.

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 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.

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).

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