

2014 CONSOLIDATED FINANCIAL STATEMENTS

CITY OF TORONTO FINANCIAL REPORT

Management's Report

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

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

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

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

The 2014 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 10, 2015



Mike St. Amant
Acting Treasurer



Roberto Rossini
Deputy City Manager & Chief Financial Officer



John Livey
Acting 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, 2014 and the consolidated statement of operations and accumulated surplus, consolidated statement of change in net debt, and consolidated statement of cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the City of Toronto as at December 31, 2014 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 10, 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2014

(with comparative figures as at December 31, 2013)

(all dollar amounts in thousands of dollars)

	2014	2013 (see Note 23)
FINANCIAL ASSETS		
Cash	470,865	591,190
Accounts receivable (Note 2)	1,053,598	959,896
Property taxes receivable	252,367	239,516
Other assets (Note 3)	262,110	243,504
Investments (Note 4)	4,572,035	4,661,928
Due from Toronto District School Board (Note 12)	17,013	22,410
Investments in government business enterprises (Note 5)	1,804,357	1,836,423
Total financial assets	8,432,345	8,554,867
LIABILITIES		
Bank indebtedness (Note 6)	76,508	55,882
Accounts payable and accrued liabilities (Note 7)	2,787,113	2,934,835
Deferred revenue (Note 8)	2,007,416	1,692,089
Other liabilities (Note 9)	649,564	647,071
Landfill closure and post-closure liabilities (Note 10)	139,316	123,773
Mortgages payable (Note 11)	579,405	640,984
Net long-term debt (Note 12)	4,178,512	3,856,165
Employee benefit liabilities (Note 13)	3,410,247	3,166,482
Total liabilities	13,828,081	13,117,281
NET DEBT	(5,395,736)	(4,562,414)
NON-FINANCIAL ASSETS		
Tangible capital assets, net (Note 14, Schedule 1)	24,969,941	23,386,281
Inventories and prepaid expenses (Note 15)	373,449	335,804
	25,343,390	23,722,085
Commitments and contingencies (Note 16)		
ACCUMULATED SURPLUS (Note 17)	19,947,654	19,159,671

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, 2014

(with comparative figures for the year ended December 31, 2013)

(all dollar amounts in thousands of dollars)

	2014 BUDGET (Note 18)	2014 ACTUAL	2013 ACTUAL (see Note 23)
REVENUE			
Property taxation	3,726,450	3,768,009	3,696,738
Municipal land transfer tax	356,298	449,604	360,884
Taxation from other governments	94,701	111,598	111,292
User charges	2,796,993	2,753,273	2,638,543
Funding transfers from other governments (Note 19)	3,121,836	2,752,112	2,952,158
Government business enterprise earnings (Note 5)	-	73,281	175,544
Investment income	185,034	270,603	232,244
Development charges	223,686	132,523	164,004
Rent and concessions	424,961	426,929	438,698
Other	640,735	511,685	462,454
Total revenue	11,570,694	11,249,617	11,232,559
EXPENSES			
General government	858,210	798,088	770,411
Protection to persons and property	1,727,462	1,820,074	1,656,046
Transportation	2,855,722	2,819,666	2,769,289
Environmental services	1,086,574	919,204	838,344
Health services	427,172	429,491	422,038
Social and family services	2,069,879	1,915,780	1,963,092
Social housing	725,321	727,715	758,024
Recreation and cultural services	1,039,648	911,428	905,987
Planning and development	154,744	120,188	127,660
Total expenses (Note 20)	10,944,732	10,461,634	10,210,891
ANNUAL SURPLUS	625,962	787,983	1,021,668
ACCUMULATED SURPLUS – BEGINNING OF YEAR	19,159,671	19,159,671	18,165,066
GBE - IFRS adjustment – Toronto Hydro Corp. (Note 5)	-	-	(27,063)
ACCUMULATED SURPLUS – END OF YEAR (Note 17)	19,785,633	19,947,654	19,159,671

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, 2014

(with comparative figures for the year ended December 31, 2013)

(all dollar amounts in thousands of dollars)

	2014 BUDGET (Note 18)	2014 ACTUAL	2013 ACTUAL (see Note 23)
Annual Surplus	625,962	787,983	1,021,668
Acquisition of tangible capital assets	(2,791,962)	(2,486,355)	(2,204,589)
Amortization of tangible capital assets	869,207	871,099	847,090
(Gain) Loss on disposal of tangible capital assets	-	(4,950)	33,559
Reclassification of tangible capital assets as inventories	-	36,546	30,824
Proceeds on disposal of tangible capital assets	-	17,128	
Change due to tangible capital assets	(1,922,755)	(1,583,660)	(1,275,988)
Change in inventories and prepaid expenses	-	(37,645)	(35,996)
GBE - IFRS adjustment - Toronto Hydro Corp. (Note 5)	-	-	(27,063)
(Increase) in net debt	(1,296,793)	(833,322)	(317,379)
NET DEBT - BEGINNING OF YEAR	(4,562,414)	(4,562,414)	(4,245,035)
NET DEBT - END OF YEAR	(5,859,207)	(5,395,736)	(4,562,414)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2014

(with comparative figures for the year ended December 31, 2013)

(all dollar amounts in thousands of dollars)

	2014	2013 (see Note 23)
OPERATING ACTIVITIES		
Annual surplus	787,983	1,021,668
Add (deduct) items not involving cash:		
Government business enterprises income from operations	(73,281)	(175,544)
Amortization of tangible capital assets	871,099	847,090
(Gain) loss on disposal of tangible capital assets	(4,950)	33,559
	1,580,851	1,726,773
Change in non-cash assets and liabilities related to operations:		
(Increase) decrease in accounts receivable	(93,702)	245,527
(Increase) in property taxes receivable	(12,851)	(14,638)
(Decrease) increase in accounts payable and accrued liabilities	(147,722)	244,222
Increase in deferred revenue	315,327	117,888
Increase in other liabilities	2,493	48,343
(Increase) in inventories and prepaid expenses	(37,645)	(35,995)
Increase (decrease) in landfill closure and post-closure liabilities	15,543	(409)
Increase in employee benefit liabilities	243,765	130,489
Cash provided by operating activities	1,866,059	2,462,200
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(2,486,355)	(2,204,589)
Proceeds on disposal of tangible capital assets	-	17,128
Reclassification of tangible capital assets as inventories	36,546	30,824
Cash applied to capital activities	(2,449,809)	(2,156,637)
INVESTING ACTIVITIES		
Increase in other assets	(18,606)	(81,406)
Purchase of investments, net	89,893	(247,894)
Proceeds on repayment of debt due from Toronto District School Board	5,397	3,961
Dividends and distributions from government business enterprises	105,347	87,312
Cash provided by (applied to) investing activities	182,031	(238,027)
FINANCING ACTIVITIES		
Increase in bank indebtedness	20,626	6,048
Principal repayments on mortgages payable	(61,579)	(91,241)
Proceeds from long-term debt issued	651,647	471,210
Principal repayments on long-term debt	(249,278)	(235,710)
Interest earned on sinking funds	(74,625)	(74,631)
Principal repayments on debt by Toronto District School Board	(5,397)	(3,960)
Cash provided by financing activities	281,394	71,716
Net (decrease) increase in cash during the year	(120,325)	139,252
CASH - BEGINNING OF YEAR	591,190	451,938
CASH - END OF YEAR	470,865	591,190
SUPPLEMENTARY INFORMATION:		
Cash paid for interest on debt	295,096	286,922
Cash received for interest on investments	253,313	215,535

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 (*all dollar amounts in thousands of dollars*)

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

1. Summary of Significant Accounting Policies

Basis of accounting

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

Principles of consolidation

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

Consolidated entities:

Agencies and Corporations:

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

Arenas:

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

Community Centres:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 (*all dollar amounts in thousands of dollars*)

Business Improvement Areas:

- Albion Islington Square
- Baby Point Gates
- 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 Finch
- 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
- 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 Keele
- 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).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 (*all dollar amounts in thousands of dollars*)

Use of estimates and measurement uncertainty

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

Tax revenues

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

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

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 (*all dollar amounts in thousands of dollars*)

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 (*all dollar amounts in thousands of dollars*)

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.

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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 (*all dollar amounts in thousands of dollars*)

Employee benefit liabilities

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

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

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

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

Tangible capital assets

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

Asset

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

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

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

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

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 (*all dollar amounts in thousands of dollars*)

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:

	2014	2013
	\$	\$
Government of Canada	155,458	170,185
Government of Ontario	328,893	190,679
Other municipal governments	23,437	28,055
School Boards	519	394
Utility fees	146,942	155,953
Other fees and charges	398,349	414,630
	1,053,598	959,896

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 (*all dollar amounts in thousands of dollars*)

3. Other Assets

Other assets consist of the following:

	2014	2013
	\$	\$
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
Real Estate inventory that was valued at a market value of \$153,865,064 consists of capitalized actual costs including decommissioning cost, development cost, and pre-acquisition cost.	20,771	1,118
The due date on Build Toronto Inc. loan receivable from Toronto Waterfront Studios Inc. was extended to June 24, 2015 along with an increased interest rate of 1%, for an annual rate of 7%.	2,759	3,776
Build Toronto Inc. Vendor-take-back (VTB) mortgages were settled and the remaining balance is at an interest rate of 6.5% with a maturity date of November 16, 2016.	1,590	23,184
TCHC has entered into loan agreements with Dundas and Parliament Development Corporation (DPDC) and Parliament and Gerrard Development Corporation (PGDC) to finance the pre-development and construction of condominium buildings. Advances earn interest at the bank's prime rate plus 0.50% and payable on demand.	3,148	3,228
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.	17,217	13,491
TCHC's equity in Joint Ventures consists of a co-tenancy agreement with a developer for the construction of certain properties in Regent Park and a loan agreement with PGDC to finance the pre-development costs of condominium buildings. Additionally, TCHC's wholly owned subsidiaries Railway Lands Development Corporation (RLDC) and Allenbury Garden Development Corporation (AGDC) have entered into an equal interest co-tenancy agreements with a developer, for the construction of certain properties.	28,364	15,541
During 2013 and 2014, Infrastructure Ontario (IO) provided loans of \$154,703 and \$49,710 respectively to TCHC that were used to pay various maturing mortgages, capital expenditures and transfers. As at December 31, the remaining balance with interest earned were held as restricted funds.	69,316	94,530
TCHC allocated \$32,610 of the refinancing loan received from City of Toronto and resulting net investment income as restricted funds.	32,937	-
TCHC Mortgages receivable are related to sales-type leases from 2010 to 2057 for commercial space in a TCHC building. Maturity dates on these mortgages of this lease varies from May 11, 2037 to May 11, 2057. The interest rates on these mortgages varies from 4.877% and to the negotiated coupon rate on the Debenture Series A bonds.	11,778	11,966
Loans receivable from community housing organizations bearing interest at rates from 0% to 5% (2013 - 0% to 5%) per annum, maturing from 2015 to 2044.	37,051	36,628
Other	3,775	6,638
	262,110	243,504

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 (*all dollar amounts in thousands of dollars*)

4. Investments

Investments consist of the following:

	2014		
	Cost	Market value	Carrying value
	\$	\$	\$
Federal government bonds	273,331	291,319	273,331
Provincial government bonds	1,162,551	1,257,016	1,162,551
Municipal government bonds	897,975	958,852	897,975
Money market instruments	1,421,452	1,421,353	1,421,452
Corporate bonds	759,100	773,608	759,100
Other	57,626	64,255	57,626
	4,572,035	4,766,403	4,572,035

	2013		
	Cost	Market value	Carrying value
	\$	\$	\$
Federal government bonds	539,885	560,263	539,885
Provincial government bonds	1,139,335	1,182,923	1,139,335
Municipal government bonds	668,213	693,363	668,213
Money market instruments	1,916,422	1,916,415	1,916,422
Corporate bonds	330,440	335,357	330,440
Other	67,633	71,182	67,633
	4,661,928	4,759,503	4,661,928

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 \$70,120 (2013 – \$65,264). The weighted average yield on the cost of the bond investment portfolio during the year was 3.54% (2013 – 4.82%). Maturity dates on investments in the portfolio range from 2015 to 2042 (2013 – 2014 to 2042). Included in the City's municipal government bonds portfolio are City of Toronto debentures at coupon rates varying from 3.40% to 8.65% (2013 – 4.50% to 8.65%) with a carrying value of \$231,050 (2013 – \$198,757).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 (*all dollar amounts in thousands of dollars*)

Other investments held by the City, its agencies and corporations consist of the following:

	2014		
	Cost	Market value	Carrying value
City investments	\$ 336	\$ 336	\$ 336
BIA	3,036	3,036	3,036
Build Toronto	27,307	27,307	27,307
Heritage Toronto	100	100	100
TAF	15,852	22,481	15,852
TWRC	10,995	10,995	10,995
	57,626	64,255	57,626

	2013		
	Cost	Market value	Carrying value
City investments	\$ 306	\$ 306	\$ 306
BIA	1,110	1,110	1,110
Build Toronto	30,453	30,453	30,453
TAF	17,793	21,342	17,793
TWRC	17,971	17,971	17,971
	67,633	71,182	67,633

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:

	2014	2013
	\$	\$
Balance - beginning of year	1,836,423	1,775,254
Income from operations (Appendix 1)	71,761	173,963
Transition adjustment upon adoption of new revised International Accounting Standard (IAS 19) - Toronto Hydro Corp.	-	(27,063)
Dividends received (Appendix 1)	(60,619)	(42,995)
Distribution to City (Appendix 1)	(44,728)	(44,317)
Change in net book value of street-lighting assets eliminated on sale to Toronto Hydro Corporation (Appendix 1)	1,520	1,581
Balance - end of year (Appendix 1)	1,804,357	1,836,423

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 (*all dollar amounts in thousands of dollars*)

Toronto Hydro Corp. reports under United States GAAP and has provided a reconciliation to International Financial Reporting Standards (IFRS) to the City.

On January 1, 2013, Toronto Hydro Corp. adopted the revised IAS 19 – Employee Benefits which resulted in opening retained earnings adjustment of \$27,063 for 2013.

- a) Investment in Government Business Enterprises is comprised of equity and long-term subordinated debt as follows:

		2014	2013
		\$	\$
Toronto Hydro Corporation	Equity	1,194,771	1,241,600
Toronto Parking Authority	Equity	241,445	227,777
Toronto Port Lands Company	Equity	368,141	367,046
		1,804,357	1,836,423

- 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:

	2014	2013
	\$	\$
Income from Operations	71,761	173,963
Change in net book value of street-lighting assets - Toronto Hydro	1,520	1,581
Government Business Enterprises Earnings	73,281	175,544

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

Purchased by the City:	2014	2013
	\$	\$
Street-lighting, electricity, and maintenance services from Toronto Hydro Corporation	238,600	246,894

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

	Due to City	Due to others	Total
	\$	\$	\$
2015	-	436	436
2016	-	460	460
2017	-	250,485	250,485
2018	-	512	512
2019	-	250,539	250,539
Thereafter	-	1,152,798	1,152,798
	-	1,655,230	1,655,230

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 (*all dollar amounts in thousands of dollars*)

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

	\$
2015	7,034
2016	6,643
2017	2,618
2018	495
2019	495
Thereafter	1,025
	<u>18,310</u>

6. Bank indebtedness

The City has an unsecured demand revolving credit facility in the amount of \$100,000 (2013 - \$100,000) bearing interest at the bank's prime rate with an effective rate during 2014 of 3% (2013 - 3%) per annum.

In 2011, Build Toronto Inc. (BTI) established a credit facility for a maximum of \$34,500 and is reset monthly to the government agency's borrowing rate, currently at 2.0542% and is secured on Build Toronto Holdings Once Inc.'s (BTHOI) assets and corporate guarantees.

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:

	2014	2013
	\$	\$
City, net outstanding cheques	43,101	22,315
Build Toronto Inc.	33,407	33,407
Toronto Atmospheric Fund	-	160
	76,508	55,882

7. Accounts Payable and Accrued Liabilities

Accounts payable consist of the following:

	2014	2013
	\$	\$
Trade payables and accruals	1,922,653	1,895,246
School boards	347,506	416,827
Provision for assessment appeals on property taxes paid	278,386	346,965
Credit balances on property tax accounts	135,337	105,130
Wage accruals	103,231	170,667
	2,787,113	2,934,835

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 (*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:

	2014	2013
	\$	\$
Restricted by Provincial legislation		
Development Charges	529,786	383,801
Recreational Land (Planning Act)	522,703	431,990
Building Code Act Service Improvement	42,303	27,731
Provincial Gas Tax	-	408
	1,094,792	843,930
Restricted by other agreements		
Public Transit Funds	137,096	195,371
Water and Wastewater	302,983	236,791
Community Services	82,783	84,119
Third Party Agreements	9,902	12,914
State of Good Repair	2,253	2,244
Parking Authority	3,327	3,298
	538,344	534,737
Total obligatory reserve funds	1,633,136	1,378,667

(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:

	2014	2013
	\$	\$
Community Services		
	3,043	1,476
Building Code Act		
	63,455	54,802
Long-Term Care - Public Health and Housing		
	2,362	6,017
Police		
	1,574	1,351
Parks		
	48,929	15,798
Union Station		
	112,838	88,510
Other		
	42,673	50,957
City's agencies and corporations		
	99,406	94,511
Total advance payments and contributions	374,280	313,422
(c) Total Deferred Revenue (8 (a) and 8 (b))	2,007,416	1,692,089

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 (*all dollar amounts in thousands of dollars*)

9. Other Liabilities

Other liabilities consist of the following:

	2014	2013
	\$	\$
Property and liability claims provision (Note 16c)	383,572	389,587
TTC – unsettled accident claims (Note 16c)	170,329	156,437
Build Toronto – environmental liabilities (Note 16j)	17,325	17,498
TTC – environmental liabilities (Note 16i)	6,750	14,500
Other	71,588	69,049
	649,564	647,071

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% (2013 – 4.5%). The estimated present value of future expenditures for closure and post-closure care as at December 31, 2014 is \$3,393 (2013 – \$4,706), based on the percentage of total approved capacity used of 40.81% (2013 – 38.10%).

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, 2014 was \$15,103 (2013 – \$14,594) and the balance in the Green Lane Perpetual Care account as at December 31, 2014 was \$3,208 (2013 – \$2,780). Total contributions to the Green Lane Perpetual Care account of \$402 (2013 – \$585) were based on a contribution rate of 88¢ (2013 – 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 (2013 – 160) inactive landfill sites for which it retains responsibility for all costs relating to closure and post-closure care (Note 16k).

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 (*all dollar amounts in thousands of dollars*)

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% (2013 – 4.5%). The estimated present value of future expenditures for post-closure care as at December 31, 2014 was \$131,217 (2013 – \$119,067).

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, 2014 was \$24,976 (2013 – \$21,234) 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, 2014 was \$7,514 (2013 – \$7,490) (Note 22).

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

	2014	2013
	\$	\$
Active landfill site (Green Lane)	8,099	4,706
Inactive landfill sites	131,217	119,067
	139,316	123,773

Landfill closure and post-closure totalling \$5,262 (2013 – \$5,632) were expensed during the year.

11. Mortgages Payable

Mortgages payable are as follows:

	2014	2013
	\$	\$
Mortgages issued by TCHC, bearing interest at rates ranging from 2.11% to 12.75% (2013 – 2.11% to 12.75%) per annum, with maturities ranging from 2015 to 2048, and collateralized by housing properties owned by TCHC with a net book value of approximately \$1,574,121 (2013 – \$1,562,303).	579,405	640,984

Principal repayments are due as follows:

	\$
2015	69,196
2016	37,067
2017	38,644
2018	39,854
2019	38,972
Thereafter	355,672
	579,405

Principal payments made in 2014 were \$61,579 (2013 – \$91,241).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 (*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:

	2014	2013
	\$	\$
Debentures issued by the City, bearing interest at various rates ranging from 3.50% to 8.65% (2013 - 3.50% to 8.65%) per annum, maturing from 2015 to 2044.	5,234,971	4,896,579
Debentures issued include issuing costs and interest and are amortized over the terms of the debt. These issues consists of series A bonds of \$250,000 at 4.877% (2007 to 2037) and series B bonds of \$200,000 at 5.395% (2015 to 2048).	445,181	445,078
The Infrastructure Ontario (IO) Loan received on November 1, 2013 (Note 4) is a secured loan that is funded by various floating rates as well as fixed rates of 4.37% and 4.53% and are also subject to financial covenants.	200,941	154,170
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 \$2,732 (2013 - \$3,278) matures on February 15, 2018. Additionally, a sale and lease liability started in August 2007 for 96 months has a remaining liability of \$1,742 (2013 - \$4,611).	34,912	40,278
Debentures issued by the City on behalf of the TDSB, bearing interest at 6.10% (2013 - 6.10%) per annum, maturing from 2015 to 2037.	75,846	75,846
Loans payable to the Province, bearing interest at 2.76% (2013 - 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. The City will write off \$77,000 and \$93,171 loan payable in 2015 and 2016 respectively.	170,171	170,171
Loan payable, bearing interest at 8.05% (2013 - 8.05%) per annum, maturing in 2018.	668	816
Debt issued by Lakeshore Arena Corporation ranging from 1.60% to 5.23%. Included in this debt is a fixed rate loan with interest at 5.23% with principal payable monthly and a lump sum payment due October 31, 2017, as well as three floating rate loans with interest rates from 1.60% to 4.25% which were repaid September 30, 2014.	19,932	38,937
Sinking fund deposits bearing interest at rates between 3.5% and 6% (2013 - 3.5% to 6%) per annum.	(1,945,279)	(1,912,275)
Sinking fund deposits - TDSB, bearing interest at 5% (2013 - 5%) per annum.	(58,831)	(53,435)
	4,178,512	3,856,165

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 (*all dollar amounts in thousands of dollars*)

Principal repayments are due as follows:

	\$
2015	526,296
2016	382,609
2017	334,196
2018	269,819
2019	224,718
Thereafter	<u>2,440,874</u>
	<u>4,178,512</u>

Principal payments made in 2014 were \$329,300 (2013 – \$314,301).

Included in net long-term debt are outstanding debentures of \$5,000,000 (2013 – \$4,628,000) for which there are sinking fund assets with a carrying value of \$2,228,979 (2013 – \$1,965,667) and a market value of \$2,129,881 (2013 – \$2,054,615).

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 \$160,302 (2013 – \$182,181) and a market value of \$180,876 (2013 – \$198,078).

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

	2014	2013
	\$	\$
Property taxes	3,459,542	3,154,240
TCHC	681,034	639,526
Lakeshore Arena	19,932	38,937
Leaside Arena-Infrastructure Ontario	991	1,052
TDSB	17,013	22,410
	4,178,512	3,856,165

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 (*all dollar amounts in thousands of dollars*)

13. Employee Benefit Liabilities

Employee benefit liabilities as at December 31 are as follows:

	2014	2013
	\$	\$
Future payments required for:		
Sick leave benefits (a)(i)	552,420	489,170
WSIB obligations (a)(ii)	548,985	432,533
Other employment and post-employment benefits (a)(iii)	2,436,744	2,102,038
Pension liabilities (b)	-	7,969
Total employee accrued benefit obligation	3,538,149	3,031,710
Unamortized actuarial (loss) gain	(127,902)	134,772
Employee benefit liabilities	3,410,247	3,166,482

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

	2014			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	\$	\$	\$	\$
Balance - beginning of year	3,166,482	3,158,513	-	7,969
Current service costs	305,453	240,828	64,625	-
Interest cost	93,385	121,016	(22,920)	(4,711)
Amortization of actuarial (gain) loss	(192,939)	11,348	(94,411)	(109,876)
Employer contributions	(113,814)	-	(104,305)	(9,509)
Benefits paid	(131,901)	(206,276)	74,375	-
Plan amendments	84,818	84,818	-	-
Change in valuation allowance	198,763	-	82,636	116,127
Balance - end of year	3,410,247	3,410,247	-	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 (*all dollar amounts in thousands of dollars*)

	2013			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	\$	\$	\$	\$
Balance - beginning of year	3,035,993	3,009,299	-	26,694
Current service costs	312,010	247,684	64,326	-
Interest cost	95,531	106,007	(8,339)	(2,137)
Amortization of actuarial (gain) loss	(101,142)	8,954	(80,167)	(29,929)
Employer contributions	(115,938)	-	(102,077)	(13,861)
Benefits paid	(200,079)	(200,079)	-	-
Plan amendments	47,500	(13,352)	60,852	-
Change in valuation allowance	92,607	-	65,405	27,202
Balance - end of year	3,166,482	3,158,513	-	7,969

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

	2014			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	\$	\$	\$	\$
Balance - beginning of year	6,778,114	3,158,513	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)	137,562	11,348	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	7,252,078	3,410,247	2,297,967	1,543,864

	2013			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	\$	\$	\$	\$
Balance - beginning of year	6,540,078	3,009,299	1,916,632	1,614,147
Current service cost	312,010	247,684	64,326	-
Interest cost	307,945	106,007	114,533	87,405
Amortization of actuarial loss (gain)	31,984	8,954	(57,973)	81,003
Benefits paid	(461,403)	(200,079)	(99,873)	(161,451)
Plan amendments	47,500	(13,352)	60,852	-
Balance - end of year	6,778,114	3,158,513	1,998,497	1,621,104

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 (*all dollar amounts in thousands of dollars*)

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

	2014			
	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	113,814	-	104,305	9,509
Actual return on assets	492,989	-	300,989	192,000
Benefits paid	(262,739)	-	(108,086)	(154,653)
Balance - end of year	4,493,695	-	2,749,268	1,744,427

	2013			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	\$	\$	\$	\$
Balance - beginning of year	3,780,482	-	2,135,795	1,644,687
Contributions	115,938	-	102,077	13,861
Actual return on assets	514,535	-	314,061	200,474
Benefits paid	(261,324)	-	(99,873)	(161,451)
Balance - end of year	4,149,631	-	2,452,060	1,697,571

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

	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 (losses) gains	(43,805)	(127,902)	84,097	-
Valuation allowance	567,767	-	367,204	200,563
Employee benefit liability	3,410,247	3,410,247	-	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 (*all dollar amounts in thousands of dollars*)

	2013			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	\$	\$	\$	\$
Accrued benefit obligation	6,643,342	3,023,741	1,998,497	1,621,104
Plan assets	4,149,631	-	2,452,060	1,697,571
Funding deficit (surplus)	2,493,711	3,023,741	(453,563)	(76,467)
Unamortized actuarial gains	303,767	134,772	168,995	-
Valuation allowance	369,004	-	284,568	84,436
Employee benefit liability	3,166,482	3,158,513	-	7,969

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

	2014			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	\$	\$	\$	\$
Current service costs	305,453	240,828	64,625	-
Interest cost	93,385	121,016	(22,920)	(4,711)
Amortization of actuarial (gain) loss	(192,939)	11,348	(94,411)	(109,876)
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

	2013			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	\$	\$	\$	\$
Current service costs	312,010	247,684	64,326	-
Interest cost	95,531	106,007	(8,339)	(2,137)
Amortization of actuarial (gain) loss	(101,142)	8,954	(80,167)	(29,929)
Plan amendments	47,500	(13,352)	60,852	-
Change in valuation allowance	92,607	-	65,405	27,202
Total expense	446,506	349,293	102,077	(4,864)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 (*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, 2014. 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:

	2014	2013
Discount rate for accrued benefit obligation:		
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	6.0% to 10.0%	6.4% to 10.0%
Health care inflation – Dental care	3.0% to 10.0%	3.2% to 10.0%
Health care inflation – Drugs	6.4% to 14.4%	6.4% to 14.4%

	2014	2013
Discount rate for benefit costs:		
Post-employment	3.6%	3.1%
Post-retirement	4.4%	3.8%
Sick leave	4.1%	3.5%
WSIB	3.6%	3.1%
Rate of compensation increase	2.0% to 4.5%	2.0% to 3.25%
Health care inflation – LTD, hospital and other medical	6.4% to 10.0%	6.8% to 10.0%
Health care inflation – Dental care	3.2% to 10.0%	3.4% to 10.0%
Health care inflation – Drugs	6.4% to 14.4%	6.8% to 14.4%

For 2014 benefit costs and year end 2014 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 are 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 (*all dollar amounts in thousands of dollars*)

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, 2014, the balance in the Sick Leave Reserve Fund is \$42,833 (2013 – \$43,096) and is included in the Employee Benefits Reserve Fund grouping (Note 17). Payments during the year amounted to \$49,319 (2013 – \$40,567).

(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, 2014, the balance in the Workers' Compensation Reserve Fund is \$11,632 (2013 – \$7,477) 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 \$33,305 (2013 – \$33,849).

(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, 2014, the balance in the Employee Benefits Reserve Fund was \$179,789 (2013 – \$161,532) and is included as part of Employee Benefits Reserve Fund (Note 17). Payments during the year amounted to \$54,185 (2013 – \$58,513).

(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 \$5,307 (2013 – \$8,300) 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 (*all dollar amounts in thousands of dollars*)

service amounted to \$188,269 (2013 – \$185,389) and were matched by employee contributions in a similar amount.

The amount contributed for past service to OMERS for the year ended December 31, 2014 was \$739 (2013 – \$684). 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, 2014. 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, 2014 is comprised solely of unamortized actuarial losses.

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

	2014	2013
Discount rate	6.25%	5.75%
Expected rate of return on plan assets	6.25%	5.75%
Rate of increase in salaries	3.25%	3.50%
Inflation rate	2.00%	2.00%
Assumptions for disclosure:		
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%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 (*all dollar amounts in thousands of dollars*)

(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, 2014, there were 2 (2013 – 3) active members with an average age of 67.4 (2013 – 68). There were also 3,619 (2013 – 3,845) pensioners with an average age of 79.3 (2013 – 78.7) and 2,577 (2013 – 2,650) spousal beneficiaries in receipt of a pension, with an average age of 81.8 (2013 – 81.5). Pension payments and refunds during the year were approximately \$154,653 (2013 – \$161,451).

Given that all remaining members in the Plans have over 35 years of service, there are no contributions being made into the Plans. The City made special payments of \$9.5 million into two of the Plans (Police and York) on account of solvency deficiencies.

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, 2014. The accrued benefit obligation as at December 31, 2014 is based on actuarial valuations for accounting purposes as at December 31, 2014. The actuarial gains or losses in each of the five plans are accounted for in 2014.

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 (2013 – 2.50%) and the rate of compensation increase is estimated at 3.50% per annum (2013 – 3.50%) for determining the accrued benefit obligation. The discount rates used to determine the December 31, 2014 accrued benefit obligation is 5.50% (2013 – 5.80%) and the discount rate used to determine the fiscal year 2014 benefit cost is 5.80% (2013 – 5.70%).

Pension plan assets are valued at market values. The expected rate of return on plan assets is 5.50% (2013 – 5.80%) per annum, net of all administrative expenses. The actual return on the market value of plan assets during the year was a gain of 11.80% (2013 – 12.80%). The pension plans hold the following mix of assets: Cash and equivalents 4.6%, Bonds and Fixed Income 42.5%, Canadian equities 39.1%, and foreign equities 13.8%.

As at December 31, 2014 all plans (2013 – four plans), the Toronto Civic Employees Pension Plan, the Metropolitan Toronto Pension Plan, the Toronto Firefighters Pension Plan, the City of York Employees Pension Plan, and Metropolitan Toronto Police Pension Plan are in a surplus position (shaded in the table below). Since there is uncertainty about the City's right to this accrued benefit asset, these amounts have not been reflected in the Consolidated Statement of Financial Position.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 (*all dollar amounts in thousands of dollars*)

	2014 Pension assets - market value - end of year	2014 Actuarial pension obligation - end of year	2014 Net actuarial surplus (deficit)	2013 Net actuarial surplus (deficit)
	\$	\$	\$	\$
Toronto Civic Employees Pension Plan	347,494	265,611	81,883	59,293
Metropolitan Toronto Pension Plan	537,833	482,233	55,600	16,417
Toronto Firefighters Pension Plan	247,804	221,047	26,757	8,154
City of York Employee Pension Plan	46,221	44,478	1,743	572
Metropolitan Toronto Police Pension Plan	565,075	530,495	34,580	(7,969)
Total of plans in deficit				(7,969)

14. Tangible capital assets

Tangible capital assets consist of the following:

	2014			2013
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
General				
Land	3,561,516	-	3,561,516	3,547,683
Land Improvements	682,597	363,434	319,163	327,523
Buildings and building improvements	7,241,321	2,766,822	4,474,499	4,140,541
Machinery and equipment	1,937,890	1,194,179	743,711	712,364
Motor vehicles	2,179,234	1,416,785	762,449	684,398
Total General	15,602,558	5,741,220	9,861,338	9,412,509
Infrastructure				
Land	137,910	-	137,910	137,914
Buildings and building improvements	594,881	145,463	449,418	379,081
Machinery and equipment	1,727,640	966,622	761,018	757,684
Water and wastewater linear	5,536,813	2,070,630	3,466,183	3,381,808
Roads linear	4,155,446	2,007,156	2,148,290	2,112,908
Transit	6,190,149	3,495,548	2,694,601	2,533,532
Total Infrastructure	18,342,839	8,685,419	9,657,420	9,302,927
Assets under construction	5,451,183	-	5,451,183	4,670,845
Total	39,396,580	14,426,639	24,969,941	23,386,281

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 (*all dollar amounts in thousands of dollars*)

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

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

General machinery and equipment includes capital leases from TCHC totaling \$9,607 (2013 - \$11,334).

Contributed (Donated) Tangible Capital Assets

Contributed tangible capital assets are recognized at fair market value at the date of contribution. Contributed assets received during the year were valued at nil (2013 - \$2,903) for land, \$473 (2013 - nil) of land improvements, and \$271 for machinery and equipment (2013 - nil).

Tangible Capital Assets Recognized at Nominal Value

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

Works of Art and Historical Treasures

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

Impairment of Tangible Capital Assets

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

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

15. Inventories and Prepaid Expenses

	2014	2013
	\$	\$
Prepaid Expenses	93,027	94,184
Inventories	146,427	144,728
Inventories of Surplus Property	133,995	96,892
	373,449	335,804

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 (*all dollar amounts in thousands of dollars*)

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) On October 8, 2013 the City reconfirmed its support for a Scarborough subway extension and directed staff to negotiate an agreement with the Province and Metrolinx regarding repayment of any costs undertaken by Metrolinx on the Scarborough LRT project under the Master Agreement, (including any potential costs associated with the LRT vehicle supply contract). The agreement was negotiated and costs of \$74,800 (2013 – \$80,000) have been accrued, while costs, if any, attributable to the LRT vehicle supply contract are not determinable and subject to negotiations.
- c) 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 \$553,901 (2013 – \$546,024).
- d) In February 2005, December 2007, December 2008 and October 2009, contracts were awarded by the TTC for purchase of low-floor buses which comprised 694 diesel-electric hybrid buses and 395 diesel buses at a total purchase price of \$718,200. At December 31, 2013, 694 hybrid and 395 diesel buses had been delivered at a cost of \$717,300 which remained consistent as at December 31, 2014. The outstanding commitment as at December 31, 2014 of \$900 is expected to be extinguished in 2015.
- e) 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, with the total contract value of \$1,402,700. At December 31, 2014, 59 train sets had been delivered at a cost of \$1,132,700. The outstanding commitment as at December 31, 2014 is \$270,000.
- f) 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, 2014 the total contract cost was \$1,009,300. As at December 31, 2014, five LRV’s had been delivered and TTC had incurred costs of \$488,200. The balance of deliveries will continue in 2015 with all 204 cars scheduled for delivered by 2019. At December 31, 2014, the outstanding commitment is \$521,100.
- g) 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 60-foot low floor clean diesel buses bringing the total delivery requirement to 208 buses for a total contract cost of \$171,700. At December 31, 2014, 152 buses had been delivered at a cost of \$132,900. The balance of deliveries is scheduled for 2015. At December 31, 2014, the outstanding commitment is \$38,800.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 (*all dollar amounts in thousands of dollars*)

- h) At December 31, 2014, the TTC has other various capital project contractual commitments of \$1,788,800 (2013 - \$1,122,800). Of this amount, \$196,400 (2013 - \$43,800) relate to multi-component shared projects for Toronto Waterfront, contractual commitments of \$428,400 (2013 - \$676,400) relate to the Toronto York Spadina Subway Extension project and \$1,164,000 (2013 - \$402,600) relate to various TTC construction projects.
- i) The TTC has a provision for environmental costs of \$6,750 (2013 - \$14,500) to cover estimated costs of remediating sites with known contamination for which the TTC is 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.
- j) Build Toronto has an environmental provision costs of \$17,325 (2013 - \$17,498) to cover estimated costs based on third-party engineering reports of the likely cost to remediate or mitigate current known site conditions. Costs are assessed on a site by site basis and range from full removal of historical fills to risk assessment and management measures to reduce remedial requirements. Provisions for environmental costs are recorded in other liabilities (Note 9) on the Consolidated Statement of Financial Position.
- k) The Ministry of the Environment has issued Certificates of Approval for 29 (2013 - 29) of the identified 160 (2013 - 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).
- l) Council has approved the Policy for the Provision of Line of Credit and Loan Guarantees for Cultural and Community-Based Organizations that have a financial relationship with the City. The total amount of all line of credits provided by the City under the policy for operating line of credit guarantees is limited to \$10 million in the aggregate. The total amount of all capital loan guarantees provided by the City under the policy for capital loan guarantees is limited to \$300 million in the aggregate, with individual loan guarantees being limited to a maximum of \$10 million. The total amount of all direct loans provided by the City under the policy for direct City loans is limited to \$125 million in the aggregate. At December 31, 2014 the City had provided capital loan guarantees to certain third parties amounting to \$42,124 (2013 - \$61,716), and operating loan and line of credit guarantees of \$3,905 (2013 - \$4,000), primarily related to several cultural non-profit organizations.
- m) At December 31, 2014, the City is committed to future minimum annual operating lease payments for premises and equipment as follows:

	\$
2015	55,528
2016	44,123
2017	29,435
2018	22,568
2019	17,727
Thereafter	<u>62,378</u>
	<u>231,759</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 (*all dollar amounts in thousands of dollars*)

17. Accumulated Surplus

Accumulated surplus is comprised of the following:

	2014	2013
	\$	\$
Invested in tangible capital assets (Note 14)	24,969,941	23,386,281
Operating fund	2,716,206	2,692,681
Capital fund	(1,021,375)	(867,042)
Reserves and reserve funds	1,963,671	2,117,607
	28,628,443	27,329,527
Amounts to be recovered from future revenues:		
Mortgages (Note 11)	(579,405)	(640,984)
Net long-term debt (Note 12)	(4,178,512)	(3,856,165)
Recoverable from TDSB (Note 12)	17,013	22,410
Landfill closure and post-closure liabilities (Note 10)	(139,316)	(123,773)
Employee benefits (Note 13)	(3,410,247)	(3,166,482)
Other	(390,322)	(404,862)
	(8,680,789)	(8,169,856)
	19,947,654	19,159,671

Reserves and reserve funds consist of the following:

	2014	2013
	\$	\$
Reserves:		
Corporate	574,422	789,277
Stabilization	231,441	194,939
Water and Wastewater	142,589	135,350
Donations	1,285	1,274
	949,737	1,120,840
Reserve Funds:		
Employee Benefits (Note 13)	234,255	212,105
Corporate	483,468	500,584
Community Initiatives	94,108	92,570
State of Good Repair	202,103	191,508
	1,013,934	996,767
Total Reserves and Reserve Funds	1,963,671	2,117,607

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 (*all dollar amounts in thousands of dollars*)

18. Budget Data

Budget data presented in these consolidated financial statements are based upon the 2014 operating and capital budgets approved by Council. Adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. The following chart reconciles the approved budget with the budget figures as presented in these consolidated statements.

	Budget Amount \$
Revenue	
Approved budgets:	
Operating	9,727,407
Capital	2,947,352
Reserve	42,860
	<hr/>
	12,717,619
Adjustments:	
Proceeds on debt issue	(1,146,925)
	<hr/>
Total revenue	<u>11,570,694</u>
Expenses	
Approved budgets:	
Operating	9,422,085
Capital	3,649,870
	<hr/>
	13,071,955
Adjustments:	
Tangible Capital Assets (TCA)	(2,791,962)
Amortization	869,207
Debt principal repayments	(204,468)
	<hr/>
Total expenses	<u>10,944,732</u>
Annual surplus	<u>625,962</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 (*all dollar amounts in thousands of dollars*)

19. Funding Transfers from Other Governments

	2014	2013
By Function	\$	\$
General government	147,102	147,399
Protection to persons & property	43,305	36,472
Transportation	510,454	629,639
Environmental services	42,481	40,282
Health services	285,084	274,687
Social and family services	1,465,966	1,478,053
Social Housing	225,396	277,356
Recreation and cultural services	13,162	48,439
Planning and development	19,162	19,831
	2,752,112	2,952,158

	2014	2013
By Source	\$	\$
Operating Transfers:		
Federal	206,923	218,799
Provincial	1,984,065	2,058,548
Other	27,124	34,833
	2,218,112	2,312,180
Capital Transfers:		
Federal	245,918	271,140
Provincial	237,545	303,959
Other	50,537	64,879
	534,000	639,978
Total	2,752,112	2,952,158

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 (*all dollar amounts in thousands of dollars*)

20. Expenses by Object

Expenses by object comprise the following:

	2014	2013
	\$	\$
Salaries, wages and benefits	5,349,900	4,972,018
Materials	918,934	918,231
Contracted services	1,793,882	1,627,179
Interest on long-term debt	313,318	298,800
Transfer payments	1,000,937	1,368,597
Amortization (Schedule 1)	871,099	847,090
Other	213,564	178,976
	10,461,634	10,210,891

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 (*all dollar amounts in thousands of dollars*)

- **Environmental services** include water supply and distribution, wastewater treatment, and waste and recycling services. These services provide clean drinking water to residents, collect and treat wastewater, and collect and properly process waste and recycling items.
- **Health services** include paramedic and mandated health services. Mandated health services promote and maintain health programs that optimize the health of residents. Paramedic Services deliver timely and effective care for pre-hospital emergency care, along with medically required inter-hospital transportation.
- **Social and family services** include social assistance, long-term care and child care services. Social assistance services determine, issue, and monitor clients' eligibility for financial, social, and employment assistance. Long-term care services provide secure and supervised health services for seniors who can no longer live at home. Child care services provide subsidized child care spaces and provide funding for wage subsidy, pay equity, and special needs.
- **Social housing** provides a range of services including high-quality housing for low and moderate income tenants, emergency shelters, outreach, search, and stabilization to people in the community.
- **Recreation and cultural services** include parks services, recreational programs, recreation facilities, golf courses, libraries, museums and other cultural services and activities. Parks and recreation services develop and deliver high-quality recreational programs, and develop and maintain recreational facilities, parks and sports fields to ensure all residents have the opportunity to enjoy a healthy lifestyle. Cultural services invest in local non-profit organizations that deliver services on behalf of the City. Library services provide public library services to the citizens via physical facilities, bookmobile, virtual and telephone services.
- **Planning and development** manages urban development for residential and business interests as well as infrastructure. It includes planning and zoning, commercial and industrial developments and forestry.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 (*all dollar amounts in thousands of dollars*)

22. Trust Funds

Trust funds administered by the City amounting to \$24,625 (2013 - \$24,462) 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. Trust fund balances as at December 31 are as follows:

	2014	2013
	\$	\$
Keele Valley Site Post-Closure Trust Fund (Note 10)	7,514	7,490
Homes for the Aged Trust Fund - Residents	6,216	6,113
Community Centre Development Levy Trust Fund - Railway Lands	4,837	4,774
Community Services Levies Trust Fund	1,225	1,209
Contract Aftercare Trust Fund	1,091	1,082
Waterpark Place Trust Fund	1,089	1,076
Music Garden Trust Fund	613	614
Development Charges Trust Fund - Queen's Quay	548	541
Heritage and Culture Trust Funds	407	402
Regent Park Legacy Trust	297	-
Lakeshore Pedestrian Bridge Trust Fund	251	248
Children's Greenhouse Trust Fund - Allan Gardens	114	112
Green Lane Small Claims Trust Fund	109	108
Preservation Trust Fund	52	51
Hugh Clydesdale Trust Fund	45	45
Michael Sansone Trust Fund	43	43
Police Trust Funds	39	(9)
Tenant Displacement Trust Fund	28	28
Ontario Home Renewal Project	22	22
90 Lisgar Street Trust Fund	20	20
Eastview Neighbourhood Trust Fund	2	18
Library Development Levy Trust Fund - Railway Lands	-	386
Candidates' Municipal Election Surpluses Trust Fund	-	28
Other trust funds	63	61
	24,625	24,462

23. Comparative Consolidated Financial Statements

The comparative consolidated financial statements have been regrouped from statements previously presented to conform with the presentation adopted in 2014.

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				Accumulated Amortization 2014				Net Book Value 2014	
	Beginning	Additions	Cost 2014		Beginning	Amortization	Disposals	Ending		
			Disposals / Transfers	Donated						
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	
Buildings and building improvements	6,693,410	534,878	13,033	-	7,241,321	2,552,869	224,566	(10,613)	2,766,822	
Machinery and equipment	1,829,304	169,820	(61,505)	271	1,937,890	1,116,940	138,215	(60,976)	1,194,179	
Vehicles	2,048,110	197,451	(66,327)	-	2,179,234	1,363,712	118,304	(65,231)	1,416,785	
Total General	14,792,576	934,762	(125,524)	744	15,602,558	5,380,067	498,754	(137,601)	5,741,220	
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	
Machinery and equipment	1,678,290	49,689	(339)	-	1,727,640	920,606	46,033	(17)	966,622	
Water and wastewater linear	5,385,075	152,778	(1,040)	-	5,536,813	2,003,267	67,991	(628)	2,070,630	
Roads linear	4,054,471	128,979	(28,004)	-	4,155,446	1,941,563	89,190	(23,597)	2,007,156	
Transit	5,974,839	330,880	(115,570)	-	6,190,149	3,441,307	161,564	(107,323)	3,495,548	
Total infrastructure	17,747,566	740,230	(144,957)	-	18,342,839	8,444,639	372,345	(131,565)	8,685,419	
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	

Consolidated Schedule of Tangible Capital Assets – SCHEDULE 1

As at and for the year ended December 31, 2013
(all dollar amounts in thousands of dollars)

2013

	Cost 2013			Accumulated Amortization 2013			Net Book Value 2013		
	Beginning	Additions	Disposals / Transfers	Cost 2013	Beginning	Amortization	Disposals	Ending	
General									
Land	3,517,960	29,350	(2,530)	2,903	3,547,683	–	–	–	3,547,683
Land Improvements	668,115	7,823	(1,869)	–	674,069	325,317	21,436	(207)	346,546
Buildings and building improvements	6,406,635	289,350	(2,575)	–	6,693,410	2,350,119	205,356	(2,606)	2,552,869
Machinery and equipment	1,676,436	191,765	(38,897)	–	1,829,304	1,005,192	149,112	(37,364)	1,116,940
Vehicles	1,997,567	69,802	(19,259)	–	2,048,110	1,268,229	114,292	(18,809)	1,363,712
Total General	14,266,713	588,090	(65,130)	2,903	14,792,576	4,948,857	490,196	(58,986)	5,380,067
Infrastructure									
Land	138,118	–	(204)	–	137,914	–	–	–	137,914
Buildings and building improvements	473,056	43,921	–	–	516,977	131,373	6,523	–	137,896
Machinery and equipment	1,657,824	20,466	–	–	1,678,290	875,508	45,098	–	920,606
Water and wastewater linear	5,182,606	207,818	(5,349)	–	5,385,075	1,941,381	64,613	(2,727)	2,003,267
Roads linear	4,005,866	83,554	(34,949)	–	4,054,471	1,879,534	88,337	(26,308)	1,941,563
Transit	5,665,468	435,346	(125,975)	–	5,974,839	3,399,597	152,323	(110,613)	3,441,307
Total infrastructure	17,122,938	791,105	(166,477)	–	17,747,566	8,227,393	356,894	(139,648)	8,444,639
Assets under construction	3,896,892	1,139,084	(365,131)	–	4,670,845	–	–	–	4,670,845
TOTAL	35,286,543	2,518,279	(596,738)	2,903	37,210,987	13,176,250	847,090	(198,634)	13,824,706
									23,386,281

Schedule of Government Business Enterprises – APPENDIX 1

As at and for the year ended December 31, 2014
 (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
		2014	2013	2014	2013	2014	2013	2013
Financial Position								
Assets								
Current	534,323	547,984	71,266	35,397	24,677	31,890	630,266	615,271
Capital	3,492,393	3,049,212	135,965	136,782	359,280	343,385	3,987,638	3,529,379
Other	153,269	144,965	65,090	80,403	–	7,980	218,359	233,348
	4,179,985	3,742,161	272,321	252,582	383,957	383,255	4,836,263	4,377,998
Liabilities								
Current	873,344	688,565	14,096	11,289	7,525	7,845	894,965	707,699
Long-term	2,088,522	1,787,128	16,780	13,516	8,291	8,364	2,113,593	1,809,008
	2,961,866	2,475,693	30,876	24,805	15,816	16,209	3,008,558	2,516,707
Net equity	1,218,119	1,266,468	241,445	227,777	368,141	367,046	1,827,705	1,861,291
City's share (Note 5)	1,194,771	1,241,600	241,445	227,777	368,141	367,046	1,804,357	1,836,423
Results of Operations								
Revenues	3,276,319	3,178,725	134,022	138,409	6,572	7,047	3,416,913	3,324,181
Expenses	3,230,131	3,085,273	75,712	73,729	5,392	5,134	3,311,235	3,164,136
Actuarial gain from Other Comprehensive Income (OCI)	(33,917)	13,918	–	–	–	–	(33,917)	13,918
	12,271	107,370	58,310	64,680	1,180	1,913	71,761	173,963
City's share (Note 5)	12,271	107,370	58,310	64,680	1,180	1,913	71,761	173,963
Distribution to City (Note 5)	–	–	44,642	44,196	86	121	44,728	44,317
Dividends paid to City (Note 5)	60,619	42,995	–	–	–	–	60,619	42,995
Net book value of assets sold from the City to Toronto Hydro Corporation (Note 5)	23,348	24,868	–	–	–	–	23,348	24,868

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	73,281	-	-	-	-	-	-	-	-	73,281
Other	366,976	41,710	229,830	54,048	2,832	19,217	421,636	149,670	55,821	1,341,740
TOTAL REVENUES	4,962,014	258,371	1,998,721	1,132,023	290,420	1,539,646	663,695	304,453	100,274	11,249,617
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)	4,163,926	(1,561,703)	(820,945)	212,819	(139,071)	(376,134)	(64,020)	(606,975)	(19,914)	787,983

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

Consolidated Schedule of Segment Disclosure – Service – 2013 – APPENDIX 2*

for the year ended December 31, 2013

(all dollar amounts in thousands of dollars)

	2013									
	General Government	Protection	Transportation	Environmental	Health	Social and Family	Social Housing	Recreation and Cultural	Planning and Development	Consolidated
Taxation	4,168,914	–	–	–	–	–	–	–	–	4,168,914
User charges	44,878	164,769	1,203,380	970,995	2,077	52,567	16,792	158,641	24,444	2,638,543
Government transfers	147,399	36,472	629,639	40,282	274,687	1,478,053	277,356	48,439	19,831	2,952,158
Net GBE income	175,544	–	–	–	–	–	–	–	–	175,544
Other	354,042	37,633	326,173	33,961	3,389	16,255	364,002	152,929	9,016	1,297,400
TOTAL REVENUES	4,890,777	238,874	2,159,192	1,045,238	280,153	1,546,875	658,150	360,009	53,291	11,232,559
Salaries, wages and benefits	355,846	1,503,525	1,311,319	244,952	330,918	550,871	124,741	505,501	44,345	4,972,018
Materials	226,660	23,818	322,018	122,555	20,151	76,134	9,814	106,150	10,931	918,231
Contracted services	183,564	22,584	475,529	224,299	39,241	318,826	222,414	128,650	12,072	1,627,179
Interest on long-term debt	13,602	11,928	160,525	13,312	781	4,018	65,787	21,087	7,760	298,800
Transfer payments	(161,177)	42,341	68,223	107,377	21,902	997,053	191,322	75,457	26,099	1,368,597
Other	80,204	13,289	19,603	(5,052)	2,502	16,012	15,071	13,169	24,178	178,976
Amortization	71,712	38,561	412,072	130,901	6,543	178	128,875	55,973	2,275	847,090
TOTAL EXPENSES	770,411	1,656,046	2,769,289	838,344	422,038	1,963,092	758,024	905,987	127,660	10,210,891
ANNUAL SURPLUS/ (DEFICIENCY)	4,120,366	(1,417,172)	(610,097)	206,894	(141,885)	(416,217)	(99,874)	(545,978)	(74,369)	1,021,668

*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, 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	2,753,273
Government transfers	2,504,672	42,760	177,467	5,904	-	2,752,112
Net GBE income	73,281	-	-	-	-	73,281
Other	729,648	22,461	66,237	9,375	407,684	1,341,740
TOTAL REVENUES	9,173,832	96,659	1,347,403	19,623	424,347	11,249,617
Salaries, wages and benefits	2,661,043	1,063,723	1,273,486	140,396	128,135	5,349,900
Materials	493,722	10,769	226,577	13,725	136,950	37,191
Contracted services	1,254,895	14,073	378,111	17,189	111,332	1,793,882
Interest on long-term debt **	230,490	10,520	-	-	69,913	2,395
Transfer payments	2,105,550	262	(665,713)	(172,641)	(255,292)	(11,229)
Other	127,222	3,447	8,973	2,379	22,592	48,951
Amortization	327,559	29,490	334,248	30,558	140,808	8,436
TOTAL EXPENSES	7,200,481	1,132,284	1,555,682	31,606	354,438	187,143
ANNUAL SURPLUS/ (DEFICIENCY)	1,973,351	(1,035,625)	(208,279)	(11,983)	69,909	610
						787,983

** 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 – Entity – APPENDIX 3

for the year ended December 31, 2013

(all dollar amounts in thousands of dollars)

2013

City	Police Services	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies and Corporations	TOTAL
Taxation	4,168,914	–	–	–	–	4,168,914
User charges	1,465,163	7,038	1,067,442	4,548	16,792	2,638,543
Government transfers	2,678,446	35,952	209,792	6,137	–	2,952,158
Net GBE income	175,544	–	–	–	–	175,544
Other	746,613	20,746	77,707	23,126	362,017	1,297,400
TOTAL REVENUES	9,234,680	63,736	1,354,941	33,811	378,809	166,582
Salaries, wages and benefits	2,506,185	998,518	1,147,111	138,962	104,223	77,019
Materials	617,982	7,826	211,798	15,683	9,814	55,128
Contracted services	1,151,095	14,508	202,552	22,259	222,414	14,351
Interest on long-term debt **	221,450	10,057	–	–	65,787	1,506
Transfer payments	2,212,008	(1,064)	(449,239)	(170,886)	(246,920)	24,698
Other	86,945	4,228	29,447	2,270	15,071	41,015
Amortization	328,321	32,473	318,793	29,544	128,875	9,084
TOTAL EXPENSES	7,123,986	1,066,546	1,460,462	37,832	299,264	222,801
ANNUAL SURPLUS/ (DEFICIENCY)	2,110,694	(1,002,810)	(105,521)	(4,021)	79,545	(56,219)
						1,021,668

** As at December 31, the City has issued \$2,467,505 in debentures for capital expenditures made on behalf of the TTC (2012: \$2,470,165).
Included in interest on long-term debt is \$121,133 related to this debt.

Consolidated Schedule of Segment Disclosure – Tangible Capital Assets by Entity – APPENDIX 4
for the year ended December 31, 2014
(all dollar amounts in thousands of dollars)

2014

	2014 and 2013				
	City, Including Police Services	Toronto Transit Commission	Toronto Community Housing Corporation	Other Agencies and Corporations	TOTAL
General					
Cost	7,091,938	4,156,305	3,728,620	437,105	188,590
Accumulated amortization	1,931,828	2,254,037	1,327,015	160,198	68,142
Net Book Value	5,160,110	1,902,268	2,401,605	276,907	120,448
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
Total	13,869,000	8,052,089	2,517,329	285,570	245,953
2013					
General					
Cost	6,845,342	3,818,646	3,543,886	400,889	183,813
Accumulated amortization	1,851,954	2,117,654	1,197,465	153,147	59,847
Net Book Value	4,993,388	1,700,992	2,346,421	247,742	123,966
Infrastructure					
Cost	11,772,725	5,974,841	-	-	17,747,566
Accumulated amortization	5,003,333	3,441,306	-	-	8,444,639
Net Book Value	6,769,392	2,533,535	-	-	9,302,927
Assets under construction	1,481,487	2,953,738	122,110	20,154	93,356
Total	13,244,267	7,188,265	2,468,531	267,896	217,322
					23,386,281

2014 **GLOSSARY**

CITY OF TORONTO FINANCIAL REPORT

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 known 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. IFRS is 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.

PBF: Public Budget Formulation system.

Prepaid Expenses: Prepaid expenses are 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