

CITY OF TORONTO
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 1998

CITY OF TORONTO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

I. Amalgamation

The Province of Ontario enacted the City of Toronto Act, 1997 on April 21, 1997 and subsequently amended this legislation on November 28, 1997. The legislation dissolved the municipalities of East York, Etobicoke, Metropolitan Toronto, North York, Scarborough, Toronto and York on January 1, 1998 and provided for their amalgamation into a new municipality named the City of Toronto as of that date. All assets and liabilities of the dissolved municipalities were vested in the new City of Toronto.

The amended legislation of November 28, 1997 also provided for the dissolution of certain local boards and their amalgamation into new boards as of January 1, 1998. All other local boards are continued as local boards of the new City of Toronto.

Comparative amounts are presented in these consolidated financial statements giving effect to the amalgamation and reflect the assets, liabilities and results of operations of the former municipalities and their local boards.

II. ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with accounting policies prescribed by the Ministry of Municipal Affairs and Housing for Ontario municipalities and their local boards. They are the representation of management and necessarily involve the use of best estimates and careful judgement.

(a)(i) **BASIS OF CONSOLIDATION**

These consolidated statements reflect the assets, liabilities, sources of financing and expenditures of the revenue fund, capital fund, reserve funds and reserves of the municipality and include the activities of all committees of Council and the following boards and municipal enterprises:

Etobicoke Cemetery Board
Etobicoke Historical Board
Toronto Police Services Board
Toronto Licensing Commission
Toronto Transit Commission
Board of Governors of Exhibition Place
Board of Directors of the Hummingbird Center for the Performing Arts
Board of Management of the Toronto Zoo
Board of Management of the Guild
The North York Performing Arts Center Corporation
Scarborough Historical Museums Board

CITY OF TORONTO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998, CONT'D

(a)(i) BASIS OF CONSOLIDATION, CONT'D

Toronto Historical Board
Toronto Economic Development Corporation
St. Lawrence Center for the Arts
Toronto Public Library Board
Toronto Board of Health

Municipal Enterprises:

Toronto Waterworks Utility
Toronto Parking Authority

Community Centres:

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

Arenas:

George Bell Arena
William H. Bolton Arena
Forest Hill Memorial Arena
McCormick Playground Arena
Moss Park Arena
North Toronto Memorial Arena
Ted Reeve Arena

Business Improvement Areas:

Pape Village Business Improvement Area
Kingsway Business Improvement Area
Lakeshore Business Improvement Area
Long Branch Business Improvement Area
Village of Islington Business Improvement Area
Mimico By the Lake Business Improvement Area
The Kennedy Road Business Improvement Area
Bloor by the Park Business Improvement Area
Bloor-Bathurst-Madison Business Improvement Area

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(a)(i) BASIS OF CONSOLIDATION, CONT'D

Bloorcourt Village Business Improvement Area
Bloor West Village Business Improvement Area
Bloordale Village Business Improvement Area
Bloor-Yorkville Business Improvement Area
Corso Italia Business Improvement Area
Danforth by the Valley Business Improvement Area
Dovercourt Village Business Improvement Area
Eglinton Way Business Improvement Area
Elm Street Business Improvement Area
Forest Hill Village Business Improvement Area
Gerrard India Bazaar Business Improvement Area
Greektown on the Danforth Business Improvement Area
Harbord Street Business Improvement Area
Hillcrest Village Business Improvement Area
Junction Gardens Business Improvement Area
Little Italy Business Improvement Area
Old Cabbagetown Business Improvement Area
Parkdale Village Business Improvement Area
Queen Broadview Village Business Improvement Area
Roncesvalles Village Business Improvement Area
St. Clair Gardens Business Improvement Area
St. Lawrence Neighbourhood Business Improvement Area
Upper Village Business Improvement Area
Yonge-Queen-Dundas Business Improvement Area
Weston Business Improvement Area
Mount Dennis Business Improvement Area (inactive)
York-Eglinton Business Improvement Area (inactive)

All interfund assets and liabilities and sources of financing and expenditures have been eliminated on these financial statements

(ii) NON-CONSOLIDATED ENTITIES

The following entities are not consolidated:

Metro Toronto Housing Company Limited
Toronto District School Board
Toronto Hydro-Electric Commission
Toronto Non-Profit Housing Corporation

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998, CONT'D

(iii) **TRUST FUNDS**

Trust funds and their related operations administered by the City are not consolidated, but are reported separately on the Trust Fund Statement of Continuity and the Trust Funds Balance Sheet.

(a) **BASIS OF ACCOUNTING**

- (i) Sources of financing and expenditures are reported on the accrual basis of accounting, with the exception of sick leave benefits (Note 10), post retirement obligations (Note 12) and principal charges on long term liabilities which are charged against operations in the periods in which they are paid. The principal charges on long term liabilities are not accrued for the period(s) from the date(s) of the latest instalment payment(s) to the end of the financial year.
- (ii) The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.
- (iii) The historical cost and accumulated depreciation of capital assets are not recorded for municipal purposes. Capital assets are reported as an expenditure on the Consolidated Statement of Operations in the year of acquisition.
- (iv) Capital outlay to be recovered in future years represents the outstanding principal portion of unmatured long term liabilities for municipal expenditures and capital funds transferred to other organizations and is reported on the Consolidated Balance Sheet.
- (v) Unexpended capital financing represents permanent financing received for which capital expenditures are yet to be incurred and is reported on the Consolidated Balance Sheet as a part of Fund Balances and on the Analysis of Consolidated Capital Operations (Schedule 2).

CITY OF TORONTO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998, CONT'D

3. USER CHARGES

User charges on the Consolidated Statement of Operations comprise the following:

Transit fares	541415	556631
Sale of water	389643	385413
Parking revenues	53248	51425
Fines	50029	50255
Licenses and permits	46832	41947
Fees and service charges	341656	350768
	1422823	1436439

4. CHARGES FOR NET LONG TERM LIABILITIES

Total charges for the year for net long term liabilities are included in the various categories of expenditures on the Consolidated Statement of Operations and comprise the following:

Principal payments including contributions to sinking fund	114596	116791
Interest	123216	127039
	237812	243830

CITY OF TORONTO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998, CONT'D

5. FUND BALANCES

The net change in fund balances for the year of \$549,464,000 is reflected in changes to the following fund balances:

Current Operations			
For general reduction of taxation	43636	-9510	53146
For general reduction of user charges	59560	43304	16256
For benefiting landowners related to special charges and special areas	713	-1679	2392
For hospital purposes	116	-	116
For transit purposes	11807	-783	12590
	115832	31332	84500
Reserves and reserve funds	1419364	490391	928973
Funds designated for capital expenditures	41561	27741	13820
	1576757	549464	1027293

CITY OF TORONTO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998, CONT'D

6. INVESTMENTS

Investments are authorized investments pursuant to the provisions of the Municipal Act and consist primarily of government and corporate bonds and debentures and short term instruments of various financial institutions. The cost and market value of the investments reported on the Consolidated Balance Sheet are as follows:

Cost	583728	308514
Unrestricted		
Restricted	1133862	658308
	1717590	966822
Market Value	592347	309897
Unrestricted		
Restricted	1150605	661260
	1742952	971157

CITY OF TORONTO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998, CONT'D

7. NET LONG TERM LIABILITIES

(a) Net long term liabilities reported on the Consolidated Balance Sheet comprise the following:	1915678	1699195
Total long term liabilities incurred by the municipality, including those incurred on behalf of school boards and unconsolidated local boards and outstanding at the end of the year.		
Non-interest bearing loans payable to the Province of Ontario	101289	2908
Loan payable to the Toronto Atmospheric Fund	8208	9150
The outstanding principal amounts of these liabilities assumed by individuals for shoreline property assistance loans	-	-13
The outstanding principal amounts of these liabilities assumed by school boards and unconsolidated local boards.		
Toronto Hydro	(76,716)	(86,252)
School Boards	(198,085)	(247,102)
The total value of sinking funds which have been accumulated to the end of the year to retire the outstanding long term liabilities included above.	-684358	-505061
	1066016	872825

CITY OF TORONTO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998, CONT'D

- (b) Principal payments relating to net long term liabilities of \$1,066,016,000 outstanding as at December 31, 1998 are summarized as follows:

From general municipal revenues	958808	411003
From benefiting landowners	1445	-
From reserve funds	3830	-
Anticipated future earnings of sinking funds	-161937	-147133
	802146	263870

- (c) The Municipal Act requires approval by the Ontario Board for debt issues only when debt repayment limits established by the Ministry of Municipal Affairs and Housing are exceeded. As at December 31, 1998, the annual principal and interest payments required to service the outstanding long term liabilities were within the prescribed annual debt repayment limit.
- (d) **Translation of net long-term liabilities payable in foreign currencies**
- Included in net long-term liabilities on the Consolidated Balance Sheet and translated into Canadian funds at the rate of exchange prevailing at the end of the year is an amount of US \$2,656,000 (1997 - US \$4,950,000), the translated value of which amounts to Cdn \$4,065,000 (1997 - Cdn \$7,076,000).
- (e) **Long-term liabilities incurred on behalf of others**

The City is contingently liable for long-term liabilities for which the responsibility for the payment of principal and interest has been assumed by school boards and utilities. The total amount outstanding of \$274,801,000 (1997 - \$333,367,000) is not recorded on the Consolidated Balance Sheet.

CITY OF TORONTO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998, CONT'D

8. RESERVES AND RESERVE FUNDS

On April 29, 1998, Council approved the consolidation of reserves and reserve funds as of January 1, 1998. As part of the consolidation, certain reserves and reserve funds have been reclassified. Comparative amounts for 1997 as described below and as presented on the Balance Sheet and Schedule 3 are restated to give effect to this consolidation and reclassification.

Details of reserves and reserve funds as at December 31 are as follows:

	1998 \$000	1997 \$000
(a) RESERVES		
Set aside for specific purposes by Council		
Water rate stabilization	93902	88933
Working capital	82218	82218
Vehicle and equipment replacement	74875	81711
Winter control stabilization	16771	271
Homes for the Aged	6482	-
Licence fee stabilization	-	4935
Contingency	3902	3736
Waste management	2472	5022
Police central sick pay	1690	1869
North York Performing Arts Centre stabilization	1545	1545
Road enhancement	1345	168
Miscellaneous	300	259
Total Reserves	285502	270665

CITY OF TORONTO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998, CONT'D

	1998 \$000	1997 \$000
(b) RESERVE FUNDS		
Set aside for specific purposes by Council		
Employee related		
Employee benefits	151542	128534
Sick leave	89713	67029
Workplace Safety & Insurance	17545	15553
Productivity improvement	1924	2169
Water	12277	12811
TEDCO Environmental remediation	11375	10773
Capital financing	10878	11390
General government	5003	4995
Exhibition Stadium capital	3443	4017
Building maintenance	3232	3193
Other		
Social and family services	28695	3213
General government	7233	103
Economic development, culture and tourism	4173	4037
Urban planning	2944	2798
Election	1967	319
Insurance	41836	41195
TTC stabilization	1203	-
Hummingbird stabilization	804	687
Zoo stabilization	630	630
	970005	472951

CITY OF TORONTO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998, CONT'D

	1998 \$000	1997 \$000
Set aside for specific purpose by legislation, regulation or agreement		
Development levies	57908	44992
Water pollution control	43888	78747

9. TRUST FUNDS

Trust funds administered by the City amounting to \$33,137,000 (1997 - \$32,194,000) have not been included in the Consolidated Balance Sheet nor have their operations been included in the Consolidated Statements of Operations.

10. LIABILITY FOR VESTED SICK LEAVE BENEFITS

Under the City's leave benefit plans, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the municipality's employment.

As at December 31, 1998, the liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on terminating, amounted to \$241,754,000 (1997-\$237,096,000). An amount of \$11,848,000 (1997 - \$14,475,000) was paid to employees who left the municipality's employment during the year.

A reserve fund has been established to provide for this past service liability and is reported on the Consolidated Balance Sheet and in Note 8(b) above. As at December 31, 1998, the balance in this reserve fund amounted to \$89,713,000 (1997 - \$67,029,000). An amount of \$27,381,000 (1997 - \$28,345,000) has been provided for in the current year in the Consolidated Statement of Operations.

The amalgamation of the Toronto municipalities as referred to in Note 1, will result in reductions in current staffing levels. This downsizing initiative will give rise to sick leave payments in excess of historical patterns and cannot be determined at this time.

CITY OF TORONTO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998, CONT'D

11. PENSION OBLIGATIONS

Contributions are made to the Ontario Municipal Employees Retirement Fund ("OMERS"), a multi-employer plan, and other pension plans on behalf of the permanent staff. The plans are defined benefit plans and specify the amount of the retirement benefit to be received by an employee based on length of service and rates of pay.

The present value of obligations for past service as at December 31, 1998 amounts to \$23,173,000 (1997 - \$83,007,000) and are being funded by annual payments of \$3,609,000 from 1999 to 2002, \$2,221,000 from 2003 to 2005, \$940,000 in 2006, \$189,000 from 2007 to 2009 with the balance of \$567,000 over the four year period from 2010 to 2013. No provision has been made in the accounts for these obligations.

Contributions to these plans in 1998 amounted to \$80,113,000 (1997 - \$123,101,000) in respect of current service and \$1,846,000 (1997 - \$6,397,000) in respect of past service. The contributions paid for current and past service are included in the various categories of expenditures on the Consolidated Statement of Operations.

During 1998, OMERS reduced and then eliminated the contributions required from employees and employers. Subsequent to the year end, the contribution holiday period was extended to December 31, 2001.

12. POST RETIREMENT AND LONG -TERM DISABILITY BENEFITS

The City provides various health, dental, life insurance and long-term disability benefits to employees and retirees.

The present value of post-retirement and long-term disability benefits for employees and retirees as at December 31, 1998 as determined by actuarial valuation is \$763,589,000.

An employee benefits reserve fund and a workplace safety insurance reserve fund have been established to provide for the future payment of payments and are reported on the Consolidated Balance Sheet and in Note 8(b) above. As at December 31, 1998, the balances in these reserve funds amounted to \$151,542,000 and \$17,545,000 respectively.

13. PUBLIC LIABILITY INSURANCE

Exposure on public liability claims are covered by a combination of self insurance and coverage with insurance carriers.

The insurance reserve fund as reported on the Consolidated Balance Sheet and in

CITY OF TORONTO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998, CONT'D

Note 8(b) above is available to cover self insured exposures, including public liability claims. The provision during the year for insurance claims is included in the various categories of expenditures on the Consolidated Statement of Operations.

14. CONTINGENCIES

The City is subject to various legal claims arising in the normal course of its operations, the ultimate result of which cannot be determined at this time. The disposition of these claims is expected to approximate amounts which have been recorded in the accounts.

15. COMMITMENTS

As at December 31, 1998, the municipality is committed to minimum annual operating lease payments for premises and equipment as follows:

	\$ 000
1999	15939
2000	13899
2001	10680
2002	8519
2003	6045
Thereafter	16104

16. YEAR 2000

The Year 2000 issue could impact any computerized system using two digits rather than four to identify a year. Where such systems use dates in the processing of information errors may occur which, if not addressed could impact on operations and financial reporting and could affect the City's ability to conduct normal business operations. Management has developed and implemented a plan to identify and address the expected effects of the Year 2000 issue on the City. However, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the City, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved. An amount of \$175,000,000 has been approved by Council for the remediation of systems affected by the Year 2000 Issue.

CITY OF TORONTO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998, CONT'D

	1998 \$000	1997 \$000 (NOTE 1)
ASSETS		
Unrestricted		
Cash	10875	66469
Investments (Note 6)	583728	308514
Taxes receivable	255988	274660
User charges and other accounts receivable	578708	474879
Other assets	170095	140047
	1599394	1264569
Restricted		
Investments (Note 6)	1133862	658308
Capital outlay financed by long term liabilities and to be recovered in future years	1066016	872825
	3799272	2795702
LIABILITIES		
Accounts payable and accrued liabilities	899818	637273
Deferred revenue	113776	120887
Other liabilities	142905	137424
	1156499	895584
Net long term liabilities (Note 7)	1066016	872825
	2222515	1768409
FUND BALANCES (Note 5)		
To be used to offset taxation or user charges (Schedule 1)	115832	84500
Unexpended capital financing (Schedule 2)	41561	13820
Reserves (Note 8 and Schedule 3)	285502	270665
Reserve funds (Note 8 and Schedule 3)	1133862	658308
	1576757	1027293
	3799272	2795702

**CITY OF TORONTO
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1998**

	1998 \$000	1997 \$000 (NOTE 1)
SOURCES OF FINANCING		
Taxation and User Charges		
Residential and commercial taxation	4494829	4636687
Taxation from other governments	210407	205670
Deduct: Amounts relating to school boards	-1948260	-2643240
	2756976	2199117
User charges (Note 3)	1422823	1436439
	4179799	3635556
Grants	2018070	1606400
Other	312644	286403
Proceeds from the Issue of Long Term Liabilities	347207	102030
TOTAL FINANCING	6857720	5630389
EXPENDITURE		
General government	593671	546193
Protection to persons and property	832314	840295
Transportation services	1762825	1587925
Environmental services	587061	582035
Health services	147940	143026
Social and family services	1401855	1338495
Recreation and cultural services	539565	580669
Planning and development	443025	76162
	6308256	5694800
EXCESS (DEFICIENCY) OF FINANCING OVER EXPENDITURE FOR THE YEAR	549464	-64411
FUND BALANCES AT THE BEGINNING OF THE YEAR	1027293	1091704
FUND BALANCES AT THE END OF THE YEAR	1576757	1027293

**CITY OF TORONTO
ANALYSIS OF CONSOLIDATED CURRENT OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1998**

SCHEDULE 1

	1998 \$000	1997 \$000 (NOTE 1)
SOURCES OF FINANCING		
Taxation and user charges		
Residential and commercial taxation	4494829	4636687
Taxation from other governments	210407	205670
Deduct: Amounts relating to school boards	-1948260	-2643240
	2756976	2199117
User charges (Note 3)	1422823	1436439
	4179799	3635556
Grants		
Government of Canada	1208	1639
Province of Ontario	849442	1247907
Other Municipalities	213619	1807
	1064269	1251353
Other	190235	182592
TOTAL FINANCING	5434303	5069501
EXPENDITURE		
General government	553580	500066
Protection to persons and property	787408	804879
Transportation services	1059023	1024638
Environmental services	438014	446336
Health services	145756	140492
Social and family services	1381416	1315371
Recreation and cultural services	451976	466406
Planning and development	404594	68604
	5221767	4766792
NET APPROPRIATIONS TO (FROM) OTHER FUNDS		
Reserves	55688	28066
Reserve funds	-84630	89912
Capital funds	210146	207766
	181204	325744
TOTAL EXPENDITURE AND NET APPROPRIATIONS	5402971	5092536
EXCESS (DEFICIENCY) OF FINANCING OVER EXPENDITURE AND NET APPROPRIATIONS (Note 5)	31332	-23035
REVENUE FUND BALANCE AT THE BEGINNING OF THE YEAR	84500	107535
REVENUE FUND BALANCE AT THE END OF THE YEAR (Note 5)	115832	84500

The accompanying notes are an integral part of this financial statement.

ANALYSIS OF CONSOLIDATED RESERVES AND CONSOLIDATED RESERVE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1998

	1998 \$000	1997 \$000 (NOTE 1)
SOURCES OF FINANCING		
Government of Canada grants	10052	33581
Ontario grants	942696	320160
Other municipalities	1053	1306
Proceeds from the issue of long-term liabilities	347207	102030
Miscellaneous	38959	38194
	1339967	495271
EXPENDITURE		
General government	40091	46127
Protection to persons and property	44906	35416
Transportation services	703802	563287
Environmental services	149047	135699
Health services	2184	2534
Social and family services	20439	23124
Recreation and cultural services	87589	114263
Planning and development	38431	7558
	1086489	928008
NET APPROPRIATIONS TO (FROM) OTHER FUNDS		
Revenue fund	-210146	-207766
Reserves	-15930	-37676
Reserve funds	451813	-117509
	225737	-362951
TOTAL EXPENDITURE AND NET APPROPRIATIONS	1312226	565057
EXCESS (DEFICIENCY) OF FINANCING OVER EXPENDITURE AND NET APPROPRIATIONS	27741	-69786
UNEXPENDED CAPITAL FINANCING AT THE BEGINNING OF THE YEAR	13820	83606
UNEXPENDED CAPITAL FINANCING AT THE END OF THE YEAR (Note 5)	41561	13820
The accompanying notes are an integral part of this financial statement.		

ANALYSIS OF CONSOLIDATED RESERVES AND CONSOLIDATED RESERVE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1998

	1998 \$000	1997 \$000 (NOTE 1)
RESERVES (Note 8)		
BALANCE - BEGINNING OF THE YEAR	270665	280256
NET APPROPRIATIONS (TO) FROM OTHER FUNDS		
Reserve fund	-24921	19
Revenue fund	55688	28066
Capital fund	-15930	-37676
	14837	-9591
BALANCE - END OF THE YEAR	285502	270665
RESERVE FUNDS (Note 8)		
BALANCE - BEGINNING OF THE YEAR	658308	620307
SOURCES OF FINANCING		
Contributions from developers	20711	35115
Sale of land	4754	5737
Investment income	54635	24099
Miscellaneous	3350	666
	83450	65617
NET APPROPRIATIONS (TO) FROM OTHER FUNDS		
Reserves	24921	-19
Revenue fund	-84630	89912
Capital fund	451813	-117509
	392104	-27616
EXCESS OF FINANCING OVER NET APPROPRIATIONS	475554	38001
BALANCE - END OF THE YEAR	1133862	658308
The accompanying notes are an integral part of this financial statement.		