



City of Toronto
Consolidated Financial Statements
For the year ended December 31, 2000

2000

AUDITORS' REPORT

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

We have audited the consolidated statement of financial position of the **Corporation of the City of Toronto** as at December 31, 2000 and the consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2000 and the results of its financial activities and its changes in financial position for the year then ended in accordance with the accounting principles disclosed in note 1 to the financial statements.

Toronto, Canada,
June 1, 2001.

Ernst & Young LLP

Chartered Accountants

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2000

	2000 \$000	1999 \$000 (Restated - Note2)
ASSETS		
Cash and short-term investments	144,389	28,797
Accounts receivable	712,713	641,965
Taxes receivable	146,495	255,413
Investments (Note 3)	1,371,482	1,500,648
Investments in government business enterprises (Note 4)	678,483	672,877
Other assets (Note 5)	1,143,666	1,165,583
Total Assets	4,197,228	4,265,283
LIABILITIES		
Accounts payable and accrued liabilities	1,313,467	1,115,036
Deferred revenue (Note 8)	376,289	541,699
Other liabilities	120,571	108,130
Employee benefits (Note 6)	1,376,549	1,286,745
Net long-term liabilities (Note 7)	2,345,001	2,327,970
	5,531,877	5,379,580
MUNICIPAL POSITION		
FUND BALANCES		
Operating fund – To be used to offset taxation or user charges (Schedule 1)	1,609,300	1,661,273
Capital fund - Unexpended capital financing (capital operations not yet permanently financed) (Schedule 2)	(61,055)	(132,361)
Reserves and reserve funds (Note 8 & Schedule 3)	681,024	793,091
Total Fund Balances	2,229,269	2,322,003
Less: amounts to be recovered in future years (Note 9)	(3,563,918)	(3,436,300)
Total Municipal Position	(1,334,649)	(1,114,297)
Total Liabilities and Municipal Position	4,197,228	4,265,283

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

For the year ended December 31, 2000

	2000 BUDGET \$000 (Unaudited)	2000 ACTUALS \$000	1999 ACTUALS \$000 (Restated - Note2)
REVENUES			
Residential and commercial taxation	4,439,930	4,505,647	4,496,744
Taxation from other governments	179,987	143,213	194,578
Deduct: taxation relating to school boards	1,831,274	(1,853,410)	(1,892,758)
	2,788,643	2,795,450	2,798,564
User charges (Note 10)	1,613,827	1,415,721	1,360,809
Grants	1,564,623	1,339,807	1,250,187
Other	324,321	794,355	2,759,503
Total Revenues	6,291,414	6,345,333	8,169,063
EXPENDITURES (Note 11)			
Community and Neighbourhood Services	2,047,378	1,814,910	1,789,206
Works and Emergency Services	1,449,089	1,350,263	1,242,429
Economic Development, Culture and Tourism	283,481	273,961	256,992
Urban Development Services	92,928	79,796	78,673
Corporate Services	306,344	250,197	354,462
Finance	37,724	35,732	35,822
Other programs	29,136	26,807	27,073
Non-program and corporate accounts	409,505	400,558	559,942
Agencies, Boards and Commissions	2,130,920	2,333,461	2,453,421
Total Expenditures	6,786,505	6,565,685	6,798,020
NET REVENUES (EXPENDITURES) FOR THE YEAR	(495,091)	(220,352)	1,371,043
FINANCING			
New debt issued	(412,935)	(200,000)	(100,000)
Principal repayments on debt	117,637	111,553	106,390
Interest earned on sinking funds	–	50,633	48,915
Employee benefits (Note 6)	–	(89,804)	(128,826)
NET INCREASE IN AMOUNTS TO BE RECOVERED	(295,298)	(127,618)	(73,521)
CHANGE IN FUND BALANCES FOR THE YEAR	(199,793)	(92,734)	1,444,564
FUND BALANCES – BEGINNING OF YEAR	679,849	2,322,003	877,439
FUND BALANCES - END OF YEAR	480,056	2,229,269	2,322,003

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year ended December 31, 2000

	2000 \$000	1999 \$000 (Restated - Note2)
OPERATING		
Net revenues (expenditures)	(220,352)	1,371,043
Uses:		
Increase in accounts receivable	(70,748)	(35,284)
Increase in other assets	-	(943,023)
Decrease in deferred revenue	(165,410)	(229,946)
Decrease in other liabilities	-	(21,856)
	(236,158)	(1,230,109)
Sources:		
Decrease in taxes receivable	108,918	575
Decrease in other assets	21,917	-
Increase in accounts payable and accrued liabilities	198,431	228,997
Increase in other liabilities	12,441	-
Increase in employee benefits	89,804	128,826
	431,511	358,398
Net increase (decrease) in cash from operating	(24,999)	499,332
INVESTING		
Decrease in investments	129,166	183,798
Increase in investments in government business enterprises	(5,606)	(579,299)
Net increase (decrease) in cash from investing	123,560	(395,501)
FINANCING		
New debt issued	200,000	100,000
Principal repayments on debt by City	(111,553)	(106,390)
Interest earned on sinking funds	(50,633)	(48,915)
Principal repayments on debt by school boards	(20,783)	(19,669)
Net increase (decrease) in cash from financing	17,031	(74,974)
NET INCREASE IN CASH AND SHORT-TERM INVESTMENTS	115,592	28,857
CASH AND SHORT-TERM INVESTMENTS – BEGINNING OF YEAR	28,797	(60)
CASH AND SHORT-TERM INVESTMENTS – END OF YEAR	144,389	28,797

ANALYSIS OF CONSOLIDATED CURRENT OPERATIONS

For the year ended December 31, 2000

Schedule 1

	2000 BUDGET \$000 (Unaudited)	2000 ACTUALS \$000	1999 ACTUALS \$000 (Restated - Note2)
REVENUES			
Residential and commercial taxation	4,439,930	4,505,647	4,496,744
Taxation from other governments	179,987	143,213	194,578
Deduct: taxation relating to school boards	(1,831,274)	(1,853,410)	(1,892,758)
	2,788,643	2,795,450	2,798,564
User charges (Note 10)	1,613,827	1,415,721	1,360,809
Grants	1,494,834	1,326,045	1,236,600
Investment income	70,627	70,987	90,131
Other	140,089	220,558	2,083,600
Total Revenues	6,108,020	5,828,761	7,569,704
EXPENDITURES			
Community and Neighbourhood Services	2,017,069	1,804,813	1,776,043
Works and Emergency Services	960,942	987,027	960,274
Economic Development, Culture and Tourism	222,678	228,665	216,422
Urban Development Services	75,665	74,644	67,462
Corporate Services	182,909	187,087	179,235
Finance	36,089	35,732	34,325
Other programs	29,136	26,807	27,073
Non-program and corporate accounts	382,652	392,314	558,502
Agencies, Boards and Commissions	1,834,025	1,841,001	1,789,385
Total Expenditures	5,741,165	5,578,090	5,608,721
NET REVENUES FOR THE YEAR	366,855	250,671	1,960,983
FINANCING AND TRANSFERS			
Principal repayments on debt	117,637	111,553	106,390
Interest earned on sinking funds		50,633	48,915
Employee benefits (Note 6)	–	(89,804)	(128,826)
Transfers to (from) reserves	111,658	(65,643)	91,422
Transfers to reserve funds	41,922	3,905	2,659
Transfers to capital fund	135,830	292,000	312,955
Total Financing and Transfers	407,047	302,644	433,515
CHANGE IN OPERATING FUND BALANCE FOR THE YEAR	(40,192)	(51,973)	1,527,468
OPERATING FUND BALANCE – BEGINNING OF YEAR	40,192	1,661,273	133,805
OPERATING FUND BALANCE – END OF YEAR	–	1,609,300	1,661,273

ANALYSIS OF CONSOLIDATED CAPITAL OPERATIONS

For the year ended December 31, 2000

Schedule 2

	2000 BUDGET \$000 (Unaudited)	2000 ACTUALS \$000	1999 ACTUALS \$000 (Restated - Note2)
REVENUES			
Government of Canada grants	–	4,349	3,101
Ontario grants	69,789	8,999	9,578
Other municipalities	–	414	908
Other	97,064	443,026	534,828
Total Revenues	166,853	456,788	548,415
EXPENDITURES			
Community and Neighbourhood Services	30,309	10,097	13,163
Works and Emergency Services	488,147	363,236	282,155
Economic Development, Culture and Tourism	60,803	45,296	40,570
Urban Development Services	17,263	5,152	11,211
Corporate Services	123,435	63,110	175,227
Finance	1,635	–	1,497
Non-program and corporate accounts	26,853	8,244	1,440
Agencies, Boards and Commissions	296,895	492,460	664,036
Total Expenditures	1,045,340	987,595	1,189,299
NET EXPENDITURES FOR THE YEAR	(878,487)	(530,807)	(640,884)
FINANCING AND TRANSFERS			
New debt issued	(412,935)	(200,000)	(100,000)
Transfers from operating fund	(135,830)	(292,000)	(312,955)
Transfers from reserves	–	(27,813)	(52,814)
Transfers from reserve funds	(329,722)	(82,300)	(19,339)
Total Financing and Transfers	(878,487)	(602,113)	(485,108)
CHANGE IN CAPITAL FUND BALANCE FOR THE YEAR	–	71,306	(155,776)
CAPITAL FUND BALANCE – BEGINNING OF YEAR	–	(132,361)	23,415
CAPITAL FUND BALANCE – END OF YEAR	–	(61,055)	(132,361)

ANALYSIS OF CONSOLIDATED RESERVES AND CONSOLIDATED RESERVE FUNDS**Schedule 3**

For the year ended December 31, 2000

	2000 BUDGET \$000 (Unaudited)	2000 ACTUALS \$000	1999 ACTUALS \$000 (Restated - Note2)
RESERVES (Note 8)			
TRANSFERS TO (FROM) OTHER FUNDS			
Reserve funds	–	(9,796)	1,545
Operating fund	(111,658)	65,643	(91,422)
Capital fund	–	27,813	52,814
NET TRANSFERS TO (FROM) OTHER FUNDS FOR THE YEAR	(111,658)	83,660	(37,063)
RESERVES BALANCE – BEGINNING OF YEAR	222,509	322,566	285,503
RESERVES BALANCE – END OF YEAR	334,167	238,906	322,566
RESERVE FUNDS (Note 8)			
REVENUES			
Sale of land	–	11,172	13,743
Investment income	16,541	26,594	27,576
Other	–	22,018	9,625
Total Revenues	16,541	59,784	50,944
TRANSFERS TO (FROM) OTHER FUNDS			
Reserves -	–	9,796	(1,545)
Operating fund	(41,922)	(3,905)	(2,659)
Capital fund	329,722	82,300	19,339
NET TRANSFERS TO OTHER FUNDS	287,800	88,191	15,135
CHANGE IN RESERVE FUNDS BALANCE FOR THE YEAR	(271,259)	(28,407)	35,809
RESERVE FUNDS BALANCE – BEGINNING OF YEAR	417,148	470,525	434,716
RESERVE FUNDS BALANCE – END OF YEAR	145,889	442,118	470,525

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2000

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, except for those standards relating to accounting and disclosure requirements for solid waste landfill closure and post closure liabilities which are deferred to 2001. These consolidated financial statements are the representation of management and necessarily involve the use of best estimates and careful judgement.

BASIS OF CONSOLIDATION

These consolidated financial statements reflect the assets, liabilities, revenues and expenditures of the operating fund, capital fund, reserves and reserve funds of the City of Toronto (the "City") and, except for government business enterprises which are accounted for by the modified equity basis of accounting, include all organizations that are accountable for the administration of their financial affairs and resources to City Council and are owned or controlled by the City.

Consolidated entities -

Board of Directors of the Hummingbird Centre for the Performing Arts ("Hummingbird")
 Board of Governors of Exhibition Place
 Board of Management of the Toronto Zoo ("Zoo")
 St. Lawrence Centre for the Arts
 The North York Performing Arts Centre Corporation ("NYPACC")
 Toronto Atmospheric Fund
 Toronto Board of Health
 Toronto Historical Board
 Toronto Housing Corporation
 Toronto Licensing Commission
 Toronto Police Services Board
 Toronto Public Library Board
 Toronto Transit Commission ("TTC")

Municipal Enterprise:

Toronto Waterworks Utility

Arenas:

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

Community Centres:

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

Business Improvement Areas:

Bloor-Bathurst-Madison Business Improvement Area
 Bloor by the Park Business Improvement Area
 Bloorcourt Village Business Improvement Area
 Bloordale Village Business Improvement Area
 Bloor West Village Business Improvement Area
 Bloor-Yorkville Business Improvement Area
 Corso Italia Village 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
 Keele-Eglinton Business Improvement Area
 Kennedy Road Business Improvement Area
 Kingsway Business Improvement Area
 Lakeshore Business Improvement Area
 Little Italy Business Improvement Area
 Long Branch Business Improvement Area
 Mimico by the Lake Business Improvement Area
 Mimico Village Business Improvement Area
 Mount Dennis Business Improvement Area
 Old Cabbagetown Business Improvement Area
 Parkdale Village Business Improvement Area
 Pape Village Business Improvement Area
 Queen Broadview Village Business Improvement Area
 Roncesvalles Village Business Improvement Area
 St. Clair Gardens Business Improvement
 St. Lawrence Neighbourhood Business Improvement Area
 Upper Village Business Improvement Area
 Village of Islington Business Improvement Area

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2000

Weston Business Improvement Area
Yonge-Queen-Dundas Business Improvement Area
York-Eglinton Business Improvement Area

All interfund assets and liabilities and sources of financing and expenditures have been eliminated in these consolidated financial statements.

GOVERNMENT BUSINESS ENTERPRISES

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 with the City's accounting principles and inter-organizational transactions and balances are not eliminated.

Enwave District Energy Limited
Toronto Economic Development Corporation (TEDCO)
Toronto Hydro
Toronto Parking Authority

TRUST FUNDS

Trust funds and their related operations administered by the City are not included in the consolidated financial statements, but are reported separately on the Trust Fund Statement of Continuity and the Trust Fund Balance Sheet (Note 12).

SCHOOL BOARDS

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of school boards are not reflected in these consolidated financial statements.

BASIS OF ACCOUNTING

Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned 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.

MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions. Liabilities established for employee benefits and related costs charged to the Consolidated Statement of Financial Activities depend on certain actuarial and economic assumptions. These estimates and assumptions are based on the City's best information and judgement. Due to the complexities in valuating the plans, actuarial valuations are conducted on a periodic basis. The liabilities reported in these consolidated financial statements are

based on a valuation as of December 31, 1998. Many of the estimates and assumptions used in 1998 may change significantly with the next detailed evaluation.

INVESTMENTS

Investments are recorded at amortized cost less amounts written off to reflect a permanent decline in value. Investments consist of authorized investments pursuant to provisions of the Municipal Act and comprise government and corporate bonds, debentures and short-term instruments of various financial institutions.

INVENTORIES

Expenditures on items consumed in operations are reported as an expenditure on the Consolidated Statement of Financial Activities in the year of acquisition.

CAPITAL ASSETS

The historical cost and accumulated depreciation of capital assets are not reported. Capital assets are reported as an expenditure on the Consolidated Statement of Financial Activities in the year of acquisition.

EMPLOYEE BENEFIT PLANS

The City has adopted the following policies with respect to employee benefit plans:

- The contributions to a multi-employer, defined benefit pension plan are expensed when contributions are made;
- The costs of post-employment benefits 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 pensions and other retirement benefits are actuarially determined using the projected benefits method prorated on service and management's best estimate of retirement ages of employees, salary escalation, expected health care costs and plan investment performance;
- Past service costs from plan amendments are amortized on a straight-line basis over the expected average remaining service period of employees active at the date of amendment;
- The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligations and the fair value of plan assets are amortized on a straight-line basis over the average remaining service period for active employees, ten years for workplace safety insurance benefits and seven years for long-term disability benefits;

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2000

2. CHANGE IN BASIS OF ACCOUNTING

The Ministry of Municipal Affairs and Housing has required all Ontario municipalities to implement the accounting and disclosure requirements for local governments as prescribed by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The changes are effective for fiscal years commencing January 1, 2000 except for the accounting and disclosure requirements related to solid waste landfill closure and post closure liabilities which, for Ontario municipalities, have been deferred to January 1, 2001 by the Ontario Minister of Municipal Affairs and Housing. Prior to the 2000 fiscal year, the City's financial statements were prepared on the basis of accounting recommendations prescribed by the Ontario Municipal Financial Reporting Handbook.

The accounting changes have been applied on a retroactive basis and have resulted in the restatement of 1999 comparative amounts.

- (a) amounts reported for cash and short-term investments now include balances held for reserve funds, previously disclosed as restricted assets;
- (b) capital outlay financed by long-term liabilities and to be recovered in future years is now reported as a part of "amounts to be recovered" on the Consolidated Statement of Financial Position; and
- (c) liabilities for employee benefits, previously disclosed in the notes to the financial statements, are now reported on the Consolidated Statement of Financial Position and are offset by a similar amount within "amounts to be recovered".

In addition, fund balances previously reported as \$1,226,695,000 as at December 31, 1999 have increased by \$1,095,308,000 as a result of the following changes:

	\$000
(a) Government business enterprises previously consolidated (Toronto Hydro, Toronto Parking Authority and TEDCO), and now accounted for using the modified equity basis of accounting	1,572,238
(b) Entities owned and controlled by the City (Toronto Housing Company and Toronto Atmospheric Fund) and now consolidated	3,170
(c) Reclassification of obligatory reserve funds (Note 8 (b) (ii)) to deferred revenue	(384,514)
(d) Non-financial assets (prepaid expenses and inventories) now expenses and no longer reported on the Consolidated Statement of Financial Position	(65,587)
(e) Accrued vacation pay now reported as a liability and included in accounts payable and accrued liabilities	(28,343)
(f) Adjustments in fund balances reported by various Agencies, Boards and Commissions upon implementation of accounting changes prescribed by the Public Sector Accounting Board	(1,656)
Net increase in fund balances	1,095,308

3. INVESTMENTS

The cost and market value of the investments reported on the Consolidated Statement of Financial Position as at December 31 are as follows:

	2000 \$000	1999 \$000
Cost	1,371,482	1,500,648
Market Value	1,376,633	1,473,828

Included in the City's investment portfolio are investments with a carrying value in City of Toronto debentures at coupon rates varying from 5.15% to 10.375% and with a carrying value of \$65,105,000 (1999 - \$64,175,000).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2000

4. INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES

Government business enterprises consist of Toronto Hydro, Enwave District Energy Limited, Toronto Parking Authority and TEDCO. The City holds a 50% interest in Enwave District Energy Limited and a 100% interest in the other government business enterprises.

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

	2000 \$000	1999 \$000
Balance – Beginning of Year	672,877	93,578
Acquisition of shares in Toronto Hydro and Enwave District Energy Limited	–	580,834
Change in equity during the year	5,606	(1,535)
Balance – End of Year	678,483	672,877

(b) Condensed supplementary financial information for each business enterprise is set out below:

	2000 \$000	1999 \$000
(i) TORONTO HYDRO		
FINANCIAL POSITION		
Current assets	343,585	383,167
Capital assets	1,606,430	1,554,342
Other assets	10,513	5,381
Total Assets	1,960,528	1,942,890
Current liabilities	269,676	251,369
Long-term liabilities	1,122,098	1,115,738
Total liabilities	1,391,774	1,367,107
Net assets	568,754	575,783
RESULTS OF OPERATIONS (since acquisition on July 1, 1999)		
Revenues	1,935,062	968,601
Operating expenses	1,942,091	960,635
Net income (loss)	(7,029)	7,966
(ii) ENWAVE DISTRICT ENERGY LIMITED		
FINANCIAL POSITION		
Current assets	4,161	5,238
Capital assets	98,220	91,966
Other assets	2,152	716
Total assets	104,533	97,920
Current liabilities	12,863	9,015
Long-term liabilities	17,553	17,905
Total liabilities	30,416	26,920
Net assets	74,117	71,000
RESULTS OF OPERATIONS (since acquisition on December 15, 1999)		
Revenues	25,249	–
Operating expenses	30,092	–
Net loss	(4,843)	–

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2000

	2000 \$000	1999 \$000
(iii) TORONTO PARKING AUTHORITY		
FINANCIAL POSITION		
Current assets	27,853	10,123
Capital assets	67,598	51,137
Other assets	19,257	38,431
Total Assets	114,708	100,691
Current liabilities	24,026	27,655
Long-term liabilities	–	–
Total liabilities	24,026	27,655
Net assets	90,682	73,036
RESULTS OF OPERATIONS		
Revenues	77,908	56,933
Operating expenses	60,261	49,058
Net income	17,647	7,875
(iv) TEDCO		
FINANCIAL POSITION		
Current assets	24,662	29,841
Capital assets	14,728	4,212
Other assets	–	4,212
Total assets	39,390	34,053
Current liabilities	6,456	9,185
Long-term liabilities	12,125	13,298
Total liabilities	18,581	22,483
Net assets	20,809	11,570
RESULTS OF OPERATIONS		
Revenues	8,326	8,923
Operating expenses	10,916	12,299
Net loss	(2,590)	(3,376)

(c) Related party transactions between the City and its business enterprises are as follows:

	2000 \$000	1999 \$000
RECEIVED BY THE CITY:		
Share of operating income from Toronto Parking Authority	25,766	16,632
Income in excess of capital funding requirements within next five years from Toronto Parking Authority	–	14,000
Interest on loans to TEDCO	195	224
PURCHASED BY THE CITY:		
Streetlighting energy, maintenance and services from Toronto Hydro	12,008	10,120

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2000

5. OTHER ASSETS

Other assets as at December 31 are as follows:

	2000 \$000	1999 \$000
Note receivable from Toronto Hydro, maturing December 31, 2001 and bearing interest at 6.8%	980,231	980,231
Debenture debt recoverable from school boards from 2001 to 2017 at interest rates ranging from 6.1% to 8.5% per annum	157,632	178,415
Other assets	5,803	6,937
	1,143,666	1,165,583

6. EMPLOYEE BENEFITS

The City has a number of defined benefit plans providing pension, other retirement and post-employment benefits to its employees.

Employee benefit liabilities of the City as at December 31 are as follows:

	2000 \$000	1999 \$000
Sick leave	247,912	240,074
Workplace safety and insurance benefits	257,632	244,886
Post-retirement/post-employment benefits	871,005	801,785
	1,376,549	1,286,745

The defined benefit plans relating to post-retirement and post-employment provide a variety of benefits to retirees, active and long-term disabled employees, including income, medical, dental, life insurance, Workers' Compensation and sick leave gratuity benefits.

Information about these defined benefit plans, in aggregate, is as follows:

	2000 \$000	1999 \$000
Accrued benefit obligations		
Balance – beginning of year	1,286,745	1,157,919
Current service costs/cost of new claims	100,603	132,304
Interest cost	84,760	111,423
Expected benefits paid	(95,559)	(114,901)
Balance-end of year	1,376,549	1,286,745
Components of expense		
Current service costs/cost of new claims	100,603	132,304
Interest cost	84,760	111,423
Expense	185,363	243,727

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2000

In order to help reduce the future impact of these obligations, the City has established certain reserve funds as described in Note 8. The balance of the sick leave reserve fund is \$99,574,000 (1999 - \$91,372,000), the workplace safety and insurance reserve fund is \$11,955,000 (1999 - \$17,829,000) and the employee benefits reserve fund is \$109,168,000 (1999 - \$135,688,000).

The City also makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer pension plan, on behalf of most of its employees. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay. Due to significant surpluses, OMERS has declared a temporary contribution holiday for all active employees and participating employees, effective August 1, 1998 through to December 31, 2002. As a result of this contribution holiday, no contributions were required on account of current service in 2000 or 1999.

The amount contributed for past service to OMERS for the year ended December 31, 2000 was \$289,000 (1999 - \$530,000) and is included as an expenditure on the Consolidated Statement of Financial Activities.

The City also sponsors several defined benefit pension plans that

provide benefits to employees who were employed prior to the establishment of the OMERS pension plan. Assets for these plans as at December 31, 2000 amounted to \$2,775,557,000 (1999 - \$2,841,816,000) with liabilities of \$2,102,645,000 (1999 - \$2,060,321,000). While the majority of the plans are in a surplus position, one of the plans reflects a deficit of \$4,042,000 (1999 - \$4,919,000). Since the City has not yet demonstrated an adequate expected future benefit to the net surplus assets of \$672,912,000 (1999 - \$781,495,000), the surplus assets have not been reflected on the Consolidated Statement of Financial Position and no pension income related to these assets has been reflected on the Consolidated Statement of Financial Activities. The pension expense related to these plans and reported on the Consolidated Statement of Financial Activities is equal to the past service contributions made to these plans during the year which amounted to \$3,402,000 (1999 - \$3,408,000).

During the year, improvements in plan provisions were implemented for certain plans, increasing benefits to pensioners and providing refunds to members in the amount of \$55,343,000 (1999 - \$44,813,000). In addition, changes in actuarial methods and assumptions reduced the net surplus assets available in these plans by \$75,043,000 (1999 - \$94,697,000).

Information about these defined benefit plans, in aggregate, is as follows:

	2000	1999
Discount rate	6.5 to 8%	6.0 to 8.0%
Rate of compensation increase	3.0 to 4.5%	3.0 to 4.5%
Health care inflation	8.0%	8.0%
Health care inflation – ultimate	4.0 to 5.5%	4.0 to 5.5%
Year ultimate health care inflation to be reached	2003	2003

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2000

7. NET LONG-TERM LIABILITIES

	2000 \$000	1999 \$000
(a) Net long-term liabilities reported on the Consolidated Statement of Financial Position comprise the following:		
Instalment and sinking fund debenture debt issued at various rates of interest ranging from 5 to 10.5% and outstanding at the end of the year.	1,825,574	1,707,076
The total value of sinking fund deposits which have accumulated to the end of the year to retire sinking fund debentures included in the amount above.	(736,373)	(652,649)
	1,089,201	1,054,427
Mortgages payable on housing properties at various interest rates ranging from 4 to 13%.	1,055,800	1,073,543
Non-interest bearing loans payable to the Province of Ontario.	200,000	200,000
	2,345,001	2,327,970

(b) Principal payments relating to net long-term liabilities of \$2,345,001 outstanding as at December 31, 2000 are due as follows:

	\$000
2001	204,103
2002	230,163
2003	214,506
2004	201,932
2005	127,364
Thereafter	1,366,933
	2,345,001

(c) Outstanding debentures of \$1,795,000,000 (1999 - \$1,670,000,000) are secured by sinking fund assets with a carrying value of \$728,476,000 (market value - \$754,705,000) and required earnings of 4 to 8 percent. 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 \$267,377,000 (market value - \$278,918,000).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2000

8. RESERVES AND RESERVE FUNDS

On February 29, March 1 and 2, 2000, Council approved certain reclassifications between reserves and reserve funds effective January 1, 2000 as part of a report on the administration of reserves and reserve funds. Comparative amounts for 1999 have not been restated for these reclassifications.

In addition, certain reserve funds are now reported as deferred revenue on the Consolidated Statement of Financial Position as part of the changes in accounting policies required by the Public Sector Accounting Board pronouncements as described in Note 2. These reserve funds are provided for information purposes in the details listed below but are not included in the Analysis of Consolidated Reserves and Consolidated Reserve Funds on Schedule 3.

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

	2000 \$000	1999 \$000
(a) RESERVES		
Community and Neighbourhood Services		
Homes for the Aged	–	12,897
Reserves less than \$5,000	–	4
Economic Development, Culture and Tourism		
Special Events	–	220
Montgomery's Inn	–	17
Community Partnership	–	14
Art Acquisition	–	9
Reserves less than \$5,000	–	10
Urban Development Services		
Termite Control	–	15
Works and Emergency Services		
Waterworks Capital Financing Stabilization	83,082	–
Water Stabilization	48,161	191,509
Water and Wastewater Equipment Repair and Replacement	7,641	–
Waste Management	2,472	2,472
Road Enhancement	–	1,845
Winter Control Stabilization	–	271
Corporate		
Working Capital	81,663	82,230
Vehicle and Equipment Replacement	12,172	25,550
Arbitration and Legal Awards	3,715	3,813
Police Central Sick Pay	–	1,690
Total reserves	238,906	322,566

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2000

	2000 \$000	1999 \$000
(b) RESERVE FUNDS		
(i) Set aside for specific purposes by Council		
Community and Neighbourhood Services		
Social Assistance Stabilization	60,891	47,425
Capital Revolving Fund – Affordable Housing	24,699	6,741
Child Care Capital	9,644	–
Mayor's Homeless Expansion	4,309	–
Child Care Expansion	2,947	–
Homeless Initiative	202	5,141
Social Housing	–	4,885
Reserve funds less than \$5,000	8	4
	102,700	64,196
Economic Development, Culture and Tourism		
Heritage	1,334	1,221
Facade Improvement	240	227
Special Events	234	–
Regent Park	160	151
Public Art	170	167
Bicentennial	90	82
International Office	73	69
Rink Board Advertising	41	39
Curling Rinks	40	38
Ski Equipment	20	19
Art Acquisition	20	10
Community Grants	12	–
Montgomery's Inn	8	–
Tourism	7	6
Reserve funds less than \$5,000	19	6
	2,468	2,035
Urban Development Services		
Home Improvement	373	–
Termite Control	16	–
	389	–
Works and Emergency Services		
Solid Waste Management Perpetual Care	25,786	21,845
Roadway and Sidewalk Repair	2,838	–
Road Enhancement	1,949	–
	30,573	21,845
Corporate Services		
Election	275	4,049
Building Maintenance	271	3,409
	546	7,458

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2000

	2000 \$000	1999 \$000
(i) Set aside for specific purposes by Council (continued)		
Corporate		
Employee Benefits	109,168	135,688
Sick Leave	99,574	91,372
Capital Financing	31,333	17,279
Insurance	19,825	31,044
Workplace Safety and Insurance	11,955	17,829
Environmental Liability	2,440	2,306
All Borough Loan	1,466	1,385
Civic Centre Expansion	532	736
Skydome Public Art	455	430
Telecommunications Development	200	–
Gordon Sinclair Scholarship	29	27
Productivity Improvement	28	26
Land Acquisition	–	37,901
Safer City Initiatives	–	1,534
Capital Levy	–	16,840
Sam Sor	–	264
	277,005	354,661
Agencies, Boards and Commissions		
TTC Operating Stabilization	18,708	9,182
Enwave Capital	6,970	6,544
Hummingbird Operating Stabilization	761	933
Wheel Trans Vehicle	750	329
Exhibition Stadium Capital Improvement	733	638
Exhibition Place Stabilization	356	158
CNE Prize	159	–
NYPACC Stabilization	–	2,030
Zoo Stabilization	–	516
	28,437	20,330
Total reserve funds set aside for specific purposes by Council	442,118	470,525

	2000 \$000	1999 \$000
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(b) RESERVE FUNDS

(ii) Set aside for specific purposes by legislation, regulation or agreement

Community and Neighbourhood Services

Homes for the Aged	18,132	–
National Child Benefit Supplement	6,050	–
Ontario Works	6,016	–
Client ID and Benefits	3,504	3,311
Development Charges – Libraries	244	135
Donated Funds	9	9
Central Laundry	–	1,345
	33,955	4,800

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2000

	2000 \$000	1999 \$000
(ii) Set aside for specific purposes by legislation, regulation or agreement (cont'd)		
Economic Development, Culture and Tourism		
Parkland Acquisition and Development	32,489	26,623
Alexander Street Theatre Project	335	326
Donated Funds	301	235
Campeau Dock	148	140
Racquet Sport	99	356
Tam Heather	11	11
Reserve funds less than \$5,000	1	1
	33,384	27,692
Works and Emergency Services		
Water Pollution Control Capital Expenditure	10,279	–
Better Buildings Partnership	7,942	7,506
Development Charges	7,776	1,214
Water Capital	5,870	–
Wastewater Capital	4,235	–
Water Capital SPUC	2,070	–
Water and Sewer Capital Expenditure	–	103,913
	38,172	112,633
Corporate		
Development Charges	59,459	61,207
Subdividers' Deposits	26,870	27,350
Parking	8,194	15,923
Infrastructure	2,346	2,218
Design Exchange	520	473
Donated Funds	379	489
Regent Park Residents' Association	193	183
	97,961	107,843
Agencies, Boards and Commissions		
Toronto Performing Arts Centre Capital	4,464	3,161
Hummingbird Centre Capital	3,388	2,472
Zoo Animal	972	918
Transit Capital	–	124,995
	8,824	131,546
Total reserve funds set aside for specific purposes by legislation, regulation or agreement	212,296	384,514
Less: Amounts reclassified to deferred revenue	212,296	384,514
	–	–
TOTAL RESERVE FUNDS	442,118	470,525
TOTAL RESERVES AND RESERVE FUNDS	681,024	793,091

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2000

9. AMOUNTS TO BE RECOVERED IN FUTURE YEARS

Amounts to be recovered in future years comprise the gross amounts of the following liabilities as at December 31, some of which have been partially funded through reserve funds as reported in Note 8:

	2000 \$000	1999 \$000
Capital outlay to be recovered in future years		
• Gross debt outstanding	2,345,001	2,327,970
• Less amounts recoverable from school boards	157,632	178,415
	2,187,369	2,149,555
Benefits to be financed in future years		
• Sick leave	247,912	240,074
• Workplace safety and insurance benefits	257,632	244,886
• Post-retirement/post-employment benefits	871,005	801,785
	1,376,549	1,286,745
	3,563,918	3,436,300

10. USER CHARGES

User charges on the Consolidated Statement of Financial Activities comprise the following:

	2000 \$000	1999 \$000
Transit fares	608,234	560,642
Sale of water	401,006	400,355
Fines	71,768	49,610
Licenses and permits	74,991	57,076
Fees and service charges	259,722	293,126
	1,415,721	1,360,809

11. EXPENDITURES BY OBJECT

Expenditures by object of expenditure comprise the following:

	2000 \$000	1999 \$000
Salaries, wages and benefits	2,713,421	2,693,295
Materials	1,791,138	2,053,589
Contracted services	1,086,614	1,004,705
Interest on long-term debt	114,692	143,711
Other	859,820	902,720
	6,565,685	6,798,020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2000

12. TRUST FUNDS

Trust funds administered by the City amounting to \$48,497,000 (1999 - \$48,275,000) have not been included on the Consolidated Statement of Financial Position nor have their operations been included on the Consolidated Statement of Financial Activities. Trust fund balances as at December 31 are as follows:

	2000 \$000	1999 \$000
Toronto Atmospheric Trust Fund	25,276	25,031
Keele Valley Site Post-Closure	6,988	5,236
Police Special and Trust Funds	4,205	6,645
Homes for the Aged – Residents	6,507	6,507
Library Trusts	1,873	1,743
Development Charges Trust – Railway Lands	1,020	–
Contract Aftercare	871	838
Waterpark Place	783	735
Heritage and Culture Trusts	299	340
Ontario Home Renewal Program	280	273
Lakeshore Pedestrian Bridge	179	167
Candidates Municipal Election Surpluses	–	285
Other trust funds	216	475
	48,497	48,275

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 Statement of Financial Position as a part of reserve funds (Note

8(b)) 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 on the Consolidated Statement of Financial Activities.

14. CONTINGENCIES AND COMMITMENTS

(a) 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 ultimate disposition of these claims may differ from amounts which have been recorded in the accounts.

(b) A class action claiming \$500,000,000 in restitutionary payments plus interest was served on the former Toronto Hydro-Electric Commission on November 18, 1998. The action was initiated against the former Toronto Hydro-Electric Commission as the representative of the Defendant Class consisting of all municipal electric utilities in Ontario which have charged late payment charges on overdue utility bills at any time after April 1, 1981.

The claim is that late payment penalties result in municipal electric utilities receiving interest at effective rates in excess of 60% per year, which is illegal under Section 347(1) (b) of the Criminal Code. The Municipal Electric Association, in co-operation with Toronto Hydro Corporation, is undertaking the defense of this class action. At this time, it is not possible to quantify the effect, if any, of this claim on these consolidated financial statements.

(c) Capital commitments outstanding as at December 31, 2000 include the purchase and delivery of 54 subway cars and 53 Wheel-Trans buses for which payments of \$48,900,000 are to be made.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2000

(d) As at December 31, 2000, the City is committed to minimum annual operating lease payments for premises and equipment as follows:

\$000

2001	41,851
2002	39,304
2003	31,006
2004	25,867
2005	10,754
Thereafter	13,774

15. COMPARATIVE AMOUNTS

Comparative amounts have been reclassified from statements previously presented to conform with the presentation of the 2000 consolidated financial statements.