

City of Toronto

2001

Consolidated Financial Statements



 TORONTO

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## AUDITORS' REPORT

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

We have audited the consolidated statement of financial position of the **City of Toronto** as at December 31, 2001 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, 2001 and the results of its financial activities and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,  
May 15, 2002.

*Ernst & Young LLP*

Chartered Accountants

**CITY OF TORONTO  
CONSOLIDATED STATEMENT  
OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2001**

	2001 \$000	2000 \$000 (RESTATED-NOTE 2)
<b>FINANCIAL ASSETS</b>		
Cash and short-term investments	174,531	144,389
Accounts receivable	813,464	712,713
Taxes receivable	89,086	146,495
Investments (Note 3)	1,601,538	1,371,482
Investments in government business enterprises (Note 4)	762,592	678,483
Loans receivable (Note 5)	<u>1,140,171</u>	<u>1,143,666</u>
<b>Total Financial Assets</b>	<u>4,581,382</u>	<u>4,197,228</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	1,511,758	1,313,467
Deferred revenue (Note 6)	391,395	376,289
Other liabilities (Note 9)	238,594	191,783
Employee benefits (Note 7)	1,549,119	1,376,549
Net long-term debt (Note 8)	<u>2,396,741</u>	<u>2,345,001</u>
<b>Total Liabilities</b>	<u>6,087,607</u>	<u>5,603,089</u>
<b>Net Financial Assets</b>	(1,506,225)	(1,405,861)
<b>Non-Financial Assets</b>		
Inventories and prepaid expenses	<u>130,747</u>	<u>144,795</u>
<b>Net Liabilities</b>	<u>(1,375,478)</u>	<u>(1,261,066)</u>
<b>MUNICIPAL POSITION</b>		
<b>Fund Balances</b>		
Operating fund - To be used to offset taxation or user charges (Schedule 1)	2,001,965	1,825,307
Capital fund - Unexpended capital financing (capital operations not yet permanently financed) (Schedule 2)	(286,290)	(132,267)
Reserves and reserve funds (Note 6 and Schedule 3)	<u>787,302</u>	<u>681,024</u>
<b>Total Fund Balances</b>	2,502,977	2,374,064
Less: amounts to be recovered in future years (Note 10)	<u>(3,878,455)</u>	<u>(3,635,130)</u>
<b>Total Municipal Position</b>	<u>(1,375,478)</u>	<u>(1,261,066)</u>

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

	2001 BUDGET \$000 (UNAUDITED)	2001 ACTUALS \$000 (RESTATED-NOTE 2)	2000 ACTUALS \$000 (RESTATED-NOTE 2)
<b>REVENUES</b>			
Residential and commercial taxation	4,593,776	4,697,816	4,505,647
Taxation from other governments	155,576	140,085	143,213
Deduct: taxation relating to school boards	(1,825,425)	(1,867,416)	(1,853,410)
	<u>2,923,927</u>	<u>2,970,485</u>	<u>2,795,450</u>
User charges (Note 11)	1,698,275	1,497,308	1,415,721
Grants	1,310,651	1,125,335	1,169,747
Transfer payments	166,775	306,236	169,646
Other	<u>688,901</u>	<u>846,122</u>	<u>794,769</u>
<b>Total Revenues</b>	<u>6,788,529</u>	<u>6,745,486</u>	<u>6,345,333</u>
<b>EXPENDITURES (Note 13)</b>			
Community and Neighbourhood Services	1,941,429	1,649,909	1,814,910
Works and Emergency Services	1,448,782	1,356,627	1,348,250
Economic Development, Culture and Tourism	321,393	288,438	273,961
Urban Development Services	99,086	85,664	79,796
Corporate Services	350,339	243,612	250,197
Finance	42,148	45,949	35,732
Other (Note 12)	486,898	544,549	427,365
Agencies, Boards and Commissions (Note 12)	<u>2,456,589</u>	<u>2,631,102</u>	<u>2,333,461</u>
<b>Total Expenditures</b>	<u>7,146,664</u>	<u>6,845,850</u>	<u>6,563,672</u>
Net Expenditures and Decrease in Net Financial assets	<u>(358,135)</u>	<u>(100,364)</u>	<u>(218,339)</u>
<b>FINANCING</b>			
New debt issued	659,208	255,042	200,000
Principal repayments on debt	(117,637)	(145,636)	(111,553)
Interest earned on sinking funds	-	(36,714)	(50,633)
Solid waste landfill obligations	-	(1,937)	(2,013)
Employee benefits (Note 7)	<u>-</u>	<u>172,570</u>	<u>89,804</u>
<b>Net Increase in Amounts to be Recovered</b>	<u>541,571</u>	<u>243,325</u>	<u>125,605</u>
<b>Increase (Decrease) in Non-Financial Assets</b>	<u>-</u>	<u>(14,048)</u>	<u>8,535</u>
<b>Increase (Decrease) in Fund Balances</b>	<u>183,437</u>	<u>128,913</u>	<u>(84,199)</u>
<b>Fund Balances - Beginning of Year (Note 2)</b>	<u>693,838</u>	<u>2,374,064</u>	<u>2,458,263</u>
<b>Fund Balances - End of Year</b>	<u>877,275</u>	<u>2,502,977</u>	<u>2,374,064</u>

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

**CITY OF TORONTO  
CONSOLIDATED STATEMENT  
OF FINANCIAL ACTIVITIES  
FOR THE YEAR ENDED  
DECEMBER 31, 2001**

**CITY OF TORONTO  
CONSOLIDATED STATEMENT  
OF CHANGES IN FINANCIAL  
POSITION  
FOR THE YEAR ENDED  
DECEMBER 31, 2001**

	2001 \$000	2000 \$000 (RESTATED-NOTE 2)
<b>OPERATING</b>		
Net expenditures	(100,364)	(218,339)
Uses:		
Increase in accounts receivable	(100,751)	(70,748)
Decrease in deferred revenue	-	(165,410)
	<u>(100,751)</u>	<u>(236,158)</u>
Sources:		
Decrease in taxes receivable	57,409	108,918
Decrease in loans receivable	3,495	21,917
Increase in accounts payable and accrued liabilities	198,291	198,431
Increase in deferred revenue	15,106	-
Increase in other liabilities	46,811	10,428
Increase in employee benefits	172,570	89,804
	<u>493,682</u>	<u>429,498</u>
Net increase (decrease) in cash from operating	<u>292,567</u>	<u>(24,999)</u>
<b>INVESTING</b>		
Decrease (increase) in investments	(230,056)	129,166
Increase in investments in government business enterprises	(84,109)	(5,606)
Net increase (decrease) in cash from investing	<u>(314,165)</u>	<u>123,560</u>
<b>FINANCING</b>		
New debt issued	255,042	200,000
Principal repayments on debt by City	(145,636)	(111,553)
Interest earned on sinking funds	(36,714)	(50,633)
Principal repayments on debt by school boards	(20,952)	(20,783)
Net increase in cash from financing	<u>51,740</u>	<u>17,031</u>
<b>NET INCREASE IN CASH AND SHORT-TERM INVESTMENTS</b>	30,142	115,592
<b>CASH AND SHORT-TERM INVESTMENTS - BEGINNING OF YEAR</b>	<u>144,389</u>	<u>28,797</u>
<b>CASH AND SHORT-TERM INVESTMENTS - END OF YEAR</b>	<u><u>174,531</u></u>	<u><u>144,389</u></u>

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

	2001 BUDGET \$000 (UNAUDITED)	2001 ACTUALS \$000	2000 ACTUALS \$000 (RESTATED - NOTE 2)
<b>REVENUES</b>			
Residential and commercial taxation	4,593,776	4,697,816	4,505,647
Taxation from other governments	155,576	140,085	143,213
Deduct: taxation relating to school boards	(1,825,425)	(1,867,416)	(1,853,410)
	<u>2,923,927</u>	<u>2,970,485</u>	<u>2,795,450</u>
User charges (Note 11)	1,698,275	1,497,308	1,415,721
Grants	1,292,675	1,114,570	1,156,399
Transfer payments	166,775	306,236	169,646
Investment income	73,605	71,467	70,987
Other	219,282	413,465	220,558
<b>TOTAL REVENUES</b>	<u>6,374,538</u>	<u>6,373,531</u>	<u>5,828,761</u>
<b>EXPENDITURES</b>			
Community and Neighbourhood Services	1,898,987	1,642,078	1,804,813
Works and Emergency Services	1,011,677	1,057,585	989,040
Economic Development, Culture and Tourism	245,881	245,085	228,665
Urban Development Services	77,197	79,151	74,644
Corporate Services	187,644	186,292	187,087
Finance	35,875	42,939	35,732
Other (Note 12)	439,888	528,531	419,121
Agencies, Boards and Commissions (Note 12)	2,033,242	2,166,491	1,841,001
<b>TOTAL EXPENDITURES</b>	<u>5,930,391</u>	<u>5,948,152</u>	<u>5,580,103</u>
<b>NET REVENUES FOR THE YEAR</b>	<u>444,147</u>	<u>425,379</u>	<u>248,658</u>
<b>FINANCING AND TRANSFERS</b>			
Principal repayments on debt	(117,637)	(145,636)	(111,553)
Interest earned on sinking funds	-	(36,714)	(50,633)
Employee benefits (Note 7)	-	172,570	89,804
Transfers from (to) reserves	(136,459)	(39,855)	65,643
Transfers from (to) reserve funds	(71,144)	(10,243)	(3,905)
Transfers to capital fund	(129,407)	(174,795)	(292,000)
<b>TOTAL FINANCING AND TRANSFERS</b>	<u>(454,647)</u>	<u>(234,673)</u>	<u>(302,644)</u>
<b>INCREASE (DECREASE) IN NON-FINANCIAL ASSETS</b>	<u>-</u>	<u>(14,048)</u>	<u>8,535</u>
<b>CHANGE IN OPERATING FUND BALANCE FOR THE YEAR</b>	<u>(10,500)</u>	<u>176,658</u>	<u>(45,451)</u>
<b>OPERATING FUND BALANCE - BEGINNING OF YEAR (NOTE 2)</b>	<u>10,500</u>	<u>1,825,307</u>	<u>1,870,758</u>
<b>OPERATING FUND BALANCE - END OF YEAR</b>	<u>-</u>	<u>2,001,965</u>	<u>1,825,307</u>

**CITY OF TORONTO  
ANALYSIS OF CONSOLIDATED  
CURRENT OPERATIONS  
FOR THE YEAR ENDED  
DECEMBER 31, 2001**

**SCHEDULE 1**

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

**CITY OF TORONTO  
ANALYSIS OF CONSOLIDATED  
CAPITAL OPERATIONS  
FOR THE YEAR ENDED  
DECEMBER 31, 2001**

**SCHEDULE 2**

	2001 BUDGET \$000 (UNAUDITED)	2001 ACTUALS \$000	2000 ACTUALS \$000 (RESTATED-NOTE 2)
<b>REVENUES</b>			
Government of Canada grants	-	2,301	4,349
Ontario grants	17,976	8,464	8,999
Other municipalities	-	2,655	414
Other	<u>283,824</u>	<u>231,126</u>	<u>443,026</u>
<b>TOTAL REVENUES</b>	<u>301,800</u>	<u>244,546</u>	<u>456,788</u>
<b>EXPENDITURES</b>			
Community and Neighbourhood Services	42,442	7,831	10,097
Works and Emergency Services	437,105	299,042	359,210
Economic Development, Culture and Tourism	75,512	43,353	45,296
Urban Development Services	21,889	6,513	5,152
Corporate Services	162,695	57,320	63,110
Finance	6,273	3,010	-
Other (Note 12)	47,010	16,018	8,244
Agencies, Boards and Commissions (Note 12)	<u>423,346</u>	<u>464,611</u>	<u>492,460</u>
<b>TOTAL EXPENDITURES</b>	<u>1,216,272</u>	<u>897,698</u>	<u>983,569</u>
<b>NET EXPENDITURES FOR THE YEAR</b>	<u>(914,472)</u>	<u>(653,152)</u>	<u>(670,393)</u>
<b>FINANCING AND TRANSFERS</b>			
New debt issued	659,208	255,042	200,000
Solid waste landfill obligations	-	(1,937)	(2,013)
Transfers from operating fund	129,407	174,795	292,000
Transfers from reserves	29,356	43,445	27,813
Transfers from reserve funds	<u>96,501</u>	<u>27,784</u>	<u>82,300</u>
<b>TOTAL FINANCING AND TRANSFERS</b>	<u>914,472</u>	<u>499,129</u>	<u>600,100</u>
<b>CHANGE IN CAPITAL FUND BALANCE FOR THE YEAR</b>	-	(154,023)	73,319
<b>CAPITAL FUND BALANCE - BEGINNING OF YEAR</b>	<u>-</u>	<u>(132,267)</u>	<u>(205,586)</u>
<b>CAPITAL FUND BALANCE - END OF YEAR</b>	<u>-</u>	<u>(286,290)</u>	<u>(132,267)</u>

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

	2001 BUDGET \$000 (UNAUDITED)	2001 ACTUALS \$000	2000 ACTUALS \$000
<b>RESERVES (Note 6)</b>			
<b>TRANSFERS FROM (TO) OTHER FUNDS</b>			
Reserve funds	-	-	9,796
Operating fund	136,459	39,855	(65,643)
Capital fund	(29,356)	(43,445)	(27,813)
<b>NET TRANSFERS FROM (TO) OTHER FUNDS FOR THE YEAR</b>	<b>107,103</b>	<b>(3,590)</b>	<b>(83,660)</b>
<b>RESERVES BALANCE - BEGINNING OF YEAR</b>	<b>238,948</b>	<b>238,906</b>	<b>322,566</b>
<b>RESERVES BALANCE - END OF YEAR</b>	<b>346,051</b>	<b>235,316</b>	<b>238,906</b>
<b>RESERVE FUNDS (Note 6)</b>			
<b>REVENUES</b>			
Sale of land	-	25,905	11,172
Investment income	37,191	28,210	26,594
Other	75,000	73,294	22,018
<b>TOTAL REVENUES</b>	<b>112,191</b>	<b>127,409</b>	<b>59,784</b>
<b>TRANSFERS FROM (TO) OTHER FUNDS</b>			
Reserves	-	-	(9,796)
Operating fund	71,144	10,243	3,905
Capital fund	(96,501)	(27,784)	(82,300)
<b>NET TRANSFERS TO OTHER FUNDS</b>	<b>(25,357)</b>	<b>(17,541)</b>	<b>(88,191)</b>
<b>CHANGE IN RESERVE FUNDS BALANCE FOR THE YEAR</b>	<b>86,834</b>	<b>109,868</b>	<b>(28,407)</b>
<b>RESERVE FUNDS BALANCE - BEGINNING OF YEAR</b>	<b>444,390</b>	<b>442,118</b>	<b>470,525</b>
<b>RESERVE FUNDS BALANCE - END OF YEAR</b>	<b>531,224</b>	<b>551,986</b>	<b>442,118</b>
<b>TOTAL RESERVES AND RESERVE FUNDS</b>	<b>877,275</b>	<b>787,302</b>	<b>681,024</b>

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

**CITY OF TORONTO  
ANALYSIS OF CONSOLIDATED  
RESERVES AND CONSOLIDATED  
RESERVE FUNDS FOR THE YEAR  
ENDED DECEMBER 31, 2001**

**SCHEDULE 3**



**CITY OF TORONTO  
NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2001**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The 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. The consolidated financial statements are the representation of management and necessarily involve the use of best estimates and careful judgement.

**BASIS OF CONSOLIDATION**

The 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 ("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 Community Housing Corporation  
Toronto Historical Board  
Toronto Housing Corporation  
Toronto Licensing Commission  
Toronto Police Services Board  
Toronto Public Library Board  
Toronto Transit Commission ("TTC")  
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 Area  
 St. Lawrence Neighbourhood Business Improvement Area  
 Upper Village Business Improvement Area  
 Village of Islington Business Improvement Area  
 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.

**CITY OF TORONTO  
 NOTES TO CONSOLIDATED  
 FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED  
 DECEMBER 31, 2001**

**CITY OF TORONTO  
NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2001**

**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 ("Enwave")
- 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 14).

**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 on such areas as employee benefits, assessment appeals and environmental provisions. These estimates and assumptions are based on the City's best information and judgement and may differ significantly based on actual results.

**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.

**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.

**SOLID WASTE LANDFILL PROVISION**

The estimated costs to close and maintain solid waste landfill sites are based on estimated future expenditures in current dollars, adjusted for estimated inflation, and are accrued and amortized over the estimated remaining capacity of each landfill site. The annual provision is reported as an operating fund expenditure and the accumulated provision is reported as a liability on the Consolidated Statement of Financial Position.

#### **ENVIRONMENTAL PROVISIONS**

The City provides for the cost of compliance with environmental legislation when conditions are identified which indicate non-compliance with environmental legislation and costs can be reasonably determined. The estimated amounts of future restoration costs are reviewed regularly, based on available information and governing legislation.

#### **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 but for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

#### **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; accrued obligations and related costs of funded benefits are net of plan assets;
- 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; and
- 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 and over the remaining expected life of members of the inactive plans.

#### **GOVERNMENT TRANSFERS**

Government transfers relate to the social services and housing programs and are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

**CITY OF TORONTO  
NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2001**

**2. CHANGE IN BASIS OF ACCOUNTING**

The City has adopted the accounting and disclosure requirements for local governments related to solid waste landfill closure and post-closure liabilities as prescribed by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants and has applied these requirements on a retroactive basis.

The City has also changed the reporting of prepaid expenses and inventories on a retroactive basis and now discloses these non-financial assets on the Consolidated Statement of Financial Position.

Fund balances previously reported as \$2,229,269,000 as at December 31, 2000 have increased by \$73,583,000 as a result of the changes described below:

	\$000
(a) (i) Reporting of prepaid expenses and consumable inventories as non-financial assets	144,795
(ii) Liability for solid waste landfill closure and post-closure costs (Note 9)	<u>(71,212)</u>
Total changes with restatement	<u>73,583</u>
(b) (i) Increase in retained earnings of Toronto Hydro relating to future income tax benefits	36,164
(ii) Net increase in value of TEDCO investment arising from change to modified equity basis of accounting and restatement of 2000 comparatives	1,371
(iii) Net increase in value of Enwave investment arising from change to modified equity basis of accounting and restatement of 2000 comparatives	<u>26,354</u>
Increase in investments in government business enterprises (Note 4)	63,889
(iv) Accrued benefit liability on City pension plans in a deficit position (Note 7)	<u>(63,889)</u>
Total changes without restatement	<u>-</u>
Total change in fund balances	<u><u>73,583</u></u>

### 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:

	2001		2000	
	Cost \$ 000	Market Value \$ 000	Cost \$ 000	Market Value \$ 000
Federal Government	551,345	561,935	648,395	650,388
Provincial Government	417,010	426,621	330,443	331,773
Municipal Government	195,311	197,169	123,497	122,608
Other	437,872	441,545	269,147	271,864
	<u>1,601,538</u>	<u>1,627,270</u>	<u>1,371,482</u>	<u>1,376,633</u>

The weighted average yield on the cost of the investment portfolio during the year was 5.08% (2000 - 5.68%). Maturity dates on investments in the portfolio range from January 2002 to September 2031. Included in the City's investment portfolio are City of Toronto debentures at coupon rates varying from 5.15% to 9.63% and with a carrying value of \$77,392,000 (2000 - \$65,105,000).

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**4. INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES**

Government business enterprises consist of Toronto Hydro, Toronto Parking Authority, TEDCO and Enwave District Energy Limited. The City holds an interest of approximately 43% (2000 - 50%) 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:

	2001 \$000	2000 \$000
Balance – beginning of year	<u>678,483</u>	<u>672,877</u>
Results of operations	19,880	5,606
Net increase in value of Enwave investment arising on investment in additional Enwave shares by other shareholder and dilution of City's interest	<u>340</u>	<u>-</u>
Change in equity during the year recorded as other income on the Consolidated Statement of Financial Activities	20,220	5,606
Change in equity during the year and reflected as part of fund balances, beginning of year (Note 2)	<u>63,889</u>	<u>-</u>
Total change in equity during year	<u>84,109</u>	<u>5,606</u>
Balance – end of year	<u><u>762,592</u></u>	<u><u>678,483</u></u>

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

	2001 \$000	2000 \$000
<b>(i) TORONTO HYDRO</b>		
FINANCIAL POSITION		
Current assets	352,313	343,585
Capital assets	1,653,430	1,606,430
Other assets	60,937	10,513
Total assets	<u>2,066,680</u>	<u>1,960,528</u>
Current liabilities	331,729	269,676
Long-term liabilities	1,118,597	1,122,098
Total liabilities	<u>1,450,326</u>	<u>1,391,774</u>
Net assets	<u>616,354</u>	<u>568,754</u>
RESULTS OF OPERATIONS		
Revenues	2,102,005	1,935,062
Operating expenses	2,090,569	1,942,091
Net income (loss)	<u>11,436</u>	<u>(7,029)</u>
<b>(ii) TORONTO PARKING AUTHORITY</b>		
FINANCIAL POSITION		
Current assets	7,298	27,853
Capital assets	81,937	67,598
Other assets	27,324	19,257
Total assets	116,559	114,708
Current liabilities	17,228	24,026
Net assets	<u>99,331</u>	<u>90,682</u>
RESULTS OF OPERATIONS		
Revenues	78,249	77,908
Operating expenses	69,600	60,261
Net income	<u>8,649</u>	<u>17,647</u>

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	2001 \$000	2000 \$000
<b>(iii) TEDCO</b>		
<b>FINANCIAL POSITION</b>		
Current assets	46,614	27,020
Capital assets	30,470	20,120
Total assets	<u>77,084</u>	<u>47,140</u>
Current liabilities	8,290	7,560
Long-term liabilities	57,201	29,758
Total liabilities	<u>65,491</u>	<u>37,318</u>
Net assets	<u>11,593</u>	<u>9,822</u>
<b>RESULTS OF OPERATIONS</b>		
Revenues	9,415	8,260
Operating expenses	7,644	8,270
Net income (loss)	<u>1,771</u>	<u>(10)</u>
<b>(iv) ENWAVE DISTRICT ENERGY LIMITED</b>		
<b>FINANCIAL POSITION</b>		
Current assets	6,189	4,668
Capital assets	94,963	98,003
Other assets	3,896	2,153
Total assets	<u>105,048</u>	<u>104,824</u>
Current liabilities	9,298	13,371
Long-term liabilities	14,165	17,553
Total liabilities	<u>23,463</u>	<u>30,924</u>
Net assets	<u>81,585</u>	<u>73,900</u>
City share at 43% (2000 - 50%)	<u>35,314</u>	<u>36,950</u>
<b>RESULTS OF OPERATIONS</b>		
Revenues	44,056	24,735
Operating expenses	48,621	29,795
Net loss	<u>(4,565)</u>	<u>(5,060)</u>
City share at 43% (2000 - 50%)	<u>(1,976)</u>	<u>(2,530)</u>

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

	2001 \$000	2000 \$000
<b>Received by the City:</b>		
Share of operating income from Toronto Parking Authority	25,948	25,766
Interest on loans to TEDCO	164	195
<b>Purchased by the City:</b>		
Streetlighting energy, maintenance and services from Toronto Hydro	13,113	12,008

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#### 5. LOANS RECEIVABLE

Loans receivable as at December 31 are as follows:

	2001 \$000	2000 \$000
Note receivable from Toronto Hydro, maturing December 31, 2003 and bearing interest at 6.8% per annum	980,231	980,231
Debenture debt recoverable from school boards from 2001 to 2007 at interest rates ranging from 6.1% to 8.5% per annum	136,680	157,632
Other	<u>23,260</u>	<u>5,803</u>
	<u>1,140,171</u>	<u>1,143,666</u>

#### 6. RESERVES AND RESERVE FUNDS

Reserves and reserve funds comprise funds set aside for specific purposes by Council and funds which are set aside for specific purpose 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, 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.

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

	2001 \$000	2000 \$000
<b>(a) Reserves</b>		
Water Capital Financing Stabilization	83,082	83,082
Working Capital	81,663	81,663
Water Stabilization	46,355	48,161
Vehicle and Equipment	9,654	12,172
Wastewater Stabilization	8,848	7,641
Arbitration and Legal Awards	3,715	3,715
Waste Management	1,999	2,472
	<u>235,316</u>	<u>238,906</u>
<b>(b) Reserve Funds</b>		
<b>(i) Set aside for specific purposes by Council</b>		
Employee Benefits	154,285	109,168
Sick Leave	97,546	99,574
Social Assistance Stabilization	81,117	60,891
Social Housing Stabilization	34,683	-
Capital Financing	27,784	31,333
Solid Waste Management Perpetual Care	28,445	25,786
TTC Operating Stabilization	19,739	18,708
Land Acquisition	18,084	-
Capital Revolving Fund - Affordable Housing	18,027	24,699
Insurance	12,669	19,825
Child Care Capital	9,334	9,644
Workers' Compensation	8,965	11,955
Enwave Capital	7,351	6,970
Emergency Technology Acquisition	5,000	-
Mayor's Homeless Initiative	4,544	4,309
Roadway and Sidewalk Repair	3,690	2,838
Child Care Expansion	3,050	2,947
Election	2,673	276
Environmental Liability	2,573	2,440
Road Enhancement	2,055	1,949
All Borough Loan	1,546	1,466
Exhibition Place Stabilization	1,334	356
Reserve funds less than \$1,000,000	7,492	6,984
	<u>551,986</u>	<u>442,118</u>

	2001 \$000	2000 \$000
<b>Reserve Funds</b>		
(ii) <b>Set aside for specific purpose by legislation, regulation or agreement</b>		
Development Charges	86,630	69,384
Parkland Acquisition	48,483	30,575
Homes for the Aged	19,896	18,132
Subdividers' deposits	14,806	26,870
Ontario Works	13,945	6,016
Wastewater Capital	12,225	14,514
Parking	9,148	8,194
Better Buildings Partnership	7,578	7,942
National Child Benefit Supplement	6,741	6,050
Water Capital	4,784	7,941
Toronto Performing Arts Centre Capital	4,707	4,464
Hummingbird Centre Capital	3,551	3,389
Client ID and Benefits	3,695	3,504
Infrastructure	2,475	2,346
Toronto Zoo	1,025	972
Other	3,021	2,003
	<hr/>	<hr/>
Total Reserve Funds set aside for specific purpose by legislation, regulation or agreement	242,710	212,296
Less: amounts reclassified to deferred revenue	242,710	212,296
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
Total Reserve Funds	551,986	442,118
	<hr/>	<hr/>
Total Reserves and Reserve Funds	<u>787,302</u>	<u>681,024</u>

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**7. EMPLOYEE BENEFIT LIABILITIES**

The City provides certain benefits including retirement and other employment benefits to most of its employees.

**(a) Pension Agreements**

- (i) The City makes contributions to the Ontario Municipal Employees' Retirement System ("OMERS"), 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 2001 or 2000.

The amount contributed for past service to OMERS for the year ended December 31, 2001 was \$435,000 (2000 - \$289,000) and is included as an expenditure on the Consolidated Statement of Financial Activities.

- (ii) The City also 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 to the extent that an actuarial surplus is available. As at December 31, 2001, there were 144 active members with an average age of 57. There were also 6,849 pensioners and 2,875 spousal beneficiaries in receipt of pension, with an average age of 73. Pension payments and refunds were approximately \$215,000,000 in 2001.

Employees contribute 5.5% of their salary to the fund and the City contributes an equal amount. Member contributions cease upon completion of 35 years of service. Since August 1, 1998, a contribution holiday has been in effect for both the City and the members.

While the City and employees are required to contribute equal amounts into the pension funds, the City retains the risk of the accrued benefit obligation. The pension fund assets are invested in Canadian and foreign equities, bonds and debentures and other short-term assets.

Three of the plans are in a surplus position. The net pension assets of these plans as at December 31, 2001 includes the following components:

	2001 \$000
Accrued benefit obligation - end of year	1,494,846
Pension fund assets - end of year	<u>1,707,688</u>
	212,842
Unamortized actuarial losses	<u>139,163</u>
Accrued benefit asset	<u><u>352,005</u></u>

Since there is currently uncertainty about the City's right to the accrued benefit asset of \$352,005,000, this asset has not been reflected on the Consolidated Statement of Financial Position.

The remaining two plans are in a deficit position. The net pension liability as at December 31, 2001 includes the following components:

	2001 \$000
Accrued benefit obligation - end of year	975,087
Pension fund assets - end of year	<u>851,160</u>
	123,927
Unamortized actuarial losses	<u>62,484</u>
Accrued benefit liability	<u><u>61,443</u></u>

The accrued benefit liability as of December 31, 2000 amounts to \$63,889,000 and has been reflected as an adjustment to fund balances as at December 31, 2000 (Note 2).

Actuarial valuations for funding purposes are carried out annually using the projected benefit method prorated on service. The most recent actuarial funding reports were prepared as at December 31, 2000. The accrued benefit obligation as at December 31, 2001 is based on an actuarial valuation for accounting purposes as at December 31, 2001. There is a net unamortized actuarial loss in 2001 to be amortized on a straight-line basis. As most of the members are no longer active, the actuarial loss is amortized over the expected average remaining life expectancy of the inactive members (15 years).

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The accounting valuation was 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 2.8% per annum and the rate of compensation increase is estimated at 4% per annum. The discount rate used to determine the accrued benefit obligation is 6.9% per annum.

Pension fund assets are valued at market values. The expected rate of return on plan assets is 7.3% per annum net of all administrative expenses. The return on the market value of plan assets during 2001 was approximately -0.9%.

Total expenditures (recoveries) related to pensions in a deficit position include the following components:

	2001 \$000
Current period benefit cost	961
Interest cost on the average accrued benefit obligation	64,104
Expected return on average pension plan assets	<u>(67,511)</u>
Net recoveries related to pensions	<u>(2,446)</u>

The net recoveries related to pensions is included in the Consolidated Statement of Financial Activities as a component of expenditures.

**(b) Other Benefits**

Employee benefit liabilities, other than pensions, as at December 31 are as follows:

	2001 \$000	2000 \$000
Sick leave benefits	262,095	247,912
Workers' Safety and Insurance Board obligations	268,436	257,632
Other employment and post-employment benefits	<u>1,018,588</u>	<u>871,005</u>
	<u>1,549,119</u>	<u>1,376,549</u>

The continuity of the City's accrued benefit liabilities, in aggregate, are as follows:

	2001 \$000	2000 \$000
Balance - beginning of year	1,376,549	1,286,745
Current service cost	182,684	100,603
Interest cost	90,941	84,760
Expected benefits paid	<u>(101,055)</u>	<u>(95,559)</u>
Balance - end of year	<u>1,549,119</u>	<u>1,376,549</u>

The total expenditures related to benefits other than pensions include the following components:

	2001 \$000	2000 \$000
Current period benefit cost	182,684	100,603
Interest cost	<u>90,941</u>	<u>84,760</u>
Total expenditures related to non-pension benefits	<u>273,625</u>	<u>185,363</u>

These benefit plans are partially funded as described below.

**(i) Liability for Sick Leave Benefits**

Under the sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment 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. A sick leave reserve fund is established to help reduce the future impact of these obligations. As at December 31, the balance in the sick leave reserve fund (Note 6 (b) (i)) is \$97,546,000 (2000 - \$99,574,000).

**(ii) Workplace Safety and Insurance 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 is established to help reduce the future impact of these obligations. As at December 31, the balance in the Workers' Compensation reserve fund (Note 6 (b) (i)) is \$8,965,000 (2000 - \$11,955,000).

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(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 (Note 6 (b) (i)) is established to help reduce the future impact of these obligations. As at December 31, the balance in the employee benefits reserve funds is \$162,585,000 (2000 - \$109,168,000).

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. The significant actuarial assumptions adopted in measuring the City's accrued benefit obligations for other retirement and post-employment benefits are as follows:

	2001	2000
Discount rate	6 to 8%	6.5 to 8%
Rate of compensation increase	3 to 4.5%	3 to 4.5%
Health care inflation	8%	8%
Health care inflation - ultimate	4 to 5.5%	4 to 5.5%
Year ultimate health care inflation to be reached	2003	2003

**8. NET LONG-TERM DEBT**

(a) Net long-term debt reported on the Consolidated Statement of Financial Position comprise the following:

	2001 \$000	2000 \$000
Installment 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	1,870,279	1,825,574
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	(698,891)	(736,373)
	1,171,388	1,089,201
Mortgages payable on housing properties at various interest rates ranging from 4 to 13%	1,041,603	1,055,800
Non-interest bearing loans payable to the Province of Ontario	183,750	200,000
	<u>2,396,741</u>	<u>2,345,001</u>

- (b) Principal payments relating to net long-term liabilities of \$2,396,741,000 outstanding as at December 31, 2001 are due as follows:

	\$000
2002	245,615
2003	228,354
2004	220,544
2005	142,321
2006	124,913
Thereafter	1,434,994
	<u>2,396,741</u>

- (c) Included in net long-term debt are outstanding debentures of \$1,845,000,000 (2000 - \$1,795,000,000), secured by sinking fund assets with a carrying value of \$691,549,000 (market value - \$717,681,000). 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 \$216,852,000 (market value - \$226,602,000).

#### 9. LANDFILL CLOSURE AND POST-CLOSURE LIABILITIES

The Ontario Environmental Protection Act sets out the regulatory requirements for the closure and maintenance of landfill sites. Under this 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 over the estimated remaining life of active landfill sites based on usage.

The City has one active landfill site - Keele Valley Landfill, and approximately 150 inactive sites for which the City has responsibilities for all costs relating to closure and post-closure care. As at December 31, 2001, the remaining capacity of the Keele Valley site is approximately 750,000 cubic meters, all of which is expected to be used by December 31, 2002, the date of closing.

Closure for the Keele Valley Landfill will involve covering the site with topsoil and vegetation, implementing drainage control and installing ground water monitoring wells. Post-closure care activities for this site and other inactive sites are expected to occur for a minimum of 20 years and will involve surface and ground water monitoring, maintenance of drainage structures, monitoring leachate and landfill gas and maintenance of the landfill cover.

The estimated liability for the care of 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 7%. This estimate amounts to \$69,275,000 as at December 31, 2001 (2000 - \$71,212,000) and is included in other liabilities on the Consolidated Statement of Financial Position.

Estimated total expenditures for closure and post-closure care as at December 31, 2001 are \$70,161,000, of which \$886,000 remains to be recognized as expenditures by December 31, 2002, the date of closing of the active landfill site.

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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 (Note 6 (b) (i)) as at December 31, 2001 was \$28,445,000 (2000 - \$25,786,000) and the balance in the Keele Valley Site Post-Closure Trust Fund (Note 14) as at December 31, 2001 was \$6,591,000 (2000 - \$6,988,000).

**10. 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 6:

	2001 \$000	2000 \$000
Capital outlay to be recovered in future years		
* Gross debt outstanding (Note 8)	2,396,741	2,345,001
* Less amounts recoverable from school boards (Note 5)	<u>136,680</u>	<u>157,632</u>
	<u>2,260,061</u>	<u>2,187,369</u>
Amounts to be financed in future years		
* Sick leave benefits (Note 7)	262,095	247,912
* Workplace Safety and Insurance Board Obligations (Note 7)	268,436	257,632
* Employment and post-employment benefits (Note 7)	957,145	871,005
* Accrued pension obligations (Note 7)	61,443	-
* Solid waste landfill obligations (Note 9)	<u>69,275</u>	<u>71,212</u>
	<u>1,618,394</u>	<u>1,447,761</u>
	<u><u>3,878,455</u></u>	<u><u>3,635,130</u></u>

**11. USER CHARGES**

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

	2001 \$000	2000 \$000
Transit fares	645,687	608,234
Sale of water	408,617	401,006
Fines	72,138	71,768
Licences and permits	72,390	74,991
Fees and service charges	<u>298,476</u>	<u>259,722</u>
	<u>1,497,308</u>	<u>1,415,721</u>

**12. EXPENDITURES****(a) Other Expenditures**

Other expenditures include expenditures in the following areas:

- Mayor and members of Council
- Chief Administrator's Office
- Audit services
- Consolidated grants
- Capital and corporate financing
- Property tax provision and write-offs
- Assessment function

**(b) Agencies, Boards and Commissions**

Expenditures reported for Agencies, Boards and Commissions relate to the expenditures incurred by those organizations described in Note 1 and consolidated in these financial statements.

**13. EXPENDITURES BY OBJECT**

Expenditures by object of expenditure comprise the following:

	2001	2000
	\$000	\$000
Salaries, wages and benefits	2,868,404	2,713,421
Materials	1,918,956	1,796,003
Contracted services	759,208	1,079,736
Interest on long-term debt	123,967	114,692
Transfer payments	297,507	438,424
Other	877,808	421,396
	<u>6,845,850</u>	<u>6,563,672</u>

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**14. TRUST FUNDS**

Trust funds administered by the City amounting to \$48,021,000 (2000 - \$48,497,000) 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:

	2001 \$000	2000 \$000
Toronto Atmospheric Trust Fund	25,243	25,276
Homes for the Aged - Residents	6,614	6,507
Keele Valley Site Post-Closure	6,591	6,988
Library Trusts	1,906	1,873
Police Special and Trust Funds	1,528	4,205
Development Charges Trust - Railway Lands	1,414	1,020
Heritage and Culture Trusts	1,224	299
Candidates Municipal Election Surpluses	1,100	-
Contract Aftercare	900	871
Waterpark Place	824	783
Ontario Home Renewal Program	286	280
Lakeshore Pedestrian Bridge	188	179
Other trust fund	203	216
	<u>48,021</u>	<u>48,497</u>

**15. 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 6(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.

**16. TRANSFER AGREEMENT FOR SOCIAL HOUSING**

As part of the provincial local services realignment program, the City received the social housing units located in the City of Toronto previously owned and operated by the Ontario Housing Corporation. To facilitate this transfer, the Metro Toronto Housing Corporation was established on January 1, 2001 under the provisions of the Ontario Business Corporations Act with the City as its sole shareholder. Nominal consideration was given for the 100 common shares issued upon incorporation. On October 9, 2001, the name of the corporation was changed to the Toronto Community Housing Corporation.

Under the provisions of a transfer order prepared under authority of The Social Housing Reform Act, 2000, the Metro Toronto Housing Corporation was the recipient on January 1, 2001 of assets, liabilities, rights and obligations previously owned by the Ontario Housing Corporation. Effective on the date of the transfer, the City as service manager and the Toronto Community Housing Corporation are responsible for the management and operation of the housing projects transferred and are bound by the requirements set out in the legislation.

The Toronto Community Housing Corporation is fully consolidated within these consolidated financial statements (Note 1).

**17. BUDGET DATA**

Budget data for 2001 included in these consolidated financial statements represents budgets approved by Council except for reserves and reserve funds, which have been modified to reflect funding contributions contained in approved operating and capital budgets.

**18. CONTINGENCIES AND COMMITMENTS**

- (a) The City is subject to various legal claims arising in the normal course of its operations. 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, 2001 include the purchase and delivery of 23 Wheel-Trans buses and 220 buses for which payments amounting to \$118,400,000 are to be made.
- (d) The City is a defendant in an action commenced by the Toronto Port Authority against the City, TEDCO and others, seeking return of lands transferred from the Toronto Harbour Commission to the City and TEDCO during the period from 1992 to 1994 as well as further compensation in respect of lost revenues from these lands. This claim is considered to be without merit and consequently no provision has been made in the accounts with respect to such claim.
- (e) The Ministry of the Environment has issued Certificates of Approval for the active landfill site and three of the estimated 150 inactive landfill sites and has requested applications for Certificates of Approval on the remaining inactive sites 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 9).
- (f) As at December 31, 2001, the City is committed to minimum annual operating lease payments for premises and equipment as follows:

	\$000
2002	44,754
2003	36,571
2004	30,795
2005	17,486
2006	5,911
Thereafter	6,016

**19. COMPARATIVE AMOUNTS**

Comparative amounts have been reclassified from statements previously presented to conform with the presentation of the 2001 consolidated financial statements.

**CITY OF TORONTO  
NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2001**