

2003 CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S REPORT

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

The financial statements have been prepared by management in accordance with generally accepted accounting principles established by the Canadian Institute of Chartered Accountants' Public Sector Accounting Board. A summary of the significant accounting policies is disclosed in Note 1 to the financial statements.

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

The Audit Committee, a sub committee of City Council, reviews and approves the financial statements before they are submitted to Council. In accordance with Council's directive, the Auditor General oversees the work of the external auditors performing financial statement/attest audits. While it is important to recognize that the external audit is an independent process, the Auditor General's role is to ensure that all significant audit issues are appropriately addressed and resolved. In this context the Auditor General participates in all significant meetings held between the external auditors and management.

The 2003 financial statements have been examined by the City of Toronto's external auditors, Ernst & Young LLP, Chartered Accountants, and their report precedes the financial statements.

Toronto, Canada
April 23, 2004

Joseph P. Pennachetti
Chief Financial Officer & Treasurer

Shirley Hoy
Chief Administrative Officer

AUDITORS' REPORT

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, 2003 and the consolidated statements of financial activities and cash flows 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, 2003 and the results of its financial activities and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,
April 26, 2004.

Ernst + Young LLP

Chartered Accountants

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2003

(with comparative figures as at December 31, 2002)

	2003 (\$000)	2002 (\$000)
FINANCIAL ASSETS		
Cash and short-term investments	84,073	60,029
Accounts receivable	515,026	832,826
Property taxes receivable	246,989	225,387
Other assets	5,427	15,455
Investments (Note 2)	2,137,955	1,880,851
Note receivable – Toronto Hydro Corporation (Note 3)	980,231	980,231
Receivable from Toronto District School Board (Note 8)	91,309	114,689
Investments in government business enterprises (Note 4)	942,050	818,896
Total Financial Assets	5,003,060	4,928,364
LIABILITIES		
Accounts payable and accrued liabilities	1,576,950	1,728,429
Deferred revenue (Note 5)	543,889	408,680
Other liabilities	143,861	162,306
Landfill post-closure liabilities (Note 6)	93,438	99,081
Mortgages payable (Note 7)	1,017,078	1,035,843
Net long-term debt (Note 8)	1,476,788	1,342,577
Employee benefit liabilities (Note 9)	1,791,750	1,654,495
Total Liabilities	6,643,754	6,431,411
NET FINANCIAL LIABILITIES	(1,640,694)	(1,503,047)
NON-FINANCIAL ASSETS		
Inventories and prepaid expenses	142,776	124,293
NET LIABILITIES	(1,497,918)	(1,378,754)
MUNICIPAL POSITION		
FUND BALANCES		
Operating fund (Schedule 1)	2,105,037	2,256,489
Capital fund (Schedule 2)	(248,373)	(509,328)
Reserves and reserve funds (Schedule 3)	933,163	891,392
TOTAL FUND BALANCES	2,789,827	2,638,553
Amounts to be recovered in future years (Note 10):		
From reserves and reserve funds on hand	(297,810)	(287,154)
From future revenues	(3,989,935)	(3,730,153)
TOTAL AMOUNTS TO BE RECOVERED	(4,287,745)	(4,017,307)
TOTAL MUNICIPAL POSITION	(1,497,918)	(1,378,754)

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

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

as at December 31, 2003

(with comparative figures as at December 31, 2002)

	2003 BUDGET (\$000)	2003 ACTUALS (\$000)	2002 ACTUALS (\$000)
REVENUES			
Residential and commercial property taxation	2,894,095	2,913,398	2,897,943
Taxation from other governments	113,166	70,165	70,532
User charges	1,647,001	1,619,057	1,625,970
Funding transfers from other governments	1,843,160	1,653,141	1,576,589
Net government business enterprise earnings (Note 4)	-	123,154	56,304
Other	982,377	867,872	857,034
TOTAL REVENUES	7,479,799	7,246,787	7,084,372
EXPENDITURES			
General government	510,514	537,110	514,646
Protection to persons and property	1,161,279	1,219,913	1,131,412
Transportation	1,937,854	1,730,864	1,651,657
Environmental services	833,982	744,670	678,874
Health services	281,170	298,484	269,459
Social and family services	1,633,102	1,480,709	1,444,790
Social housing	772,393	729,455	764,148
Recreation and cultural services	624,203	589,152	573,378
Planning and development	69,130	54,077	52,830
TOTAL EXPENDITURES (Note 12)	7,823,627	7,384,434	7,081,194
NET REVENUES (EXPENDITURES) AND INCREASE (DECREASE) IN NET FINANCIAL LIABILITIES	(343,828)	(137,647)	3,178
FINANCING			
New long-term debt and mortgages issued	439,574	300,000	152,078
Principal repayments on long-term debt and mortgages	(143,613)	(143,847)	(115,322)
Interest earned on sinking funds	-	(17,327)	(33,086)
Changes in solid waste landfill obligations	-	(5,643)	29,806
Changes in employee benefit liabilities	-	137,255	105,376
NET INCREASE IN AMOUNTS TO BE RECOVERED IN FUTURE YEARS	295,961	270,438	138,852
INCREASE (DECREASE) IN NON-FINANCIAL ASSETS	-	18,483	(6,454)
INCREASE (DECREASE) IN FUND BALANCES	(47,867)	151,274	135,576
FUND BALANCES – BEGINNING OF YEAR	931,950	2,638,553	2,502,977
FUND BALANCES – END OF YEAR	884,083	2,789,827	2,638,553

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

CONSOLIDATED STATEMENT OF CASH FLOWS

as at December 31, 2003

(with comparative figures as at December 31, 2002)

	2003	2002
	(\$000)	(\$000)
OPERATIONS		
Net revenues (expenditures) for the year	(137,647)	3,178
Uses of cash:		
Increase in accounts receivable	-	(19,362)
Increase in property taxes receivable	(21,602)	-
Decrease in accounts payable and accrued liabilities	(151,479)	-
Decrease in other liabilities	(18,445)	(7,013)
Decrease in landfill post-closure liabilities	(5,643)	-
	(197,169)	(26,375)
Sources of cash:		
Decrease in accounts receivable	317,800	-
Decrease in other assets	10,028	3,604
Decrease in property taxes receivable	-	94,611
Increase in accounts payable and accrued liabilities	-	54,763
Increase in deferred revenue	135,209	30,099
Increase in other landfill post-closure liabilities	-	29,806
Increase in employee benefit liabilities	137,255	105,376
	600,292	318,259
Net increase in cash from operations	265,476	295,062
INVESTING		
Net increase in investments	(257,104)	(190,963)
Net increase in investments in government business enterprises	(123,154)	(56,304)
Net decrease in receivable from Toronto District School Board	23,380	21,991
Net decrease in cash from investing	(356,878)	(225,276)
FINANCING		
New long-term debt and mortgages issued	300,000	152,078
Principal repayments on long-term debt and mortgages	(143,847)	(115,322)
Interest earned on sinking funds	(17,327)	(33,086)
Principal repayments on debt by Toronto District School Board	(23,380)	(21,991)
Net increase (decrease) in cash from financing	115,446	(18,321)
NET INCREASE IN CASH AND SHORT-TERM INVESTMENTS	24,044	51,465
CASH AND SHORT-TERM INVESTMENTS – BEGINNING OF YEAR	60,029	8,564
CASH AND SHORT-TERM INVESTMENTS – END OF YEAR	84,073	60,029

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

ANALYSIS OF CONSOLIDATED CURRENT OPERATIONS – SCHEDULE 1

as at December 31, 2003

(with comparative figures as at December 31, 2002)

	2003 BUDGET	2003 ACTUALS	2002 ACTUALS
	(\$'000)	(\$'000)	(\$'000)
EXPENDITURES			
General government			
Council	17,490	16,891	15,835
Administration	305,896	367,846	318,101
Ontario property assessment	27,707	27,447	26,455
Allowance for property tax appeals	85,500	66,203	94,367
	<u>436,593</u>	<u>478,387</u>	<u>454,758</u>
Protection to persons and property			
Fire	274,655	297,741	300,615
Police	663,829	748,643	673,458
Building services	71,491	71,445	66,519
Other	31,652	31,192	27,793
	<u>1,041,627</u>	<u>1,149,021</u>	<u>1,068,385</u>
Transportation			
Transit	1,001,444	1,010,221	940,839
Road/traffic signals maintenance	317,558	312,365	293,699
	<u>1,319,002</u>	<u>1,322,586</u>	<u>1,234,538</u>
Environmental services			
Water	152,125	153,093	150,636
Wastewater	180,394	181,097	172,678
Solid waste	195,264	203,609	167,727
	<u>527,783</u>	<u>537,799</u>	<u>491,041</u>
Health services			
Ambulance	110,350	130,339	109,337
Public health services	153,845	156,599	146,865
	<u>264,195</u>	<u>286,938</u>	<u>256,202</u>
Social and family services			
Social assistance	1,115,745	1,022,741	994,816
Long-term care	160,951	163,239	155,975
Child care assistance	296,267	265,528	255,991
	<u>1,572,963</u>	<u>1,451,508</u>	<u>1,406,782</u>
Social housing			
	<u>700,467</u>	<u>656,785</u>	<u>676,180</u>
Recreation and cultural services			
Parks	95,059	100,653	95,493
Recreation	169,389	171,465	172,067
Other	239,556	219,408	225,228
	<u>504,004</u>	<u>491,526</u>	<u>492,788</u>
Planning and development			
Planning	25,596	23,469	22,095
Business development	8,274	9,662	11,361
	<u>33,870</u>	<u>33,131</u>	<u>33,456</u>
Total Expenditures	<u>6,400,504</u>	<u>6,407,681</u>	<u>6,114,130</u>

ANALYSIS OF CONSOLIDATED CURRENT OPERATIONS – SCHEDULE 1

as at December 31, 2003

(with comparative figures as at December 31, 2002)

	2003 BUDGET	2003 ACTUALS	2002 ACTUALS
	(\$000)	(\$000)	(\$000)
REVENUES			
Residential and commercial property taxation	2,894,095	2,913,398	2,897,943
Taxation from other governments	113,166	70,165	70,532
User charges:			
Transit fares	670,419	661,263	648,810
Water sales	476,930	474,750	465,401
Fines	130,396	128,048	125,248
Licenses and permits	89,281	86,532	82,251
Fees and service charges	279,975	268,464	304,260
Government transfers:			
Social assistance	687,035	656,770	602,207
Child care assistance	206,163	178,178	176,228
Health services	85,867	85,350	76,963
Social housing	365,628	358,159	351,616
Other	269,160	286,164	239,012
Investment income	65,016	70,987	55,147
Net government business enterprises earnings (Note 4)	-	123,154	56,304
Other	388,605	403,699	450,080
Total Revenues	6,721,736	6,765,081	6,602,002
NET REVENUES FOR THE YEAR	321,232	357,400	487,872
FINANCING AND TRANSFERS			
Principal repayments on long-term debt and mortgages	(143,613)	(143,847)	(115,322)
Interest earned on sinking funds	-	(17,327)	(33,086)
Employee benefit liabilities	-	137,255	105,376
Transfers to reserves	(26,350)	(30,796)	(64,913)
Transfers from (to) reserve funds	(25,254)	43,112	80,288
Transfers to capital fund	(165,015)	(515,732)	(199,654)
Total Financing and Transfers	(360,232)	(527,335)	(227,311)
Increase (decrease) in Non-Financial Assets	-	18,483	(6,037)
NET INCREASE (DECREASE) IN OPERATING FUND BALANCE FOR THE YEAR	(39,000)	(151,452)	254,524
OPERATING FUND BALANCE – BEGINNING OF YEAR	39,000	2,256,489	2,001,965
OPERATING FUND BALANCE – END OF YEAR	-	2,105,037	2,256,489

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

ANALYSIS OF CONSOLIDATED CAPITAL OPERATIONS – SCHEDULE 2

as at December 31, 2003

(with comparative figures as at December 31, 2002)

	2003 BUDGET	2003 ACTUALS	2002 ACTUALS
	(\$000)	(\$000)	(\$000)
EXPENDITURES			
General government	73,921	58,723	59,888
Protection to persons and property			
Fire	31,380	15,981	20,474
Police	68,293	43,990	30,496
Other	19,979	10,921	12,057
	119,652	70,892	63,027
Transportation			
Transit	327,860	235,460	236,390
Roads	290,992	172,818	180,729
	618,852	408,278	417,119
Environmental services			
Water	134,855	108,948	70,978
Wastewater	116,520	82,147	73,891
Solid waste	54,824	15,776	42,964
	306,199	206,871	187,833
Health services			
Ambulance	12,813	9,689	11,427
Public Health Services	4,162	1,857	1,830
	16,975	11,546	13,257
Social and family services			
Social assistance	22,655	4,259	14,523
Long-term care	31,175	21,466	22,951
Child care assistance	6,309	3,476	534
	60,139	29,201	38,008
Social housing	71,926	72,670	87,968
Recreation and cultural services			
Parks	41,497	25,359	25,270
Recreation	44,859	36,953	15,747
Other	33,843	35,314	39,573
	120,199	97,626	80,590
Planning and development			
Planning	9,622	4,931	1,899
Business development	6,181	3,297	13,502
Other	19,457	12,718	3,973
	35,260	20,946	19,374
Total Expenditures	1,423,123	976,753	967,064

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

ANALYSIS OF CONSOLIDATED CAPITAL OPERATIONS – SCHEDULE 2

as at December 31, 2003

(with comparative figures as at December 31, 2002)

	2003 BUDGET	2003 ACTUALS	2002 ACTUALS
	(\$000)	(\$000)	(\$000)
REVENUES			
Government of Canada transfers	108,430	14,322	63,406
Province of Ontario transfers	120,877	74,198	67,157
Other municipalities	6,101	120	9,129
Other	433,090	300,278	241,140
Total Revenues	668,498	388,918	380,832
NET EXPENDITURES FOR THE YEAR	(754,625)	(587,835)	(586,232)
FINANCING AND TRANSFERS			
New long-term debt and mortgages issued	439,574	300,000	152,078
Solid waste landfill obligations (Note 6)	-	(5,643)	29,806
Transfers from operating fund	165,015	515,732	199,654
Transfers from (to) reserves	78,258	80,669	(19,329)
Transfers from (to) reserve funds	70,220	(41,968)	1,402
Total Financing and Transfers	753,067	848,790	363,611
DECREASE IN NON-FINANCIAL ASSETS	-	-	(417)
NET INCREASE (DECREASE) IN CAPITAL FUND BALANCE FOR THE YEAR	(1,558)	260,955	(223,038)
CAPITAL FUND BALANCE – BEGINNING OF YEAR	1,558	(509,328)	(286,290)
CAPITAL FUND BALANCE – END OF YEAR	-	(248,373)	(509,328)

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

ANALYSIS OF CONSOLIDATED RESERVES AND CONSOLIDATED RESERVE FUNDS – SCHEDULE 3

as at December 31, 2003

(with comparative figures as at December 31, 2002)

	2003 BUDGET	2003 ACTUALS	2002 ACTUALS
	(\$000)	(\$000)	(\$000)
RESERVES			
TRANSFERS FROM (TO) OTHER FUNDS			
Operating fund	26,350	30,796	64,913
Capital fund	(78,258)	(80,669)	19,329
NET TRANSFERS FROM (TO) OTHER FUNDS FOR THE YEAR	(51,908)	(49,873)	84,242
RESERVES BALANCE – BEGINNING OF YEAR	319,558	319,558	235,316
RESERVES BALANCE – END OF YEAR	267,650	269,685	319,558
RESERVE FUNDS			
REVENUES			
Sale of land	27,509	21,013	7,822
Investment income	26,013	33,100	32,046
Other	36,043	38,675	61,670
TOTAL REVENUES	89,565	92,788	101,538
TRANSFERS FROM (TO) OTHER FUNDS			
Operating fund	25,254	(43,112)	(80,288)
Capital fund	(70,220)	41,968	(1,402)
NET TRANSFERS TO OTHER FUNDS	(44,966)	(1,144)	(81,690)
NET INCREASE IN RESERVE FUNDS BALANCE FOR THE YEAR	44,599	91,644	19,848
RESERVE FUNDS BALANCE – BEGINNING OF YEAR	571,834	571,834	551,986
RESERVE FUNDS BALANCE – END OF YEAR	616,433	663,478	571,834
TOTAL RESERVES AND RESERVE FUNDS	884,083	933,163	891,392

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003

1. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

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 controlled by the City.

Consolidated entities:

Agencies, Boards and Commissions

- Toronto Community Housing Corporation
- Exhibition Place
- Heritage Toronto
- Hummingbird Centre for the Performing Arts
- North York Performing Arts Centre Corporation
- St. Lawrence Centre for the Arts
- Toronto Atmospheric Fund
- Toronto Board of Health
- Toronto Licensing Commission
- Toronto Police Services Board
- Toronto Public Library Board
- Toronto Transit Commission
- Toronto Zoo

Arenas:

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

Community Centres:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003

Business Improvement Areas:

- Bloor Annex
- Bloor by the Park
- Bloorcourt Village
- Bloordale Village
- Bloor West Village
- Bloor-Yorkville
- Corso Italia
- Danforth
- Dovercourt Village
- Downtown Yonge
- Eglinton Hill
- Eglinton Way
- Forest Hill Village
- Gerrard India Bazaar
- Greektown on the Danforth
- Harbord Street
- Hillcrest Village
- Junction Gardens
- Kennedy Road
- Kingsway
- Lakeshore Village
- Liberty Village
- Little Italy
- Long Branch
- Mimico by the Lake
- Mimico Village
- Mount Dennis
- Old Cabbagetown
- Parkdale Village
- Pape Village
- Queen Broadview Village
- Roncesvalles Village
- St. Clair Gardens
- St. Lawrence Neighbourhood
- Upper Village (Toronto)
- Upper Village (York)
- Village of Islington
- Weston
- Yonge-Lawrence Village
- York-Eglinton

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 to 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 Corporation
- 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.

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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003

Use of Estimates

The preparation of these consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures for the year. These estimates and assumptions, including such areas as employee benefits, assessment appeals and environmental provisions, 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 any 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.

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.

Landfill Post-Closure Liabilities

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

Deferred Revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

Employee Benefits

The contributions to a multi-employer, defined benefit pension plan are expensed when contributions are due.

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

The costs of other employee benefits are actuarially determined using the projected benefits method pro rated 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 related to prior period employee services are accounted for in the period of the plan amendment. The effects of a gain or loss from settlements or curtailments are expensed in the period they occur. Net actuarial gains and losses related to compensated absences are amortized over the average remaining service life of the related employee group. Employee future benefit liabilities are discounted using current interest rates on long-term bonds. The costs of workplace safety and insurance obligations are actuarially determined and are expensed.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003

Government Transfers

Government transfers 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.

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 purposes by legislation, regulation or agreement. For financial reporting purposes, reserve funds set aside by legislation, regulation or agreement are reported as deferred revenue on the Consolidated Statement of Financial Position.

2. Investments

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

	2003		2002	
	Cost (\$000)	Market Value (\$000)	Cost (\$000)	Market Value (\$000)
Federal government bonds	445,720	457,825	577,731	601,884
Provincial government bonds	396,729	419,966	402,274	426,941
Municipal government bonds	275,960	289,901	314,514	329,794
Money market instruments	628,508	628,506	345,754	345,305
Other	391,038	389,997	240,578	229,103
	<u>2,137,955</u>	<u>2,186,195</u>	<u>1,880,851</u>	<u>1,933,027</u>

The weighted average yield on the cost of the bond investment portfolio during the year was 5.58% (2002 - 5.14%). Maturity dates on investments in the portfolio range from 2004 to 2029. Included in the City's investment portfolio are City of Toronto debentures at coupon rates varying from 5.15% to 8.00% and with a carrying value of \$108,181,000 (2002 - \$107,732,000). Investments other than government bonds consist of pooled investment funds held by the Toronto Community Housing Corporation as at December 31, 2003 amounting to \$131,198,526 (2002 - \$113,879,000) and term deposits and bankers' acceptances.

3. Note Receivable – Toronto Hydro Corporation

The note receivable from Toronto Hydro Corporation matures on May 6, 2008 and bears interest at a rate of 6.8% per annum (2002 - 6.8%). The City has the right to call up to \$330,000,000 of this note during any 12-month period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003

4. Investments in Government Business Enterprises

Government business enterprises consist of Toronto Hydro Corporation, Toronto Parking Authority, TEDCO and Enwave. The City holds an interest of approximately 43% (2002 - 31%) in Enwave and a 100% interest in the other government business enterprises. Details of the continuity of the book value of these investments are as follows:

	2003 (\$000)	2002 (\$000)
Balance - beginning of year	818,896	762,592
Adjustment to results reported by TEDCO for prior year	-	(139)
Balance - beginning of year, as restated	818,896	762,453
Results of operations (Appendix 2)	105,696	55,293
Dividends received (Appendix 2)	(5,000)	-
Net increase in value of Enwave investment arising from:		
Purchase of additional Enwave shares by other shareholder	-	1,150
Purchase of shares from other shareholder	15,769	-
Subscription to additional Enwave shares	6,689	-
Increase in equity during the year	123,154	56,443
Balance - end of year	942,050	818,896

The prior year's increase in investments in government business enterprises of \$56,304,000 is comprised of a prior year adjustment of (\$139,000) to TEDCO results and a change in equity during the year of \$56,443,000.

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

	2003 (\$000)	2002 (\$000)
Received by the City:		
Interest on note receivable from Toronto Hydro Corporation (Note 3)	66,656	66,656
Share of operating income from Toronto Parking Authority	29,256	28,736
Interest on loans to TEDCO	31	133
Purchased by the City:		
Streetlighting electricity and maintenance services from Toronto Hydro	16,255	14,854

Condensed financial results for each government business enterprise are disclosed in Appendix 2 to these notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003

5. Deferred Revenue

Revenues received and that have been set aside for specific purposes by legislation, regulation or agreement are included in deferred revenue and reported on the Consolidated Statement of Financial Position. Details of these revenues are as follows:

	2003 (\$000)	2002 (\$000)
Development Charges	128,056	108,459
Parkland Acquisition	65,897	55,960
Homes for the Aged	30,870	25,891
Social Housing Federal	28,618	17,961
Wastewater Capital	25,485	16,058
Subdividers' Deposits	17,495	16,321
Ontario Works	15,397	13,305
Parking	14,462	9,489
Kids @ Computers Scholarship Project	13,698	-
National Child Benefit Supplement	13,193	8,102
Toronto Performing Arts Centre Capital	5,214	5,065
Client ID and Benefits	4,111	3,889
Better Buildings Partnership	3,933	3,306
Hummingbird Centre Capital	3,822	3,813
Infrastructure	2,753	2,605
Water Capital	2,014	1,864
Toronto Zoo	1,253	1,079
Other	5,945	4,477
Total	382,216	297,644

6. 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 for over the estimated remaining life of active landfill sites based on usage.

The City has approximately 150 inactive landfill sites and retains responsibility for all costs relating to closure and post-closure care. The City closed its last remaining landfill site, Keele Valley, on December 31, 2002.

Closure of the Keele Valley landfill site involves 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 40 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 6%.

The estimated present value of future expenditures for closure and post-closure care as at December 31, 2003 is \$93,438,108 (2002 - \$99,081,000).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003

In order to help reduce the future impact of these obligations, the City has established a reserve fund for the care of these sites and maintains a trust fund in satisfaction of requirements of the Ministry of the Environment. The balance in the solid waste management perpetual care reserve fund as at December 31, 2003 was \$33,368,000 (2002 - \$32,733,000) (Appendix 1) and the balance in the Keele Valley Site Post-Closure Trust Fund as at December 31, 2003 was \$6,624,000 (2002 - \$6,466,000) (Note 13).

7. Mortgages Payable

The mortgages payable are obligations of the Toronto Community Housing Corporation ("TCHC") which has provided a security interest in the housing properties owned by TCHC. These properties have a net book value of \$1,420,834,000 (2002 - \$1,445,826,000) and have not been reflected in the Consolidated Statement of Financial Position.

Interest rates of the mortgages range from 4% to 13%. Principal repayments relating to the mortgages outstanding as at December 31, 2003 are due as follows:

	(\$000)
2004	24,245
2005	25,754
2006	27,355
2007	28,899
2008	30,701
Thereafter	880,124
	<u>1,017,078</u>

8. Net Long-Term Debt

Provincial legislation restricts the use of long-term debt to finance only capital expenditures. Provincial legislation allows the City to issue debt on behalf of the Toronto School Boards at the request of these boards. The responsibility of raising the amounts to service these liabilities lies with the respective school board. The debt is a direct, joint and several obligation of the City and the school boards.

Net long-term debt reported on the Consolidated Statement of Financial Position comprises the following:

	<u>2003</u>	<u>2002</u>
	(\$000)	(\$000)
Long-term debt issued by the City at various rates of interest ranging from 2.88% to 8.65%	1,943,017	1,889,480
Non-interest bearing loans payable to the Province of Ontario	175,331	183,750
Loan payable bearing interest at 8.05%	2,010	2,078
Sinking fund deposits	(643,570)	(732,731)
	<u>1,476,788</u>	<u>1,342,577</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003

Principal repayments relating to net long-term debt of \$1,476,788,000 outstanding as at December 31, 2003 are due as follows:

	(\$000)
2004	190,057
2005	181,535
2006	164,453
2007	146,561
2008	132,604
Thereafter	661,578
	1,476,788

Included in net long-term debt are outstanding debentures of \$1,615,000,000 (2002 - \$1,720,000,000) for which there are sinking fund assets with a carrying value of \$657,074,000 (market value - \$690,051,000). 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 \$191,340,000 (market value - \$199,257,071).

The City's long-term liabilities at the end of the year are to be recovered from the following sources:

	2003 (\$000)	2002 (\$000)
Property taxes	1,374,544	1,209,632
Water billings	10,935	18,256
Toronto District School Board	91,309	114,689
	1,476,788	1,342,577

9. Employee Benefit Liabilities

The City provides certain benefits, including retirement and other post-employment benefits, to most of its employees. Employee benefit liabilities as at December 31 are as follows:

	2003 (\$000)	2002 (\$000)
Future payments required for:		
Pension liabilities, other than OMERS	87,646	67,133
Sick leave benefits	285,845	268,368
Workplace Safety and Insurance Board obligations	266,673	276,827
Other employment and post-employment benefits	1,304,800	1,042,167
	1,944,964	1,654,495
Less: Unamortized actuarial loss	153,214	-
	1,791,750	1,654,495

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003

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

	<u>2003</u>	<u>2002</u>
	(\$000)	(\$000)
Balance – beginning of year	1,654,495	1,549,119
Current service cost	113,842	119,327
Interest cost	107,086	92,501
Cost of plan amendment	23,318	-
Amortization of actuarial loss	12,762	-
Expected benefits paid	<u>(119,753)</u>	<u>(106,452)</u>
Balance – end of year	<u>1,791,750</u>	<u>1,654,495</u>

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

	<u>2003</u>	<u>2002</u>
	(\$000)	(\$000)
Current period benefit cost	113,842	119,327
Amortization of actuarial loss	12,762	-
Interest cost	<u>107,086</u>	<u>92,501</u>
Total expenditures	<u>233,690</u>	<u>211,828</u>

Pension Plans

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

Because OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees. As result, the City does not recognize any share of the OMERS pension surplus or deficit. Due to past significant surpluses, OMERS declared a temporary contribution holiday for all active employees and participating employers, 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 2002. Contributions to the OMERS pension plan recommenced in January 2003 and amounted to \$20,705,000 for the year in respect of current service.

The amount contributed for past service to OMERS for the year ended December 31, 2003 was \$68,000 (2002 - \$121,000) and is included as an expenditure on the Consolidated Statement of Financial Activities.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003

The plans provide increases in pensions to retirees and their spouses to the extent that an actuarial surplus is available. As at December 31, 2003, there were 75 (2002 – 100) active members with an average age of 59. There were also 6,428 (2002 – 6,654) pensioners and 2,859 (2002 – 2,879) spousal beneficiaries in receipt of a pension, with an average age of 73. Pension payments and refunds during the year were approximately \$207,172,000 (2002 – \$212,169,000).

Employees contribute a portion (varying amounts ranging from 5% to 8.5%) of their salary to the pension plans 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 plans, the City retains the risk of the accrued benefit obligation. The pension plan assets are invested in Canadian and foreign equities, bonds and debentures and other short-term investments.

One of the plans is in a surplus position. The accrued benefit asset of this plan as at December 31 includes the following components:

	2003 (\$000)	2002 (\$000)
Accrued benefit obligation – end of year	413,677	420,787
Pension plan assets – end of year	458,858	445,255
Net pension asset	45,181	24,468
Unamortized actuarial losses	85,860	111,391
Accrued benefit asset	131,041	135,859

Since there is uncertainty about the City's right to this accrued benefit asset, this amount has not been reflected on the Consolidated Statement of Financial Position.

The remaining four plans are in a deficit position. The accrued benefit asset of two of these plans as at December 31 includes the following components:

	2003 (\$000)	2002 (\$000)
Accrued benefit obligation – end of year	1,175,242	1,169,589
Pension plan assets – end of year	1,084,969	1,070,453
Net pension liability	90,273	99,136
Unamortized actuarial losses	290,550	326,524
Accrued benefit asset	200,277	227,388

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003

The accrued benefit asset of the above two plans has not been reflected on the Consolidated Statement of Financial Position as the City will not realize any future benefit from this asset.

The accrued pension liability of the two remaining pension plans as at December 31 is included in employee benefit liabilities on the Consolidated Statement of Financial Position and includes the following components:

	2003 (\$000)	2002 (\$000)
Accrued benefit obligation – end of year	992,770	1,006,469
Pension plan assets – end of year	737,684	735,369
Net pension liability	255,086	271,100
Unamortized actuarial losses	167,440	203,967
Accrued pension liability	87,646	67,133

Actuarial valuations for funding purposes for each of the five plans are carried out annually using the projected benefit method pro rated on service. The most recent actuarial funding reports were prepared as at December 31, 2003. The accrued benefit obligation as at December 31, 2003 is based on actuarial valuations for accounting purposes as at December 31, 2003. The unamortized actuarial losses in the five plans are being amortized on a straight-line basis. As most of the members are no longer active, the actuarial losses are being amortized over a ten to fifteen year period, being the expected average remaining life expectancy of the inactive members.

The actuarial valuations were based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases and employee turnover and mortality. The assumptions used reflect the City's best estimates. The inflation rate is estimated at 3% per annum (2002 – 2.5%) and the rate of compensation increase is estimated at 4% per annum (2002 – 4%). The discount rate used to determine the accrued benefit obligation is 6.25% per annum (2002 – 6.9%)

Pension plan assets are valued at market values. The expected rate of return on plan assets is 7% per annum net of all administrative expenses. The return on the market value of plan assets during the year was 12% (2002 – negative 2.2%).

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

	2003 (\$000)	2002 (\$000)
Cost of plan amendments	1,620	-
Current period benefit cost	369	576
Amortization of actuarial losses	14,640	4,448
Interest cost on the average accrued benefit obligation	60,581	63,310
Expected return on average pension plan assets	(49,112)	(61,066)
Net expenditures related to pension plans	28,098	7,268

The net expenditures related to the pension plans in a deficit position are included in the Consolidated Statement of Financial Activities as a component of expenditures.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003

Vested Sick Leave Benefit Liability

Under the sick leave benefit plan, employees are credited with a maximum of 18 days sick time per annum. Unused sick leave can accumulate and employees may become entitled to a cash payment, capped at one half of unused sick time to a maximum of 130 days when they leave the City's employment. The liability for the accumulated sick leave represents the extent to which sick leave benefits have vested and could be taken in cash by employees on termination. A sick leave reserve fund is established to help reduce the future impact of these obligations. As at December 31, 2003 the balance in the sick leave reserve fund is \$88,416,000 (2002 - \$93,401,000).

Workplace Safety and Insurance Board 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, 2003 the balance in the Workers' Compensation reserve fund is \$23,997,000 (2002 - \$19,574,000). Payments during the year by the City to the Workplace Safety and Insurance Board amounted to \$24,438,000 (2002 - \$23,270,000).

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 is established to help reduce the future impact of these obligations. As at December 31, 2003 the balance in the employee benefits reserve fund is \$152,028,000 (2002 - \$141,446,000).

Due to the complexities in valuing 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, 2003. Many of the estimates and assumptions used may change significantly with the next detailed valuation. The significant actuarial assumptions adopted in measuring the City's accrued benefit obligations for other retirement and post-employment benefits are as follows:

	2003	2002
Discount rate	5.5% to 6%	6% to 6.5%
Rate of compensation increase	3%	3%
Health care inflation – Hospital, dental care and other medical	4.5%	5%
Health care inflation – Drugs	12%	4%

The health care inflation rate for drugs is assumed to reduce to 5.5% over 10 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003

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:

	2003 (\$000)	2002 (\$000)
TCHC mortgages	1,017,078	1,035,843
Net long-term debt	1,476,788	1,342,577
Employee benefit liabilities	1,791,750	1,654,495
Solid waste landfill liabilities	93,438	99,081
	<u>4,379,054</u>	<u>4,131,996</u>
Less amounts recoverable from school boards	91,309	114,689
	<u>4,287,745</u>	<u>4,017,307</u>

11. Capital Fund

The balance of the Capital Fund, reported on the Consolidated Statement of Financial Position, represents the net financial position of all uncompleted capital projects as at December 31 and is analyzed as follows:

	2003 (\$000)	2002 (\$000)
Capital financing received in advance of expenditures	236,621	242,158
Capital expenditures yet to be financed	484,994	751,486
Capital Fund Balance	<u>(248,373)</u>	<u>(509,328)</u>
Capital expenditures yet to be financed are to be funded in future years as follows:		
Long-term liabilities	396,962	377,786
Developer recoveries and reserves	76,591	41,949
Other	11,441	331,751
	<u>484,994</u>	<u>751,486</u>

Approval has been received for future issuance of \$517,712,000 in long-term liabilities, which includes the \$396,962,000 noted above. The remaining \$120,750,000 in approved long-term debt is for capital expenditures yet to be incurred.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003

12. Expenditures by Object

Expenditures by object comprise the following:

	2003	2002
	(\$000)	(\$000)
Salaries, wages and benefits	3,319,439	3,119,386
Materials	1,970,613	1,646,260
Contracted services	942,775	890,699
Interest on long-term debt	108,916	110,626
Transfer payments	153,589	184,796
Other	889,102	1,129,427
	<u>7,384,434</u>	<u>7,081,194</u>

13. Trust Funds

Trust funds administered by the City amounting to \$47,095,000 (2002 - \$46,840,000) 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:

	2003	2002
	(\$000)	(\$000)
Toronto Atmospheric Trust Fund	24,349	24,431
Keele Valley Site Post-Closure (Note 7)	6,624	6,466
Homes for the Aged - Residents	6,292	6,308
Development Charges Trust - Railway Lands	2,424	1,452
Library Trusts	1,970	1,941
Police Trust Funds	1,025	1,171
Community Services Levies	972	703
Contract Aftercare	933	915
Waterpark Place	870	844
Development Charges Trust - Queen's Quay	436	425
Ontario Home Renewal Program	413	377
Heritage and Culture Trusts	341	330
Lakeshore Pedestrian Bridge	199	193
Candidates Municipal Election Surpluses	40	1,131
Other trust funds	207	153
	<u>47,095</u>	<u>46,840</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003

14. Public Liability Insurance

Exposures 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, is available to cover self-insured exposures, including public liability claims. The provision during the year for insurance claims amounted to \$11,326,000 (2002 - \$9,821,000) and is included in the various categories on the Consolidated Statement of Financial Activities.¹

15. Budget Data

Budget data for 2003 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.

16. Contingencies and Commitments

The City is subject to various litigations and claims arising in the normal course of its operations. The final outcome of the outstanding claims cannot be determined at this time. However, management believes that the ultimate disposition of these matters will not materially exceed the amounts recorded in the accounts.

A class action claiming \$500,000,000 in restitution 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 annum, which is illegal under Section 347(1)(b) of the Criminal Code. The Electricity Distributors Association, in co-operation with Toronto Hydro Corporation, is undertaking the defence 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.

A similar class action claiming \$64,000,000 in restitution payments plus interest was commenced against the former Toronto Hydro-Electric Commission on April 28, 1994. The action was initiated against the Toronto Hydro-Electric Commission directly as a municipal electrical utility that made late payment charges on overdue utility bills at any time after April 1, 1981. In the action, the proposed representative plaintiffs allege that late payment charges resulted in the Toronto Hydro-Electric Commission receiving interest at effective rates in excess of 60% per annum, which is illegal under Section 347(1)(b) of the Criminal Code. The Electricity Distributors Association, in cooperation with Toronto Hydro Corporation, is undertaking the defence of this class action. The action is at a preliminary stage. No examinations for discovery have been conducted and no class has been certified for purposes of the action. At this time it is not possible to quantify the effect, if any, of this claim on these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003

A class action claiming \$500,000,000 in damages, plus interest and costs was served on the Toronto Transit Commission on November 30, 2001. The claim is based on alleged exposure by workers to asbestos during construction work at the Sheppard Subway Station. The claim also names the Ministry of Labour and an environmental consultant company as defendants and alleges various violations of the Occupational Health and Safety Act and its regulations. The action has not proceeded to the stage involving the motion of certification. At this time, it is not possible to quantify the effect, if any, of this claim in these consolidated financial statements.

Capital commitments outstanding as at December 31, 2003 include the purchase and delivery of 120 buses for which payments amounting to \$67,000,000 are to be made. Subsequent to December 31, 2003, a contract option was exercised for the purchase and delivery in 2005 of an additional 250 buses for an additional cost of \$127,600,000.

The Ministry of the Environment has issued Certificates of Approval for nine 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 6).

The City has provided unconditional loan guarantees to certain third parties amounting to \$39,140,000 (2002 - \$19,140,000), primarily related to possible defaults in financial agreements for certain construction projects.

As at December 31, 2003, the City is committed to future minimum annual operating lease payments for premises and equipment as follows:

	(\$000)
2004	40,116
2005	22,357
2006	11,145
2007	5,870
2008	4,242
Thereafter	11,340
	<u>95,070</u>

17. Public Sector Salary Disclosure Act 1996

The Public Sector Salary Disclosure Act, 1996 (the "Act") requires the disclosure of the salaries and benefits of employees in the public sector who are paid a salary of \$100,000 or more in a year. The City complies with the Act by providing the information to the Ontario Ministry of Municipal Affairs and Housing for disclosure on the public website.

18. Comparative Consolidated Financial Statements

These consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2003 consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – APPENDIX 1

December 31, 2003

Details of reserves and reserve funds

	2003	2002
	(\$'000)	(\$'000)
RESERVES		
Working Capital	79,396	81,663
Vehicle and Equipment	50,164	51,842
Wastewater Stabilization	45,771	40,471
Water Capital Financing Stabilization	38,266	81,684
Water Stabilization	22,358	29,154
Waste Management	15,493	15,166
Winter Control Stabilization	9,067	13,195
Arbitration and Legal Awards	3,652	3,652
Other reserves	5,518	2,731
	<u>269,685</u>	<u>319,558</u>
RESERVE FUNDS		
Employee Benefits (Note 9)	152,028	141,446
Social Assistance Stabilization	94,423	81,656
Land Acquisition	93,188	27,038
Sick Leave (Note 9)	88,416	93,401
Capital Financing	42,147	25,548
Social Housing Stabilization	39,313	34,318
Solid Waste Management Perpetual Care (Note 6)	33,368	32,733
Workers' Compensation (Note 9)	23,997	19,574
Capital Revolving Fund – Affordable Housing	23,934	23,139
Provincial Offence Courts Stabilization	17,167	19,647
Child Care Capital	14,293	14,135
Roadway and Sidewalk Repair	5,437	5,145
Mayor's Homeless Initiative	5,055	4,783
Insurance	4,182	11,832
Election	3,206	5,599
Environmental Liability	2,862	2,708
Emergency Technology Acquisition	2,759	2,027
Wheel Trans Vehicle	2,644	2,501
Road Enhancement	2,286	2,163
Child Care Expansion	1,772	2,773
Civic Centre Expansion	1,525	1,443
Casa Loma Capital Maintenance	983	1,110
Enwave Capital	859	7,738
All Borough Loan	470	442
Cultural Facilities Capital Grant	418	1,018
Exhibition Place Stabilization	-	1,403
TTC Operating Stabilization	-	63
Other reserve funds less than \$1,000,000	6,746	6,451
	<u>663,478</u>	<u>571,834</u>
	<u>933,163</u>	<u>891,392</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – APPENDIX 2

December 31, 2003

Government Business Enterprises Condensed Financial Results (\$'000)

Financial Position	Toronto Hydro		Toronto Parking Authority		TEDCO		Enwave		Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Assets										
Current	738,146	564,085	10,615	15,203	11,928	16,101	5,348	9,259	766,037	604,648
Capital	1,561,132	1,573,216	107,757	98,379	30,508	30,108	185,992	130,577	1,885,389	1,832,280
Other	175,123	186,443	19,048	19,500	32,998	31,872	4,144	3,775	231,313	241,590
	2,474,401	2,323,744	137,420	133,082	75,434	78,081	195,484	143,611	2,882,739	2,678,518
Liabilities										
Current	681,839	1,509,454	18,538	24,001	6,228	8,207	28,106	13,054	734,711	1,554,716
Long-term	1,040,181	152,490			57,578	57,396	29,876	17,155	1,127,635	227,041
	1,722,020	1,661,944	18,538	24,001	63,806	65,603	57,982	30,209	1,862,346	1,781,757
Net equity	752,381	661,800	118,882	109,081	11,628	12,478	137,502	113,402	1,020,393	896,761
City's share	752,381	661,800	118,882	109,081	11,628	12,478	59,159	35,537	942,050	818,896
Results of Operations										
Revenues	2,508,961	2,436,197	88,766	86,141	8,446	8,549	52,484	35,083	2,658,657	2,565,970
Expenses	2,413,380	2,390,751	78,965	76,391	9,296	7,525	49,779	38,042	2,551,420	2,512,709
Net Income (loss)	95,581	45,446	9,801	9,750	(850)	1,024	2,705	(2,959)	107,237	53,261
City's share	95,581	45,446	9,801	9,750	(850)	1,024	1,164	(927)	105,696	55,293
Dividends Paid	5,000	-	-	-	-	-	-	-	5,000	-