2010 CITY OF TORONTO FINANCIAL REPORT

For the fiscal year ending December 31, 2010, City of Toronto, Ontario, Canada

TORONTO

CITY OF TORONTO FINANCIAL REPORT | 2010

For the fiscal year ending December 31, 2010

This report was prepared by:
The City of Toronto, Accounting Services, Corporate Finance,
Design Services and Finance & Administration Communications

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Canadian Award for Financial Reporting

Presented to

City of Toronto
Ontario

For its Annual
Financial Report
for the Year Ended

December 31, 2009

A Canadian Award for Financial Reporting
is presented by the Government Finance Officers
Association of the United States and Canada
to government units whose annual financial reports
achieve the highest program standards for Canadian
Government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Canadian Award of Financial Reporting to the City of Toronto for its annual financial report for the fiscal year ended December 31, 2009. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.

In order to be awarded a Canadian Award for Financial Reporting, a government unit must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments, and address user needs.

A Canadian Award for Financial Reporting is valid for a period of one year only. The City of Toronto is continuing this standard of high quality reporting for the submission and evaluation to the GFOA for the 2010 Award Program.

A MESSAGE FROM TORONTO MAYOR

ROB FORD

2010 has ushered in a new era in Toronto's history. We are moving forward in a new direction with a focus on saving hard-earned tax dollars, improving customer service and getting the City of Toronto back on a strong financial foundation.

The people of Toronto have made it clear what they want from this City. They want us to reduce expenses, hold the line on taxes, improve customer service and maintain our core services at a high standard.

We have talked to taxpayers. We have reduced Councillors' spending and put plans in place to review City services to look for efficiencies and savings opportunities for taxpayers. I believe that we can get the City's finances in order without eliminating the services that Toronto residents and businesses rely on.

In December 2010, Council voted to abolish the City's $60 Personal Vehicle Tax; in 2011, $64 million was given back to Toronto taxpayers. We have also held the line on property taxes.

Looking forward, we will continue to look for efficiencies and savings opportunities for Toronto taxpayers. We are focusing on our priorities for the City of Toronto, which are to improve customer service, be more transparent and accountable, and reduce the cost of government in order to support the priorities of taxpayers.

Our government has been working hard and we will continue to do so because we understand that our dollars are taxpayers' dollars.

This is a new time with new directions and opportunities and I would like to thank all City staff and City leaders for their hard work, commitment and dedication.

It is time to put people and families back at the centre of everything we do and help build a better city. I will continue my commitment to doing what's right for taxpayers.

Rob Ford, Mayor
City of Toronto

A MESSAGE FROM THE CITY MANAGER

JOSEPH P. PENNACHETTI

It is with pleasure that I introduce the 2010 Financial Report. The annual report provides details about the City's financial performance and achievements for 2010.

With the economy recovering in late 2009, the City experienced a significant surplus in 2010. This was achieved primarily through higher than anticipated Municipal Land Transfer Tax revenues, increased TTC ridership, better than expected property tax growth, lower than expected Ontario Works caseloads and spending restraint. A substantial portion of this surplus was applied to balance the 2011 budget.

Despite the good news in 2010, the City continues to face major financial challenges. The City must reduce its reliance on one-time revenues such as the previous year's surplus and it must eliminate the annual structural shortfall caused by expenses and capital financing charges that are growing faster than our revenues.

In December of 2010, I informed Council of our intent to carry out three major reviews to improve the City's fiscal sustainability:

1. A core services review to assess what services the City provides as compared to major cities in other jurisdictions
2. A series of service efficiency studies of selected City Divisions, Agencies, Boards and Commissions to recommend how we can lower the cost of service delivery
3. A comprehensive user fee review to determine who should pay for City services and at what level

These reviews will inform Council for its 2012 operating budget deliberations and beyond to reach firm financial sustainability.

Toronto currently has relatively low debt levels as compared to other municipalities its size and continues to enjoy an "AA or AA+" credit rating. We have a long-term fiscal plan to ensure that debt levels continue to be affordable despite the significant investments being made in transit rolling stock over the next five years.

Despite all the challenges of the past year, City staff were able to deliver high quality services to the people of Toronto. I would like to thank the Toronto Public Service for their hard work and dedication. I am proud to lead a staff committed to enhanced customer service to the residents and businesses of Toronto.

Joseph P. Pennachetti
City Manager

2010 INTRODUCTION

CITY OF TORONTO FINANCIAL REPORT

A PROFILE OF TORONTO

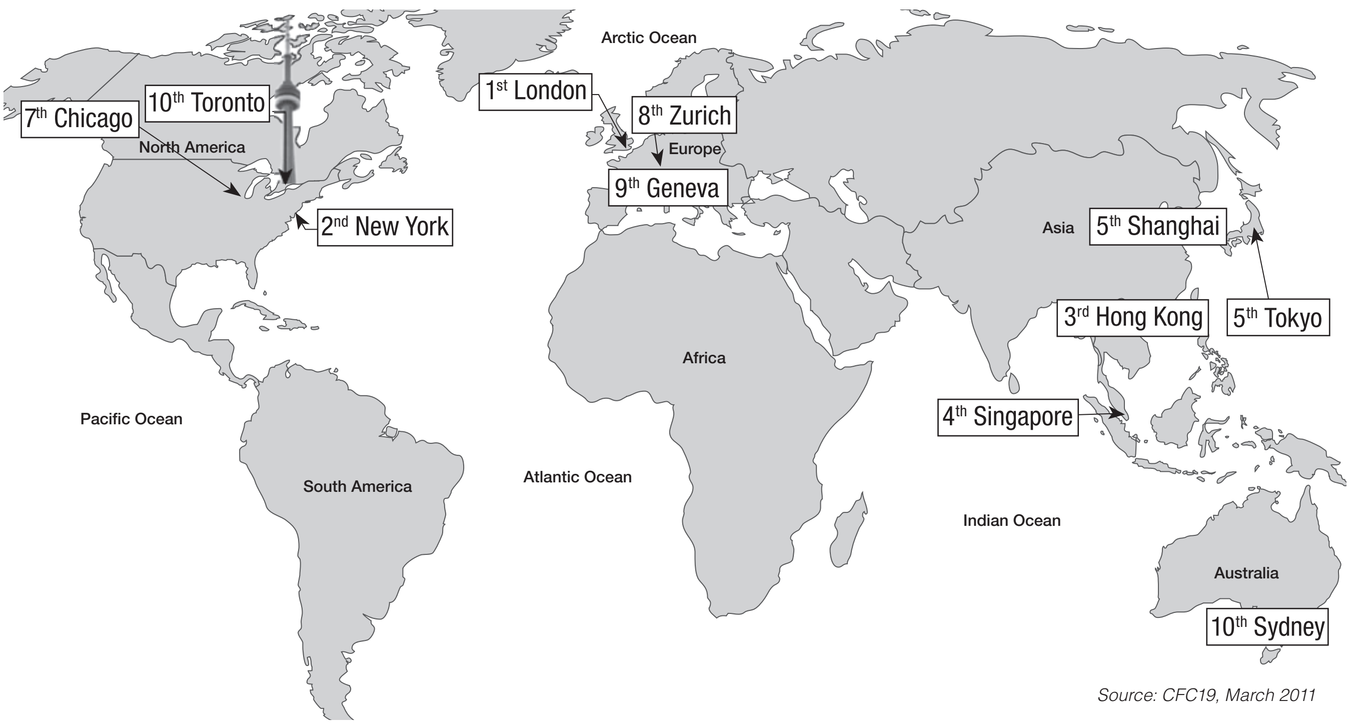
TORONTO IN WORLD RANKINGS

Toronto is one of the most liveable and competitive cities in the world as demonstrated by various international rankings and reports. In addition to securing its position on the world stage, Toronto's rankings confirm that it continues to offer a high quality of life for about 2.7 million residents who choose to live and work here.

- **World's Top Ten Global Financial Centres**
  Global Financial Centres Index (GFCI 9), Z/Yen Group & City of London, March 2011

  In the March 2011 Global Financial Centres Index (GFCI 9), Toronto has risen from 12th place to equal 10th with Sydney, Australia and was considered the clear leader in Canada. Toronto remains among the top three global leaders in North America, behind New York and Chicago but ahead of Boston and San Francisco. The GFCI 9 report evaluated the competitiveness of 75 financial centres worldwide using results of online surveys completed by financial services leaders. The survey is updated every six months.

Top Ten Global Financial Centres



Source: CFC19, March 2011

- **2nd Greenest Canadian City in Leading the Fight against Climate Change**
  World Wildlife Fund, March 2011

  The World Wildlife Fund Canada's Earth Hour List, compiled in partnership with Corporate Knights magazine, highlighted positive actions being taken by municipalities to fight climate change. Toronto was ranked second with a score of 7.2 out of ten, behind Vancouver. Each city was ranked out of 10 points, based on specific, climate-change related indicators, including: greenhouse gas emission reduction, municipal greenhouse gas reduction targets, renewable energy, green building and green transportation.

- **4th in the World's Liveability Survey**
  Economist Intelligence Unit, March 2011

  The Economist Intelligence Unit's Liveability Survey ranked Toronto 4th in the world for liveability, after Vancouver, Melbourne and Vienna. This is the second time Toronto has received this ranking from the Economist Intelligent Unit. The liveability rating, part of the Worldwide Cost of Living Survey, quantifies the challenges that might be presented to an individual's lifestyle in 140 cities worldwide. Each city is assigned a score for over 30 qualitative and quantitative factors across five broad categories: stability, healthcare, culture and environment, education, and infrastructure.

- **Canada's Best Sustainable Cities**
  2011 Most Sustainable Cities in Canada, Corporate Knights, February 2011

  For the second year in a row, Toronto ranked the top amongst Canada's big cities. Corporate Knights' annual Sustainable Cities report measured the relative sustainability of 17 Canadian cities, considering the ability of individuals and communities to flourish without contributing to the progressive degradation of the human and natural systems, such as ecological integrity, economic security, governance and empowerment, infrastructure and built environment, and social well-being.

- **Lowest Risk City in the World for Employers**
  Aon Consulting, September, 2010

  In a global study, Aon Consulting's People Risk Index found that Toronto has the lowest risk to recruit, employ and relocate employees. The Index measured the risks that organizations face with recruitment, employment and relocation in 90 cities worldwide by analyzing demographics, education, employment practices and government regulations. Aon selected the 90 cities based on population size, rate of population growth, level of business investment and geographic spread in the world. The top five lowest risk cities for employers are Toronto, New York, Singapore, London and Montreal.

- **8th on the Scorecard on Prosperity 2011**
  Toronto Board of Trade, March 2011

  Toronto ranked 8th in the overall city ranking in the Toronto Board of Trade's report Toronto as a Global City: Scorecard on Prosperity 2011, which was a benchmarking study that provided a detailed understanding of how Toronto and four other Canadian cities rank against 19 other global centres, on issues related to the economy and labour attractiveness. Toronto ranked second behind Calgary amongst Canadian cities, and was ahead of global cities like New York, Tokyo and Hong Kong.

- **6th as the World's Most Business Competitive Global Cities**
  KPMG's 2010 Competitive Alternatives Study, March 2010

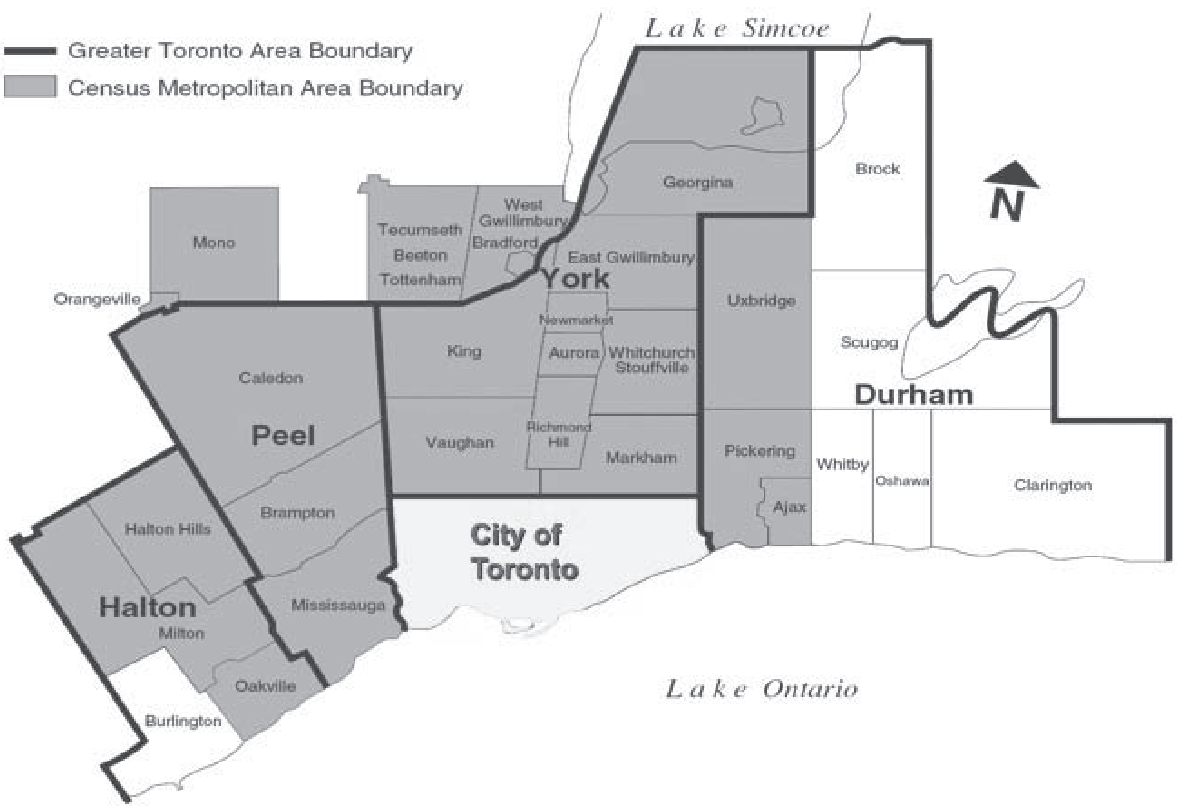
  Toronto continues to offer one of the most cost-effective business and investment climates in the world, ahead of U.S. cities such as Chicago and New York, and other global cities such as London and Paris. The KPMG study measured 27 business cost components and non-cost competitiveness factors in 10 countries and more than 100 cities around the world.

The City of Toronto is Canada's largest city with a population of 2.7 million residents. It is the heart of a large urban agglomeration of 5.7 million called the Greater Toronto Area (GTA)[1]. The City has one of the most ethnically diverse populations in North America. Almost one in four visible minority persons in Canada resides in Toronto. Nearly half of the City's population (47%) is visible minorities.

Toronto, with 83,000 businesses, is the major economic engine of the country. The City is both the political capital of the Province of Ontario and the corporate capital of Canada. As well, it is the major centre for culture, entertainment and finance in the country. The City is the home to more national and internationally ranked companies than any other city in Canada.

The GTA is one of the largest regional economies in North America, characterized by concentrated and fast-growing finance-related industries and highly specialized knowledge-based jobs. An estimated $280 billion of goods and services (GDP 2010) are produced in the Toronto Census Metropolitan Area (CMA)[2]. The City of Toronto accounts for just over half of this total (2010: $144 billion). As well, the City accounts for 24% of the province's and about 9% of the country's economic output.

City of Toronto, GTA and CMA



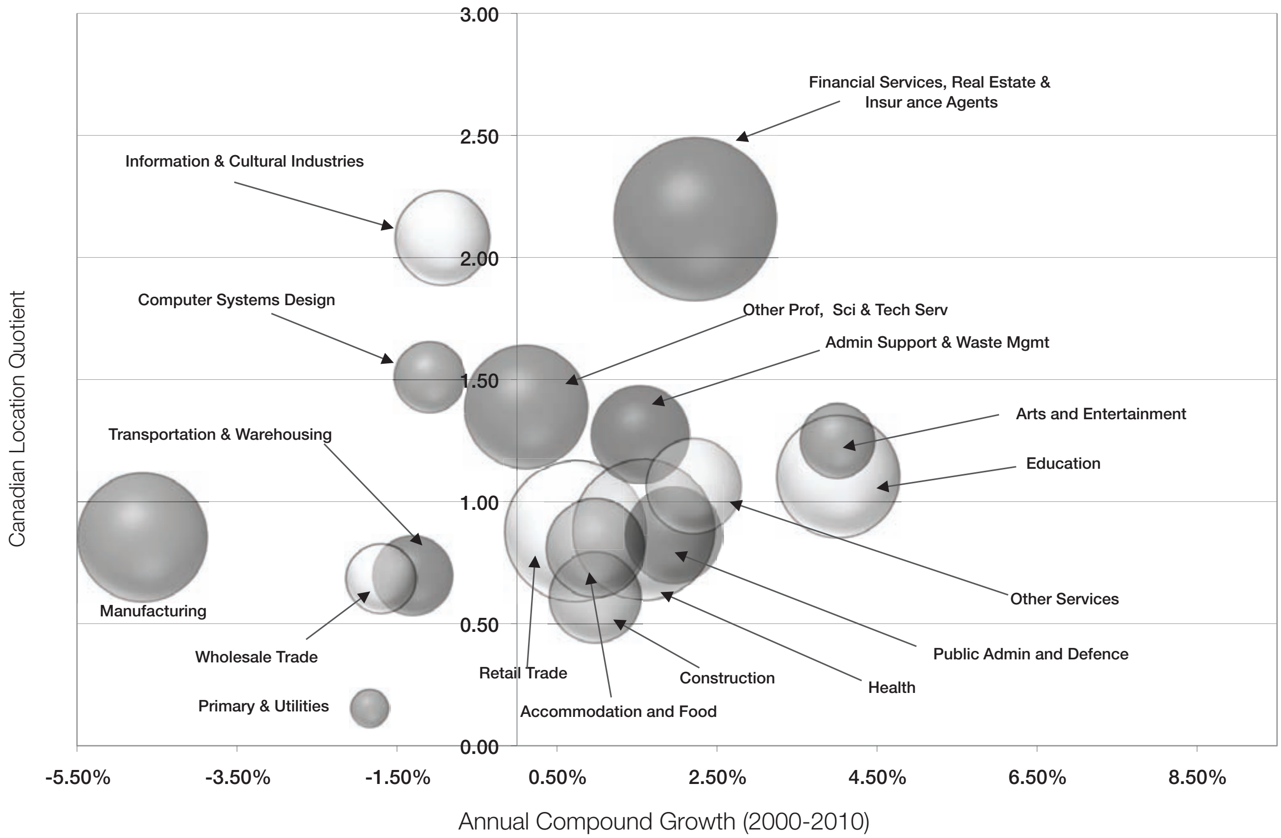
[1]Greater Toronto Area (GTA) refers to the City of Toronto plus the surrounding regions of Durham, York, Peel and Halton which include four upper tier and 24 lower tier municipalities.

[2]Toronto Census Metropolitan Area (CMA) refers to the municipalities assigned by Statistics Canada on the basis of labour market and commuting criteria. It comprises the City of Toronto and 23 other municipalities.

Key Employment Sectors

The following graphic recognizes the diverse nature of the City of Toronto's economy while providing some useful insights into the City's key employment sectors. The size of a sector bubble represents employment size. The horizontal position of a sector bubble on the graphic denotes industry growth rate. The vertical position on the graph denotes the concentration of the sector's employment within the City relative to other major cities in Canada. Therefore the sectors at the top of the chart are exported goods and services and the ones to the right are growing more rapidly than others.

CITY OF TORONTO JOBS



Source: Economic Research, Economic Development & Culture Division, City of Toronto

From the graph it is noted that the Finance, Insurance and Real Estate industries (FIRE), Information & Cultural industries, Computer Systems Design and other Professional, Science and Technical Services have the highest concentration of employment in Toronto in comparison to other Canadian cities. High growth industries include Arts and Entertainment, Education and FIRE. In addition, FIRE, Retail Trade, Health and Manufacturing are the largest sectors in terms of employment.

One significant trend is that employment in the Manufacturing industry in the City, though still one of the largest sectors, has been on the decline at an average annual rate of 4.7% from 2000 to 2010. By 2010, the number of employed people in the Manufacturing industry was less than 2/3 of what it was in 2000.

The FIRE sector is emerging as the one of Toronto's highest growth industries with a large and highly concentrated workforce. The Toronto region is home to the functional head offices of the five major banks in Canada. Banking in Canada is widely considered the most efficient and safest banking system in the world, ranking as the world's soundest banking system according to a 2008 World Economic Forum report, ahead of Sweden, Luxembourg, Australia, Denmark and the Netherlands. By contrast, the United States was ranked the 40th. Most recently, five of Canada's biggest financial institutions have been named to a list of the world's strongest banks. The May 2011 study by Bloomberg Markets, which reviewed the quality and stability of a firm's holdings, indicated that Canada had the most banks on the lists (with five). It is further proof that Canada has the most secure banking system in the world.

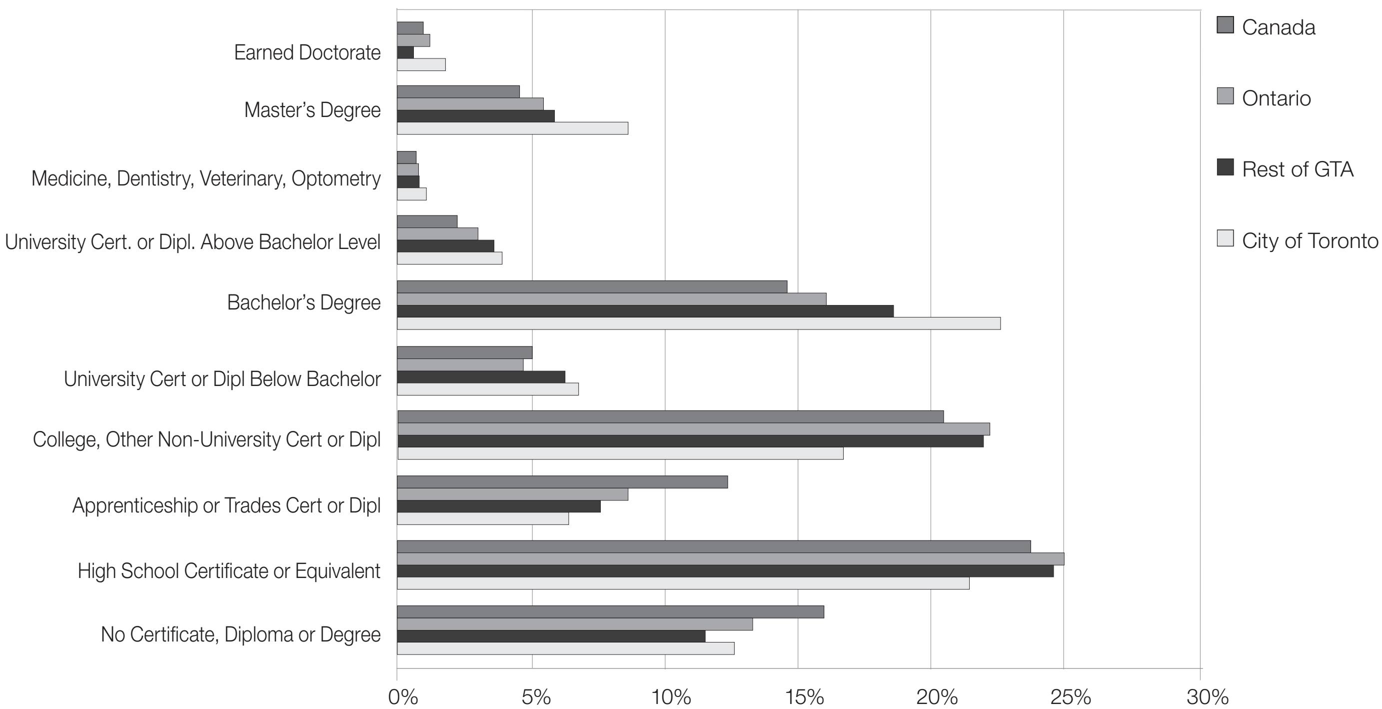
As part of the health sector, the biomedical and biotechnology cluster in Toronto is the fourth largest in North America. The Discovery District is a downtown research park with 7 million sq. ft. of facilities — Canada's largest concentration of research institutes, business incubators and business support services. The Medical and Related Sciences (MaRS) project, Faculty of Pharmacy building at the University of Toronto, and the Centre for Cellular and Biomolecular Research (CCBR) help give the Discovery District its name.

The information and culture sector is one of the high concentration sectors in the City. Toronto has undergone a 'cultural renaissance' with the unprecedented building and architectural transformation of close to a dozen major arts and cultural institutions, including the Michael Lee-Chin Crystal (expansions to the Royal Ontario Museum), the Art Gallery of Ontario, the new home of the Toronto International Film Festival, the Four Seasons Centre for the Performing Arts which is the new home of the National Ballet of Canada, the Canadian Opera Company, and the Gardiner Museum of Ceramic Art. The production of domestic and foreign film and television is a major local industry. Toronto contains the headquarters of the major English-language Canadian television networks such as CBC, CTV, Citytv and Global. Toronto is home to two national daily newspapers (Globe and Mail and National Post), two local daily newspapers (Toronto Star and Toronto Sun), close to ten ethnic daily newspapers and many other community papers.

Workforce

Toronto has a large educated, skilled and multilingual workforce. Toronto is the home to four universities (University of Toronto, York University, Ryerson University, and Ontario College of Art and Design), and four community colleges (Centennial, Seneca, Humber and George Brown). More than 60% of Toronto workers have post-secondary degrees, diplomas or certificates.

POPULATION AGE 25 - 64 BY EDUCATION



Source: Statistics Canada (2006)

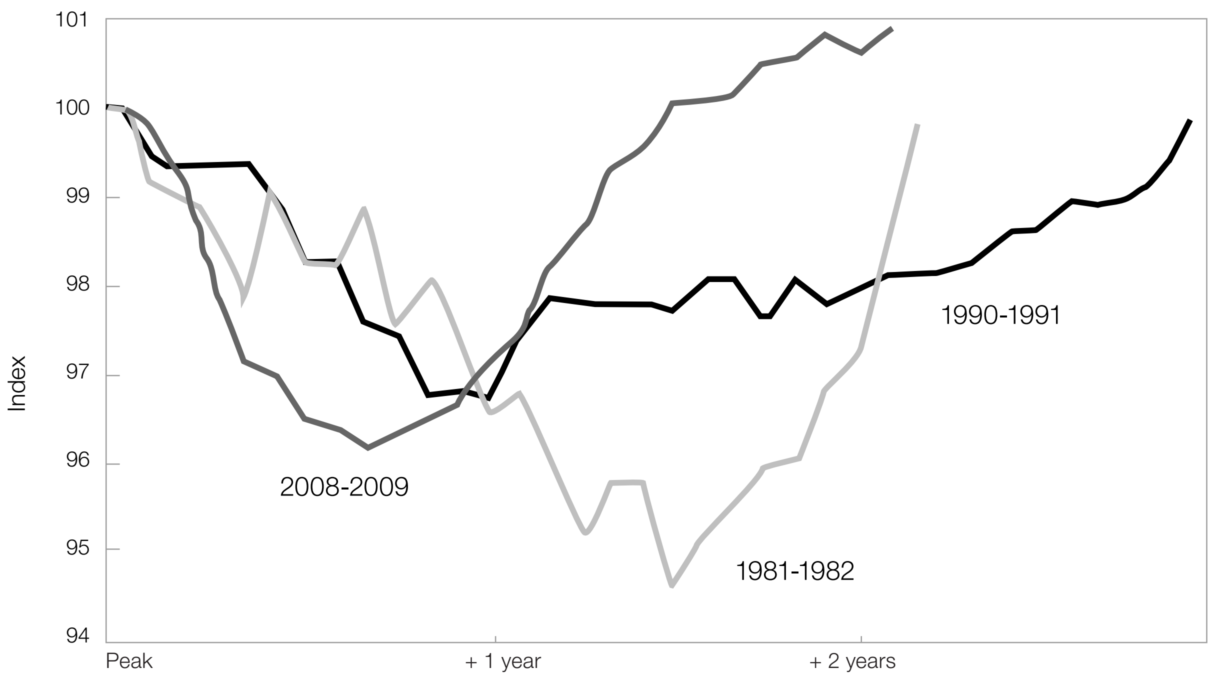
With an estimated 1.6 million people working in the City of Toronto, it continues to be a net importer of labour from the surrounding regions. The net inflow of people to the city is estimated to be over two hundred thousand people every day. However the surrounding regions are changing rapidly in that they are experiencing growth in manufacturing and other types of employment and thus transforming themselves from residential suburbs to employment destinations. The rest of the GTA has now also become a net importer of labour from the surrounding regions beyond the GTA.

Economic Growth

Canada emerged from the world's economic recession (technically defined as two consecutive quarters of negative GDP growth) in late 2009. According to Statistics Canada, the 2008-2009 recession was less severe than those in 1981-1982 and 1990-1992 with respect to economic contraction and employment. Moreover, Canada's recession was less pronounced than in other major industrialized countries. Canada is the only G7 nation where output, private domestic demand, and employment have returned to pre-recession levels by 2010.

CANADA'S ECONOMY RECOVERED FASTER THAN THE TWO PREVIOUS RECESSIONS

GROSS DOMESTIC PRODUCT CYCLES



Source: Statistics Canada, Canadian Economic Observer Jan 2011

At the end of 2009 and early 2010, Canada's economic rebound was driven by buoyant consumer spending, a hot housing market, and significant government fiscal stimulus. However, the economic growth had slowed down towards the end of 2010, and was projected to continue to slow into 2011 due to a retreat in both household and government spending. Canada's real GDP is forecasted to grow by a modest 2.5% in 2011, but advance 2.9% in 2012 in line with a more robust U.S. recovery.[3]

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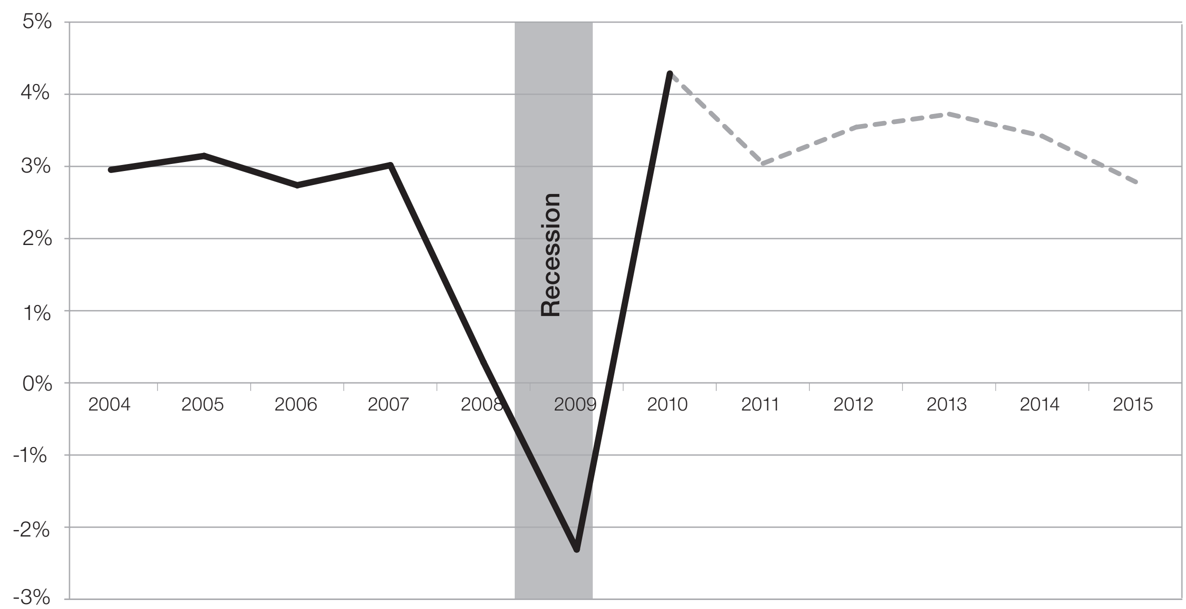
[3]Conference Board of Canada Metropolitan Outlook: Winter 2011 issue

At the provincial level, Ontario was amongst the harder-hit provinces in the latest recession due to its concentration of the auto and manufacturing industries. After taking a heavy beating in 2009, Ontario rebounded with healthy growth largely due to a quick recovery in auto and parts exports, outperforming all Canadian provinces. The Conference Board forecasted that Ontario's real GDP would grow by 2.6% in 2011, followed by a healthy 3% in 2012, fuelled by solid growth in business investment and rising exports.[3]

At the local level, the goods sector was hardest hit during the economy downturn that began in Toronto in the third quarter of 2008 into 2009. However, the region's economy grew at an astounding rate in 2010, led by renewed strength in manufacturing, construction, and wholesale and retail trade, as well as government stimulus spending. Compared with the surrounding GTA regions, the city has fared better thanks to its diversified economy. The housing sector has been resilient, which in turn has had a positive impact on the finance, insurance and real estate sectors. In addition, preparation for the 2015 Pan Am Games in Toronto and Hamilton could provide an economic stimulus in non-residential construction. The chart below illustrates the Conference Board forecast showing that Toronto CMA would enjoy real GDP growth at annual rates of 3.0% (2011) and 3.4% (2012 – 2015).[3]

GDP GROWTH RATE
TORONTO CMA

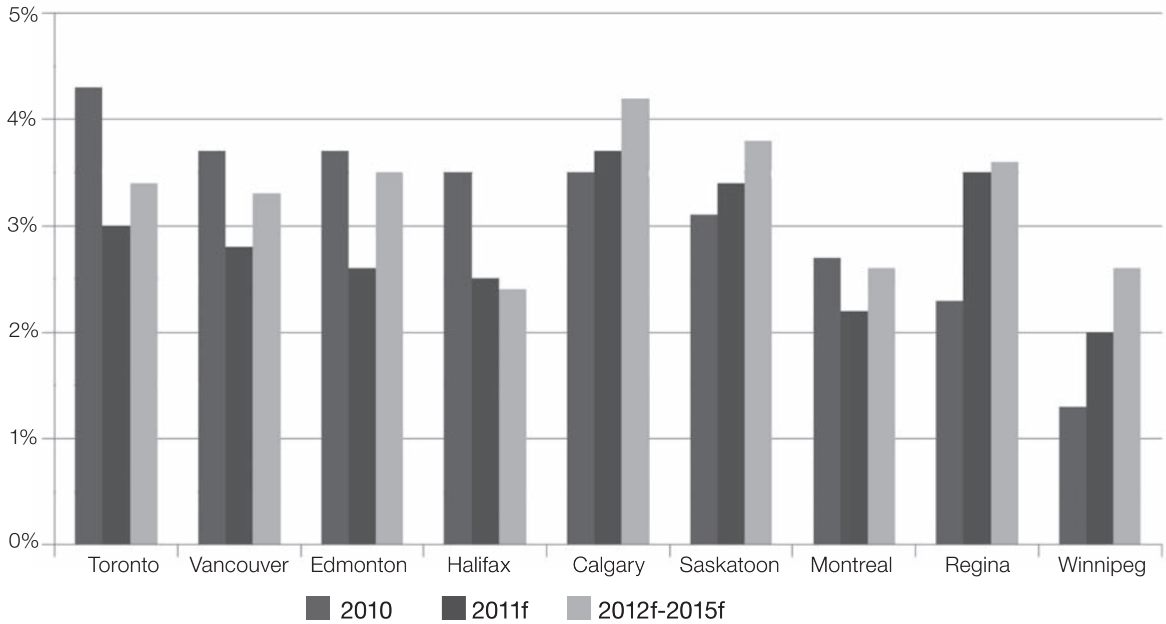


Source: Conference Board of Canada Metropolitan Outlook Winter Dec 2011

The following chart compares the economic growth of major Canadian city-regions (CMAs). Toronto is the obvious leader amongst the regions in 2010. Going forward, Toronto will enjoy healthy growth, but trail behind the mid-west regions (Calgary, Edmonton and Regina) as their strong oil sand construction activities and the expanding energy sectors help propel faster growth in those regions.

[3]Conference Board of Canada Metropolitan Outlook: Winter 2011 issue

REAL GDP GROWTH
MAJOR CANADIAN CITY REGIONS (CMA)



Source: Conference Board of Canada Metropolitan Outlook Winter Dec 2011

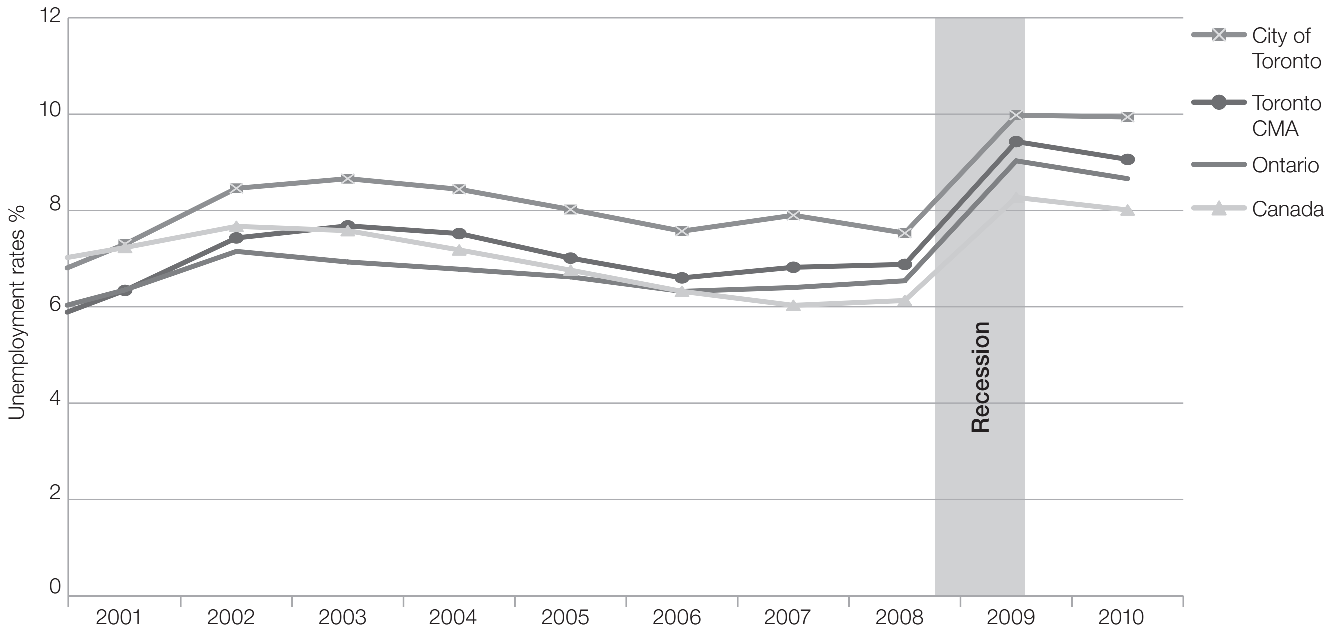
Economic Indicators

- **Unemployment Rate**

Within the Toronto region, the City and the rest of the CMA region (905) exhibited different economic growth patterns. In the City, job losses during the recession coupled with decreased participation rates led the City's unemployment rate to increase to 10% in 2009, a level not seen since the early/mid-1990s. Despite having emerged from the recession the City's unemployment rate remained at 10% in 2010, while unemployment had improved in the 905 regions, the rest of the province and across Canada. Going forward, it is estimated that the City's unemployment rate will lag the rest of the CMA in returning to the pre-recession level.

UNEMPLOYMENT RATES

CITY OF TORONTO, TORONTO CMA, ONTARIO AND CANADA



Source: Labour Force Survey, Statistics Canada

- **Social Assistance Caseload**

The number of cases and people on Social Assistance are largely dependent on the unemployment rate. The City's Social Assistance (Ontario Works) caseload has followed a similar historical trend as its unemployment rate (although lagging by anywhere from six to 12 months). The following chart shows that the 2009/2010 caseload level increased by about 26% compared to the 2007 pre-recessionary level, and has not returned to it.

SOCIAL ASSISTANCE CASELOAD

MONTHLY CASELOAD: 3 MONTH AVERAGE

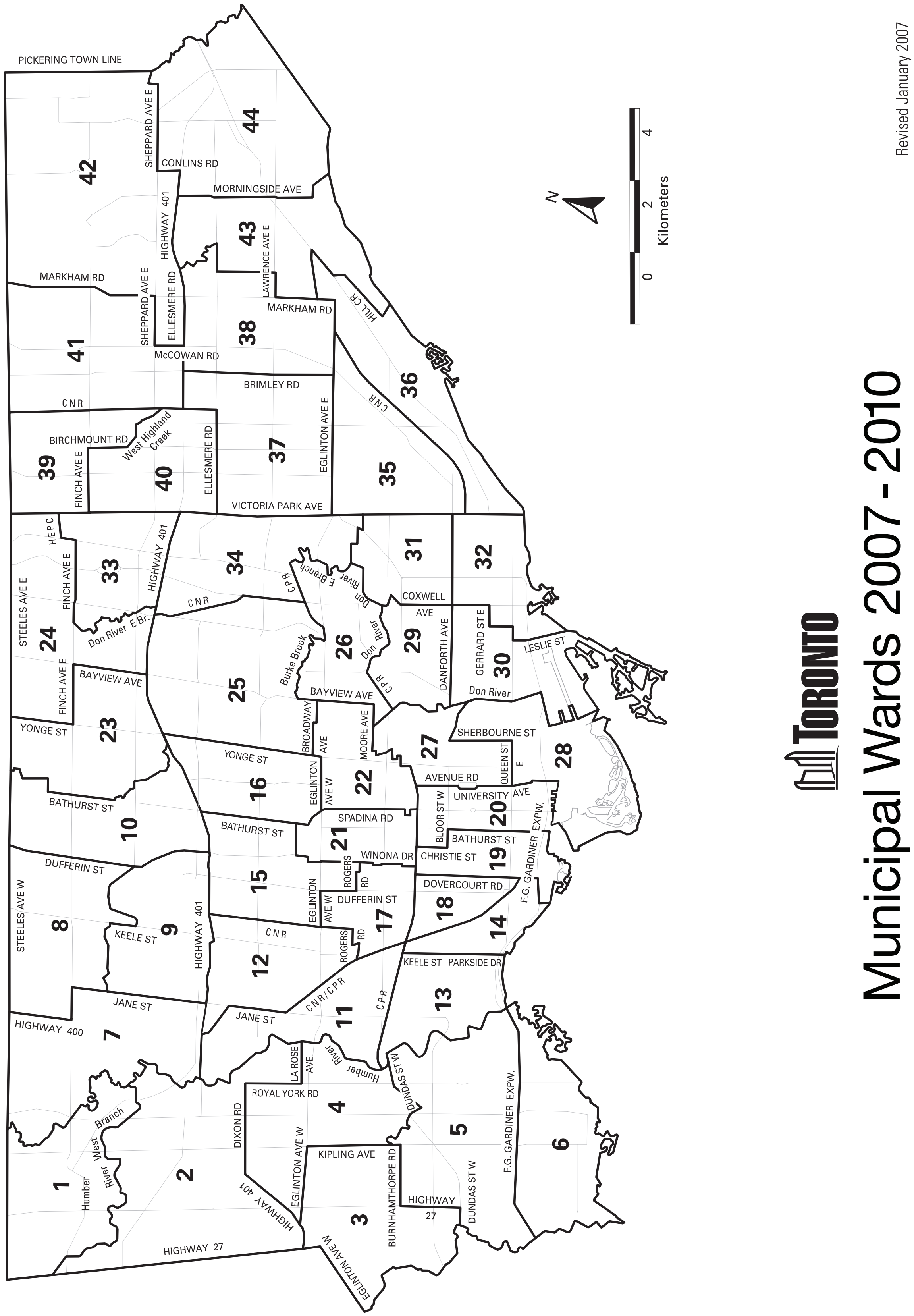
Jan 2001 - Dec 2010

- **Transit Ridership**

Transit ridership, an indicator generally moving in tandem with employment, defied the economic downturn and continued to rise in 2009 and 2010. In fact, TTC ridership in 2010 reached the highest level since 1988, at 477 million passenger rides. It is probably due to TTC's Ridership Growth Strategy, which had more than offset the impact of lower employment resulting from the economic downturn, and hence led to modest growth in the transit ridership.

Source: Toronto Transit Commission

MAP OF ELECTORAL WARDS



TORONTO CITY COUNCIL


David Miller*


Mayor Rob Ford

*denotes previous Councillor during reporting period


Suzan Hall*


Ward 1
Vincent Crisanti


Rob Ford*


Ward 2
Doug Ford


Ward 3
Doug Holyday


Ward 4
Gloria Lindsay Luby


Ward 5
Peter Milczyn


Ward 6
Mark Grimes


Ward 7
Giorgio Mammoliti


Ward 8
Anthony Perruzza


Ward 9
Maria Augimeri


Michael Feldman*


Ward 10
James Pasternak


Ward 11
Frances Nunziata


Ward 12
Frank Di Giorgio


Bill Saundercook*


Ward 13
Sarah Doucette


Ward 14
Gord Perks


Howard Moscoe*


Ward 15
Josh Colle


Ward 16
Karen Stintz


Ward 17
Cesar Palacio


Adam Giambrone*


Ward 18
Ana Bailão


Joe Pantalone*


Ward 19
Mike Layton


Ward 20
Adam Vaughan


Ward 21
Joe Mihevc


Michael Walker*


Ward 22
Josh Matlow


Ward 23
John Filion


Ward 24
David Shiner


Clifford Jenkins*


Ward 25
Jaye Robinson


Ward 26
John Parker


Kyle Rae*


Ward 27
Kristyn Wong-Tam


Ward 28
Pam McConnell


Case Ootes*


Ward 29
Mary Fragedakis


Ward 30
Paula Fletcher


Ward 31
Janet Davis


Sandra Bussin


Ward 32
Mary-Margaret McMahon


Ward 33
Shelley Carroll


Ward 34
Denzil Minnan–Wong


Adrian Heaps*


Ward 35
Michelle Berardinetti

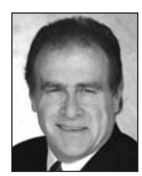

Brian Ashton*


Ward 36
Gary Crawford


Ward 37
Michael Thompson


Ward 38
Glenn De Baeremaeker

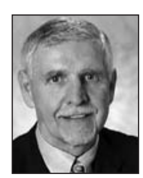

Ward 39
Mike Del Grande


Ward 40
Norman Kelly

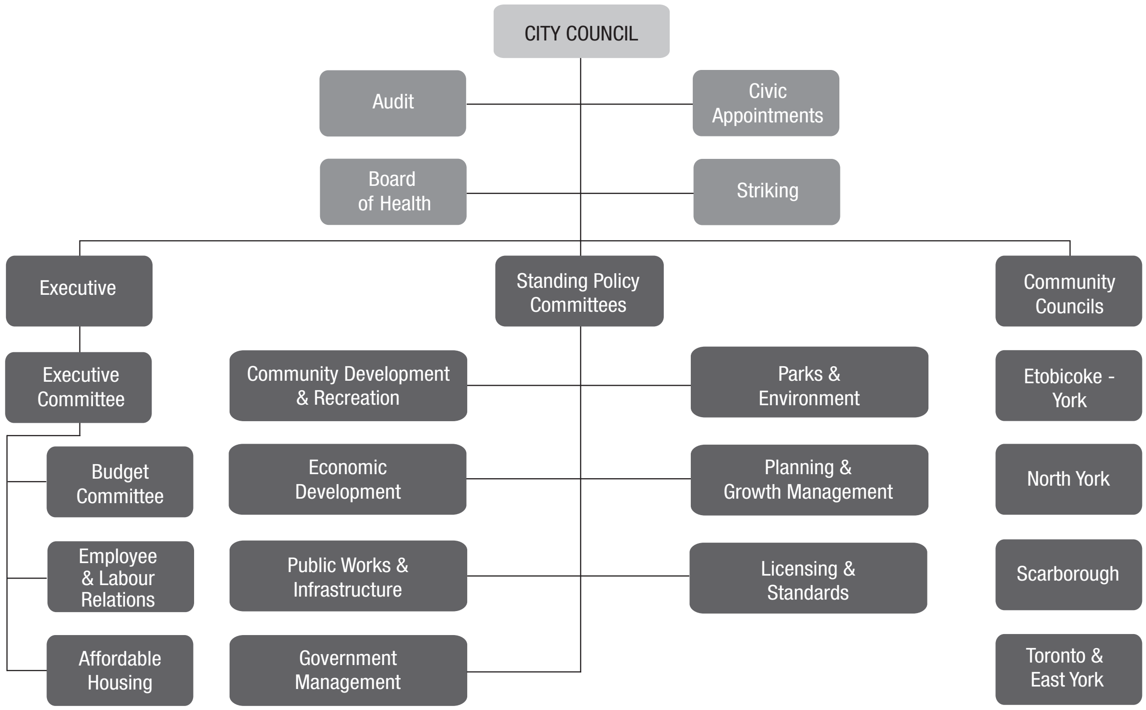

Ward 41
Chin Lee


Ward 42
Raymond Cho


Ward 43
Paul Ainslie


Ward 44
Ron Moeser

2006-2010 EXECUTIVE COMMITTEE & STANDING COMMITTEE MANDATES



2006-2010 EXECUTIVE COMMITTEE AND STANDING COMMITTEE MANDATES

EXECUTIVE COMMITTEE:
The Executive Committee's mandate is to monitor and make Recommendations on the priorities, plans, international and intergovernmental relations, and the financial integrity of the City.

The responsibilities of the Executive Committee include:
(1) Council's strategic policy and priorities in setting the agenda;
(2) Governance policy and structure;
(3) Financial planning and budgeting;
(4) Fiscal policy including revenue and tax policies;
(5) Intergovernmental and international relations;
(6) Council and its operations; and
(7) Human resources and labour relations.

The Executive Committee makes recommendations or refers to another committee any matter not within the Standing Committee's mandate or that relates to more than one Standing Committee.

AUDIT COMMITTEE
The responsibilities of the Audit Committee include:
1. Recommending the appointment of the City's external auditor;
2. Recommending the appointment of an external auditor to conduct the annual audit of the Auditor General's office;
3. Considering the annual external audit of the financial statements of the City and its agencies, boards, and commissions;
4. Considering the external audit of the Auditor General's office;
5. Considering the Auditor General's reports and audit plan;
6. Conducting an annual review of the Auditor General's accomplishments;
7. Making recommendations to Council on reports the Audit Committee considers.

STANDING COMMITTEES
The standing committees are organized along seven broad policy areas:

Community Development and Recreation Committee – will focus on social inclusion and undertake work to strengthen services to communities and neighbourhoods.

Economic Development Committee – will focus on the economy and undertake work to strengthen Toronto's economy and investment climate.

Public Works and Infrastructure Committee – will focus on infrastructure and undertake work to deliver and maintain Toronto's infrastructure needs and services.

Government Management Committee – will focus on government assets and resources and undertake work related to the administrative operations of the City.

Parks and Environment Committee – will focus on the natural environment and undertake work to ensure the sustainable use of Toronto's natural environment.

Planning and Growth Management Committee – will focus on the urban form and undertake work related to good city planning and sustainable growth and development.

Licensing and Standards Committee – will focus on consumer safety and protection and undertake work related to licensing of businesses and enforcement of property standards.

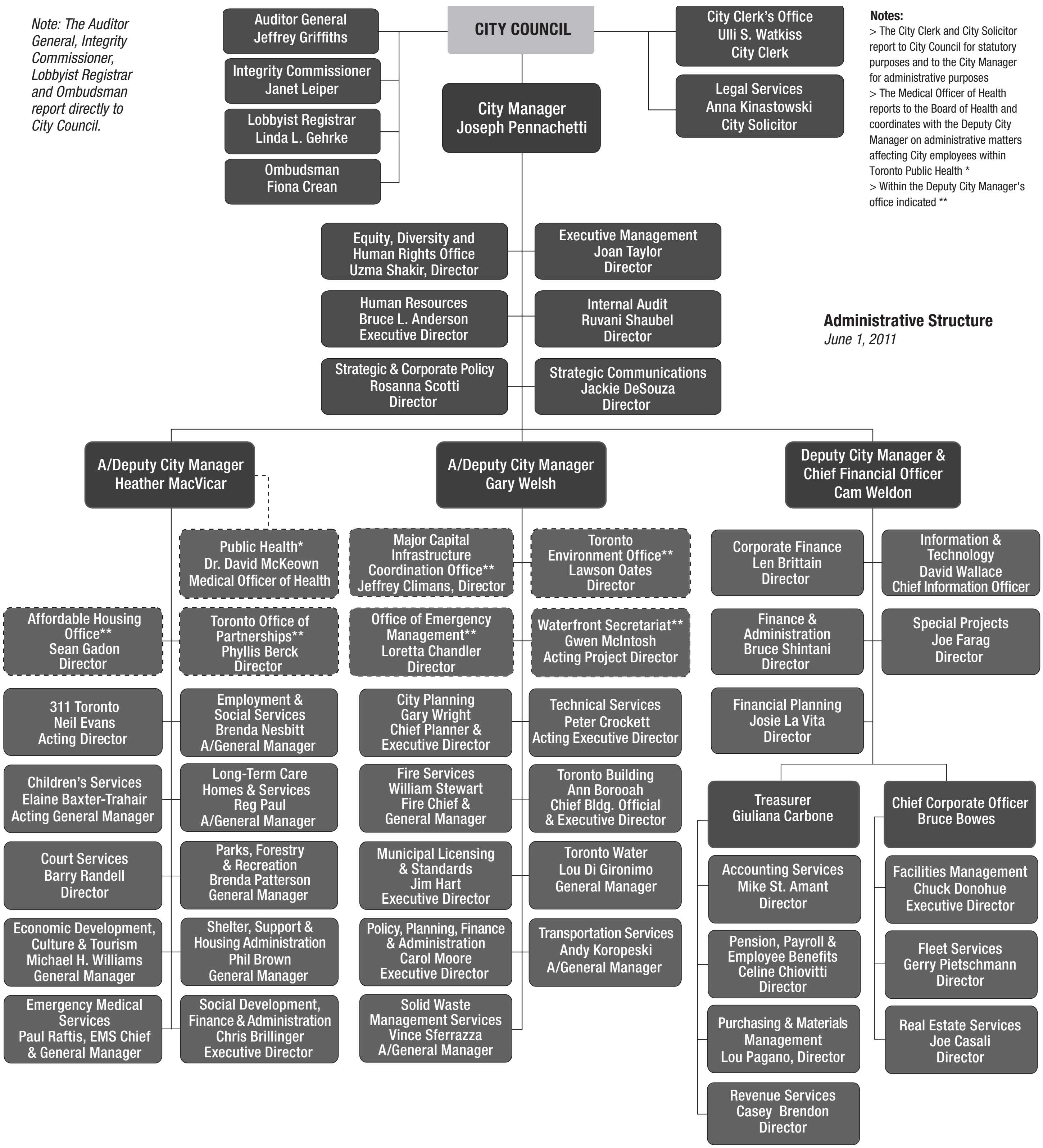
Note: Reference should be made to the Municipal Code – Chapter 27, Council Procedures, for the specific responsibilities of each committee.

CITY ADMINISTRATIVE STRUCTURE

Note: The Auditor General, Integrity Commissioner, Lobbyist Registrar and Ombudsman report directly to City Council.

Notes:
> The City Clerk and City Solicitor report to City Council for statutory purposes and to the City Manager for administrative purposes
> The Medical Officer of Health reports to the Board of Health and coordinates with the Deputy City Manager on administrative matters affecting City employees within Toronto Public Health *
> Within the Deputy City Manager's office indicated **

Administrative Structure
June 1, 2011



CITY OF TORONTO SPECIAL PURPOSE BODIES

AGENCIES, BOARDS, COMMISSIONS AND CORPORATIONS (ABCCS)

Corporations*/ Commercial

- Build Toronto Inc.
- Invest Toronto Inc.
- Toronto Community Housing Corp.*
- Toronto Economic Development Corporation c.o.b. Toronto Port Lands Company*
- Toronto Hydro Corp.*
- Toronto Parking Authority
- Toronto Waterfront Revitalization Corporation

Partnered Corporations*

- Enwave Energy Corp.*

* Incorporated under the Ontario Business Corporation Act (OBCA)

Service Boards

- Board of Governors of Exhibition Place
- Sony Centre for the Performing Arts
- St. Lawrence Centre for the Arts
- Toronto Board of Health
- Toronto Centre for the Arts
- Toronto Police Services Board
- Toronto Public Library
- Toronto Transit Commission
- Board of Management of the Toronto Zoo

Program Operating Boards

- Heritage Toronto
- Yonge Dundas Square Board of Management
- Business Improvement Areas
- Arena Boards
- Association of Community Centre Boards (AOCCs)
- Affiliated Boards

Quasi-Judicial Tribunals

- Committee of Adjustment
- Committe of Revision
- Property Standards Committee/ Fence Viewers
- Rooming House Licensing Commission
- Toronto Licensing Tribunal

Financial/ Administrative

- Sinking Fund Committee
- Toronto Atmospheric Fund Board of Directors

Pension Bodies:

- Metro Toronto Pension Plan, Board of Trustees
- Metro Toronto Police Benefit Fund, Board of Trustees
- Toronto Civic Employees' Pension and Benefit Fund Committee
- Toronto Fire Department Superannuation & Benefit Fund Committee
- Toronto Transit Commision Pension Fund Society
- York Employees' Pension and Benefit Fund Committee

ADVISORY BOARDS

Program Advisory Bodies

- Museum Boards
- Committees, reference groups and other bodies that advise staff on various aspects of City programs

Political Advisory Bodies

- Toronto Preservation Board
- Roundtables, task forces and other bodies that advise Council

2010 FINANCIAL CONDITION & PERFORMANCE

CITY OF TORONTO FINANCIAL REPORT

A MESSAGE FROM THE DEPUTY CITY MANAGER & CHIEF FINANCIAL OFFICER

CAM WELDON

The 2010 Annual Financial Report for the City of Toronto provides an in depth look at the City's financial performance over the past year, and highlights the progress towards major goals for Toronto's residents and businesses.

One key goal of the City's long term financial plan is to ensure the City maintains its sizable investment in water, wastewater, roads, transit and other infrastructure in a state of good repair. The City is also making significant investments in expanding transit infrastructure to meet the demands of a growing population. This is putting increased pressure on our borrowing needs.

To soften the impact of the increased capital investment and to take advantage of historically low interest rates, the City refinanced part of its existing debt by using $600 million from the Toronto Hydro promissory note sale to pay down 10 year debt and borrowed a corresponding amount over a 30 year term for selected long-term projects such as the Spadina subway extension, new subway cars and street cars. This action lowered the annual debt servicing costs of the City by spreading the cost of these assets over their service lives.

In December of 2010, I informed Council of our intent to pursue three strategies to minimize the impact of the significant transit investments the City will make over the next five years:

1. Investigating the monetization potential of underutilized or underperforming assets to unlock potential new capital financing sources
2. Review of the City's procurement processes and construction contracts to lower the cost of capital construction
3. Continued pursuit of federal and provincial shared funding for transit infrastructure

Council will receive the results of these strategies for their 2012 capital budget deliberations.

For the fourth consecutive year, the City of Toronto has won the Government Finance Officers Association of the United States and Canada award for excellence in financial reporting. Summarizing the financial activities of such a diverse and complex city is extremely challenging and this award could not have been possible without the dedication of the professional team that I have the privilege to work with every day.

Cam Weldon
Deputy City Manager & Chief Financial Officer

FISCAL CAPACITY

Toronto enjoys a well diversified economy, relatively low business costs, a well educated workforce and good liveability, which allows it to be well positioned to compete internationally. The city government has a sound financial base, as reflected by its high credit rating (at AA+, one level below the maximum AAA) and its healthy accumulated surplus and strong cash position.

However, the City government's fiscal future may not be sustainable because of a structural funding shortfall. Simply put, the City currently does not have sufficient fiscal capacity to enable it to achieve fiscal sustainability based on its current level and types of services offered. This structural financial shortfall has been well documented and verified by independent authorities including the Conference Board of Canada.

The structural funding shortfall comprises two components:

- a cumulative component due to downloaded programs, and
- an annual component due to annual on-going operating shortfalls.

On the cumulative component, the City is inappropriately funding certain income redistributive programs transferred from the Province, and programs for which either other large mature cities do not fund or have an appropriate source of funding. These programs are currently supported largely by the property tax with some assistance from the other orders of government and include Ontario Works/Social Assistance, Social Housing, Transit (operating) and Court Security. In other jurisdictions such as U.S. cities, these programs are typically funded by a mix of income/sales taxes, and grants from other orders of government, if the city has to pay for them at all.

In addition, there are annual cost pressures from:

a) maintaining services and standards at inflation
b) wage settlements beyond the rate of inflation for certain union groups, e.g. police
c) social demographic demands
d) service enhancements
e) capital repair of ageing infrastructure, and
f) growing liabilities.

These cost pressures are not adequately offset by revenue growth because the City's main revenue stream – property tax – does not grow with the economy as currently administered. As well, to improve business competitiveness and to enhance jobs the City has embarked on a program of business tax relief, which is an additional cost. These costs have largely contributed to an annual funding shortfall and forced the use of ad-hoc one-time funding, which has built up over time in cumulative pressures. Staff estimated that the net average funding shortfall over the next ten years would be $145 million on an annual basis. This is explained in more details in the Long Term Financial Plan Update section.

The operating pressures from the shortfall have begun to be partially offset by the phased-in upload of Ontario Works (by 2018) and provincial court security (by 2012). The new taxes approved under the City of Toronto Act also helped to diversify the revenue base and offset these pressures. Yet, despite Council's efforts to constrain salaries and benefits and restructure debt, and despite the important but largely pending phase out of social assistance and court security costs by the Province, the shortfalls continue. These have been offset in successive operating budgets using one time revenues such as ad hoc provincial transit operating funding and reserve draws. However, the complete permanent funding solution has not yet been achieved.

The 2008-2009 economic recession had put City's fiscal capacity under stress. Revenues and expenditures that were sensitive to the economic conditions created additional operating budget pressures. As indicated earlier, certain economy-sensitive costs have not returned to the pre-recessionary levels. For example, Social Assistance (Ontario Works) caseload increased by about 26% in 2010 (2010 average: 94,635, 2008 average: 75,021), while the City's unemployment rate increased by the same proportion in the same time period (2010: 10.0%, 2008: 7.9%). On the other hand, declining commodity prices and low interest cost offset some of the budget pressures. It is expected that certain recessionary impacts (such as high unemployment) may continue into the next couple of years. However, the City's fiscal sustainability should not be negatively impacted by this recession over the long term.

PHYSICAL INFRASTRUCTURE

The City owns a significant amount of physical assets, comprising roads, expressways, bridges, traffic signal controls, water and wastewater treatment facilities, distribution and collection pipes, reservoirs, pumping stations, subways, streetcars, buses, civic centres, recreation facilities, public housing buildings, parkland and other lands. This infrastructure, excluding land, is currently estimated to be worth in excess of $62 billion. The City's capital program is driven largely by the costs of maintaining these physical assets in a state of good repair.

	Estimated Asset Replacement Value
Transportation Infrastructure	**$10 Billion**
Water & Wastewater Infrastructure	**$27 Billion**
Public Transit System	**$10 Billion**
Buildings, Facilities & Fleet	**$9 Billion**
Housing Infrastructure	**$6 Billion**
Total (excluding parkland and land)	**$62 Billion ++**

The City's road network, the majority of which was constructed in the 1950's and 1960's, is in need of major repair and rehabilitation. The City's water and wastewater network is similarly aged — 50% of the water pipes and 30% of wastewater pipes are more than 50 years old, while 7% of watermains and 3% of wastewater infrastructure are more than 100 years old. Due to fiscal constraints, the City's historical spending in the capital program is less than ideal. In addition, capital requirements resulting from population growth and demographic changes will add financial pressures. The City's 2002 Official Plan projects population growth of up to a million people in the City of Toronto, raising the population to 3.5 million people in 30 years. More buses, social housing, recreation centres, etc. are required, which will put pressures on the City's capital and operating budgets to provide additional services, build and operate new facilities.

The investment in physical infrastructure is typically funded by the following sources: Federal and provincial funding where applicable, reserve and/or reserve funds, development charges, donations, operating contribution and debt. Debt is the funding source of the last resort for capital purposes.

Subsequent to the 2008-2009 recession, the Federal and Provincial governments introduced economic stimulus program funding (under the Infrastructure Stimulus Fund (ISF) and the Recreational Infrastructure Canada Program in Ontario and the Ontario REC (RInC-REC)). The stimulus funding for the City totalling $460 million over two years ending March 31, 2011 leveraged the City's capital program and enabled the City to begin to renew the infrastructure that supports City services. In December 2010 the Federal Government announced an extension for completion of

ISF – RInC projects to October 31, 2011. This allows the City to maximize the utilization of funds available under these programs. As part of its 2009 stimulus budget, the Federal Government also created the “Municipal Infrastructure Lending Program (MILP)”, which offered low-cost loans for municipalities to invest in housing-related municipal infrastructure. During 2010 and 2011, the City executed through MILP three loans totalling $120 million to finance capital works for roads and bridge improvements ($100 million) and municipal infrastructure related to social housing redevelopment ($20 million).

In setting the current Capital Budget and Plan, one of the principles is to ensure that available resources are utilized to mitigate State of Good Repair (SOGR) backlog and to minimize risks associated with delayed maintenance of the City’s ageing infrastructure.

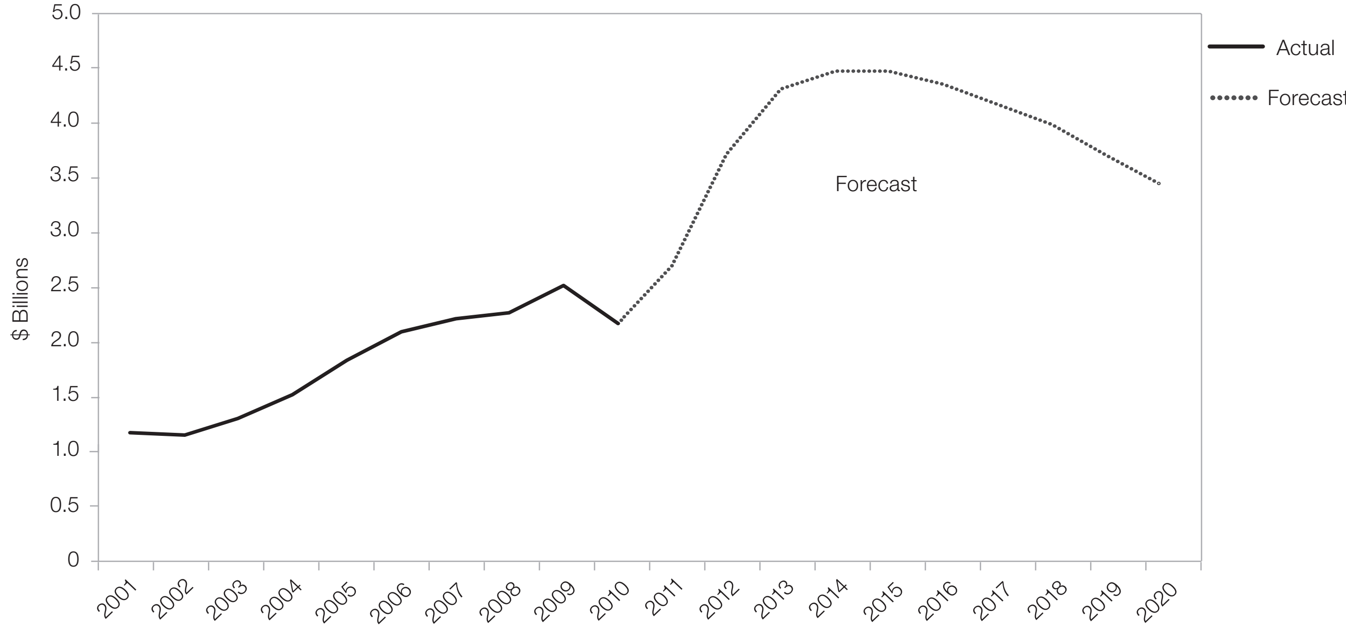
CAPITAL FINANCING AND DEBT

The City borrows to fund capital expenditures. (It cannot borrow to fund operating expenditures under the City of Toronto Act). The goal for capital financing is to maximize all funding from external sources, including Federal and Provincial Governments, development charges, donations and reserve funding, before using City’s own revenue sources, namely operating contribution and issuance of debt. Toronto has enjoyed relatively low debt levels; however, in light of the growing capital infrastructure needs, there is a sizeable and growing gap between future capital expenditure needs and ongoing sustainable revenue sources. The City does not have the fiscal capacity for necessary growth related expenditures, e.g. TTC, Transportation, etc. For the next ten years, the TTC is projected to make up the majority of the new debt required to fund the City’s capital requirement. In fact, no new debt is required to fund the City’s programs except for the TTC by 2014.

The City has implemented a framework for developing multi-year capital and operating budgets, and ensured that limited resources are aligned to priorities to maximize the benefits for Toronto’s residents.

The City in 2010 refinanced parts of its current and future debt by paying down existing debt, and borrowed funds for selected projects on 30-year terms as opposed to the current 10-year term. The 30-year debt was used to finance long term assets and more closely match the life span of the infrastructure being built or purchased, e.g. subway tunnels and subway cars. The City used the proceeds of the Toronto Hydro promissory note, which had been dedicated to two specific areas of investment (Spadina subway and Waterfront development), and paid down approximately $600 million of existing debt. Current estimates showed that the City’s net long-term outstanding debentures would increase from $2.1 billion at the end of 2010 to peak at just over $4.2 billion in 2015 (mainly due to Pan Am Games and the TTC), and decrease to $3.4 billion by 2020 as shown in the chart below.

CUMULATIVE NET DEBT
(TAX-SUPPORTED)

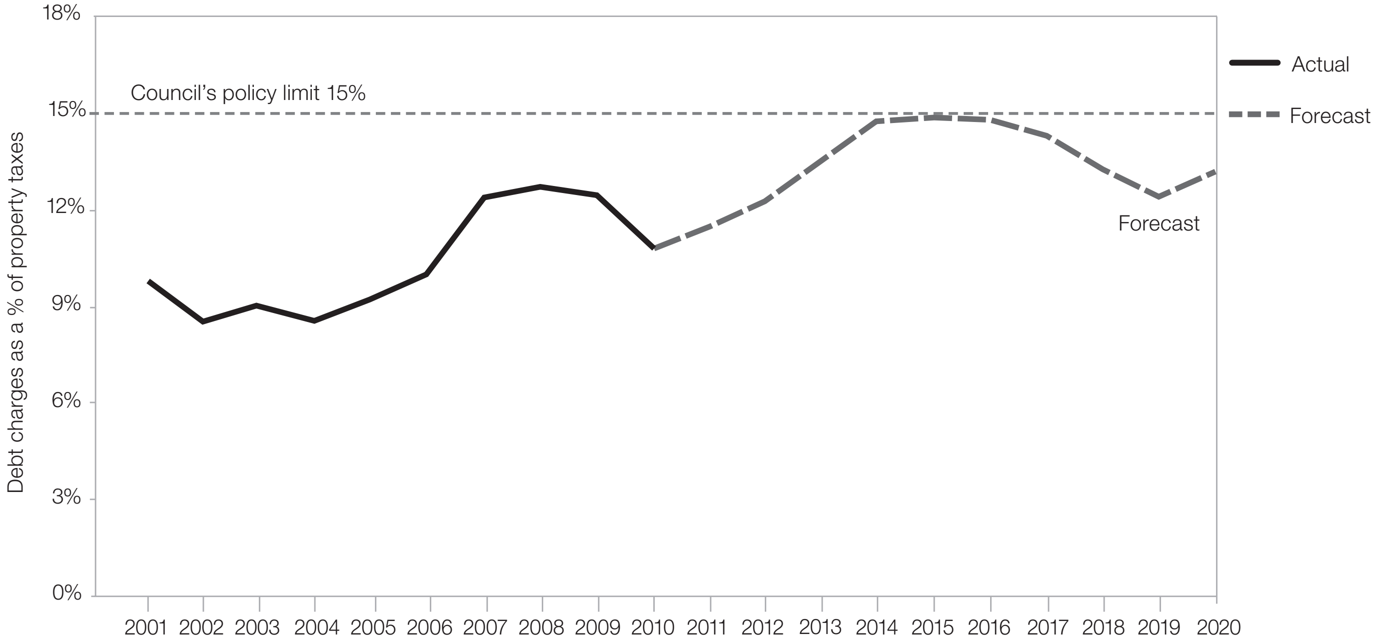


2011-2020 Capital Budget & Plan

City Council previously approved a debt service guideline such that the debt service cost should not exceed 15 per cent of property tax revenues in a given year. Although only a guideline, this limit means that at least 85 cents on each tax dollar raised is available for operating purposes. The debt refinancing strategy will help manage the pressures of debt repayment related to the annual operating budget. Repayment of principal and interest on the City's debt continues to be the second highest expense on the annual property tax bill. Lowering the annual debt payments, and spreading them out over a longer period, will allow the City to direct more property tax dollars to services each year.

The current forecast shows that the City's debt charges will be within this guideline in the next few years as illustrated below.

DEBT CHARGES WITHIN NEW COUNCIL'S POLICY LIMIT

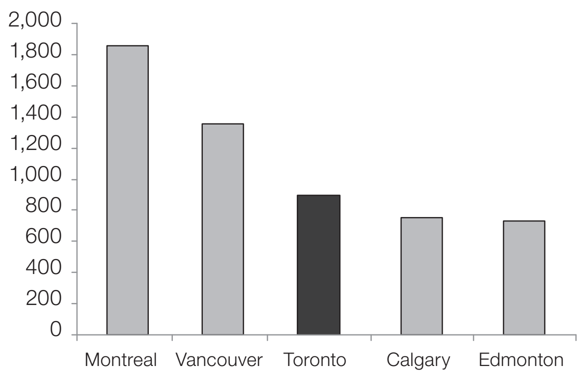


2011-2020 Capital Budget & Plan
Total debt charges include interest & principal payments.

Overall, the City's debt burden is relatively modest and its net tax-supported debt per capita is comparable to other major Canadian municipalities. Interest costs also compared favourably with the other major Canadian municipalities, as illustrated below.

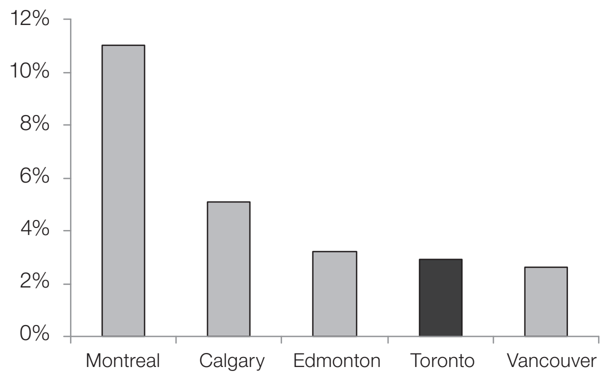
TORONTO'S NET DEBT IS COMPARABLE TO OTHER MAJOR CANADIAN CITIES

Net Tax-Supported Debt per Capita (2008 $M)



TORONTO'S INTEREST COST COMPARES FAVOURABLY WITH OTHER MAJOR CANADIAN CITIES

Interest Costs as a Proportion of Operating Expenditures (2008 %)



Source: DBRS Canadian Municipal Government Fact Sheet June 2010

CAPITAL MARKET AND INVESTMENT ACTIVITIES DURING 2010 AND THE OUTLOOK FOR 2011

Capital Market Activity

During 2010, the City issued the full $700 million of its approved debt program with a $600 million 30-year debenture issued in the public capital market and $100 million issued to the Canada Mortgage and Housing Company to take advantage of their low interest stimulus program (3.83% for $42.3 million and 3.98% for the remaining $57.7 million).

TCHC issued $200 million in senior debentures for a term of 30 years, maturing in 2040, with a yield of 5.395%. The debentures were placed privately with several institutional investors and demand for the securities was strong as they were considered to represent good value, given the yield, terms and TCHC's credit rating of AA- from Standard and Poor's. The funds were designated to provide long-term financing of social housing projects and related programs of TCHC and its affiliates and to develop replacement and new affordable rental housing projects for Regent Park, Railway Lands and West Don Lands.

TCHC also obtained a $61 million non-revolving 3-year loan to finance construction of a market condominium in Regent Park Phase 2. Interest is based on the bank's prime rate or BA rate plus 1.25%.

Investment Activity

The City manages several investment portfolios, each of which has specific objectives. Two individual portfolios that are managed interactively are the Bond and Money Market Funds. The Bond Fund is positioned towards funding the City's future reserve and reserve fund requirements and therefore takes a longer view of the market. The Money Market portfolio is primarily focused on ensuring that adequate liquidity is maintained to meet the immediate cash flow requirements of the City's daily operations.

Despite a lower portfolio balance and historically low interest rates environment, the City earned an overall investment return of 4.2% in 2010 versus 4.7% in 2009 on a book value basis and exceeded the benchmarks on a market-value basis, achieving performance of 5.57% for the Bond Fund and 2.59% for the Money Market Fund. These results were achieved by minimizing the time that funds were held in lower-yielding money market securities while retaining investments that were held in the Bond Fund for as long as possible through active cash management, accurate forecasting and taking advantage of market opportunities to increase yields.

The City's bond portfolios continued to exhibit high credit quality and liquidity as no bond or money markets investments were held with less than an "A" credit rating and 85% were rated "AAA" and 15% were rated "AA", consistent with the portfolio holdings over the past three years.

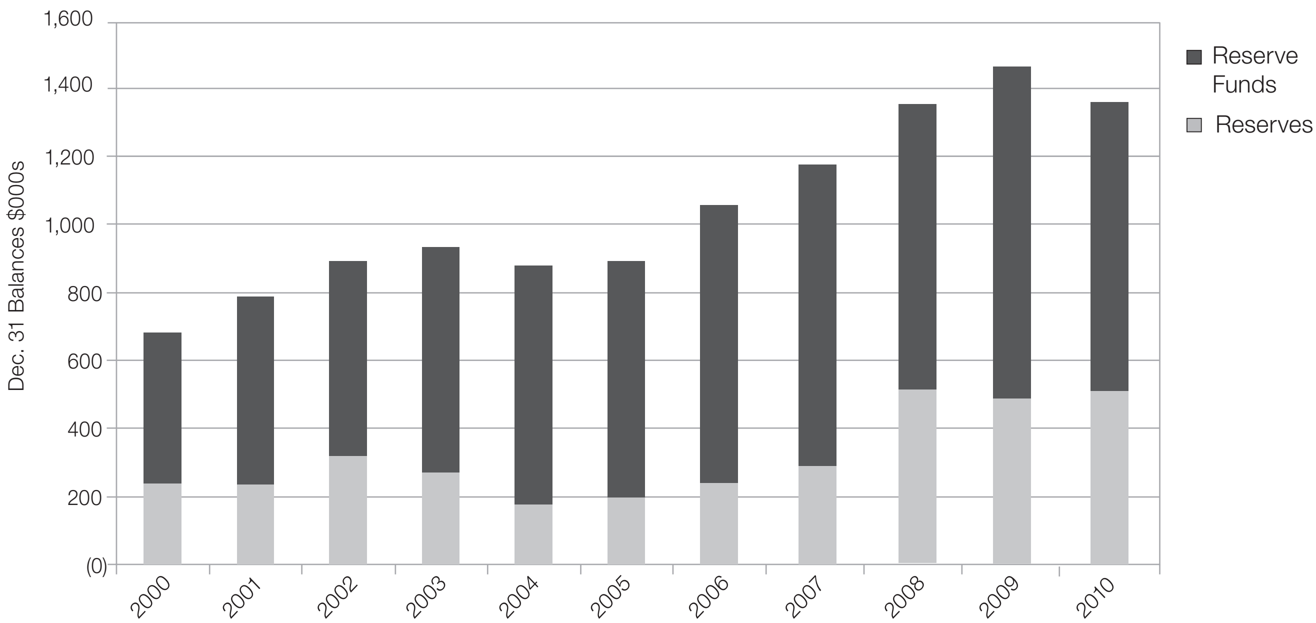
For 2011, higher short-term and a marginal increase in long-term interest rates should have a positive impact on the performance of the City's investment portfolios, providing an opportunity for a possible duplication of the excellent investment performance results achieved in 2010.

RESERVES AND RESERVE FUNDS

Reserves and Reserve Funds are monies set aside by Council to earmark revenues to finance a future expenditure for which it has authority to spend money, to defend the City against an unbudgeted or unforeseen event that may result in a budget deficit such as an economic downturn, to smooth out future program expenditures which may fluctuate from one year to the next, or to accumulate funds for future capital requirements or contingent liabilities. While the reserve fund balances would appear to be a large sum, it should be noted that the majority of these funds are committed.

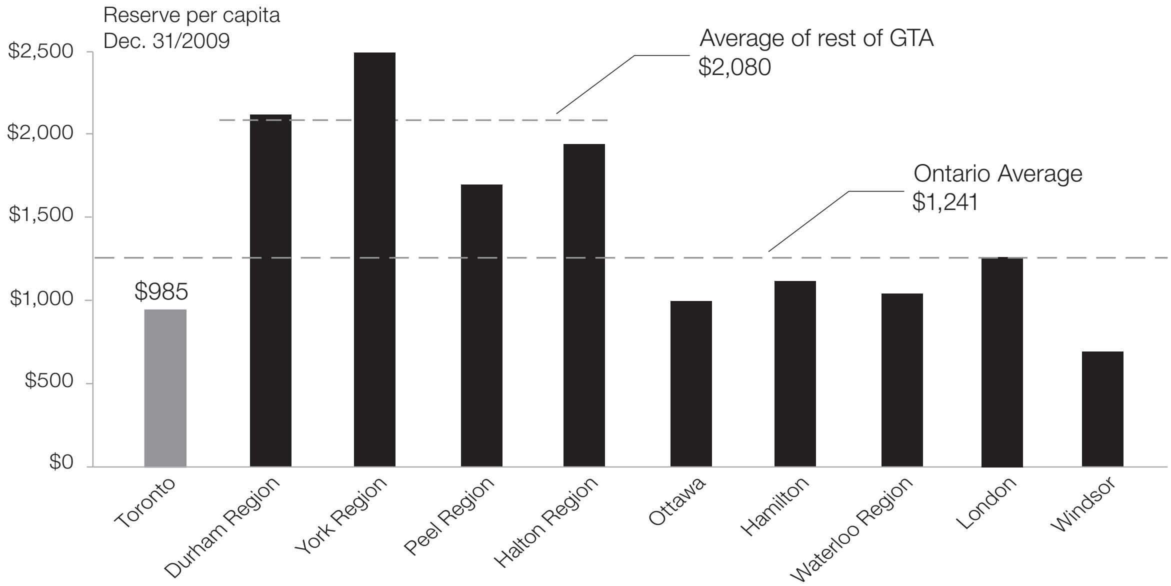
RESERVES AND RESERVE FUNDS

(EXCLUDING OBLIGATORY RESERVE FUNDS/DEFERRED REVENUES)



On a comparative basis, the City's overall reserve fund balance on a per capita basis is much lower than those of the rest of the GTA, but comparable to those of other cities/regions such as Hamilton, Ottawa, London and Waterloo Region. Toronto's 2009 reserve per capita of $985 was less than half of that of the rest of the GTA ($2,080), and about 80% of the provincial average ($1,241). The City has established long-term reserve strategies for major reserves, e.g. employee benefits reserve and water and wastewater stabilization reserves, to address and mitigate the inadequacy, including determining needs and establishing contribution policies.

RESERVE LEVELS ARE LOWER THAN THE REST OF GTA
BUT COMPARABLE TO OTHER CITIES/REGIONS



Sources: Ontario Ministry of Municipal Affairs & Housing - 2009 FIR
Regional data consolidated for upper and lower tiers
Balances include Obligatory Reserve Funds/Deferred Revenues

DEFERRED REVENUES

Funds that are set aside for specific purposes by legislation, regulation or agreement and may only be used in the conduct of certain programs or the completion of specific work are reported as Deferred Revenues (previously Obligatory Reserve Funds). These include funds received from the other orders of government, Development Charges or third parties earmarked for certain purposes, e.g. Transit, Social Housing, Parkland Acquisition, Long Term Care Homes and Services. These amounts are recognized as liabilities in the year the funds are deposited, and received into revenue in the fiscal year the related expenditures are incurred or services performed. The balance of such funds categorized as Obligatory Reserve Funds as at December 31, 2010 was $1.1 billion. These funds are all committed, some of which will be used to fund some of the City's priority capital needs like transit expansion, and are not available at Council's discretion.

REVENUES

PROPERTY TAX

Property tax revenue is the City's single largest source of revenue. The City collects $3.6 billion from residential and business property owners, which represents 38% of its total tax-supported Operating Budget.

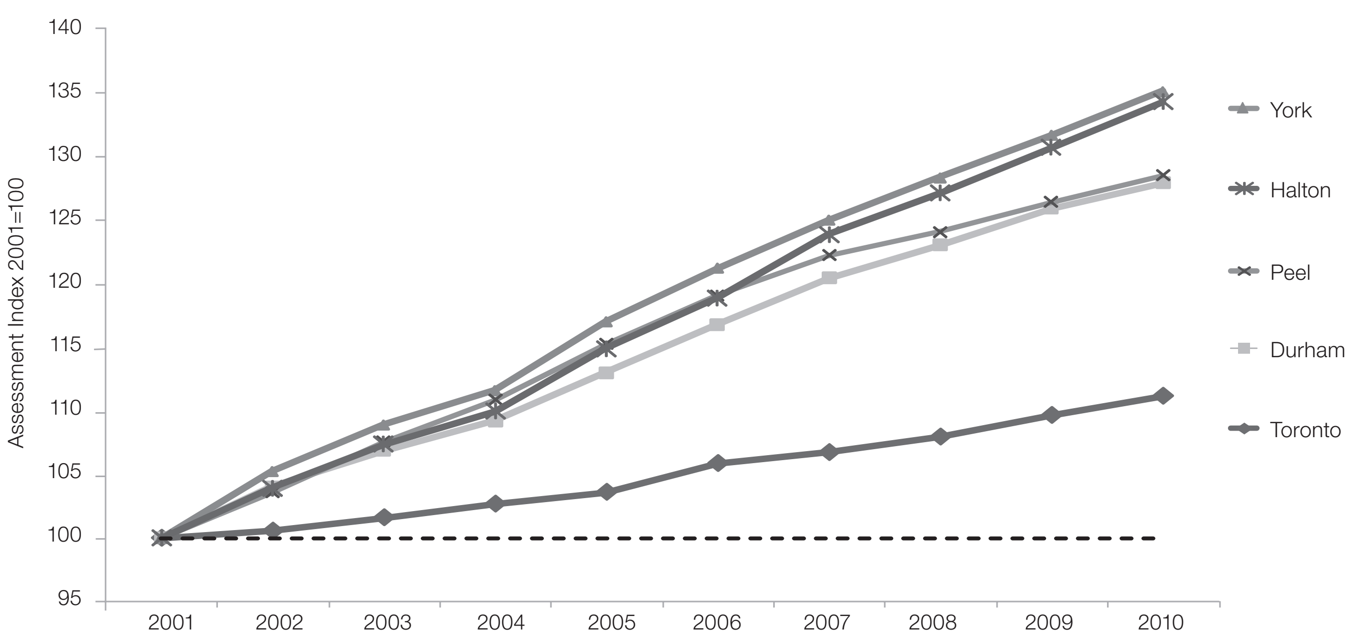
Every year the City is required by provincial legislation to establish tax rates that raise property tax revenues in the amount of the City's budgetary requirement. In addition, the City is also required to levy and collect property taxes for school purposes at the education tax rates prescribed by the Province.

The amount of property taxes payable by a property is determined by multiplying the Current Value Assessment (CVA) of a property by the applicable tax rate for that class of property (e.g., residential, commercial, industrial, or multi-residential). The total tax rate for a property class consists of a municipal tax rate necessary to meet the City's budgetary requirement and the education tax rate necessary to fund the provincially-determined costs of education.

The Municipal Property Assessment Corporation (MPAC), a provincial agency, is responsible for property assessment in Ontario and preparing the assessment rolls for municipalities on a Current Value Assessment (CVA) basis. The CVA of a property represents an estimated market value, or the amount that the property would sell for in an open market, arm's length sale between a willing seller and a willing buyer at a fixed point in time.

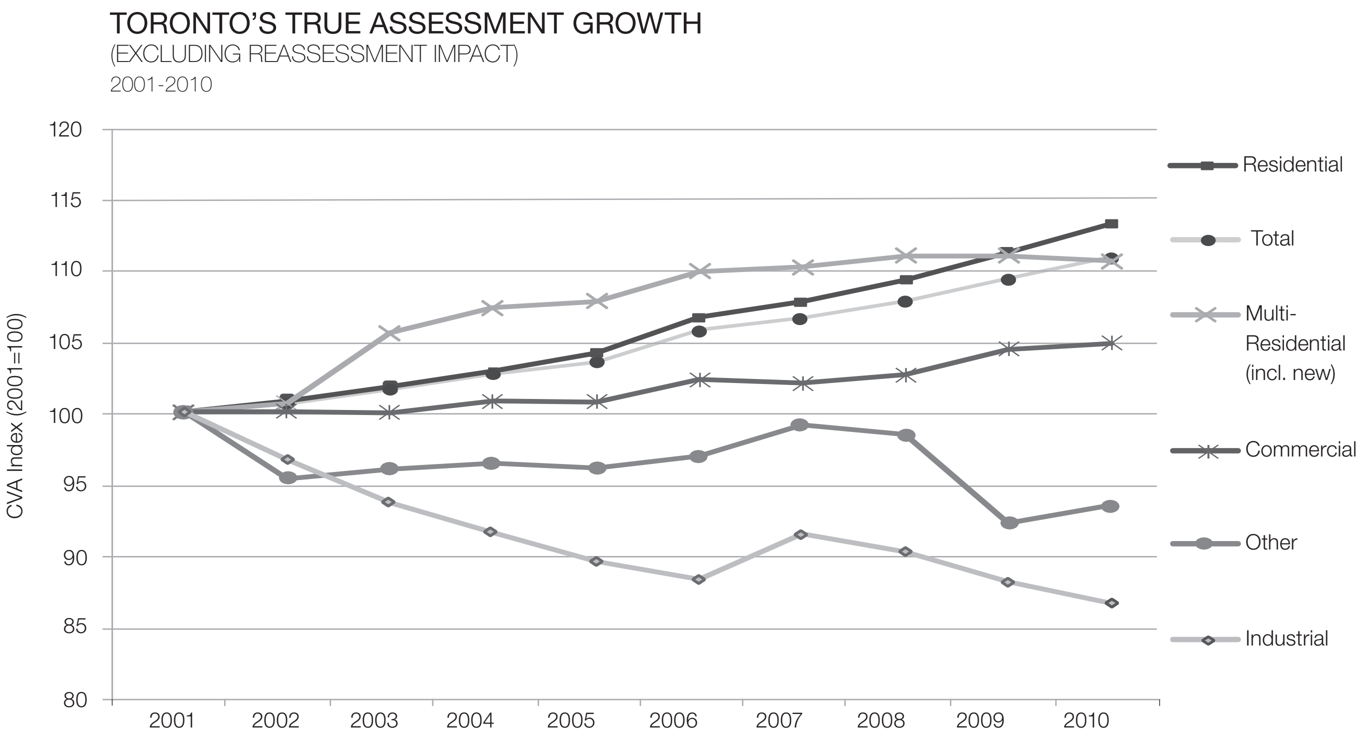
Over the last two decades, the GTA experienced quite remarkable economic and population growths following the recession of the early 1990's. The Toronto region (CMA) contains a number of the fastest-growing municipalities in Canada. The bulk of the new construction and the associated assessment increase are located in the surrounding areas in the GTA. For example, from 2001 to 2010 the rest of the GTA had assessment increases in excess of 28%: York Region: 35%, Halton Region: 34%, Peel and Durham Regions: 28%. By contrast, Toronto's property assessment in 2010 is just 11% above its 2001 level, partly due to the conversion of certain industrial properties into residential properties.

TORONTO'S ASSESSMENT GROWTH MORE MODEST THAN THE NEIGHBOURING REGIONS



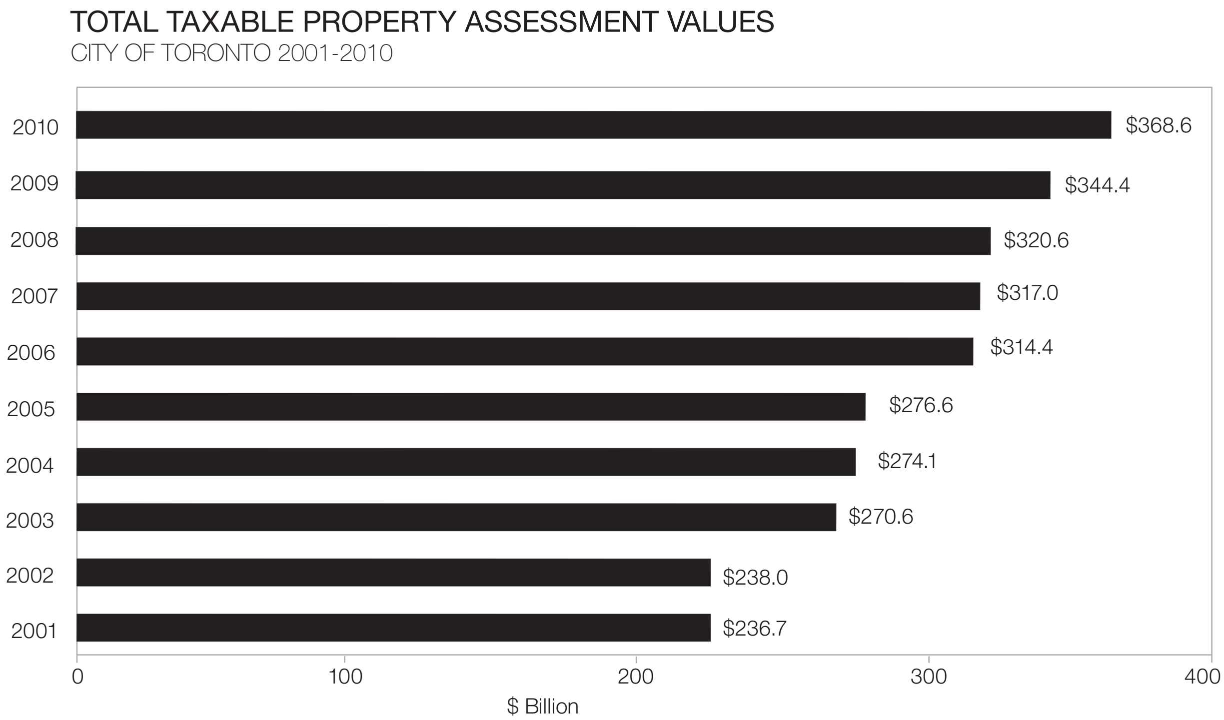
Source: Municipal Property Assessment Corporation

Since 2001, the total CVA of the City's properties has experienced a true net growth of 11% when the impacts of property reassessment are removed. Within the various property classes, residential properties had a true growth of 14%, and multi-residential properties had an increase of 11%. For the non-residential properties, while commercial properties had just a modest 5% in true assessment growth, industrial properties had a net decrease of 14%. This is illustrated in the chart below.



Property Assessment

The following chart depicts the total value of all property classes of the City of Toronto's current value assessment in each of the years from 2001 – 2010.



Effective 1998, Ontario municipalities whose commercial, industrial or multi-residential tax ratios exceed threshold ratios established by the Province, are restricted from passing on municipal levy increase to those classes. In Toronto, tax ratios for the commercial, industrial and multi-residential tax classes all exceed the provincial thresholds, as shown in the following chart, which means that no municipal levy (budgetary) increases can be passed on to these classes so long as the ratios exceed the threshold limits. This meant that instead of accessing the full assessment base, the City could increase tax rates only on the residential class at the time.

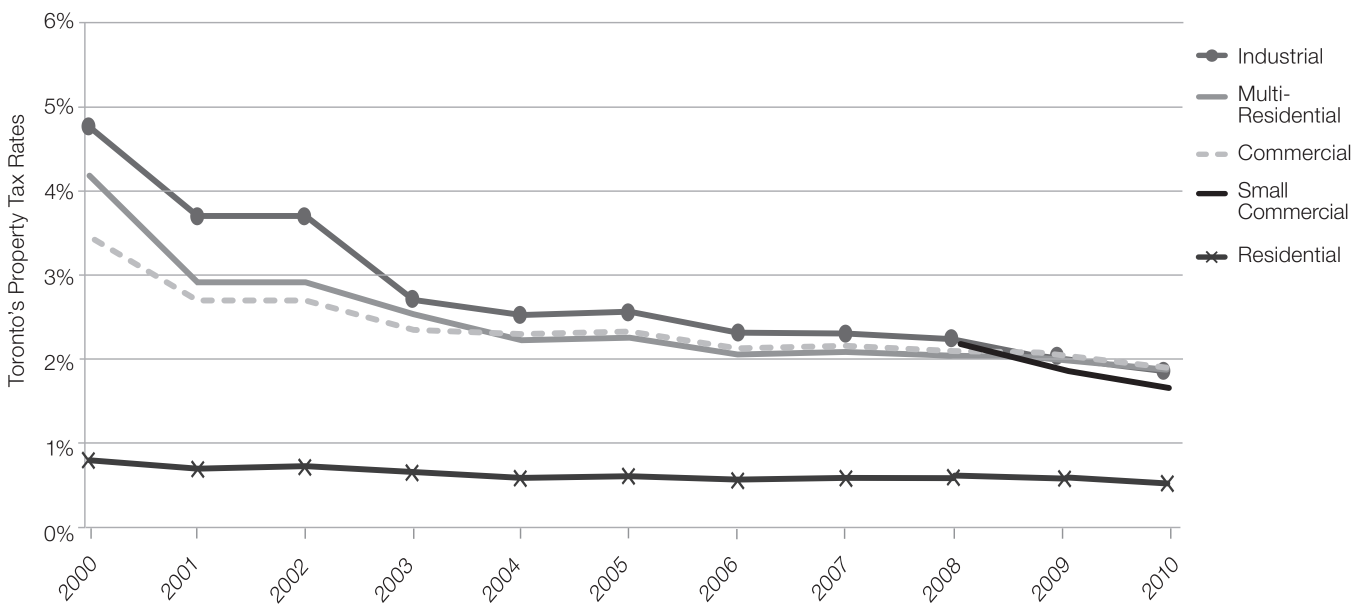
Toronto's Tax Ratios vs. Provincial Threshold Ratios

	Taxation Years										
	2001	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**Provincial Threshold Ratios**
Multi-residential	4.174	4.001	3.870	3.802	3.761	3.635	3.546	3.469	3.380	3.316	**2.74**
Commercial	3.798	3.513	3.516	3.762	3.802	3.674	3.584	3.506	3.373	3.267	**1.98**
Commercial Small								3.410	3.265	3.108	**1.98**
Industrial	5.301	4.120	4.120	4.273	4.273	4.090	3.920	3.740	3.547	3.375	**2.63**

Since 2004, the Ontario Government has in its annual budget introduced regulations, on a one-time basis, made adjustments to the municipal rules under the Ontario Property Tax System, which amongst other things, allowed tax rate increases on the non-residential classes to be no more than 50% of the rate for the residential tax class. Although the relaxing of the restriction on non-residential classes is not permanent, it does provide partial relief from the budgetary levy restrictions imposed by Provincial legislation.

In late 2005 Council approved a comprehensive property tax policy “Enhancing Toronto’s Business Climate – It’s Everybody’s Business” to improve the business climate in the City, and consequently in 2006 implemented the policy of allowing for up to one-third of any residential tax rate increase to be applied to the Commercial, Neighbourhood Retail, Industrial, and Multi-Residential tax classes (i.e. a one percent non-residential tax increase for a residential tax increase of three percent), which would reduce its non-residential tax ratios to 2.5 times the residential rate over 15 years. In addition the policy provides for an accelerated tax reduction for neighborhood retail and small businesses that will see their tax ratios fall to 2.5 times residential within ten years (2015), as well as property tax relief measures for non-retail office, hotel and industrial developments.

BUSINESS TAXES HAVE BEEN REDUCED



Other City efforts to enhance competitiveness have resulted in a successful agreement with the provincial government to reduce business education tax (BET) rates for the City of Toronto businesses closer to the average of the surrounding GTA municipalities, creating a new, fair water rate structure for industrial and manufacturing companies and continuing the relief of development charges for the city’s commercial industry.

The City of Toronto Act also mandates limits on re-assessment related tax increases to 5% per year for the commercial, industrial and multi-residential property classes, which for many properties in these classes may result in a phase-in towards their CVA level of taxes.

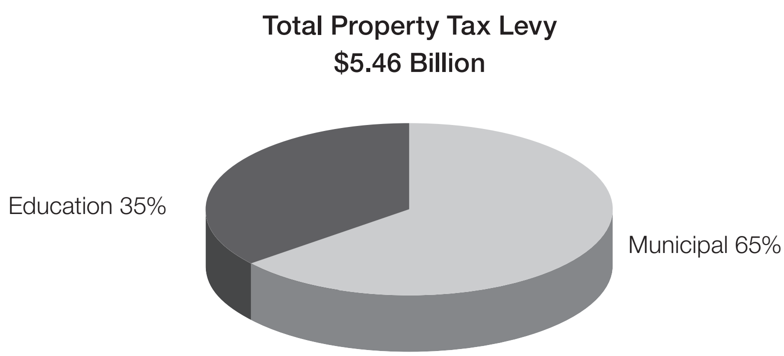
Special provisions to provide tax relief for low-income people and disabled persons, as well as charities and similar organizations, are also required.

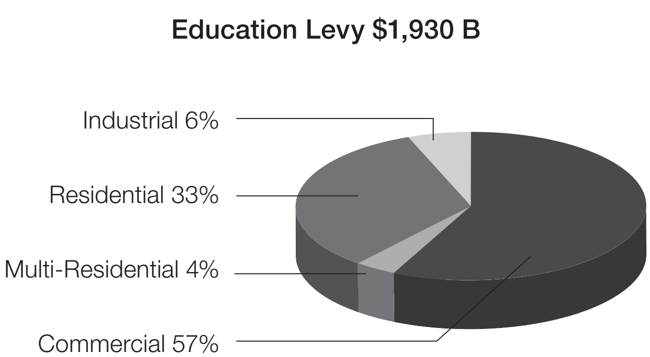
Tax relief policies in effect for 2010 include:

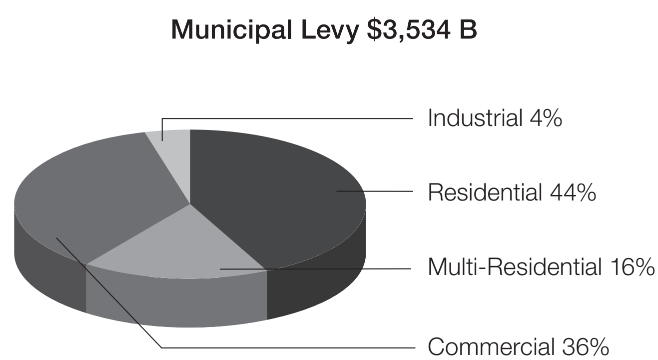
- The cancellation of any tax increase for people aged 60 or older, or disabled person living with a household income of $36,000 or less, with a residential property assessed value of $ 525,000 or less and have owned and occupied the home as a principal residence for at least one year.
- The deferral of any tax increase for people aged 50 years or older or disabled persons living with a household income of $ 50,000 or less and have owned and occupied the home as a principal residence for at least one year.
- A 40 percent rebate of taxes paid for registered charities owning or occupying space in commercial or industrial properties.

The following chart shows the total approved 2010 property tax levy totalling $5.46 billion, comprising $3.53 billion (65%) for municipal purposes and $1.93 billion (35%) for education purposes which the City collects on behalf of the Province of Ontario. The approved amounts may be different than the actual amounts received.

TORONTO 2010 PROPERTY TAX LEVY







The chart below illustrates the 2010 taxes payable for the average household in Toronto living in a residential property with an assessed value of $407,374:

	2010 Tax Rate	2010 Property Tax
Municipal Purposes	0.5895702%	$2,402
Education Purposes	0.2410000%	$ 982
Total	**0.8305702%**	**$3,384**

USER FEES

User fees are the City's second largest source of revenue. The City's User Fee Policy directive prescribes that, "where direct users can be identified, City user fees be established to recover the full cost of the relevant service and be increased by the rate of inflation, while ensuring that the most vulnerable are protected."

Total user fee revenues represent approximately 23% of total tax and rate-supported operating revenues. They include transit fares, parks and recreational fees, Water and Wastewater charges, as well as Solid Waste fees. The City's current user fee structures are at levels generally comparable to, and competitive with, the surrounding municipalities.

A new funding system for Solid Waste Management Services, the volume-based rate structure, was implemented November 1, 2008 to fund the service objective of 70% waste diversion. This funding plan transforms Solid Waste Management (garbage, recycling, green bin, litter prevention, landfill management and other diversion programs) from being property-tax-based to user fee-based, and its fees are now part of the Utility Bill, together with the water charges, that are sent to city residents and businesses. The entire Solid Waste Management program is now funded from revenue other than property taxes (including funding from Waste Diversion Ontario, sales proceeds from recyclable materials and user fees).

FUNDING TRANSFERS FROM OTHER GOVERNMENTS

The City receives grants and subsidies from other orders of government which are mainly for mandated programs such as Social Assistance, Child Care, Public Health, Social Housing, and transit funding. These transfers represent about 19% of the total tax-and rate-supported Operating Budget.

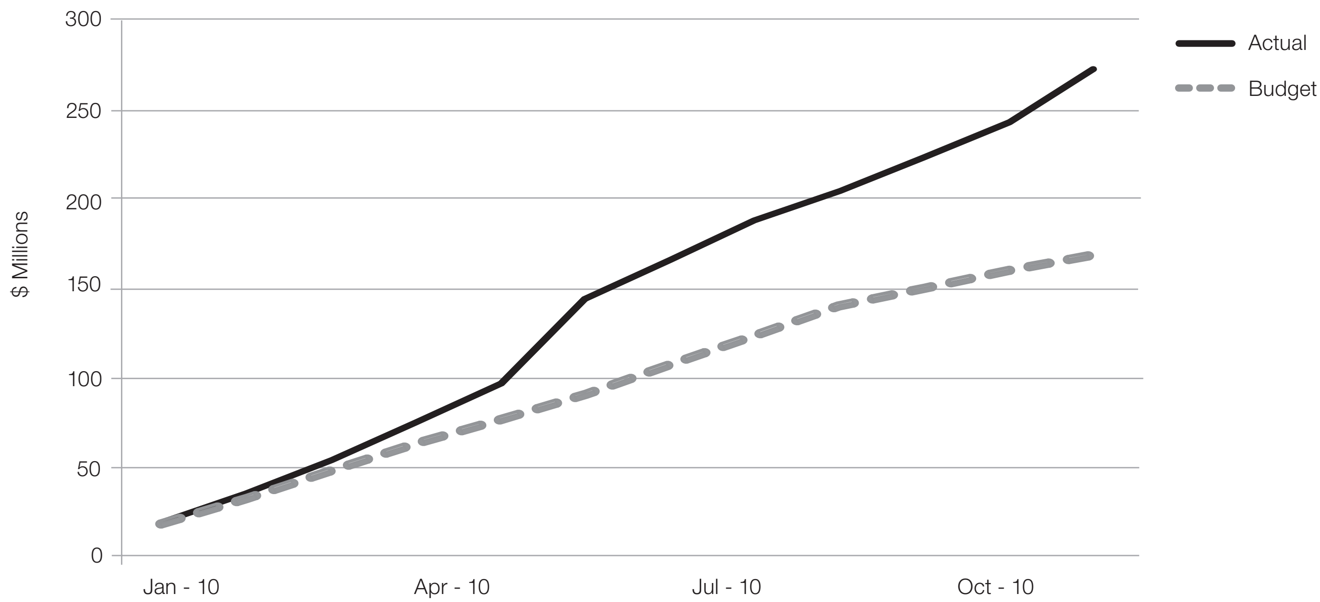
OTHER TAXATION

The City of Toronto is the only Ontario municipality with the legislative authority (City of Toronto Act, 2006) to allow it to levy taxes other than property taxes. The Municipal Land Transfer Tax (MLTT) was implemented on February 1, 2008, and Personal Vehicle Tax (PVT) on September 1, 2008. In 2010, the two taxes brought in revenues in excess of $320 million, or approximately 3% of the total tax-supported Operating Budget.

Consistent with the strong Toronto real estate market, the MLTT revenues significantly exceeded expectations in 2010. The initial recovery in the real estate market that started in late 2009 continued and grew, fuelled by low mortgage rates, and tax avoidance hysteria leading up to the July 1, 2010 introduction of the HST (which applied to certain new home purchases and transaction costs). The following chart illustrates how the actual 2010 monthly revenues far exceeded the budget throughout the year.

MUNICIPAL LAND TRANSFER TAX

CUMULATIVE MONTHLY REVENUES 2010



On December 16, 2010, City Council approved the termination of the City's Personal Vehicle Tax (PVT) effective January 1, 2011, following the Mayor's announcement to repeal the PVT.

CREDIT RATING

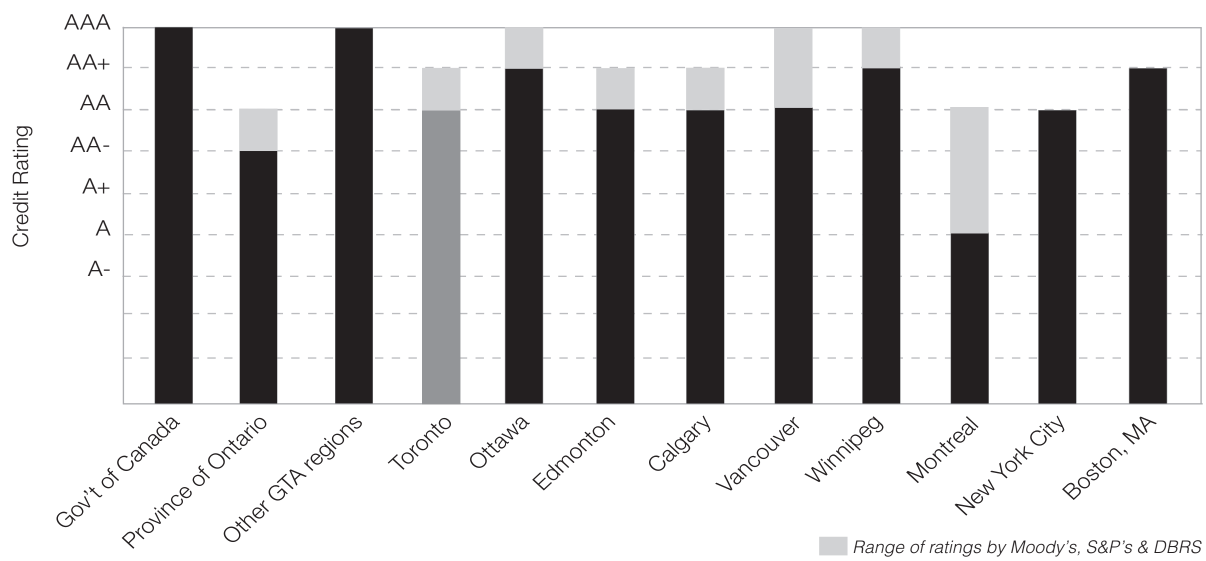
The City of Toronto is recognized as an important participant in global financial markets. The maintenance of a high quality credit rating is essential to ensure that the City's ability to access the most cost-effective world capital markets will continue as it needs to borrow funds for capital purposes.

A municipality's credit rating helps to determine the ability to borrow funds. Credit rating agencies assess the City's financial position by comparing it with other cities and regions. A number of factors affect the credit rating, such as quality of management; strength of economy; level of reserves, state of repair of assets, debt levels, etc. If a municipality's current debt levels and future trends appear to be high, this will have a negative impact on its credit rating. If debt levels are considered low, this will have a positive impact. The rating essentially indicates the City's ability to make payments on the debt now and in the future.

While the City's debt affects its rating, the rating affects the City's ability to borrow, as well as the cost of borrowing. A higher rating translates into a lower cost of borrowing, as well as a wider market for investors to invest in City debt. Below a certain rating, investors may have policies that don't allow them to purchase the City's debt. Then the City would have to offer a higher interest rate to attract investors.

The City's credit rating remains comparable to similar or larger North American cities such as New York, Boston, Vancouver and Montreal.

TORONTO'S CREDIT RATING



Toronto's credit rating: Moody's: Aa1 (=AA+); DBRS: AA (stable), S&P's: AA (stable)

Currently, the City of Toronto's credit ratings are:

- AA with a stable trend from the Dominion Bond Rating Service Ltd.(DBRS) – confirmed May 2010
- AA with a stable outlook from Standard and Poor's Canada (S&P's) – December 2009
- Aa1 with a stable outlook from Moody's Investor Service – confirmed March 2010

City of Toronto's Credit Rating History	1997	1998-2001	2002-2010
DBRS	AAA	AA (high)	AA
Standard and Poor's	AA+/AAA	AA+	AA
Moody's Investors Service	Aa2	Aa2	Aa1

Credit Rating agencies regularly issue reports respecting the industries and individual issuers. Here are some of the excerpts from those reports that generally explained the high rating held by the City of Toronto.

"Toronto continues to have the deepest, most diversified local economy in Canada…. Toronto maintains a low debt burden compared with those of 'AA' rated peers…... The city has what we view as a relatively healthy liquidity balance, which has more than quadrupled since 2000…. Toronto plans to increase its debt burden substantially in the next three years to fund peak lifecycle maintenance requirements, tackle priority projects, and accelerate certain works to qualify for federal fiscal stimulus funding. The city estimates direct debt could reach C$4.2 billion, or 44% of projected operating revenues by 2013. This well exceeds its previous-year debt forecast of C$2.8 billion or 30% of operating revenue by 2011. Nevertheless, we believe Toronto's debt under the revised borrowing plan would still be relatively moderate. Moreover, to mitigate the impact of the revised borrowing plan on debt servicing, the city intends to finance long-term capital assets with 30-year debentures, which we expect will have a cheaper servicing cost in the early years compared with the 10-year debentures it currently issues"

Standard & Poor's, December 2009

"DBRS has confirmed the ratings of the debentures issued by the City of Toronto at AA. The trends remain Stable. The sound credit profile of the City remains supported by the ability to levy taxes on the large and well-diversified Toronto economy and a healthy level of liquid reserves, amounting to $1.8 billion at year-end 2009. DBRS notes, however, that the capital plan is expected to enlarge the tax-supported debt burden by about 50% by 2014 and will likely erode much of the flexibility……. In the coming years, growth in the debt burden will be driven by the extensive capital plan, which focuses on new transit infrastructure and investment in roads and bridges. All in, the capital spending pressure is forecast to push debt to a peak of roughly $3.8 billion, or $1,400 per capita, by 2014. This level of debt is viewed as manageable for the current rating given the strength of the economy and healthy level of reserves, but it will materially reduce the City's room to manoeuvre. …... DBRS expects that Toronto can continue posting sound operating results if it maintains its recent fiscal resolve in dealing with base budget pressures and creates budget space to fund much-needed infrastructure investments."

DBRS May 2010

"The City of Toronto's debt rating of Aa1 reflects the city's low debt burden and corresponding low debt service ratios, as well as the positive operating results recorded by the city over the past several years despite challenging financial circumstances which have necessitated annual adjustments to its operating budget. The high investment-grade rating also reflects a large and diversified economy, which remains a source of credit strength, providing access to a broad tax base. Moreover, the rating is supported by the city's high levels of net cash and investments, which provide substantial liquidity that could be tapped to mitigate unanticipated shocks, a considerable measure of safety for debenture holders. These high levels of internal liquidity are also reflected in the Prime-1 (P-1) rating assigned to its US commercial paper program."

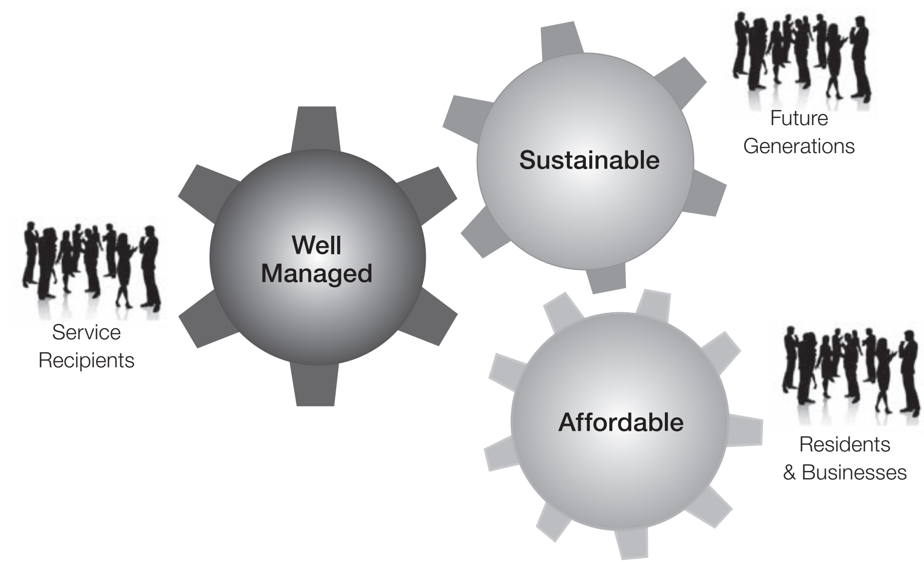
Moody's Investors Service, April 2011

LONG TERM FINANCIAL PLAN UPDATE

The City of Toronto has a Long Term Financial Plan, the goal of which is to ensure the City is in a sound financial condition and can finance services to the public and stakeholders on a sustainable basis. The City's vision for the Long Term Financial Plan is three-fold:

- Well managed — for service recipients
- Sustainable — for future generations, and
- Affordable — for residents and businesses

CITY'S LONG TERM FINANCIAL PLAN VISION



What we mean by Well Managed (for service recipients):

- The City should be operating efficiently and can demonstrate that it is
- Programs should be continually reviewed to ensure they are effective and relevant, and changed when they are not

What we mean by Sustainable (for future generations):

- Assets should be maintained in a state of good repair
- Assets no longer used should be sold, and proceeds used for re-investment or debt reduction
- New assets should be acquired only when necessary and affordable
- Debt should be held to a manageable level, used only for long-lasting assets
- Appropriate funds should be set aside for future obligations
- Future trends should be planned for

What we mean by Affordable (for residents and businesses):

- Property taxes should be predictable, affordable and competitive with the rest of the GTA region — continue re-balancing of non-residential and residential taxes
- User fees should be competitive with the rest of the GTA region
- Subsidies to residents and businesses should be transparent
- Necessary increases in taxes and fees should be in line with inflation and appropriate cost recovery
- Income support programs should be funded through income or consumption based revenues, not property taxes
- Provincial cost sharing should recognize the benefit that some City services accrue beyond the City's borders

In 2005 City Council unanimously approved the City's first ever comprehensive Long Term Fiscal Plan. The Plan identified major financial issues relating to Expenditures, Revenues, and Assets & Liabilities. The following LTFP Scorecard summarizes the eight major financial issues identified in the 2005 Plan, and the current status. In the Scorecard:

- ✔ = condition has improved or compares favourably
- ▬ = condition has stabilized or work is in progress with some noticeable results
- ✘ = no progress has been made

Our focus should be on those areas identified as work in progress or no progress.

Major Financial Issues

Identified in the Long Term Fiscal Plan 2005	Current Status	Score (2011)	Score (last year)
Well Managed (Expenditures): • City has a higher cost structure for some services than other municipalities in GTA	Costs "restrained"	✔	
• Demands for growth not adequately funded	Growths in expenditure and revenue being balanced	▬	
• Variability in certain program expenditures from year to year, e.g. economic downturns	Social Services & Court Security upload. Restoration of full 50% funding on Ontario Works administration costs	✔	
Affordable (Revenues): • Business taxes not competitive	Improving business competitiveness	✔	
• Inadequate revenue sources to fund responsibilities	Revenues diversified	▬	✔
	User Fees enhanced	▬	✔
	Provincial 50% TTC Operating Funding	✘	▬
	Share of HST	✘	
Sustainable (Assets & Liabilities): • Investment in ageing infrastructure lagging	• 10 year capital plan • More than 60% to be spent on State of Good Repair	✔	
• Employee benefits and other liabilities not adequately funded	Debt increase mitigated	▬	✔
	Sick Pay liability partially capped, but some liabilities still growing	▬	

Legend

✔ Improving or compares favourably ▬ Stabilizing or work in progress ✘ No progress

Since 2005, the City has made significant progress addressing the majority of those financial issues. On others there have been some setbacks since last year. For example, the cancellation of Personal Vehicle Tax in 2011 has limited the City's revenue diversification. The City is in the process of conducting a Comprehensive User Fee Review and the results are expected to come out later in 2011. The Province of Ontario has provided ad hoc transit operating funding in the past, but the City is still seeking permanent provincial funding for 50% of TTC's operating requirement on an on-going basis. Debt is projected to increase in the next few years and peak in 2015 due to the life-cycle costs for major assets including transit and transportation, despite debt restructuring in 2010. The City is actively looking at minimizing the peak through alternate financing sources such as monetizing under-utilized assets like real estate, reducing the cost of the capital program through better procurement methods, and a thorough review of the need and timing of capital asset purchases over the life of the capital plan.

The following table summarizes the City's current financial position, listing its strengths while contrasting with the corresponding areas of concern:

Strengths	Areas of Concern
1. City has very high credit rating (AA+, one level below maximum AAA)	
• Modest level of debt	• Current level of debt insufficient to fund TTC growing capital program
• High reserve levels for capital	• No/low reserves for financial resilience, e.g. stabilization reserves
• Strong and balanced economy o Financial services o Knowledge industries, e.g. I&T o Culture	• Unemployment rate has not returned to pre-recessionary level
• Stable political environment	• Imminent Provincial and Federal elections
• Well established financial planning/management	• Future enhancements being implemented
2. Residential property tax rates among lowest in Province	Business property tax rates higher than 905 and most other large North American cities
3. Revenue base more diversified than average	• Recent loss of Personal Vehicle Tax • User fee cost recovery levels need review

LONG TERM FINANCIAL PLAN — ACTION PLAN

The action plan for the City's long term financial plan can be classified into short-term and long-term plans:

- Short-term:
  - City Initiatives:
    - Core service reviews (involving all Divisions and ABCs)
    - Detailed service efficiency review (involving all Divisions and ABCs)
    - Comprehensive user fee policy
    - Procurement policy and practice review
    - Asset monetization review

- Medium/Long-Term:
  - Funding relationship with other orders of government
    - 50% TTC operating funding
    - Social Housing upload/ National Housing Strategy
    - Sharing of HST

The City will need to show leadership in tackling its own issues and make the case for even greater financial involvement of the other orders of government.

PERFORMANCE MEASUREMENT AND BENCHMARKING RESULTS

To provide context when examining Toronto's performance, it is important to consider that municipal property taxes represent only 7.6 per cent of the total taxes, in all forms, paid annually by an average Ontario family. These various forms of taxes include income taxes, Employment Insurance and Canada Pension Plan premiums, consumption taxes such as the HST, and embedded taxes, which are included in the price of gasoline, liquor and tobacco. The discussion on Toronto's performance that follows is focussed on how Toronto utilizes its 7.6 per cent share of the total tax dollar. Toronto's 2009 Performance Measurement and Benchmarking Report Benchmarking Report can be found at: *http://www.toronto.ca/legdocs/mmis/2011/ex/bgrd/backgroundfile-38170.pdf*

The report includes:

- Service/activity level and performance measurement results (efficiency, customer service and community impact) in 28 different service areas;
- Up to ten years of Toronto's historical data to examine internal trends;
- A comparison of Toronto's 2009 results externally to 14 other municipalities through the Ontario Municipal CAOs Benchmarking Initiative (OMBI);
- Colour coded summaries of results;
- A description of 2010 achievements and planned 2011 initiatives that will further improve Toronto's operations in the future.

By examining our own operations and by working with other municipalities through OMBI, these processes encourage Toronto's service areas to continuously look for opportunities to improve operations and performance.

Summary of Toronto's 2009 Performance Measurement & Benchmarking Results

Toronto is unique among Ontario municipalities because of its size, its density, and its role as the centre of business, culture, entertainment, sporting and provincial and international governance activities in the Greater Toronto Area. Despite these unique characteristics, there is value in making comparisons of performance measurement results to other municipalities to assist in understanding how well Toronto is doing. Through the OMBI partnership, performance measurement results are shared between municipalities and are included in Toronto's Benchmarking Report. Toronto's results are ranked and placed in quartiles relative to 14 Ontario municipalities that comprise OMBI. OMBI's members are comprised of eight single-tier cities/counties and six regional or upper-tier municipalities. Combined, the OMBI municipalities serve more than 9.3 million residents, or 73 per cent of Ontario's population.

Internal Trends – Service/Activity Level Indicators

Of the 42 service/activity level indicators included in the Benchmarking Report, 69 per cent of results remained stable or increased in relation to 2008. Examples of some of the areas in which Toronto's 2009 service levels or levels of activity increased include:

- increased number of police officers
- more public transit vehicle hours
- greater investment in childcare
- expanded library collection and increased library hours
- additional parking spaces

As a result of the recession and the 39 day municipal strike there were some areas of decreased activity in 2009.

Internal Trends – Performance Measures

Of the 127 performance measurement results, of efficiency, customer service and community impact included in the Benchmarking Report, 68 per cent had results that were either improved or remained stable relative to 2008. Examples of areas where Toronto's 2009 performance improved include:

- continued high rate of resident satisfaction in long term care home
- decreased crime rates in all crime categories
- increased public transit trips per person
- decreased cost of wastewater, collection, treatment and disposal
- improved adherence to timeliness standards for building permit review and inspections
- reduced EMS off load delays at hospital
- increased rate of return on investments
- improved pavement quality of roads

External Comparisons – Service/Activity Level Indicators

Of the 51 service/activity level indicators in the Benchmarking Report, Toronto's results were higher than the median of the OMBI municipalities for 53 per cent of the indicators. Between Toronto's 2008 and 2009 benchmarking reports, there was little change in Toronto's quartile ranking for each of the service/activity level indicators in relation to other municipalities. Any changes in Toronto's quartile ranking for individual indicators will likely only occur over much longer time periods. Some of the key factors that influence Toronto's results for service/activity level indicators in relation to other municipalities include:

- services where Toronto's size and high population density requires higher service levels, indicative of large densely populated cities, such as higher levels of police staff and transit vehicle hours
- higher needs and demands in a large city like Toronto for social programs such as childcare, social assistance, social housing and emergency hostels
- fewer facilities or less infrastructure can be required in densely populated municipalities like Toronto because of proximity and ease of access, while other less densely populated municipalities require proportionately more facilities or infrastructure to be within a reasonable travel distance of their residents. Examples include recreation facilities, libraries and kilometres of roads
- fewer emergency services vehicle-hours may be required in densely populated municipalities like Toronto because of the close proximity of vehicles and stations to residents, that allows for timely emergency response. Those municipalities with lower population densities may require proportionately more vehicle-hours in order to provide acceptable response times.

External Comparisons – Performance Measures

Of the 118 performance measures of efficiency, customer service and community impact in the Benchmarking Report, Toronto's results are higher than the median of the OMBI municipalities for 48 per cent of the indicators.

Examples where Toronto has the top/best result of the OMBI municipalities include:

- lowest rate of governance and corporate management costs of single-tier municipalities
- highest pavement quality rating for our roads system
- highest rate of public transit usage
- lowest rate of residential fire related injuries
- lowest rate of prior year's property tax arrears (unpaid)
- highest revenue generated per off-street and on-street parking space

Additional examples where Toronto's performance is better than the OMBI median include:

- high rate of new residential housing units created
- better rate of leveraging City grants (to access other revenue sources) by recipient arts organizations
- shorter emergency response times than in many other municipalities
- high library usage rates
- lower youth crime and property crime rates
- high rate of resident satisfaction in long term care homes
- lower costs for building permit issuance and inspection (based on construction value)
- low social assistance and social housing administration costs

OTHER METHODS OF ASSESSING TORONTO'S PERFORMANCE

Other Report Cards and Indicator Reports

Toronto's Benchmarking Report focuses on performance measurement results in specific service areas; however, it is by no means the only type of reporting conducted by Toronto in this area. Links to other report cards or indicator reports issued by the City of Toronto, or, in association with the City, are noted below:

- Children's Report Card: *http://www.toronto.ca/reportcardonchildren*
- Homelessness and Housing Research and Reports: *http://www.toronto.ca/housing/research-reports.htm#hostels*
- Toronto Community Health Profiles: *http://www.torontohealthprofiles.ca/*
- Economic Indicators: *http://www.toronto.ca/business_publications/indicators.htm*
- Federation of Canadian Municipalities – Quality of Life Indicators *http://www.fcm.ca/english/View.asp?mp=1237&x=1115*
- Vital Signs – (Toronto Community Foundation) *http://www.tcf.ca/vitalinitiatives/vitalsigns.html*

World Bank Initiative to Develop City Indicators

In November 2005, Toronto staff joined with World Bank officials in an initiative to develop an integrated approach for measuring and monitoring the performance of cities. The objective of this initiative was to develop a standardized set city indicators that measure and monitor city performance and quality of life at a global level.

This initiative benefits Toronto by expanding its current benchmarking work beyond Ontario to include other large international cities.

The indicators cover a total of 22 theme areas. Eight of the themes relate to quality of life indicators such as civic engagement, culture, economy and the environment. Fourteen of the theme areas relate to city services and are designed to capture the service levels or amount of resources each city devotes to delivery of the service and the outcomes or impacts of that service on the city. Examples of service areas included are fire services, recreation services, police services, social services, solid waste management services, water and wastewater services.

As of May 2011, the GCIF had 130 cities as members including:

- Australia – Melbourne
- Brazil – Sao Paulo, Belo Horizonte, and Porto Alegre
- Canada – Montreal, Toronto and Vancouver
- Chile – Santiago
- Columbia – Bogotá and Cali
- France – Paris
- Indonesia – Jakarta
- India – Mumbai
- Italy – Milan
- Jordan – Amman
- Netherlands – Rotterdam
- Peru – Lima
- Portugal – Lisbon
- South Africa – Cape Town, Johannesburg and Durban
- Spain – Madrid and Barcelona
- USA – King County (Regional Seattle), Portland and Dallas

Toronto is a leader in this initiative, proactively providing measures and indicators to benchmark service delivery and quality of life. The ability to compare and benchmark internationally and to establish and share better practices through the available networks is invaluable. While this initiative will take some time before Toronto can report comparable results of other cities, it is anticipated that it will provide a valuable additional source of information to assess how well Toronto is doing from both a service delivery and quality of life perspective.

For further information on Global Cities Indicators Facility, please visit *http://www.cityindicators.org/*

Conclusion

The City continues to promote a continuous improvement culture in order to provide our citizens and businesses with services that are as efficient and effective as possible, looking for the optimal combination of efficiency and quality and beneficial impact on our communities.

For further information on Toronto's performance please visit our website at *http://www.toronto.ca/progress/*

TREASURER'S REPORT

The Consolidated Financial Statements are intended to provide Council, the public, the City's debenture holders, and other stakeholders, an overview of the state of the City's finances at the end of the fiscal year and indicate revenues, expenses and funding for the year.

The preparation, content and accuracy of the Consolidated Financial Statements and all other information included in the financial report are the responsibility of management.

As required under Section 231 of the *City of Toronto Act*, the financial statements are prepared in accordance with generally accepted accounting principles as set by the Canadian Institute of Chartered Accountants' (CICA) Public Sector Accounting Board (PSAB).

These Consolidated Financial Statements have been audited by Pricewaterhouse Coopers LLP whose role is to express an independent opinion on the fair presentation of the City's financial position and operating results and to confirm that the statements are free from material misstatement. The external auditor's opinion is to provide comfort to third parties that the financial statements can be relied upon.

Consolidated Financial Statements

The Consolidated Financial Statements include the following individual statements:

Name	Purpose
Consolidated Statement of Financial Position	Summarize the assets (financial and non-financial), liabilities, net debt, and accumulated surplus as at December 31st.
Consolidated Statement of Operations and Accumulated Surplus	Outlines revenues, expenses, surplus for the year and accumulated surplus at year end. This statement reflects the combined operations of the operating, capital, reserve and reserve funds for the City and its consolidated entities, and provides the calculation of the City's accumulated surplus at year end.
Consolidated Statement of Net Debt	Outlines the changes in net debt as a result of annual operations, tangible capital asset transactions, as well as changes in other non-financial assets.
Consolidated Statement of Cash Flows	Summarizes the City's cash position and changes during the year by outlining the City's sources and uses of cash.

The Consolidated Financial Statements combine the financial results of the City's divisions with the financial results of the agencies, boards, commissions ("ABCs") and government business enterprises that the City effectively controls. There are 109 entities that are directly included in the financial statements and these are listed in Note 1 to the Consolidated Financial Statements. There are also a number of subsidiaries of ABCs which are not included in the entity count above. The notes to the statements provide further detail about the City's financial results and are an integral part of the statements.

Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position is the municipal equivalent of the private sector's balance sheet. This statement focuses on the City's assets (financial and non-financial) and liabilities. The difference between the liabilities and financial assets is the City's net debt, which represents the net amount that must be financed from future budgets.

The detailed breakdown of the accumulated surplus, including all of its components: amount invested in capital assets; operating fund, capital fund, reserve and reserve fund balances; and amounts to be recovered from future revenues, are reflected in Note 18 to the Consolidated Financial Statements.

The City has received funds for specific purposes under legislation, regulation or agreements. The recognition of these funds as revenues has been deferred until related expenses occur in the future. For example, development charges, parkland dedication fees and Federal and Provincial Government transfers received (such as public transit funding), are not recognized as revenues until such time as the projects are constructed. These restricted funds are included in liabilities as "Deferred Revenue" and not in the accumulated surplus. A breakdown of the City's deferred revenue obligatory reserve funds can be found in Note 10 (a) to the Consolidated Financial Statements.

As a result of the significant investment in tangible capital assets, there is a large accumulated surplus, which occurs at the same time that the City has a significant net debt, which must be financed through future revenues. Although tangible capital asset balances are considerable for municipalities – much larger on a percentage basis than any other level of government – they do not provide liquidity, and are not typically available for sale, the proceeds of which could be used for other purposes. It is for this purpose that tangible capital assets are not included in the calculation of net debt, arguably the most important financial statistic for governments.

Consolidated Statement of Operations and Accumulated Surplus

The Consolidated Statement of Operations and Accumulated Surplus is considered to be the municipal equivalent to the private sector's Statement of Income and Retained Earnings.

The Consolidated Statement of Operations and Accumulated Surplus provides a summary of the revenues, expenses, and surplus throughout the reporting period and outlines the change in accumulated surplus.

The 2010 budget values presented in this statement have been adjusted to reflect the differences between amounts as budgeted at the City on a modified "cash requirements" basis and amounts now recorded in these financial statements. Note 19 outlines the adjustments to the budget, particularly reduction of debt proceeds and payments, reduction of tangible capital asset purchases and inclusion of estimated amortization expense. These adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. The accrual based budget results in a surplus, as the City must fund reinvestment in assets at amounts greater than their historical cost.

Consolidated Statement of Net Debt

The Consolidated Statement of Net Debt is unique to governments. Other senior levels of government have been preparing this statement for a number of years. This statement focuses on the debt of the City, adjusting the annual surplus for the impact of tangible capital assets: mainly deducting the costs to acquire assets, and adding back amortization charged during the year.

Financial Condition

An important measure of any government's financial condition is its net debt: calculated as liabilities (e.g. trade and employment payables, mortgages and debentures) less financial assets (e.g. cash, receivables, and investments).

The City's net debt as at December 31, 2010 increased by $721M to $4.39B (2009 – $3.66B). This increase in the City's net debt is primarily due to the amount of tangible assets purchased during the year. (See Consolidated Statement of Change in Net Debt).

The City's net long-term debt (Note 14) increased by $92M primarily due to increase in new net long term debt issuances of $253.8M by Toronto Community Housing Corporation (TCHC) offset by net long-term debt decrease of $163.7M at the City, as a result of the lump sum payment of $600M into the sinking fund due mainly to the funds received from the sale of Note Receivable from Toronto Hydro Corporation to a third party on April 1, 2010.

In order to improve the City's net debt position, the City continues to implement its Long Term Fiscal Plan. Some key measures included in the plan are: tax policies which enhance economic competitiveness and improve Toronto's business climate, utilization of user rate adjustments for environmental and cost control purposes, and working with the Province to continue and expand the upload of social service program costs.

While the debt financing has grown and will continue to grow due to state of good repair funding requirements and increased focus on improving public transit, the City's updated Capital Plan, inclusive of enhanced federal and provincial funding, combined with the recent approval of the long-term debt restructuring strategy, ensures a solid financing plan is in place for the next five years.

The positive effects of implementing these financial plans are reflected in the City's AA and Aa1 (Moody's) independent credit ratings.

Another key indicator of a government's financial condition is the amount that must be recovered from future revenues as included in Note 18 of Consolidated Financial Statements. These liabilities include TCHC mortgages, debentures, employee benefit liabilities, property and liability claim provisions, landfill liabilities and environmental liabilities. In 2010, the total amount that will be recovered from future property taxes and other revenues grew by $205M to $6.60B. This increase mainly consists of:

- an increase of $85.5M in employee benefits liabilities;
- an increase of $63.1M in other (mainly property and liability claims provision); and
- an increase of $58.9M in mortgage and long term debt.

Table 1 outlines the trend in financial asset and liability growth over the last 5 years.

Table 1

Net Debt – 5 Year Summary

(in thousands of dollars)

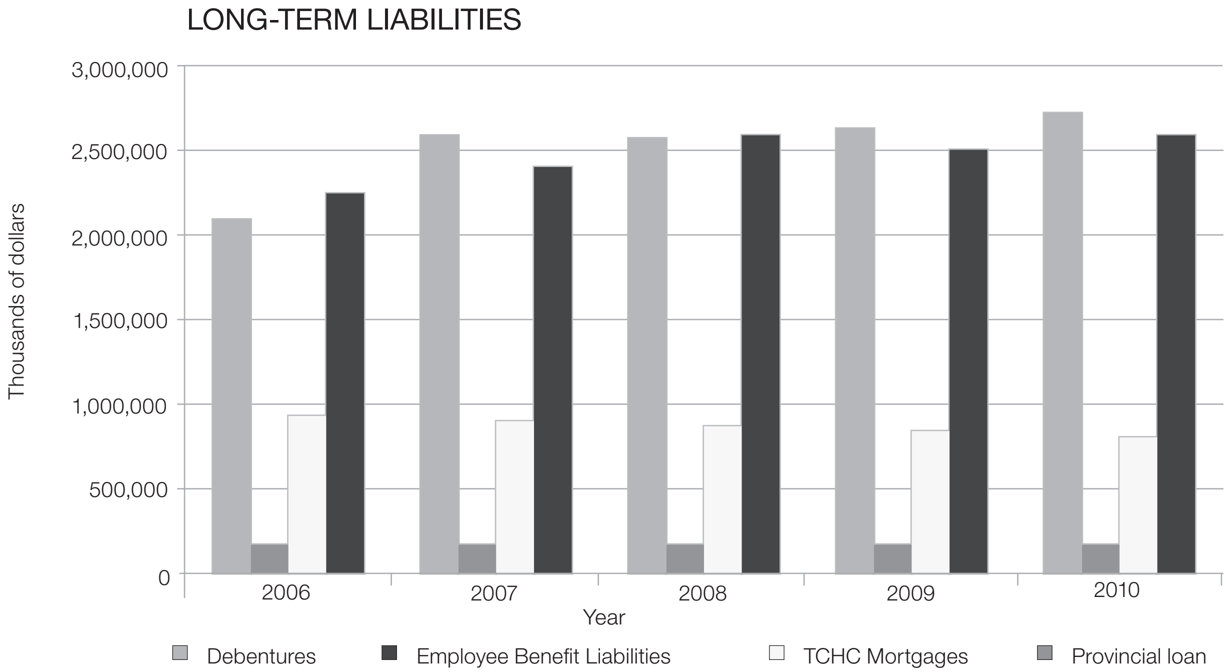
Net Debt	**4 Year Average Annual Increase**	**2010**	**2009**	**2008**	**2007**	**2006**
Liabilities	6.57%	10,899,622	10,392,487	10,647,259	9,631,062	8,451,699
Financial assets	2.08%	6,513,984	6,728,291	7,109,217	6,580,328	5,999,744
Net Debt	**15.65%**	**4,385,638**	**3,664,196**	**3,538,042**	**3,050,734**	**2,451,955**
Percentage Increase		**19.69%**	**3.57%**	**15.97%**	**24.42%**	

The City's net debt has increased by a compound annual rate of 15.65% over the last four years, attributable to increases in long-term debt to third parties and in long-term employee benefit liabilities.

The significant growth in long-term debt has been driven mainly by the need to finance transit capital expenditures. The growth of employee benefit liabilities has been driven significantly by decline in discount rate, an aging demographic (employees and retirees), increased utilization of the plan, increased cost of drugs and services and de-regulation of government sponsored benefits which are transferred to private benefit plans. Council has attempted to contain some of the growth of this liability through collective bargaining, including eliminating the vested sick leave plan for new employees for Local 79 and 416 hired after July 31, 2009.

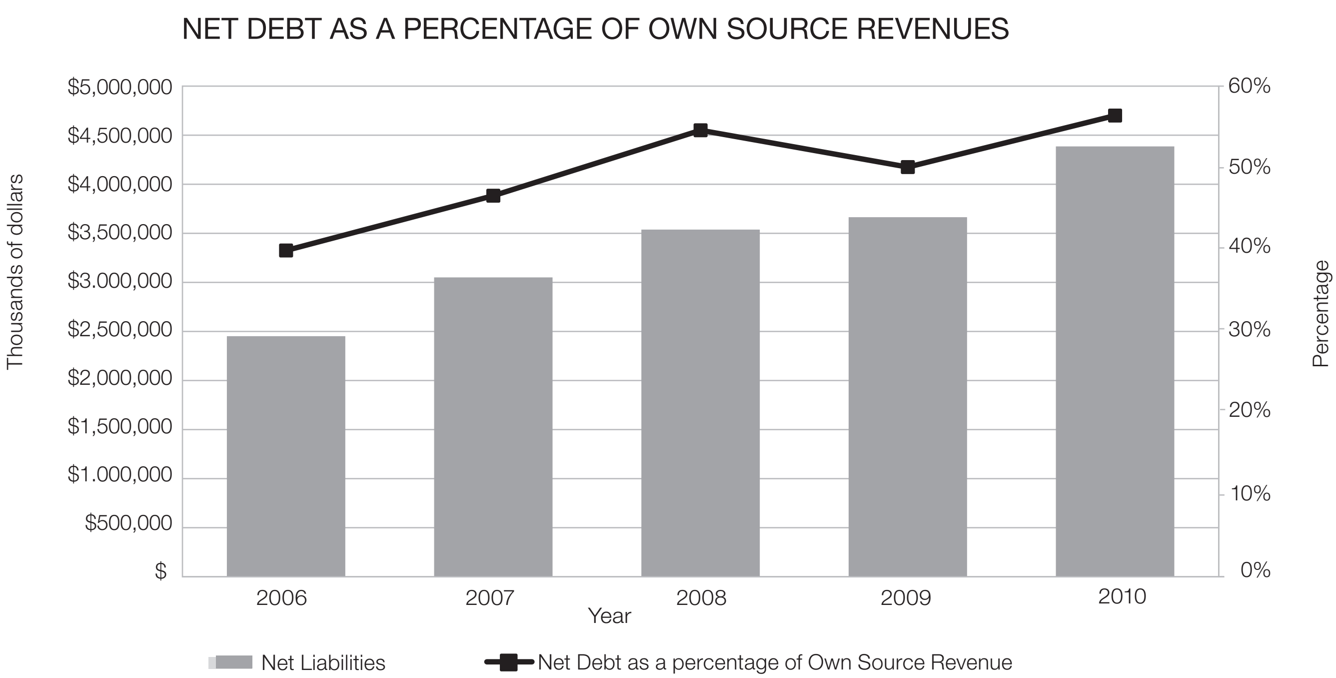
Chart A provides the breakdown of long-term liability growth by debt type.

Chart A



Information on the mortgage liabilities of TCHC is provided in Note 13, the provincial loan and the City's debenture debt is outlined in Note 14, while further detail about the City's employee benefit liabilities is provided in Note 15 of the Consolidated Financial Statements.

Chart B



To put the City's net liability into a different context, Chart B expresses the net debt as a percentage of the City's own source revenues (excluding government transfers and earnings from investment in government business enterprise (GBE's). The net liability as a percentage of own source revenues has grown from 40.0% to 56.4% in the last five years.

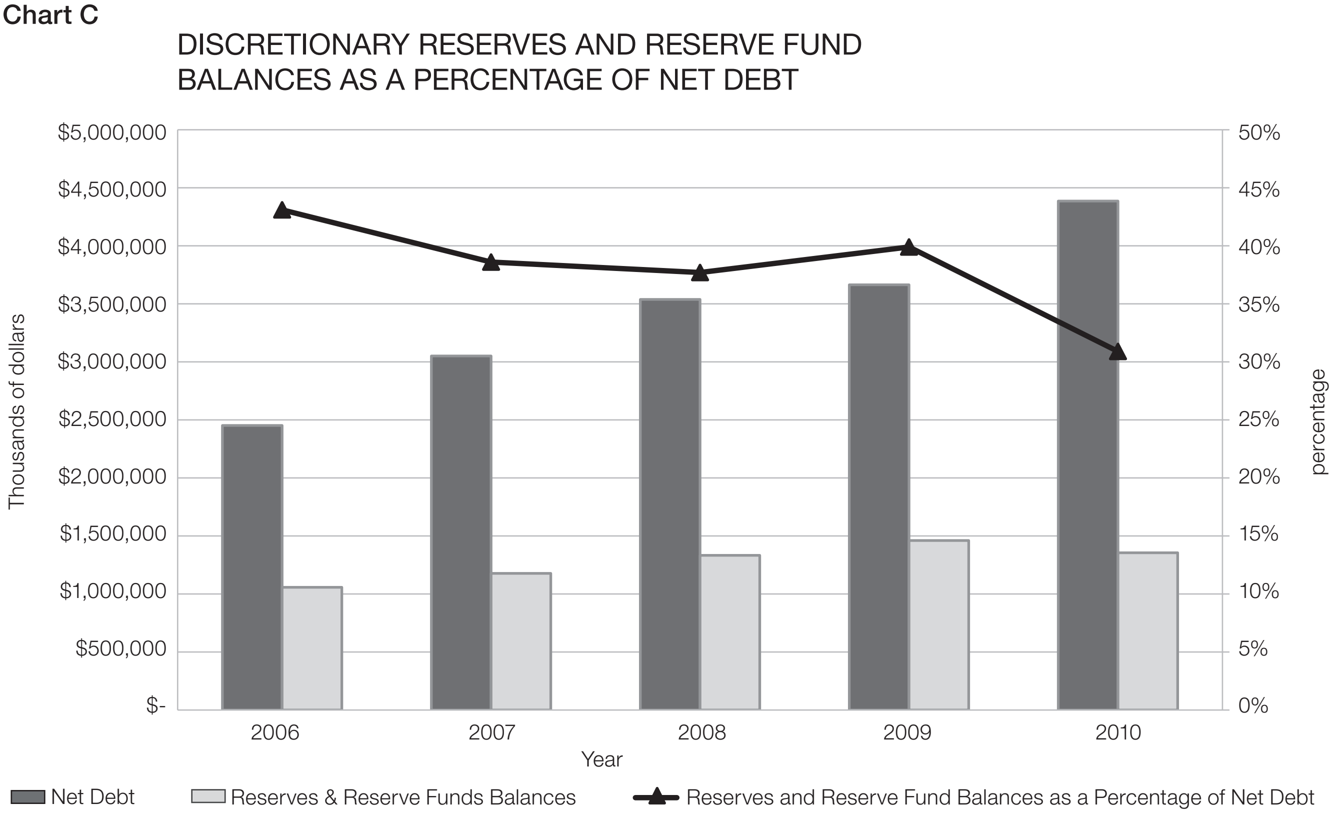
The City's net debt substantially exceeds the City's reserve and reserve fund balances as shown in Chart C. The vast majority of the reserve and reserve funds are committed to fund capital projects identified in the ten year capital plan, and future known liabilities, leaving only a small portion available for discretionary spending.

The balances of all the Obligatory Reserve Funds are restricted for specific purposes as designated by legislation or contractual agreements and all capital reserves/reserve funds are required to replace and maintain capital assets. Also, the current balances of some reserve funds (e.g. Employee Benefits) provide only a small portion of the funding to cover the future obligations for which they have been set aside.

If the Obligatory Reserve Funds were included in Chart C, then the Reserve & Reserve Fund Balances as % of Net Debt would be 55.9% in 2010.

For financial statement purposes, PSAB requires that obligatory reserve fund balances (such as development charges and unspent provincial public transit funding) be classified as deferred revenue (Note 10 (a) of the Consolidated Financial Statements). As a result, the reserve and reserve fund balances in the financial statements (Note 18), are lower than those included in staff reports to the Budget Committee and Council.

Chart C



Analysis of Key Asset and Liability Accounts

Accounts Receivable

Accounts receivable balances decreased $54M in 2010. The decrease consists primarily of the following:

- higher receivable from Government of Canada ($9.1M) due to the following:

	(in thousands of dollars) Increase (Decrease)
Canada Strategic Infrastructure Fund (CSIF)-receipt of funds in 2010	(55.3)
Federal Gas Tax – receipt of funds in 2010	(81.4)
Harmonized Sales Tax Rebates	55.7
G20 Summit Expenses (City and Toronto Police)	75.4
Infrastructure Stimulus Funds	13.0
Other increases	1.7
Total	**9.1**

- lower receivable from Government of Ontario ($79.1M) due primarily to the following:

	(in thousands of dollars) (Decrease)
Social Housing Renovation and Retrofit Program (SHRRP)	(22.9)
Ontario Bus Replacement program (OBRP) received in 2010	(48.7)
Ministry of Transportation – Move Ontario (York Spadina Extension)	(3.3)
Other increases and decreases	(4.2)
Total	**(79.1)**

- increase in receivable from York Region regarding their subway contribution ($17.7M).

- decrease in Water fees receivable is attributable to lower metered consumption of water for 2010 as compared to 2009 resulting in lower year end accrual of $7.6M in 2010.

The breakdown of accounts receivable at December 31, 2010 with 2009 comparatives is as follow:

(in thousands of dollars)

Accounts Receivable	**2010**	**2009**
Government of Canada	254,476	245,362
Government of Ontario	149,997	229,066
Other municipal governments	40,065	20,940
School board	1,786	199
Utility fees	115,205	122,407
Other fees and charges	470,447	468,005
Total	**1,031,976**	**1,085,979**

Taxes Receivable

Taxes receivable consists of all outstanding taxes, items that have been added to the tax roll (such as utilities arrears, drainage charges, and local improvement charges), accumulated penalties and interest charges, net of an allowance for uncollectible taxes. A breakdown of this receivable is noted below:

	(in thousands of dollars)	
Taxes Receivable	**2010**	**2009**
Current year	220,077	228,172
Prior year	36,453	34,455
Previous years	31,140	35,829
Interest/penalty	39,811	38,801
Less: allowance for doubtful accounts	(27,094)	(24,169)
Net receivables	**300,387**	**313,088**

Other Assets (Note 4)

Other assets comprised mainly of loans receivable from various organizations. Other Assets decreased by $49.1M to $112.1M (2009: $161.1M) due primarily to a decrease of TCHC loans recoverable from developers of $44M.

Investments (Note 5)

Investments increased by $43.3M to $3.29B (2009: $3.25B) due primarily to additional funds received from the Federal Government for Canada Strategic Infrastructure Fund (CSIF) and Federal Gas Tax in 2010.

Note Receivable – Toronto Hydro Corporation (Note 6)

On April 1, 2010, the Toronto Hydro Corporation note receivable of $490,115 was sold to a third party for cash consideration of $528,000, resulting in a gain on sale of $37,885.

Investment in government business enterprises (GBEs) (Note 7)

Investment in government business enterprises increased by $69M due primarily to increases in GBE earnings.

Additional information regarding the City's remaining GBEs as at December 31, 2010, including 2010 transactions for all GBEs with the City and condensed financial results, are provided in Note 7 and Appendix 1 to the Consolidated Financial Statements.

Accounts Payable (Note 9)

The breakdown of accounts payable and accrued liabilities at December 31, 2010 with 2009 comparatives is as follows:

	(in thousands of dollars)	
Accounts Payable	**2010**	**2009**
Local Board trade payables	533,279	453,652
City trade payables and accruals	1,060,398	819,882
Payable to school boards	177,695	143,902
Provision for tax appeals & rebates	452,766	411,997
Credit balances on property tax accounts	57,852	63,889
Wages accruals	161,537	130,410
Total	**2,443,527**	**2,023,732**

- Local board trade payables were higher in 2010 primarily due to increases in Toronto Transit Commission (TTC) trade payables for $62.4M.
- City trade payables and accruals are higher ($240.5M) due to the following:

	(in thousands of dollars)
	Increase
Harmonized Sales Tax Payable to Federal Government	8.0
Trade Payables processed at year end	66.8
Holdbacks	40.0
Municipal Services Damage Guarantee (MSDG) Deposits	10.3
G20 Summit expenses	27.0
Unearned Advances for Ontario Works Program	45.7
Year end accruals including Toronto Water	33.5
Other increases and decreases	9.2
Total	**240.5**

- Payable to school boards was higher in 2010 primarily due to higher tax levy for Toronto District School Board $28.95M.
- The provision for tax assessment appeals increased by approximately $40.8M primarily as a result of unprocessed pending assessment appeals, and vacancy, charitable and heritage rebates.
- Wages accruals were higher as an additional day's pay was accrued in 2010 ($12M), accrual for outstanding settlements ($10.4M) and additional accrual for lieu time liability ($8M) in 2010.

Deferred Revenue (Note 10)

Deferred Revenue decreased by $136M to $1.43B (2009: $1.58B) primarily as a result of:

- a decrease in obligatory reserve funds of $130.5M for Public Transit and Water & Wastewater, used for capital purchases;
- wind-up of the Ontario Bus Replacement Program (OBRP) ($44.5M) in 2010; offset by
- increase in funds received for Development Charges and Planning Act ($49.8M).

Other Liabilities (Note 11)

Other Liabilities increased by $92M to $477M (2009: $385M), mainly as a result of:

- an increase in the property and liability claims provision ($63.4M);
- increases in Toronto Transit Commission (TTC) in unsettled accident claims ($17.2M); and
- increase in deposits held for Exhibition Place and National Trade Centre ($7.6M).

Net Long-Term Debt, excluding TCHC Mortgages (Note 14)
Net long-term debt increased by $92M to $2.89B (2009: $2.80B) as follows:

	(in thousands of dollars)
	Increase (Decrease)
Issuance of Debt – City	702.2
– TCHC	261.0
– Other ABC's	2.0
Debt Repayment – City (includes $600M paid into the sinking fund)	(813.5)
Debt Repayment – TCHC	(7.2)
Interest earned on sinking funds	(52.6)
Total	**91.9**

Employee Benefit Liabilities (Note 15)
Employee liabilities were projected, with the same assumptions and methods as those used in the December 31, 2009 valuation, with the exception of the discount rate. The discount rate dropped from the previous valuation, increasing the liability for both WSIB and post employment benefits. As a result of this valuation, the gross employee benefits liability (identified as "Total employee accrued benefit obligation" in Note 15 of the Consolidated Financial Statements) increased by $144M to $2.61B (2009 – $2.46B). The unamortized actuarial gain of $107.3M was offset by unamortized actuarial loss of $123.8 resulting from the review of TTC Pension Plan being undertaken in 2010 with the change being accounted for on retroactive basis (See Note 2 of the Consolidated Financial Statements). This resulted in net unamortized actuarial losses of $16.5M for 2010.

The net employee benefit liability increased by $86M to $2.59B (2009 – $2.50B), as the prior years' amortization of actuarial losses exceeds the amount of the gain reflected in 2009. The $86M increase is largely due to:

- decrease in the non-OMERS pension plan liabilities ($80.5M);
- increase in sick leave benefits ($5.5M);
- increase in workers' compensation benefits ($34.7M);
- increase in post-employment benefits ($184.2M); and
- decrease in unamortized gain ($58.4M) due to amortization.

Tangible Capital Assets (Note 16)
Note 1 to the consolidated financial statements outlines the significant accounting policies providing an overview of the policy of recording tangible capital assets.

The breakdown of tangible capital assets, as well as accumulated amortization, as at December 31, 2010 with 2009 comparatives, are presented in Note 16 and Schedule 1. Tangible capital assets by entity are presented in Appendix 4.

During the year, consolidated asset additions totalled $2.26B, with the most significant portion being building and building improvements of $588M. This consists of $244M at the TCHC, $69M at the TTC, $29M at the Toronto Public Library, $130M at the Toronto Port Lands Company, $13M at the Toronto Police Services and $101M at the City. The City's largest acquisition was the Toronto Port Lands Corus Building for $123M.

During the year amortization of tangible capital assets decreased $53M to $1.02B (2009 – $1.07B).

Inventories and Prepaid Expenses

Inventories and prepaid expenses totalled $282M (2009: $206M). The increase was generated largely by the following: prepaid payments to Ontario Works recipients ($20M); prepaid related to Children Services ($19.9M); Surplus City Land ($11.5M); and increase in supplies for pandemic preparation ($1.8M).

Consolidated Expenses

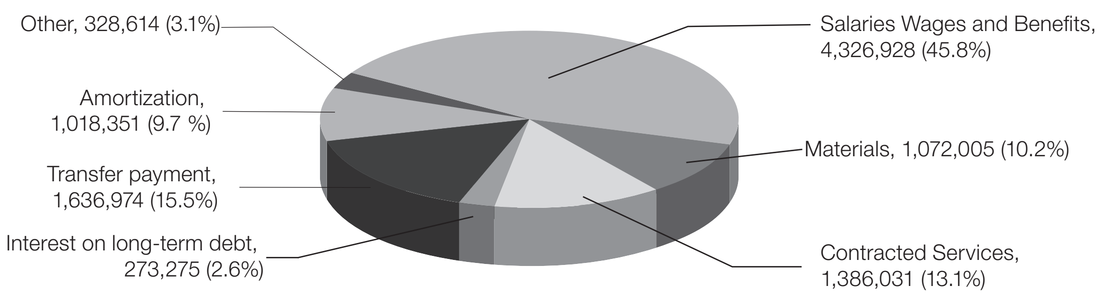
Gross consolidated expenses for 2010 totalled $10.5B (2009: $9.9B). The increase was generated largely by inflationary increases (wages, materials and contracted services), increased employee benefit liabilities and increased interest charges on long-term debt.

Chart D breaks down the gross expenses by cost object. Salaries, wages and benefits accounted for the largest portion at 45.8% of the total amount. It should be noted that principal re-payments on debt are not included as they are considered financing transactions for accounting purposes and are not considered expenses.

Chart D

EXPENDITURES BY OBJECT – CURRENT OPERATIONS

(in thousands of dollars)



Note 21 to the Consolidated Financial Statements provides a consolidated (operating and capital) summary of expenses by object.

Table 2 provides a comparison of 2010 Consolidated Net Revenue by program versus budget, and also shows 2009 actuals.

Table 2

Consolidated Net Revenue by Program

(in thousands of dollars)

	2010 Budget	2010 Actual	Difference	Change	2009 Actual
Revenues					
Property Taxation	3,688,830	3,859,765	170,935	4.4%	3,655,880
Taxation from other governments	92,281	108,656	16,375	15.1%	100,179
User Charges	2,579,932	2,529,093	(50,839)	(2.0%)	2,309,164
Funding transfers from other governments	3,752,573	3,173,242	(579,331)	(18.3%)	2,993,468
Government Business Enterprise Earnings	–	153,294	153,294	100%	115,012
Investment Income	155,934	265,990	110,056	41.4%	282,217
Development Charges	144,057	92,162	(51,895)	(56.3%)	83,144
Rent and Concessions	315,857	372,959	57,102	15.3%	355,005
Other	700,704	540,861	(159,843)	(29.6%)	520,422
Total	**11,430,168**	**11,096,022**	**(334,146)**	**(3.0%)**	**10,414,491**
Expenses					
General Government	1,056,940	1,065,764	(8,824)	(0.8)%	803,504
Protection to persons and property	1,565,075	1,569,710	(4,635)	(0.3%)	1,525,221
Transportation	2,770,454	2,833,944	(63,490)	(2.2%)	2,696,197
Environmental services	1,046,129	883,897	162,232	18.4%	873,684
Health services	389,640	401,271	(11,631)	(2.9%)	376,463
Social and family services	2,241,798	2,040,833	200,965	9.8%	1,946,444
Social Housing	843,870	818,287	25,583	3.1%	837,786
Recreational and cultural services	884,643	795,910	88,733	11.1%	769,110
Planning and development	148,488	132,562	15,926	12.0%	126,991
Total	**10,947,037**	**10,542,178**	**404,859**	**3.8%**	**9,955,400**
ANNUAL SURPLUS	**483,131**	**553,844**			**459,091**

The budget column included in the Consolidated Financial Statements reflects the approved budget at the time the tax levy is approved by Council. Although City Council approves revisions to the budget throughout the year, these amendments are not reflected in the budget column shown in the Consolidated Financial Statements (see Note 19 in the Consolidated Financial Statements). The budget is however, adjusted to exclude purchases of tangible capital assets from expenses, to also exclude debt principal from revenues and expenses, and to allow for amortization of tangible capital assets.

Table 2 reflects the combined operations of the operating, capital, reserve and reserve funds for the City and its consolidated entities.

Revenues

While the annual budget process focuses primarily on property tax increases, it must be emphasized that property taxes are only one of the City's many revenue sources. In 2010, property taxes made up 41.41% (2009 – 40.97%) of the City's operating revenue.

Property taxes exceeded budget by $170.9M primarily due to the following:

- Higher than anticipated Supplementary Taxes $40.3M; and
- Municipal Land Transfer Tax (MLTT) revenue exceeded budget by $103.4M.

Taxation from other government (Payments in lieu of taxes) exceeded budget by $16.4M due to the following:

- Primarily the result of confirmation that amounts due from the Canadian Broadcasting Corporation for levies issued in 2010 and prior years were no longer deemed uncollectable.

User fees were under budget by $50.8M due to:

- Under achievement of revenues for business and animal licensing revenues $1.7M and shortfall of $1.5M in Golf facility permits and leases and agreements;
- Lower than budgeted revenue of $9.8M mainly from lower water sales revenue;
- Lower sewer surcharge revenue of $6.8M due to reduced revenue from lower than budgeted tonnes of Biosolids received from Toronto Water Division for $2.5M, lower transfer station and recoveries revenues due to a lower waste generation/higher diversion rate for $3.3M;
- Delayed roll-out of Multi-Residential Source Separated Organics (SSO) resulting in lower sales of multi-unit residence toters ($2M); lower than budgeted residential bin fee revenue of $1.9M; offset by higher than budgeted revenue of $2.9M from sales of materials including recyclables and whitegoods and other material; and
- Lower than budgeted revenues for Police Services ($25.9M) due to G20 event, however costs were recovered from other levels of government.

Funding Transfers from other governments were under budget by $579.3M primarily due to:

- Under spending in TTC projects for Spadina Subway extension, Infrastructure Stimulus projects and Streetcar purchases by $145M;
- Lower than budgeted spending for TTC Transit City project of $302M;
- Operating subsidy variance of $69M in Shelter, Support & Housing Administration due primarily to lower subsidies of $63M than budget in Social Housing activities; and
- Operating subsidy variance of $147M in Toronto Employment and Social Services (TESS) is mainly due to lower eligible expenditures for Ontario Works (OW) Financial Assistance and Enhanced Employment Services (EES).

Government Business Enterprise Earnings ($153M) represents the earnings from Toronto Hydro Corporation, Toronto Parking Authority and Enwave. Details are available in Note 6 and Appendix 1 of the Consolidated Financial Statements.

Investment earnings were higher than budget by $110M mainly due to a capital gain arising from the sale of Toronto Hydro Note of $38M, and a higher than forecasted rate of return combined with a low interest rate used to allocate investment earnings to City reserve funds.

Development Charges revenues applied to capital spending were under budget by $52M, due to under spending on capital projects, as a result of an inability to find and secure suitable sites, delays in construction start-up, and deferral of work. As an obligatory reserve, development charges are recognized as the funds are spent for the intended purposes.

Rent and Concessions were higher than budget by $57M due primarily to higher rental and concession revenues at the agencies, boards and commissions.

Other Revenues were lower than budget by $157M primarily due to funding for capital projects that were under spent.

Expenses

Gross consolidated expenses for 2010 totalled $10.5B (2009: $9.9B). The increase was generated largely by inflationary increases (wages, materials and contracted services), increased employee benefit liabilities and increased interest charges on long-term debt. A breakdown of other contributing factors by function is as follows:

- Transportation including Roads/Traffic signals maintenance and Transit. Transportation services was $64M more than budget, primarily due to amortization costs of $94.5M, offset by savings in gross expenditures by $30.4M from savings in salaries and benefits ($8.8M); under spending of in the Winter Maintenance program ($12.6M) as a result of the mild weather; and the Utility Cut Repair program because of lower utility cut contract bidding prices ($5.4M).

- Environmental services spending was lower than budget by $162M due primarily to:
  - Water/Wastewater year end capital spending ($107.9M) under budget;
  - Solid Waste Management Service lower spending ($25.8M) due to lower debt charges of $10M (principal and interest), deferrals in maintenance type expenditures; lower than anticipated tonnage resulting in savings of $14.8M; lower discretionary spending of $5M due to delayed implementation of multi residential waste diversion programs; offset by higher cost of $6.3M mainly attributable to higher salaries and benefits; and
  - Toronto Water reported a gross expenditure savings ($31.67M) due largely from unfilled vacancies $11.62M, lower cost for road repairs managed by Transportation Services $6.6M, and a one-time reversal of bad debt expense $5.6M.

- Social and Family Services spending was lower than budget by $201M due to the following:
  - Ontario Works (OW) financial benefits were under spent by $27.7M mainly due to a lower than budgeted OW caseload;
  - Social Housing Administration gross savings of $74.0 is due primarily to:
    - $62.2M due to delays in flow through of Social Housing Renovation and Retrofit Program (SHRRP) payments because of milestones requirements, the funds were not disbursed. These agreements have been extended to the end of 2011 in which the remaining funds will be advanced;
    - $6.3M due to actual property tax assessments for TCHC being less than budget;
    - $3.4M due to lower than budgeted cost factors such as mortgage renewal rates, market rental increases and delays in new affordable housing units coming on-line;
  - The $12.9M savings in Affordable Housing Programs are due to delays in commencing maintenance projects;
  - Long Term Care Homes had a year-end favourable Gross expenditure variance of $19.4M due to the following:
    - $7.9M is primarily attributed to reduced operating expenditures in both the homes and community based programs due to lower than anticipated provincial subsidies and grants;
    - $11.45M is due to delays by the Provincial Government in approvals and the proclamation of the new Long Term Care Homes Act to July 1, 2010 instead of January 2010 as originally planned, and this resulted in delays in spending of capital programs; and
  - Children's Services had a year-end favourable Gross expenditure variance of $12.3M for various maintenance projects due to delays encountered in negotiating design specifications and tender contracts etc.

- Recreational and cultural services spending was lower than budget by $89M due primarily to under spending of $70.6M on various capital projects and savings in expenditures of $15.4M due to cost containment on discretionary items.

- Planning and development spending was lower than budget by $16M due primarily to the following:
  - o lower capital spending for various Toronto Waterfront projects of $89M due to longer time frame for site remediation, delay in awarding construction contracts and delays due to timeframe for finalizing the environmental assessment;
  - o savings in expenditures of $5.6M, primarily related to savings in salaries and benefits; offset by
  - o higher spending than budget, primarily due to consolidation of Toronto Port Lands Company (previously TEDCO), Build Toronto and Invest Toronto in total $30.5M; proportionate consolidation of Toronto Waterfront Revitalization Corporation (TWRC) $36.7M, and Business Improvement Areas (BIAs) $17.8M.

The five year summary of revenues outlined in Table 3 demonstrates that property taxes continue to be the slowest growing revenue source for the City. During this period, assessment growth has been relatively low. In addition, the City has been limited by provincial legislation and Council policy from extending tax rate increases on the commercial, industrial and multi-residential assessment base on the same basis as the residential base. The commercial, industrial and multi-residential property classes represent 55.9% of the City's tax revenue base.

As a result of the slow growth of property tax revenue, more reliance has been placed on user fees, senior government transfers and other sources of revenue to meet expenses and minimize property tax rate increases.

Five Year Summary of Revenues

Table 3

Consolidated Revenues – 5 year Summary

(in thousands of dollars)

Revenues	**Avg. Annual Increase**	**2010**	**2009**	**2008**	**2007**	**2006**
Property taxes	3.42%	3,646,675	3,520,450	3,369,949	3,285,947	3,187,263
Municipal land transfer tax (MLTT)	29.70%	278,980	183,892	165,743	–	–
Personal vehicle Tax (PVT)	68.70%	42,766	51,717	14,992	–	–
User charges	4.65%	2,529,093	2,309,164	2,401,354	2,205,493	2,109,188
Government transfers	8.90%	3,173,242	2,993,468	3,025,828	2,188,715	2,256,719
Rent and Concessions	2.60%	372,959	355,005	355,591	347,317	336,523
Other	13.02%	1,052,307	1,000,795	404,383	833,064	644,792
Total	**6.78%**	**11,096,022**	**10,414,491**	**9,737,840**	**8,860,536**	**8,534,485**
Percentage Increase		6.54%	6.95%	9.90%	3.82%	

Risks and Mitigates

The City continues to face a number of risks that could have a negative impact on the City's financial future. These risks include: lack of long-term dedicated funding to assist the City in addressing its infrastructure deficit including building and expanding the transit system to meet the City's strategic goals and accessing non-property tax revenue sources that grow with the economy to ensure long term sustainable funding.

In 2010, the City continued to make progress to address these risks by continuing to implement its Long Term Financial Plan. Appendix A lists eight (8) specific financial issues/risks and the actions taken in 2010 to address them.

Highlights include: implementation of the new Illness or Injury Plan with Toronto Civic Employees Union (TCEU) Local 416 and Canadian Union of Public Employees (CUPE) Local 79, full funding of significant components of the Transit initiatives, and agreement from the Province to fully fund their 50% share of Ontario Works administration costs.

Giuliana Carbone
Treasurer

Toronto, Canada
July 14, 2011

APPENDIX A: KEY ISSUES/RISKS FACING THE CITY OF TORONTO

Issues/Risk	Actions Taken in 2010	Actions planned for 2011 and beyond
City has a higher cost structure than other municipalities in the GTA	• Continuous improvement initiatives and programs continued, to ensure appropriate use of resources. • City Council continued to adopt strict budget increase guidelines for City divisions and ABCs. • Cost containment measures remained in place. • Continued to develop the new Financial Planning, Analysis and Reporting system, approved by Council in 2007 for implementation (of Interim Plan) in 2011 for the 2012 budget process. The new system sets the foundation for multi-year performance/service-oriented operating budgets. The system will: o track and report performance measures and service level indicators; o align complement management and complement planning processes; o assess cost performance efficiency; o enable better alignment of the City's limited resources to Council priorities; o provide flexibility to incorporate and track long-term service planning initiatives; o establish the framework to balance service levels and priorities with affordability. • Continued to benchmark operations with other Ontario municipalities, and expanded benchmarking efforts to Calgary, Winnipeg and other world cities in 2010. • Implemented effective Jan 1, 2010 a new Illness or Injury Plan (IIP) for TCEU Local 416 and CUPE Local 79 which resulted in all employees hired after July 31, 2009, not being provided with a sick pay plan. In addition, existing employees had a one-time option to switch to the new IIP plan. As a result, 40% of employees switched to the new IIP plan resulting in a net reduction in current and future sick leave liability of $174.1 million.	• Apply aggressive budget reduction targets: (10% over 2010 and 2011, and 10% for 2012). • A multi-year approach is planned to address the operating pressure and capital funding gap. A Service Review Program will be implemented to identify what services the City should deliver, how they can be more efficient and cost effective, and how we should pay for them. The Service Review Program has three parts: o The Core Service Review will identify what services the City should be delivering. It will set the foundation for the City's services going forward and assist with moving towards a multi-year financial planning and budgeting process in 2013. o The User Fee Review will examine how City's services are paid for. It will develop guidelines on how user fee prices are set. o The Service Efficiency Studies will make sure that services do not cost more than they should, and identify new and more efficient ways to deliver them at a lower cost. • Implement "Ideas that Work", an employee engagement strategy, that will use various ways to gather employee ideas and suggestions for identifying service efficiencies and cost savings. • Maintain continuous improvement initiatives including enhanced performance measures and benchmarking. • Continue to develop and implement the new Financial Planning, Analysis and Reporting system to improve budget analysis and program rationalization. • Internal Audit and Auditor General continue to conduct audit reviews with a view to maintain and improve internal controls and identify opportunities for further efficiencies. • Continue to benchmark operations with other Ontario municipalities.

Issues/Risk	Actions Taken in 2010	Actions planned for 2011 and beyond
Demands for growth as laid out in the Official Plan or other Sectoral and Program plans are not adequately funded	• Move Ontario Trust was established in March 2006 for the purpose of holding, investing and disbursing funds to the Toronto York Spadina Subway Expansion project. A total investment of $870 million from the provincial government plus $75 million from the federal government was made. These funds are not included in the City's Financial Statements as they are held in a separate Trust Fund. • April 1, 2009 the Province of Ontario announced full funding for 3 significant components of the Transit City plan: the $4.6B Eglinton line from Kennedy Station to Pearson airport; the $1.2B Finch West line from Humber College to Don Mills Subway station; and the $1.4B Scarborough RT rehabilitation and extension. Although the timelines have been extended as part of the 2010 Ontario Budget, the Provincial commitment to these projects remains. • Moved forward on more than 500 infrastructure projects with the help of the federal/provincial economic stimulus program. The combined funding under the Infrastructure Stimulus Fund (ISF), Recreational Infrastructure Canada (RInC-REC) and Social Housing Renovation and Retrofit Program (SHRRP) totalled $460 million, and has created local jobs and improved infrastructure. Funding was available for two years for projects that will be materially built by Spring 2011. • Executed two loans totaling $100M through Municipal Infrastructure Lending Program (MILP, also part of the federal stimulus budget) to finance capital works for roads and bridge improvements.	• Continue to estimate the costs related to growth plans. • Province, Metrolinx and the City to jointly begin planning for the new transit plan "Transportation City", subject to Council approval, with the Province contributing $8.4 B towards the plan. Metrolinx is responsible for delivering the Eglinton Scarborough Crosstown LRT project. Toronto would be responsible for delivering the subway extensions along Sheppard Avenue (east and west). • Continue to complete infrastructure projects funded under the federal /provincial economic stimulus program with an extension to October 2011. • Execute a $20M loan through MILP to finance municipal infrastructure related to social housing redevelopment (so that the total value of the 3 loans executed over 2010 & 2011 is $120M); and continue to complete capital projects funded under this program.

Issues/Risk	Actions Taken in 2010	Actions planned for 2011 and beyond
There is a variability in certain program expenditures from year to year, some of which are vulnerable to economic down turns and interest rate fluctuations	• In 2007, the Province (through the Provincial Municipal Fiscal and Service Delivery Review – PMFSDR) agreed to fully fund the Ontario Disability Support Program (ODSP) and the Ontario Drug Benefit (ODB) program. ODB upload was completed in 2008 and the ODSP will be completed by 2011. Additionally, the Province agreed to: upload the cost of Ontario Works and Court Security by 2018; and, fully fund their 50% share of Ontario Work (OW) Cost of Administration (COA) starting in 2010. • Continued to work with the Province on a Toronto-Ontario partnership agreement on permanent, sustainable transit operating funding by December 2010. • Continued to take actions on other risks impacting the City with potential financial impacts: o Climate change adaptation and environmental risks management o Funding strategies for extreme weather by establishing Weather Risk Reserves o Establishing and funding Tax Rate Stabilization Reserve and Commodity Price Stabilization Reserve o Closely monitored the impacts of interest rate changes on Social Housing costs, investment returns and debt charges.	• Continue to work with the Province to operationalize the upload and refine the relationship regarding social and related services. The upload of: ODB was completed in 2008; ODSP will be completed in 2011; OW benefit costs begins in 2010 & will be completed by 2018; OW COA started in 2010. • Through the Social Service upload, the Province has re-established the principle that income support programs should not be funded from the property tax base. As such, the City will continue its discussion with the Province regarding its funding responsibilities for Social Housing. • Continue to work with the Province on the agreed upload of court security costs by 2018. • Continue to negotiate with the Province on permanent, sustainable transit operating funding (50% of transit operating costs). • Closely monitor key economic indicators and market conditions to identify trends and forecast impacts on expenditures and revenues, and continue to develop funding strategies to mitigate financial risks.
Business property taxes are not competitive with the surrounding urban area (905 area code)	• The City has continued the implementation of “Enhancing Toronto’s Business Climate” initiative, adopted by City Council in October 2005 – a plan to reduce the ratio for property tax rates for businesses (i.e. commercial and industrial) and multi-residential properties to 2.5 times the residential tax rate by 2020 (a 15 year plan); and further, to provide for an accelerated reduction in tax rates for smaller businesses, with a target of 2.5 times the residential rate by 2015 (a 10 year plan). The estimated benefit to businesses over the 15-year period is approximately $250 million.	• Council approved a zero percent property tax increase for residents and businesses for 2011. • For 2011, Council has continued to accelerate tax rate reductions for properties that are included in the “Residual Commercial” tax class (includes commercial properties not included in the Commercial General tax class). For these properties, a lower tax rate applies to the first million dollars of a property’s assessment (Band 1). The portion of the assessment above one million dollars is taxed at the “Commercial General” tax class rate (includes shopping centres, large office buildings, parking lots, vacant land and large sport facilities) (Band 2).

Issues/Risk	Actions Taken in 2010	Actions planned for 2011 and beyond
The City lacks adequate revenue sources to fund its municipal responsibilities	• Funding for capital projects from other orders of government has been secured over the years – e.g. Share of Gas Tax ($320 million per year); Transit City ($9 billion); Economic Stimulus Project funding ($460 million 2009 to 2011); one-time transit funding between 2006 and 2009 has ranged from $58 million to $238 million per year. • The new City-wide Sign Bylaw and the Third-Party Sign Tax came into effect on April 6, 2010. However, a subsequent court ruling has limited the full application of the Sign Tax, potentially reducing revenues that the City would otherwise collect, subject to appeal by the City.	• Update the Long Term Fiscal Plan in 2011/2012. • Continue to negotiate with the Province on permanent, sustainable transit operating funding (50% of transit operating costs). • Continue to work with the Provincial and Federal governments to secure long term permanent funding solutions. • Continue the appeal process for the Third Party Sign Tax.
Improper funding of Provincial cost-shared programs has resulted in significant financial pressures to the City	• Received provincial commitment to fund their share of administration costs of Ontario Works.	• Province to continue honouring its cost sharing formulae for Ontario Works. • Continue to highlight costs and requirements in areas of joint responsibility, such as social housing and transit.
City's investment in ageing infrastructure has been lagging	• The City continued to plan for capital on a 10 year basis. • Continued to invest funds in State of Good Repair Reserve Fund.	• Approval of firm 10-year Capital Plan. • Continue to increase direct operating budget contribution to capital program to offset a portion of debt requirements. • Further enhance asset management planning. • Continue to seek funding for transit projects from provincial and federal governments.
Employee benefits and other long-term liabilities are not adequately funded	• The City completed full actuarial reviews of its employee benefit plans. • Implemented effective Jan 1, 2010 a new Illness or Injury Plan (IIP) for TCEU Local 416 and CUPE Local 79 which resulted in all employees hired after July 31, 2009, not being provided with a sick pay plan. In addition, existing employees had a one-time option to switch to the new IIP plan. As a result, 40% of employees switched to the new IIP plan resulting in a net reduction in current and future sick leave liability of $174.1 million. For management and non-union staff, a similar Short term Disability Plan was already implemented on March 1, 2008.	• Implementation of approved strategies to reduce the funding gap between employee benefits reserve and the liabilities o First stage: to require ABCs to contribute annual funding to the Sick Leave Reserve Fund to match budgeted withdrawals (pay as you go) and o Second stage: to revise the annual benefit charges to Divisions and applicable ABCs to reflect additional funding requirements for retired employees, employees on long-term disability, workplace safety (pre-amalgamation) and sick leave gratuity payouts. • Further implementation of cost containment and employee education strategies consistent with recommendations made by the Mayor's Fiscal Review Panel and the Auditor General's Office.

2010 CONSOLIDATED FINANCIAL STATEMENTS

CITY OF TORONTO FINANCIAL REPORT

MANAGEMENT'S REPORT

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

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

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

The Audit Committee, a sub-committee of City Council ("Council"), reviews and approves the consolidated financial statements before they are submitted to Council. In accordance with Council's directive, the Auditor General oversees the work of the external auditors performing financial statement attest audits. 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 2010 consolidated financial statements have been examined by the City of Toronto's external auditors, PricewaterhouseCoopers LLP, and their report precedes the consolidated financial statements.

Toronto, Canada
July 14, 2011

Giuliana Carbone
Treasurer

Cam Weldon
Deputy City Manager & Chief Financial Officer

Joseph P. Pennachetti
City Manager

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of the City of Toronto, which comprise the consolidated statement of financial position as at December 31, 2010 and the consolidated statements of operations and accumulated surplus, change in net debt, and cash flows for the year then ended, and the related notes including a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the City of Toronto as at December 31, 2010 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other matter

Without modifying our opinion, we draw attention to Note 2 to the consolidated financial statements which explains that certain comparative information for the year ended and as at December 31, 2009 has been restated. The consolidated financial statements as at December 31, 2009 and for the year then ended, prior to restatement of the comparative information, were audited by another auditor who expressed an unmodified opinion on those financial statements on June 2, 2010.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Canada
July 14, 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2010

(with comparative figures as at December 31, 2009)

(all dollar amounts in thousands of dollars)

	2010	2009 (restated Note 2)
FINANCIAL ASSETS		
Cash	481,734	198,452
Accounts receivable (Note 3)	1,031,976	1,085,979
Property taxes receivable	300,387	313,088
Other assets (Note 4)	112,081	161,144
Investments (Note 5)	3,294,207	3,250,893
Note receivable – Toronto Hydro Corporation (Note 6)	–	490,115
Due from Toronto District School Board (Note 14)	33,815	37,837
Investments in government business enterprises (Note 7)	1,259,784	1,190,783
Total financial assets	**6,513,984**	**6,728,291**
LIABILITIES		
Bank indebtedness (Note 8)	135,329	142,235
Accounts payable and accrued liabilities (Note 9)	2,443,527	2,023,732
Deferred revenue (Note 10)	1,439,639	1,576,045
Other liabilities (Note 11)	477,004	384,506
Landfill closure and post-closure liabilities (Note 12)	121,058	123,343
Mortgages payable (Note 13)	803,636	840,627
Net long-term debt (Note 14)	2,890,472	2,798,585
Employee benefit liabilities (Note 15)	2,588,957	2,503,414
Total liabilities	**10,899,622**	**10,392,487**
NET DEBT	**(4,385,638)**	**(3,664,196)**
NON-FINANCIAL ASSETS		
Tangible capital assets, net (Note 16, Schedule 1)	19,589,103	18,388,907
Inventories and prepaid expenses	281,589	206,499
	19,870,692	18,595,406
ACCUMULATED SURPLUS (Note 18)	**15,485,054**	**14,931,210**

Commitments and contingencies (Notes 17)

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

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

for the year ended December 31, 2010

(with comparative figures for the year ended December 31, 2009)

(all dollar amounts in thousands of dollars)

	2010 BUDGET (Note 19) (unaudited)	2010 ACTUAL	2009 ACTUAL (restated Note 2)
REVENUE			
Taxation	3,688,830	3,859,765	3,655,880
Taxation from other governments	92,281	108,656	100,179
User charges	2,579,932	2,529,093	2,309,164
Funding transfers from other governments (Note 20)	3,752,573	3,173,242	2,993,468
Government Business Enterprise Earnings (Note 7)	–	153,294	115,012
Investment Income	155,934	265,990	282,217
Development charges	144,057	92,162	83,144
Rent and Concessions	315,857	372,959	355,005
Other	700,704	540,861	520,422
Total revenue	**11,430,168**	**11,096,022**	**10,414,491**
EXPENSES			
General government	1,056,940	1,065,764	803,504
Protection to persons and property	1,565,075	1,569,710	1,525,221
Transportation	2,770,454	2,833,944	2,696,197
Environmental services	1,046,129	883,897	873,684
Health services	389,640	401,271	376,463
Social and family services	2,241,798	2,040,833	1,946,444
Social housing	843,870	818,287	837,786
Recreation and cultural services	884,643	795,910	769,110
Planning and development	148,488	132,562	126,991
Total expenses (Note 21)	**10,947,037**	**10,542,178**	**9,955,400**
ANNUAL SURPLUS	**483,131**	**553,844**	**459,091**
ACCUMULATED SURPLUS – BEGINNING OF YEAR	**14,765,611**	**14,931,210**	**14,472,119**
ACCUMULATED SURPLUS – END OF YEAR (Note 18)	**15,248,742**	**15,485,054**	**14,931,210**

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

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

for the year ended December 31, 2010

(with comparative figures for the year ended December 31, 2009)

(all dollar amounts in thousands of dollars)

	2010 BUDGET	2010 ACTUAL	2009 ACTUAL (restated Note 2)
	(unaudited)		
Annual Surplus	**483,131**	**553,844**	**459,091**
Acquisition of tangible capital assets	(2,900,000)	(2,257,636)	(1,854,045)
Amortization of tangible capital assets	1,000,000	1,018,351	1,071,896
Loss (Gain) on disposal of tangible capital assets	–	37,025	(15,307)
Proceeds on disposal of tangible capital assets	2,000	2,064	48,492
Change due to tangible capital assets	**(1,898,000)**	**(1,200,196)**	**(748,964)**
Change in inventories and prepaid expenses	**–**	**(75,090)**	**(39,992)**
Increase in net debt	(1,414,869)	(721,442)	(329,865)
NET DEBT – BEGINNING OF YEAR	(3,664,196)	(3,664,196)	(3,334,331)
NET DEBT – END OF YEAR	**(5,079,065)**	**(4,385,638)**	**(3,664,196)**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2010
(with comparative figures for the year ended December 31, 2009)
(all dollar amounts in thousands of dollars)

	2010	2009 (restated Note 2)
OPERATING ACTIVITIES		
Annual surplus	553,844	459,091
Add (deduct) items not involving cash:		
Government business enterprises income from operations	(153,294)	(115,012)
Amortization of tangible capital assets	1,018,351	1,071,896
Loss/(gain) on disposal of tangible capital assets	37,025	(15,307)
	1,455,926	1,400,668
Change in non-cash assets and liabilities related to operations:		
Decrease (increase) in accounts receivable	54,003	(315,747)
Decrease (increase) in property taxes receivable	12,701	(67,014)
Increase in accounts payable and accrued liabilities	419,795	52,914
Decrease in deferred revenue	(136,406)	(343,100)
Increase in other liabilities	92,498	27,257
Increase in inventories and prepaid expenses	(75,090)	(39,992)
Decrease in landfill closure and post-closure liabilities	(2,285)	(15,998)
Increase in employee benefit liabilities	85,543	117,908
Cash provided by operating activities	**1,906,685**	**816,896**
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(2,257,636)	(1,854,045)
Proceeds on disposal of tangible capital assets	2,064	48,492
Cash applied to capital activities	**(2,255,572)**	**(1,805,553)**
INVESTING ACTIVITIES		
(Decrease) increase in other assets	49,063	(52,381)
Redemption (purchase) of investments, net	(43,314)	568,266
Proceeds on repayment of note receivable – Toronto Hydro Corporation	528,000	245,060
Gain on sale of note receivable – Toronto Hydro Corporation	(37,885)	–
Proceeds on repayment of due from Toronto District School Board	4,022	3,935
Dividends and distributions from government business enterprises	84,293	81,058
Cash provided by investing activities	**584,179**	**845,938**
FINANCING ACTIVITIES		
(Decrease)/Increase in bank indebtedness	(6,906)	81,375
Principal repayments on mortgages payable	(36,991)	(28,775)
Proceeds from long-term debt issued	965,185	402,504
Principal repayments on long-term debt	(816,666)	(298,062)
Interest earned on sinking funds	(52,610)	(43,149)
Principal repayments on debt by Toronto District School Board	(4,022)	(3,935)
Cash provided by financing activities	**47,990**	**109,958**
Net increase (decrease) in cash during the year	283,282	(32,761)
CASH – BEGINNING OF YEAR	198,452	231,213
CASH – END OF YEAR	**481,734**	**198,452**
SUPPLEMENTARY INFORMATION:		
Cash paid for interest on debt	256,160	221,377
Cash received for interest on investments	234,027	240,609

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010 *(all dollar amounts in thousands of dollars)*

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

1. Summary of Significant Accounting Policies

Basis of accounting

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

Principles of consolidation

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

Consolidated entities:

Agencies, Boards and Commissions:

- Board of Governors of Exhibition Place
- Board of Management of the Toronto Zoo
- Heritage Toronto
- The North York Performing Arts Centre Corporation
- The Sony Centre for the Performing Arts
- St. Lawrence Centre for the Arts
- Toronto Atmospheric Fund ("TAF")
- Toronto Board of Health
- Toronto Community Housing Corporation ("TCHC")
- Toronto Licensing Commission
- Toronto Police Services Board
- City of Toronto Economic Development Corporation c.o.b. Toronto Port Lands Company ("TPLC" previously "TEDCO")
- Toronto Public Library Board
- Toronto Transit Commission ("TTC")
- Toronto Waterfront Revitalization Corporation ("TWRC") (1/3rd proportionately)
- Yonge-Dundas Square
- Build Toronto Inc. (Incorporated November 13, 2008)
- Invest Toronto Inc. (Incorporated November 13, 2008)

Arenas:

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

Community Centres:

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

Business Improvement Areas:

- Albion/Islington Square
- Bloor Annex
- Bloor by the Park
- Bloorcourt Village
- Bloordale Village
- Bloor Street
- Bloor West Village
- Bloor-Yorkville
- Cabbagetown
- Chinatown
- Church-Wellesley Village
- College Promenade
- Corso Italia
- Crossroads of the Danforth
- Danforth Mosaic
- Danforth Village
- Dovercourt Village
- Downtown Yonge
- Dundas West
- Eglinton Hill
- Emery Village
- Fairbank Village
- Forest Hill Village
- Gerrard India Bazaar
- Greektown on the Danforth
- Harbord Street
- Hillcrest Village
- Historic Queen East
- Junction Gardens
- Kennedy Road
- Kensington Market
- Kingsway
- Korea Town
- Lakeshore Village
- Liberty Village
- Little Italy
- Little Portugal
- Long Branch
- Mimico by the Lake
- Mimico Village
- Mirvish Village
- Mount Dennis
- Mount Pleasant
- Oakwood Village
- Pape Village
- Parkdale Village
- Queen Street West
- Regal Heights Village
- Riverside
- Roncesvalles Village
- Rosedale Main Street
- Sheppard East Village
- St. Clair Gardens
- St. Lawrence Market Neighbourhood
- The Beach
- The Danforth
- The Dupont Strip
- The Eglinton Way
- The Waterfront
- Toronto Entertainment District
- Trinity Bellwoods
- Upper Village
- Uptown Yonge
- Village of Islington
- West Queen West
- Weston Village
- Wexford Heights
- Wychwood Heights
- Yonge-Lawrence Village
- York-Eglinton

All inter-fund assets and liabilities and sources of financing and expenses have been eliminated in these consolidated financial statements.

Government business enterprises

The following entities are accounted for in these consolidated financial statements as government business enterprises using the modified equity basis of accounting. Under the modified equity basis, the accounting principles of government business enterprises are not adjusted to conform to the City's accounting principles and inter-organizational transactions and balances are not eliminated. Inter-organizational gains and losses are however, eliminated on assets remaining within the government reporting entities at the reporting date.

- Enwave Energy Corporation ("Enwave")
- 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 (Note 23).

Use of estimates and measurement uncertainty

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

Tax revenues

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

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

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

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

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

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

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

In Toronto, annual property tax increases for properties within the commercial, industrial and multi-residential tax classes have been subject to limitations on the maximum allowable year-over-year increase since 1998, in order to mitigate dramatic tax increases due to changes in assessed values.

In October 2005, Council adopted a staff report entitled "Enhancing Toronto's Business Climate – It's Everybody's Business," that introduced a number of new tax policy initiatives that began in 2006. These changes included limiting allowable annual tax increases on these property classes to 5% of the previous year's full CVA taxation level, and gradually reducing the proportion of the total property tax levy that is borne by the commercial, industrial and multi-residential classes through 2020.

Beginning in 2008, the City implemented two new taxes: the Municipal Land Transfer Tax and the Personal Vehicle Tax. These taxes apply to land sales and renewals of vehicle licenses. The revenues are transaction-based and are recognized at the time of the transaction: either registration of the sale of land or renewal of the personal vehicle license. In December 2010, Personal Vehicle Tax was discontinued for all renewals with an effective date of January 1, 2011 and beyond.

User charges

User charges relate to transit fees, utility charges (water, wastewater and solid waste), licensing fees, fees for use of various programs, and fees imposed based on specific activities. Revenue is recognized when the activity is performed or when the services are rendered.

Government transfers

Government transfers are transfers from senior levels of government that are not the result of an exchange transaction and are not expected to be repaid in the future. Government transfers are recognized in the fiscal year in which events giving rise to the transfer occur, providing the transfers are authorized, eligibility criteria have been met and reasonable estimates of the amounts can be made.

Development charges

Development charges are charges imposed on land development or redevelopment projects. Fees are set out in a City bylaw, which conforms to the requirements of the Development Charges Act, 1997. Development charges are collected when an above grade building permit is issued, and recognized in revenues when used to fund capital projects.

Other revenue

Other revenues are recognized in the year that the events giving rise to the revenues occur and the revenues are earned. Amounts received which relate to revenues that will be earned in a subsequent year, are deferred and reported as liabilities.

Expenses

Expenses are recognized in the year that the events giving rise to the expenses occur and there is a legal or constructive obligation to pay.

Investments

Investments are recorded at amortized cost less any amounts written off to reflect a permanent decline in value. The majority of investments consists of authorized investments pursuant to provisions of the City of Toronto Act, 2006 and comprises government and corporate bonds, debentures and short-term instruments of various financial institutions. TCHC and TAF have their own investment policies, which allow them to invest in equities.

Investment income is reported as revenue in the period earned. Investment income earned on reserve funds that are set aside for specific purposes by legislation, regulation or agreement, is added to the fund balance and forms part of the respective deferred revenue balances.

Property and liability claims

Estimated costs to settle property and liability claims are actuarially determined, based on available loss information and projections of the present value of estimated future expenditures developed from the City's historical experience on loss payments. Where the costs are deemed to be likely and reasonably determinable, claims are reported as an operating expenditure, and are included in other liabilities on the consolidated statement of financial position.

TTC unsettled accident claims

The TTC has a self-insurance program for automobile and general liability claims. When the claims are reported, the case reserves are initially estimated on an individual basis by adjusters and lawyers employed by the TTC. A provision is made, on a present value basis, for claims incurred, for claims incurred-but-not-reported, and for internal and external adjustments.

Environmental provisions

The City provides for the cost of compliance with environmental legislation when conditions are identified which indicate non-compliance and costs can be reasonably determined.

The estimated amounts of future restoration costs are reviewed regularly, based on available information and governing legislation. Where the costs are deemed to be likely and reasonably determinable, claims are reported as an operating expense, and are included in other liabilities on the consolidated statement of financial position.

Landfill closure and post-closure liabilities

The costs to close existing landfill sites and to maintain closed solid waste landfill sites are based on estimated future expenditures in perpetuity in current dollars, adjusted for estimated inflation. These costs are reported as a liability on the consolidated statement of financial position.

Deferred revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recorded as deferred revenue and are recognized as revenue in the year the related expenses are incurred or services are performed as this is the time the eligibility criteria have been met.

Derivative financial instruments

A derivative financial instrument (interest rate swap) is used to manage interest rate risk with respect to a certain TCHC term loan. TCHC does not account for its interest rate swap as a hedge, and as such, any realized or unrealized gains or losses are recognized in the consolidated statement of operations and accumulated surplus. The City also utilizes derivative financial instruments in the management of its purchase of electricity and natural gas. The City's policy is not to use derivative financial instruments for trading or speculative purposes. Derivative contracts are recorded at their fair value as an asset or liability based on quoted market prices, with changes in fair value, if any, recorded in the consolidated statement of operations and accumulated surplus.

Employee benefit liabilities

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

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

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

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

December 31, 2010 (all dollar amounts in thousands of dollars)

Tangible capital assets

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

Asset	
Land improvements	15 – 70 years
Buildings and building improvements	25 – 100 years
Machinery and equipment	4 – 60 years
Motor Vehicles	6 – 20 years
Water and wastewater linear	60 – 100 years
Roads linear	25 – 70 years
Transit	10 – 65 years

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

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

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

The City does not capitalize interest costs associated with the acquisition or construction of tangible capital assets.

The cost of normal maintenance and repairs which does not add value to the asset or materially extend asset lives is not capitalized.

Reserves and reserve funds

Reserves and reserve funds are comprised of funds set aside for specific purposes by Council and funds set aside for specific purposes by legislation, regulation or agreement. For financial reporting purposes, reserve funds set aside by legislation, regulation or agreement are reported as deferred revenue on the consolidated statement of financial position. Other reserve funds and reserves are balances within the accumulated surplus.

December 31, 2010 (all dollar amounts in thousands of dollars)

2. Restatement of Prior Period Consolidated Financial Statements

During the year, a review of the accounting for the TTC Pension Plan was undertaken and it was determined that the plan best reflects a joint defined benefit plan, as defined in Section 3250 of the Public Sector Accounting Handbook, as the Commission and the employee group jointly share the risks and rewards inherent in the plan. Previously, the City recognized amounts paid as an expense, similar to defined contribution plans. As a joint defined benefit plan, the City is required to account for its portion of the plan in accordance with the standards required for defined benefit plans. As a result, the City recognized its portion of the pension expense incurred during the year and its portion of the plan's assets (subject to certain limits). This change is being accounted for on a retroactive basis, with prior period restatement, in accordance with Section 2120 of the Public Sector Accounting Handbook.

The impacts of this change are as follows:

Consolidated Statement of Financial Position

	2009 (as reported)	2009 (as restated)	Change
	$	$	$
Employee benefit liabilities	2,669,013	2,503,414	(165,599)
Accumulated surplus	14,765,611	14,931,210	165,599

Consolidated Statement of Operations

	2009 (as reported)	2009 (as restated)	Change
	$	$	$
Transportation	2,658,085	2,696,197	38,112
Total expenses	**9,917,288**	**9,955,400**	**38,112**
Annual surplus	**497,203**	**459,091**	**(38,112)**
Accumulated surplus, beginning of year	**14,268,408**	**14,472,119**	**203,711**
Accumulated surplus, end of year	**14,765,611**	**14,931,210**	**165,599**

Note 15 provides additional detail regarding the TTC Pension Plan

December 31, 2010 (all dollar amounts in thousands of dollars)

3. Accounts Receivable

Accounts receivable consist of the following:

	2010	2009
	$	$
Government of Canada	254,476	245,362
Government of Ontario	149,997	229,066
Other municipal governments	40,065	20,940
School Boards	1,786	199
Utility fees	115,205	122,407
Other fees and charges	470,447	468,005
	1,031,976	**1,085,979**

4. Other Assets

Other assets consist of the following:

	2010	2009
	$	$
Loans receivable from Dundas and Parliament Development Corporation (“DPDC”), advanced under five separate non-revolving term facilities, which will not be extended beyond the third anniversary of the initial drawdown of each facility unless a one-year extension at the option of DPDC is consented to by TCHC. These loans bear interest at the bank’s prime rate plus 0.28%, with an estimated interest rate of 2.905% (2009 – 2.53%) per annum.	26,366	59,554
Loan receivable from a developer to advance funds for the interim financing of the development in Don Mount Court, due at the earliest of completion or two years after the first advance, bearing interest at the bank’s prime rate plus 0.5%, with an effective rate of 2.75% (2009 – 2.75%) per annum. This loan was repaid in full on Nov. 25, 2010.	–	10,736
Loan receivable bearing interest at 5.61% per annum, maturing in 2017 with a balloon payment of $12,200	25,578	26,922
Loans receivable from community housing organizations bearing interest at rates from 0% to 5% (2009 – 0% to 5%) per annum, maturing from 2011 to 2059.	50,245	43,387
Other	9,892	20,545
	112,081	**161,144**

December 31, 2010 (all dollar amounts in thousands of dollars)

5. Investments

Investments consist of the following:

	2010		
	Cost	**Market value**	**Carrying value**
	$	$	$
Federal government bonds	498,451	527,682	498,451
Provincial government bonds	1,150,558	1,222,088	1,150,558
Municipal government bonds	526,466	560,931	526,466
Money market instruments	428,360	428,360	428,360
Corporate bonds	461,284	478,245	461,284
Other	231,113	247,397	229,088
	3,296,232	**3,464,703**	**3,294,207**

	2009		
	Cost	**Market value**	**Carrying value**
	$	$	$
Federal government bonds	668,637	681,669	668,637
Provincial government bonds	1,280,923	1,328,268	1,280,923
Municipal government bonds	563,408	582,190	563,408
Money market instruments	15,742	15,742	15,742
Corporate bonds	497,239	508,101	497,239
Other	227,419	259,226	224,944
	3,253,368	**3,375,196**	**3,250,893**

Municipal government bonds include bonds held in trust by the insurance carrier as collateral for the provision of automobile and primary liability insurance with a carrying value of $65,973 (2009 – $61,202).

The weighted average yield on the cost of the bond investment portfolio during the year was 5.20% (2009 – 4.42%). Maturity dates on investments in the portfolio range from 2011 to 2039 (2009 – 2010 to 2038). Included in the City's municipal government bonds portfolio are City of Toronto debentures at coupon rates varying from 3.95% to 8.65% (2009 – 3.95% to 8.65%) with a carrying value of $182,703 (2009 – $219,033).

December 31, 2010 (all dollar amounts in thousands of dollars)

Other investments consist of the following:

	2010		
	Cost	Market value	Carrying value
	$	$	$
City investments	231	231	231
TCHC			
– Pooled investments	159,806	175,359	159,806
– Cash management funds	43,949	43,949	43,949
– Term deposits and other	4,599	4,599	4,599
TAF	11,573	12,304	9,548
Build Toronto	1,662	1,662	1,662
Toronto Portlands	9,293	9,293	9,293
	231,113	**247,397**	**229,088**

	2009		
	Cost	Market value	Carrying value
	$	$	$
City investments	40,964	59,307	40,964
TCHC			
– Pooled investments	149,969	163,813	149,969
– Cash management funds	2,117	2,117	2,117
– Term deposits and other	21,234	21,234	21,234
TAF	13,135	12,755	10,660
	227,419	**259,226**	**224,944**

6. Note Receivable – Toronto Hydro Corporation

On April 1, 2010, the Toronto Hydro Corporation note receivable of $490,115 was sold to a third party for cash consideration of $528,000, resulting in a gain on sale of $37,885. The funds were placed in the Strategic Infrastructure Partnership Reserve Fund. Subsequently $600,000 from the Strategic Infrastructure Partnership Reserve Fund was deposited into the City Sinking Fund to prepay certain sinking fund debentures.

December 31, 2010 (all dollar amounts in thousands of dollars)

7. Investments in Government Business Enterprises

Government business enterprises consist of 100% interest in Toronto Hydro Corporation, Toronto Parking Authority, and an approximate 43% interest in Enwave. Details of the continuity of the book value of these investments are as follows:

	2010	2009
	$	$
Balance – beginning of year	1,190,783	1,156,829
Income from operations (Appendix 1)	150,016	108,061
Dividends received (Appendix 1)	(25,000)	(25,170)
Distribution to City (Appendix 1)	(59,293)	(55,888)
Change in net book value of streetlighting assets eliminated on sale to Toronto Hydro Corporation (Appendix 1)	2,984	6,355
Change in net book value of water infrastructure assets eliminated on transfer from Enwave (Appendix 1)	294	596
Balance – end of year (Appendix 1)	**1,259,784**	**1,190,783**

Condensed financial results for each government business enterprise are disclosed in Appendix 1 to the notes to these consolidated financial statements. The results presented in Appendix 1 relate to fiscal years ended December 31 for Toronto Hydro Corporation and Toronto Parking Authority, October 31 for Enwave.

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

	2010	2009
	$	$
Received by the City: These amounts are included in expenses of the appropriate government business enterprise in the condensed financial results reported in Appendix 1 to these consolidated financial statements		
Interest on note receivable from Toronto Hydro Corporation (Note 6)	7,487	44,919
Purchased by the City: This amount is included in revenues of Toronto Hydro Corporation in the condensed financial results reported in Appendix 1 to these consolidated financial statements		
Streetlighting, electricity, and maintenance services from Toronto Hydro Corporation	141,912	130,642

December 31, 2010 (all dollar amounts in thousands of dollars)

8. Bank indebtedness

The City has an unsecured demand revolving credit facility in the amount of $100,000 (2009 – $100,000) bearing interest at the bank's prime rate (2009 – bank's prime rate less 0.5%) with an effective rate during 2010 of 3.0% (2009 – 2.44%) per annum. During 2010 the unsecured demand revolving credit facility was temporarily increased to $150,000 from February 9, 2010 through March 1, 2010, and then reverted back to $100,000.

TCHC has a committed revolving credit facility of $200,000 (2009 – $200,000) that is available for short-term advances and letters of credit, of which $63,176 (2009 – $78,860) has been utilized. Short-term advances are available by way of Bankers' Acceptance ("BA") and are repayable at maturity of the term on May 6, 2011.

The interest charges are at the BA rate plus 1.10% for an effective rate of 2.22% (2009 – 2.74%) per annum. As at December 31, 2010, TCHC also has outstanding letters of credit of $10,716 (2009 – $8,579).

On May 28, 2010, Build Toronto Inc. re-financed its loan payable by entering into an interest only bridge loan of $29,000 with a government agency that matures on May 28, 2011 and bears interest at prime.

Bank indebtedness consists of the following:

	2010	2009
	$	$
City, net outstanding cheques	43,153	33,375
TCHC	63,176	78,860
Build Toronto Inc.	29,000	30,000
	135,329	**142,235**

9. Accounts Payable and Accrued Liabilities

Accounts payable consist of the following:

	2010	2009
	$	$
Trade payables and accruals	1,593,677	1,273,534
School boards	177,695	143,902
Provision for assessment appeals on property taxes paid	452,766	411,997
Credit balances on property tax accounts	57,852	63,889
Wages accruals	161,537	130,410
	2,443,527	**2,023,732**

December 31, 2010 (all dollar amounts in thousands of dollars)

10. Deferred Revenue

(a) Obligatory reserve funds

Revenues received that have been set aside for specific purposes by Provincial legislation, City bylaws, or agreements are included in deferred revenue and reported on the consolidated statement of financial position. Details of these deferred revenues are as follows:

	2010	2009
	$	$
Restricted by Provincial legislation		
Development Charges	273,942	248,943
Recreational Land (Planning Act)	204,200	179,419
Subdividers' Deposits	13,724	13,676
Building Code Act Service Improvement	11,168	10,675
Provincial Gas Tax	–	711
	503,034	453,424
Restricted by other agreements		
Public Transit Funds	485,136	550,981
Water and Wastewater	2,674	67,351
Community Services	67,129	61,693
Third Party Agreements	25,424	21,556
State of Good Repair	9,966	26,854
Parking Authority	2,423	1,687
	592,752	730,122
Total obligatory reserve funds	**1,095,786**	**1,183,546**

(b) Advanced payments and contributions

Revenues received for advance payments for tickets and building permits, program registration fees, contributions from developers according to Section 37 of the Planning Act and revenues deferred for TCHC's capital asset replacements are included in deferred revenue and reported on the consolidated statement of financial position. Details of these deferred revenues are as follows:

	2010	2009
	$	$
Community Services	62,710	59,324
Planning Act	29,394	15,419
Section 37/45	1,519	2,571
Long-Term Care – Public Health and Housing	8,811	8,357
Police	5,734	17,194
Parks	6,811	3,935
Ontario Bus Replacement Program	555	45,108
Infrastructure Stimulus Funds	–	13,716
Other	85,836	98,806
Agencies, Boards and Community Centres	142,483	128,069
Total advance payments and contributions	**343,853**	**392,499**
(c) Total Deferred Revenue (10 (a) and 10 (b))	**1,439,639**	**1,576,045**

December 31, 2010 (all dollar amounts in thousands of dollars)

11. Other Liabilities

Other liabilities consist of the following:

	2010	2009
	$	$
Property and liability claims provision (Note 17b)	218,808	155,421
TTC – unsettled accident claims (Note 17b)	142,884	125,694
TPLC – environmental liabilities (Note 17j)	47,663	47,625
TTC – environmental liabilities (Note 17i)	6,218	6,485
Other	61,431	49,281
	477,004	**384,506**

12. Landfill Closure and Post-Closure Liabilities

The Ontario Environmental Protection Act (the "Act") sets out the regulatory requirements for the closure and maintenance of landfill sites. Under the Act, the City is required to provide for closure and post-closure care of solid waste landfill sites. The costs related to these obligations are provided for all inactive landfill sites and active landfill sites based on usage.

Active Sites

In 2007, the City acquired the Green Lane Landfill, securing the City's long-term disposal requirements. The landfill is located in the Township of Southwold, Elgin County, Ontario. The landfill is projected to reach its approved capacity by the end of 2034, based on Toronto achieving a 70% residential waste diversion rate. The post-closure care period is expected to occur in perpetuity.

The estimated liability for the care of this landfill site is the present value of future cash flows associated with closure and post-closure costs discounted using the City's average long-term borrowing rate of 5% (2009 – 5%). The estimated present value of future expenditures for closure and post-closure care as at December 31, 2010 is $3,088 (2009 – $2,129), based on the percentage of total approved capacity used of 26.36% (2009 – 24.84%).

Inactive Sites

The City has identified 160 (2009 – 161) inactive landfill sites for which it retains responsibility for all costs relating to closure and post-closure care (Note 17k).

Post-closure care activities for landfill sites are expected to occur in perpetuity and will involve surface and ground water monitoring, maintenance of drainage structures, monitoring leachate and landfill gas, and maintenance of the landfill cover.

December 31, 2010 (all dollar amounts in thousands of dollars)

The estimated liability for the care of inactive landfill sites is the present value of future cash flows associated with closure and post-closure costs discounted using the City's average long-term borrowing rate of 5% (2009 – 5%). The estimated present value of future expenditures for post-closure care as at December 31, 2010 was $117,970 (2009 – $121,214).

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, 2010 was $29,998 (2009 – $31,322) and is included as part of the State of Good Repair Reserve Fund (Note 18), and the balance in the Keele Valley Site Post-Closure Trust Fund as at December 31, 2010 was $7,421 (2009 – $7,409) (Note 23).

In order to help reduce the future impact of these obligations, the City has established two reserve fund accounts. The Green Lane account holds surpluses from the operations of the Green Lane landfill site, and the Green Lane Perpetual Care account provides funding for the future costs of long-term post-closure care of the Green Lane landfill site. The balance in the Green Lane account as at December 31, 2010 was $482 (2009 – $909) and the balance in the Green Lane Perpetual Care account as at December 31, 2010 was $878 (2009 – $655). Total contributions to the Green Lane Perpetual Care account of $221 (2009 – $218) were based on a contribution rate of 70¢ (2009 – 70¢) per tonne of waste disposed. Both of these reserve fund accounts are included as part of The State of Good Repair Reserve Fund (Note 18).

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

	2010	2009
	$	$
Active landfill site (Green Lane)	3,088	2,129
Inactive landfill sites	117,970	121,214
	121,058	**123,343**

Landfill closure and post-closure costs totaling $5,390 (2009 – $3,052) were expensed during the year.

December 31, 2010 (all dollar amounts in thousands of dollars)

13. Mortgages Payable

Mortgages payable are as follows:

	2010	2009
	$	$
Mortgages issued by TCHC, bearing interest at rates ranging from 2.65% to 13.27% (2009 – 2.86% to 13.27%) per annum, with maturities ranging from 2011 to 2043, and collateralized by housing properties owned by TCHC with a net book value of approximately $1,477,000 (2009 – $1,469,000)	803,636	840,627

Principal repayments are due as follows:

	$
2011	38,590
2012	40,537
2013	42,644
2014	44,773
2015	46,970
Thereafter	590,122
	803,636

Principal payments made in 2010 were $36,991 (2009 - $28,775)

14. 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 District School Board ("TDSB") at TDSB's request. The responsibility of raising the amounts to service these liabilities lies with TDSB. The debt is a direct, joint and several obligation of the City and TDSB.

The net unsecured long-term debt reported on the consolidated statement of financial position comprises the following:

	2010	2009
	$	$
Debentures issued by the City, bearing interest at various rates ranging from 1.56% to 8.65% (2009 –1.56% to 8.65%) per annum, maturing from 2011 to 2040.	3,682,670	3,300,318
Debt issued by TCHC bearing interest at various rates ranging from 4.55% to 5.39% (2009 – 4.55% to 5.11%) per annum, maturing from 2011 to 2043. Included in this debt is a non-revolving term loan of $42,928 (2009 – $45,424) bearing interest at the 30-day BA rate plus 0.2% for an effective rate of 1.32% (2009 – 0.5%) per annum and maturing in 2018. TCHC has entered into an interest rate swap agreement to fix the term loan rate at 4.55% plus a 20 basis point BA stamping fee, maturing February 15, 2018. The estimated fair value loss of the interest rate swap at December 31, 2010 is $4,193 (2009 – $3,509).	574,315	320,534
Debentures issued by the City on behalf of the TDSB, bearing interest at 6.1% (2009 – 6.1%) per annum, maturing from 2011 to 2037.	75,846	75,846
Loans payable to the Province, bearing interest at 2.76% (2009 – 2.76%) per annum, with no fixed maturity date.	170,171	170,171
Loan payable, bearing interest at 8.05% (2009 – 8.05%) per annum, maturing in 2018.	1,194	1,301
Sinking fund deposits bearing interest at rates between 4% and 6% (2009 – 4% to 6%) per annum.	(1,571,693)	(1,031,576)
Sinking fund deposits – TDSB, bearing interest at 5% (2009 – 5%) per annum.	(42,031)	(38,009)
	2,890,472	**2,798,585**

December 31, 2010 (all dollar amounts in thousands of dollars)

Principal repayments are due as follows:

	$
2011	492,495
2012	322,290
2013	297,092
2014	287,497
2015	223,474
Thereafter	1,267,624
	2,890,472

Principal payments made in 2010 were $816,666 (2009 – $298,062).

Included in net long-term debt are outstanding debentures of $3,398,000 (2009 – $3,058,000) for which there are sinking fund assets with a carrying value of $1,621,243 (2009 – $1,077,288) and a market value of $1,704,817 (2009 – $1,133,021).

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 $141,617 (2009 – $123,592) and a market value of $153,676 (2009 – $131,511).

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

	2010	2009
	$	$
Property taxes	2,282,342	2,440,214
TCHC	574,315	320,534
TDSB (Note 18)	33,815	37,837
	2,890,472	**2,798,585**

15. Employee Benefit Liabilities

Employee benefit liabilities as at December 31 are as follows:

	2010	2009
	$	$
Future payments required for:		
Sick leave benefits (a)(i)	434,545	429,000
WSIB obligations (a)(ii)	392,453	357,725
Other employment and post-employment benefits (a)(iii)	1,749,266	1,565,054
Pension liabilities (b)	29,185	109,685
Total employee accrued benefit obligation	2,605,449	2,461,464
Unamortized actuarial (loss)/gain	(16,492)	41,950
Employee benefit liabilities	**2,588,957**	**2,503,414**

December 31, 2010 (all dollar amounts in thousands of dollars)

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

	2010			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance – beginning of year	2,503,414	2,559,328	(165,599)	109,685
Current service costs	239,544	188,681	50,863	–
Interest cost	109,136	119,340	(6,220)	(3,984)
Amortization of actuarial loss/(gain)	(85,591)	1,629	28,253	(115,473)
Employer contributions	(84,785)	–	(84,785)	–
Benefits paid	(194,269)	(183,047)	–	(11,222)
Plan amendments	1,837	(2,312)	4,149	–
Change in valuation allowance	99,671	–	49,492	50,179
Balance – end of year	**2,588,957**	**2,683,619**	**(123,847)**	**29,185**

	2009			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance – beginning of year	2,385,507	2,439,289	(203,711)	149,929
Current service costs	212,695	168,633	44,062	–
Interest cost	145,638	141,647	(4,245)	8,236
Amortization of actuarial loss/(gain)	9,077	11,423	29,407	(31,753)
Employer contributions	(76,599)	–	(76,599)	–
Benefits paid	(173,499)	(164,510)	–	(8,989)
Plan amendments	(30,998)	(37,154)	6,156	–
Change in valuation allowance	31,593	–	39,331	(7,738)
Balance – end of year	**2,503,414**	**2,559,328**	**(165,599)**	**109,685**

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

	2010			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance – beginning of year	5,906,879	2,451,973	1,564,102	1,890,804
Current service cost	239,544	188,681	50,863	–
Interest cost	323,842	119,340	98,452	106,050
Amortization of actuarial loss/(gain)	(9,412)	1,629	54,944	(65,985)
Benefits paid	(440,475)	(183,047)	(79,473)	(177,955)
Plan amendments	1,837	(2,312)	4,149	–
Balance – end of year	**6,022,215**	**2,576,264**	**1,693,037**	**1,752,914**

December 31, 2010 (all dollar amounts in thousands of dollars)

	2009			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance – beginning of year	5,502,255	2,231,740	1,412,155	1,858,360
Current service cost	212,695	168,633	44,062	–
Interest cost	358,048	141,647	95,735	120,666
Amortization of actuarial loss/(gain)	190,903	11,423	81,843	97,637
Benefits paid	(426,218)	(164,510)	(75,849)	(185,859)
Plan amendments	(30,998)	(37,154)	6,156	–
Balance – end of year	**5,806,685**	**2,351,779**	**1,564,102**	**1,890,804**

The continuity of the plan asset is as follows:

	2010			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance – beginning of year	3,496,131	–	1,672,091	1,824,040
Contributions	96,007	–	84,785	11,222
Actual return on assets	332,637	–	173,115	159,522
Benefits paid	(257,428)	–	(79,473)	(177,955)
Balance – end of year	**3,667,347**	**–**	**1,850,518**	**1,816,829**

	2009			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance – beginning of year	3,239,903	–	1,480,813	1,759,090
Contributions	85,588	–	76,599	8,989
Actual return on assets	432,348	–	190,528	241,820
Benefits paid	(261,708)	–	(75,849)	(185,859)
Balance – end of year	**3,496,131**	**–**	**1,672,091**	**1,824,040**

December 31, 2010 (all dollar amounts in thousands of dollars)

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

	2010			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Accrued benefit obligation	6,022,215	2,576,264	1,693,037	1,752,914
Plan assets	3,667,347	–	1,850,518	1,816,829
Funding deficit (surplus)	2,354,868	2,576,264	(157,481)	(63,915)
Unamortized actuarial (losses) gains	(16,492)	107,355	(123,847)	–
Valuation allowance	250,581	–	157,481	93,100
Employee benefit liability (asset)	**2,588,957**	**2,683,619**	**(123,847)**	**29,185**

	2009			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Accrued benefit obligation	5,806,685	2,351,779	1,564,102	1,890,804
Plan assets	3,496,131	–	1,672,091	1,824,040
Funding deficit (surplus)	2,310,554	2,351,779	(107,989)	66,764
Unamortized actuarial (losses) gains	41,950	207,549	(165,599)	–
Valuation allowance	150,910	–	107,989	42,921
Employee benefit liability (asset)	**2,503,414**	**2,559,328**	**(165,599)**	**109,685**

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

	2010			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Current service costs	239,544	188,681	50,863	–
Interest cost	109,136	119,340	(6,220)	(3,984)
Amortization of actuarial loss/(gain)	(85,591)	1,629	28,253	(115,473)
Plan amendments	1,837	(2,312)	4,149	–
Change in valuation allowance	99,671	–	49,492	50,179
Total expense	**364,597**	**307,338**	**126,537**	**(69,278)**

December 31, 2010 (all dollar amounts in thousands of dollars)

	2009			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Current service costs	212,695	168,633	44,062	–
Interest cost	145,638	141,647	(4,245)	8,236
Amortization of actuarial loss	9,077	11,423	29,407	(31,753)
Plan amendments	(30,998)	(37,154)	6,156	–
Change in valuation allowance	31,593	–	39,331	(7,738)
Total expense	**368,005**	**284,549**	**114,711**	**(31,255)**

a) Sick leave benefits, WSIB obligations, and other employment and post-employment benefits

Actuarial valuation reports were prepared for the valuation of post-retirement, post-employment, sick leave gratuity and self-insured Workplace Safety Insurance Board (“WSIB”) benefit plans for the City, Toronto Police Services and the City’s Agencies, Boards and Commissions as at December 31, 2010 with results extrapolated to December 31, 2011 and 2012. The significant actuarial assumptions adopted in measuring the City’s accrued benefit obligations and benefit costs for these post-retirement and post-employment, and other retirement benefits are as follows:

	2010	2009
Discount rate for accrued benefit obligation:		
Post-employment	4.0%	4.4%
Post-retirement	4.7%	5.3%
Sick leave	4.4%	4.4%
WSIB	4.0%	4.4%
Rate of compensation increase	3.0% to 3.5%	3.0% to 3.5%
Health care inflation – LTD, hospital and other medical	7.57% to 10.1%	7.64% to 10.1%
Health care inflation – Dental care	3.8% to 10.1%	4.0% to 10.1%
Health care inflation – Drugs	7.6% to 10.1%	7.8% to 10.1%

	2010	2009
Discount rate for benefit costs:		
Post-employment	4.4%	4.65%
Post-retirement	5.3%	5.0%
Sick leave	4.4%	5.0%
WSIB	4.4%	5.0%
Rate of compensation increase	3.0% to 3.5%	3.0% to 3.5%
Health care inflation – LTD, hospital and other medical	7.64% to 10.1%	4.5% to 10.1%
Health care inflation – Dental care	4.0% to 10.1%	7.0% to 10.1%
Health care inflation – Drugs	7.8% to 10.1%	7.8% to 10.1%

For 2010 benefit costs and year end 2010 benefit obligation, the health care inflation rate for LTD, hospital, other medical, and drugs is assumed to reduce to 4% by 2020. The health care inflation rate for dental care is assumed to reduce to 3% by 2015.

i. Vested Sick Leave Benefit Liability

Under the sick leave benefit plan, employees are credited with a maximum of 18 days sick time per annum. Unused sick leave can accumulate and employees may become entitled to a cash payment, capped at one half (or 100% for former City of Toronto employees who retire) of unused sick time to a maximum of 130 days when they leave the City's employment. The liability for the accumulated sick leave represents the extent to which sick leave benefits have vested and could be taken in cash by employees on termination of employment. A sick leave reserve fund is established to help reduce the future impact of these obligations.

Effective March 1, 2008, a new short-term disability plan for all management and non-union employees (approximately 4,000) came into effect. Under the new plan, existing employees in this group, who had a vested payout entitlement (10 or more years of service), will have their sick days and service frozen as of March 1, 2008 and will be entitled to a future payout of this frozen entitlement upon termination based on the former municipality's policy provisions. Employees with less than 10 years of service as of March 1, 2008 had their days frozen and will not be entitled to a future payout. Instead, they can use these days to top up their short-term disability plan, if necessary. The new short-term disability plan does not have a cash payout provision and will help contain sick leave benefit liabilities over time.

In addition, effective July 31, 2009, the City ratified new collective agreements with TCEU Local 416 and CUPE Local 79, which provided for a new Illness or Injury Plan ("IIP") to replace the existing Sick Pay Plan ("SPP") for all employees hired after July 31, 2009. During 2009, all employees hired on or before the date of ratification who were in an SPP were provided with a one-time option to join the new IIP, effective January 1, 2010, and receive a partial payout of their sick credits or freeze their sick credits for a payout upon termination/retirement. As a result, 40% of this group of employees joined the IIP, reducing the City's sick leave liability.

As of December 31, 2010, the balance in the sick leave reserve fund is $13,657 (2009 – $43,754) and is included as part of Employee Benefits Reserve Fund (Note 18). Payments during the year amounted to $50,333 (2009 – $27,621).

ii. WSIB Obligations

The City is a Schedule 2 employer under the Workplace Safety and Insurance Act and, as such, assumes responsibility for financing its workplace safety insurance costs. The accrued obligation represents the actuarial valuation of claims to be insured based on the history of claims with City employees. A Workers' Compensation Reserve Fund is established to help reduce the future impact of these obligations. As at December 31, 2010, the balance in the Workers' Compensation Reserve Fund is $16,987 (2009 – $22,685) and is included as part of the Employee Benefits Reserve Fund (Note 18). Payments during the year by the City to the WSIB amounted to $41,305 (2009 – $41,614).

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 is established to help reduce the future impact of these obligations. As at December 31, 2010, the balance in the employee benefits reserve fund is $151,942 (2009 – $152,582) and is included as part of Employee Benefits Reserve Fund (Note 18). Payments during the year amounted to $61,962 (2009 – $36,343).

b) Pension benefits

i. OMERS Pension Plan

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

Because OMERS is a multi-employer pension plan, the City does not recognize any share of the pension plan deficit of $6,745,000 (2009 – $6,469,000) based on the fair market value of the Plan's assets, as this is a joint responsibility of all Ontario municipalities and their employees. Employer contributions for current service amounted to $126,997 (2009 – $114,649) and are matched by employee contributions in a similar amount.

The amount contributed for past service to OMERS for the year ended December 31, 2010 was $539 (2009 – $605). Employer's contributions for current and past service are included as an expenditure on the consolidated statement of operations and accumulated surplus.

ii. TTC Pension Plan

The TTC participates in a multi-employer, defined benefit/defined contribution hybrid pension plan (the "hybrid pension plan") that covers substantially all of its employees. The pension plan is operated by the Toronto Transit Commission Pension Fund Society (the "Society"), a separate legal entity. The Society provides pensions to members, based on the length of service and average base year (pensionable) earnings. The Society also administers defined benefit supplemental plans designed to pay employees and executives the difference between their earned pension under the bylaws of the Society and the maximum allowable pension under the Income Tax Act (Canada). As described in Note 2, the TTC Pension Plan is accounted for as a joint defined benefit plan. Accordingly, the City has accounted for its 50% portion of the plan in accordance with the standards for defined benefit plans.

Actuarial valuations of the pension plan are carried out each year, as at December 31, with the most recent valuation carried out on December 31, 2010. Plan assets are carried at market value. Since there is uncertainty about the TTC's right to the funded surplus, these amounts have not been reflected in the consolidated statement of financial position. As a result, the accrued benefit asset as at December 31, 2010 and 2009 is comprised solely of unamortized actuarial losses.

December 31, 2010 (all dollar amounts in thousands of dollars)

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

	2010	2009
Discount rate	6.25%	6.75%
Expected rate of return on plan assets	6.25%	6.75%
Rate of increase in salaries	3.50%	3.50%
Inflation rate	2.00%	2.00%
Assumptions for disclosure:		
Discount rate	6.00%	6.25%
Expected rate of return on plan assets	6.00%	6.25%
Rate of increase in salaries	3.75%	3.50%
Inflation rate	2.25%	2.00%

iii. City Sponsored Pension Plans

The City sponsors five defined benefit pension plans that provide benefits to employees who were employed prior to the establishment of the OMERS pension plan. The plans cover closed groups of employees hired prior to July 1, 1968 and provide for pensions based on length of service and final average earnings.

The plans provide increases in pensions to retirees and their spouses to the extent that an actuarial surplus is available. As at December 31, 2010, there were 15 (2009 – 17) active members with an average age of 65. There were also 4,702 (2009 – 4,962) pensioners and 2,827 (2009 – 2,840) spousal beneficiaries in receipt of a pension, with an average age of 78. Pension payments and refunds during the year were approximately $177,955 (2009 – $185,859).

Employees contribute a portion (varying amounts ranging from 5% to 5.5%) of their salary to the pension plans for current service and the City contributes an equal amount. Member contributions cease upon completion of 35 years of service.

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.

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, 2010. The accrued benefit obligation as at December 31, 2010 is based on actuarial valuations for accounting purposes as at December 31, 2010. The actuarial gains or losses in each of the five plans are accounted for in 2010.

The actuarial valuations were based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases, and employee turnover and mortality. The assumptions used reflect the City's best estimates. The inflation rate is estimated at 2.25% to 2.50% per annum (2009 – 2.40%) and the rate of compensation increase is estimated at 3.50% to 4.50% per annum (2009 – 3.56% to 4.50%) for determining the accrued benefit obligation. The discount rates used to determine the accrued benefit obligations are 5.90% to 6.25% (2009 – 4.75% to 6.50%) and the benefit cost is 6.00% to 6.50% (2009 – 6.75% to 7.00%) per annum.

December 31, 2010 (all dollar amounts in thousands of dollars)

Pension plan assets are valued at market values. The expected rate of return on plan assets is 5.9% to 6.50% (2009 – 6.00% to 6.50%) per annum, net of all administrative expenses. The actual return on the market value of plan assets during the year was a gain of 9.34% (2009 – 13.9%). The pension plans hold the following mix of assets: Cash and equivalents of 2.8%, Bonds and Fixed Income of 46.3%, Canadian equities of 25.3% and foreign equities of 25.6%.

As at December 31, 2010 and 2009, two plans, the Toronto Civic Employees Pension Plan and Metropolitan Toronto Pension Plan are in a surplus position. Since there is uncertainty about the City's right to these accrued benefit assets, these amounts have not been reflected in the consolidated statement of financial position.

The other three plans (2009 – three plans), Metropolitan Toronto Police Pension Plan, City of York Employee Pension Plan and Toronto Firefighters Pension Plan, are in a deficit position. The net actuarial deficits of these plans are included in employee benefit liabilities on the consolidated statement of financial position as at December 31 and include the following components:

	2010			2009
	Pension assets – market value – end of year	Actuarial pension obligation – end of year	Net actuarial surplus (deficit)	Net actuarial surplus (deficit)
	$	$	$	$
Toronto Civic Employees Pension Plan	369,608	292,441	77,167	36,000
Metropolitan Toronto Pension Plan	563,574	547,641	15,933	6,921
Metropolitan Toronto Police Pension Plan	561,045	582,198	(21,153)	(56,992)
City of York Employee Pension Plan	50,012	53,956	(3,944)	(6,119)
Toronto Firefighters Pension Plan	272,590	276,678	(4,088)	(46,574)
Total of plans in deficit			**(29,185)**	**(109,685)**

December 31, 2010 (all dollar amounts in thousands of dollars)

16. Tangible capital assets

Tangible capital assets consist of the following:

	2010			2009
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
General				
Land	3,538,445	–	3,538,445	3,507,105
Land Improvements	614,863	289,364	325,499	309,672
Buildings and building improvements	5,825,861	1,990,681	3,835,180	3,460,742
Machinery and equipment	1,399,909	824,615	575,294	638,443
Motor vehicles	1,932,757	1,130,439	802,318	872,586
Total General	**13,311,835**	**4,235,099**	**9,076,736**	**8,788,548**
Infrastructure				
Land	137,676	–	137,676	133,302
Buildings and building improvements	365,650	120,988	244,662	249,420
Machinery and equipment	1,376,525	802,028	574,497	591,832
Water and wastewater linear	4,999,822	1,833,170	3,166,652	3,072,294
Roads linear	3,820,548	1,744,993	2,075,555	1,930,556
Transit	5,087,432	3,150,936	1,936,496	2,073,882
Total Infrastructure	**15,787,653**	**7,652,115**	**8,135,538**	**8,051,286**
Assets under construction	**2,376,829**	–	**2,376,829**	**1,549,073**
Total	**31,476,317**	**11,887,214**	**19,589,103**	**18,388,907**

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

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

General machinery and equipment includes capital leases totaling $15,078 (2009 – $16,001).

Contributed Tangible Capital Assets

Contributed tangible capital assets are recognized at fair market value at the date of contribution. Contributed assets received during the year were valued at $1,197 (2009 – $270), all of which were land contributions.

Works of Art and Historical Treasures

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

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

17. Commitments and contingencies

a) The City is subject to various litigation and claims arising in the normal course of its operations. The final outcome of the outstanding claims cannot be determined at this time. However, management believes that the ultimate disposition of these matters will not materially exceed the amounts recorded in the accounts. Any amendment to amounts accrued will be recorded once new information becomes available.

b) Exposures on property, liability, and accident claims are covered by a combination of self-insurance and coverage with insurance carriers. Provisions for property, liability and accident claims are recorded in other liabilities (Note 11) on the consolidated statement of financial position in the aggregate amount of $361,692 (2009 – $281,115).

c) In February 2005, December 2007, December 2008 and October 2009, contracts were awarded by the TTC for purchase of low-floor buses which comprised 694 diesel-electric hybrid buses and 395 diesel buses at a total purchase price of $755,500. At December 31, 2010, 95 of the 395 diesel buses are still to be delivered and the outstanding commitment is $89,400.

d) On December 21, 2006, a contract was awarded by the TTC for the purchase of 234 subway cars or 39 train sets. In May 2010, the TTC approved purchasing an additional 10 subway trainsets for the Toronto-York Spadina Subway line extension and 21 HG replacement trainsets for the total cost of $1,167,800. The first trainset was delivered in October 2010. As at December 31, 2010, the TTC had incurred costs of $635,500 which is included in assets under construction. At December 31, 2010, the outstanding commitment is $532,300.

e) In October 2008 and September 2010, contracts were awarded by the TTC for the purchase of 198 Wheel-Trans low-floor para-transit buses at a total cost of $70,600. At December 31, 2010, 110 buses had been delivered at a cost of $36,100 and the outstanding commitment is $34,500.

f) On June 26, 2009, a contract was awarded by the TTC for the design and supply of 204 Light Rail Vehicles ("LRVs") at a total cost of $980,400. As at December 31, 2010, the TTC had incurred cost of $130,600, which is included in assets under construction. The first delivery of the LRVs is scheduled for 2012 and all 204 cars are to be delivered by 2018. At December 31, 2010, the outstanding commitment is $849,800.

g) At December 31, 2010, the TTC has other various capital project contractual commitments of $640,600 (2009 – $274,800). Of this amount, contractual commitments of $342,900 (2009 – $105,900) relate to the Toronto York Spadina Subway Extension project and $68,800 (2009 $1,000) relate to Metrolinx projects.

h) A class action lawsuit claiming $100,000 in damages was issued on March 24, 2010 against the City, the Province and the TTC. The lawsuit alleges that merchants and landlords along St.Clair Avenue West suffered business losses due to the St. Clair streetcar project. On April 6, 2011 the Ontario Superior Court of Justice dismissed the class action lawsuit, pending a 60 day postponement to permit claims to be made under the Expropriations Act through the Ontario Municipal Board. At this time, the Plaintiff has filed an appeal on the Court decision. As a result, the outcome of this claim is not determinable at this point and it is not possible to quantify the effect, if any, of this claim on these consolidated financial statements.

i) The TTC has a long-term provision for environmental costs of $6,218 (2009 – $6,485) to cover estimated costs of remediating sites with known contamination for which the TTC is responsible. Given that the estimate of environmental liabilities is based on a number of assumptions, actual costs may vary. The estimated amounts of future restoration costs are reviewed regularly, based on available information and governing legislation. Provision for environmental costs are recorded in other liabilities (Note 11) on the consolidated statement of fin ancial position.

j) Toronto Port Lands Company owns and controls lands in the Port Area with varying degrees of environmental contamination. The costs to remediate these lands depend on the timing and the final approved use of sites. Where costs cannot be reasonably determined at this time, a contingent liability exists. The environmental liability costs of $47,663 (2009 – $47,625) are recorded in other liabilities (Note 10) on the consolidated statement of financial position.

k) The Ministry of the Environment has issued Certificates of Approval for 28 (2009 – 27) of the identified 160 (2009 – 161) inactive landfill sites. Applications for Certificates of Approval at other inactive sites may be required prior to the commencement of any remediation work. It is not possible to quantify the effect, if any, of this request on these consolidated financial statements beyond those amounts recorded as landfill closure and post-closure liabilities (Note 12).

l) Council has approved the Policy for the Provision of Line of Credit and Loan Guarantees for Cultural and Community-Based Organizations that have a financial relationship with the City. The Capital Loan and Line of Credit Guarantee Policy is limited to an aggregate of $125,000 and the Operating Loan and Line of Credit Policy is limited to an aggregate of $10,000 that can be issued by the City to these organizations. At December 31, 2010 the City has provided capital loan guarantees to certain third parties amounting to $58,650 (2009 – $96,235), and operating loan and line of credit guarantees of $4,300 (2009 – $4,800), primarily related to possible defaults in financial agreements for certain construction projects and for several cultural non-profit organizations. These are closely monitored and, to date, the City has been required to pay $249 regarding a default. This amount has been recorded in 2010 City receivable accounts and has also been included in allowance for doubtful accounts.

December 31, 2010 (all dollar amounts in thousands of dollars)

m) At December 31, 2010, the City is committed to future minimum annual operating lease payments for premises and equipment as follows:

	$
2011	47,411
2012	38,186
2013	29,606
2014	19,092
2015	14,787
Thereafter	53,625
	202,707

18. Accumulated Surplus

Accumulated surplus is comprised of the following:

	2010	2009
	$	$
Invested in tangible capital assets (Note 16)	19,589,103	18,388,907
Operating fund	2,046,730	2,344,418
Capital fund	(910,537)	(872,689)
Reserves and reserve funds	1,355,092	1,460,612
	22,080,388	21,321,248
Amounts to be recovered from future revenues:		
Mortgages (Note 13)	(803,636)	(840,627)
Net long-term debt (Note 14)	(2,890,472)	(2,798,585)
Recoverable from TDSB (Note 14)	33,815	37,837
Landfill closure and post-closure liabilities (Note 12)	(121,058)	(123,343)
Employee benefits (Note 15)	(2,588,957)	(2,503,414)
Other	(225,026)	(161,906)
	(6,595,334)	(6,390,038)
	15,485,054	**14,931,210**

Reserves and reserve funds consist of the following:

	2010	2009
Reserves:	$	$
Corporate	319,724	344,869
Stabilization	151,914	68,953
Water and Wastewater	56,564	74,364
Donations	2,045	1,800
Community Initiatives	23	23
	530,270	490,009
Reserve Funds:		
Employee Benefits (Note 15)	182,586	219,021
Corporate	414,402	510,333
Community Initiatives	91,277	103,825
State of Good Repair	136,557	137,424
	824,822	**970,603**

December 31, 2010 (all dollar amounts in thousands of dollars)

19. Budget Data – unaudited

Budget data presented in these consolidated financial statements are based upon the 2010 operating and capital budgets approved by Council. Adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. The chart below reconciles the approved budget with the budget figures as presented in these consolidated statements.

	Budget Amount $
Revenue	
Approved budgets:	
Operating	9,184,391
Capital	3,279,753
Reserve	28,335
	12,492,479
Adjustments:	
Proceeds on disposal of assets	(2,000)
Proceeds on debt issue	(1,060,311)
Total revenue	**11,430,168**
Expenses	
Approved budgets:	
Operating	9,320,505
Capital	3,780,195
	13,100,700
Adjustments:	
Tangible Capital Assets (TCA)	(2,900,000)
Amortization	1,000,000
Debt principal repayments	(253,663)
Total expenses	**10,947,037**
Annual surplus	**483,131**

20. Funding Transfers from Other Governments

	2010	2009
	$	$
General government	106,000	325,987
Protection to persons & property	50,553	23,948
Transportation	664,285	508,698
Environmental services	106,062	40,709
Health services	256,048	243,284
Social and family services	1,548,849	1,325,435
Social Housing	372,880	488,965
Recreation and cultural services	31,578	20,108
Planning and development	36,987	16,334
	3,173,242	**2,993,468**

December 31, 2010 (all dollar amounts in thousands of dollars)

21. Expenses by Object

Expenses by object comprise the following:

	2010	2009
	$	$
Salaries, wages and benefits (Note 15)	4,826,928	4,523,437
Materials	1,072,005	939,768
Contracted services	1,386,031	1,356,914
Interest on long-term debt	273,275	229,503
Transfer payments	1,636,974	1,638,412
Amortization (Schedule 1)	1,018,351	1,071,896
Other	328,614	195,470
	10,542,178	**9,955,400**

22. Segmented Information

The City provides a wide range of services to its citizens. Certain services are delivered on behalf of another level of government, a number of services are cost shared, and some services are fully funded by the municipality. Services are delivered through a number of different agencies, boards, commissions, and divisions, with certain services delivered directly, while others may be fully or partially contracted through other organizations.

For each reported segment, revenues and expenditures represent both amounts that are directly attributable to the segment, as well as amounts that are allocated to the segment on a reasonable basis. The accounting policies used in the segments are consistent with the accounting policies followed in the preparation of these consolidated financial statements as disclosed in Note 1.

The segmented information is provided in Appendices 2 to 4 of the consolidated financial statements.

Appendix 2 includes the following segments:

- General government is comprised of Council, administration and amounts paid to the Municipal Property Assessment Corporation. These divisions are responsible for bylaws and administrative policies, levying taxes, acquiring and managing City assets, ensuring effective financial management, planning and budgeting, monitoring financial and operating performance, and ensuring that high quality City service standards are met.

- Protection to persons and property is comprised of police, fire and other protective services such as Bylaw Enforcement, Animal Control, Vehicle and Business Licensing, Security and Provincial Offences. These groups maintain the safety and security of all citizens by reducing or eliminating loss of life and property, maintaining law enforcements, and preserving peace and good order.

- Transportation includes transit, roads, traffic and parking services. Transit services provide local public transportation for all citizens within the City of Toronto. Other transportation services provide planning, development, and maintenance of roads, traffic operations, parking, winter control and street lighting.

- Environmental Services include water supply and distribution, wastewater treatment, and waste and recycling services. These services provide clean drinking water to residents, collect and treat wastewater, and collect and properly process waste and recycling items.

- Health Services include paramedic and mandated health services. Mandated health services promote and maintain health programs that optimize the health of residents. Paramedic Services deliver timely and effective care for pre-hospital emergency care, along with medically required inter-hospital transportation.

- Social and family services include social assistance, long-term care and child care services. Social assistance services determine, issue, and monitor clients' eligibility for financial, social, and employment assistance. Long-term care services provide secure and supervised health services for seniors who can no longer live at home. Child care services provide subsidized child care spaces and provide funding for wage subsidy, pay equity, and special needs.

- Social housing provides a range of services including high-quality housing for low and moderate income tenants, emergency shelters, outreach, search, and stabilization to people in the community.

- Recreation and cultural services include parks services, recreational programs, recreation facilities, Golf courses, libraries, museums and other cultural services and activities. Parks and recreation services develop and deliver high-quality recreational programs, and develop and maintain recreational facilities, parks and sports fields to ensure all residents have the opportunity to enjoy a healthy lifestyle. Cultural services invest in local non-profit organizations that deliver services on behalf of the City. Library services provide public library services to the citizens via physical facilities, bookmobile, virtual and telephone services.

- Planning and development manages urban development for residential and business interests as well as infrastructure. It includes planning and zoning, commercial and industrial developments and forestry.

Appendix 3 and 4 reflect disclosure by entity which are significant agencies, boards and commissions for the City of Toronto

December 31, 2010 (all dollar amounts in thousands of dollars)

23. Trust Funds

Trust funds administered by the City amounting to $26,673 (2009 – $27,552) have not been included on the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations and accumulated surplus. Trust fund balances as at December 31 are as follows:

	2010	2009
	$	$
Keele Valley Site Post-Closure Trust Fund (Note 11)	7,421	7,409
Development Charges Trust Fund – Railway Lands	7,145	7,122
Homes for the Aged Trust Fund – Residents	6,429	7,301
Community Services Levies Trust Fund	1,167	1,159
Contract Aftercare Trust Fund	1,056	1,052
Waterpark Place Trust Fund	1,041	1,034
90 Lisgar Street Trust Fund	599	595
Development Charges Trust Fund – Queen's Quay	522	518
Heritage and Culture Trust Funds	388	386
Lakeshore Pedestrian Bridge Trust Fund	239	238
Children's Greenhouse Trust Fund – Allan Gardens	109	109
Green Lane Small Claims Trust Fund	105	104
Candidates' Municipal Election Surpluses Trust Fund	62	129
Police Trust Funds	64	87
Other trust funds	326	309
	26,673	**27,552**

24. Comparative Consolidated Financial Statements

The comparative consolidated financial statements have been regrouped from statements previously presented to conform with the presentation adopted in 2010.

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS – SCHEDULE 1

As at and for the year ended December 31, 2010

(all dollar amounts in thousands of dollars)

	2010								
	Cost 2010				Accumulated Amortization 2010				Net Book Value 2010
	Beginning	Additions	Disposals/ Transfers	Ending	Beginning	Amortization	Disposals	Ending	
General									
Land	3,507,105	46,149	(14,809)	3,538,445	–	–	–	–	3,538,445
Land Improvements	589,364	28,953	(3,454)	614,863	279,690	12,994	(3,320)	289,364	325,499
Buildings and building improvements	5,264,908	579,505	(18,552)	5,825,861	1,804,166	187,047	(532)	1,990,681	3,835,180
Machinery and equipment	1,346,966	91,091	(38,148)	1,399,909	708,527	163,263	(47,175)	824,615	575,294
Vehicles	1,840,514	156,030	(63,787)	1,932,757	967,922	205,500	(42,983)	1,130,439	802,318
Total General	**12,548,857**	**901,728**	**(138,750)**	**13,311,835**	**3,760,305**	**568,804**	**(94,010)**	**4,235,099**	**9,076,736**
Infrastructure									
Land	133,302	4,374	–	137,676	–	–	–	–	137,676
Buildings and building improvements	365,650	–	–	365,650	116,230	4,758	–	120,988	244,662
Machinery and equipment	1,359,409	17,869	(753)	1,376,525	767,577	34,758	(307)	802,028	574,497
Water and wastewater linear	4,851,337	156,676	(8,191)	4,999,822	1,779,043	58,532	(4,405)	1,833,170	3,166,652
Roads linear	3,639,177	238,521	(57,150)	3,820,548	1,708,622	83,739	(47,368)	1,744,993	2,075,555
Transit	4,979,031	110,714	(2,313)	5,087,432	2,905,149	267,760	(21,973)	3,150,936	1,936,496
Total infrastructure	**15,327,906**	**528,154**	**(68,407)**	**15,787,653**	**7,276,621**	**449,547**	**(74,053)**	**7,652,115**	**8,135,538**
Assets under construction	**1,549,073**	**1,216,200**	**(388,444)**	**2,376,829**	**–**	**–**	**–**	**–**	**2,376,829**
TOTAL	**29,425,836**	**2,646,082**	**(595,601)**	**31,476,317**	**11,036,926**	**1,018,351**	**(168,063)**	**11,887,214**	**19,589,103**

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS – SCHEDULE 1

As at and for the year ended December 31, 2009

(all dollar amounts in thousands of dollars)

2009

	Cost 2009					Accumulated Amortization 2009				Net Book Value 2009
	Beginning	Additions	Disposals/ Transfers	Donated	Ending	Beginning	Amortization	Disposals	Ending	
General										
Land	3,474,553	55,511	(22,959)	–	3,507,105	–	–	–	–	3,507,105
Land Improvements	578,719	10,869	(224)	–	589,364	265,774	14,555	(637)	279,692	309,672
Buildings and building improvements	4,620,717	648,097	(3,906)	–	5,264,908	1,603,997	201,336	(1,167)	1,804,166	3,460,742
Machinery and equipment	1,242,089	127,378	(22,501)	–	1,346,966	614,084	116,909	(22,470)	708,523	638,443
Vehicles	1,715,159	191,767	(66,412)	–	1,840,514	832,274	200,889	(65,235)	967,928	872,586
Total General	**11,631,237**	**1,033,622**	**(116,002)**	**–**	**12,548,857**	**3,316,129**	**533,689**	**(89,509)**	**3,760,309**	**8,788,548**
Infrastructure										
Land	133,302	–	–	–	133,302	–	–	–	–	133,302
Buildings and building improvements	362,380	3,270	–	–	365,650	111,584	4,646	–	116,230	249,420
Machinery and equipment	1,307,762	52,336	(689)	–	1,359,409	733,004	35,025	(452)	767,577	591,832
Water and wastewater linear	4,731,541	121,492	(1,696)	–	4,851,337	1,724,466	56,038	(1,461)	1,779,043	3,072,294
Roads linear	3,546,026	114,635	(21,484)	–	3,639,177	1,642,727	81,246	(15,352)	1,708,621	1,930,556
Transit	4,852,336	126,695	–	–	4,979,031	2,543,897	361,252		2,905,149	2,073,882
Total infrastructure	**14,933,347**	**418,428**	**(23,869)**	**–**	**15,327,906**	**6,755,678**	**538,207**	**(17,265)**	**7,276,620**	**8,051,286**
Assets under construction	**1,147,166**	**401,995**	**(88)**	**–**	**1,549,073**	**–**	**–**	**–**	**–**	**1,549,073**
TOTAL	**27,711,750**	**1,854,045**	**(139,959)**	**–**	**29,425,836**	**10,071,807**	**1,071,896**	**(106,774)**	**11,036,929**	**18,388,907**

SCHEDULE OF GOVERNMENT BUSINESS ENTERPRISES – APPENDIX 1

As at and for the year ended December 31, 2010
(all dollar amounts in thousands of dollars)

Condensed Financial Results ($)	Toronto Hydro Corporation		Toronto Parking Authority		Enwave		Total	
Fiscal Year Ended	December 31		December 31		October 31			
	2010	2009	2010	2009	2010	2009	2010	2009
Financial Position								
Assets								
Current	805,310	683,299	29,893	21,374	38,593	30,637	873,796	735,310
Capital	2,128,777	1,919,954	144,611	131,544	294,751	290,449	2,568,139	2,341,947
Other	434,774	455,974	66,987	70,024	23,876	22,335	525,637	548,333
	3,368,861	**3,059,227**	**241,491**	**222,942**	**357,220**	**343,421**	**3,967,572**	**3,625,590**
Liabilities								
Current	640,385	336,739	43,542	49,688	16,875	21,784	700,802	408,211
Long-term	1,689,097	1,724,234	8,896	4,000	110,745	103,194	1,808,738	1,831,428
	2,329,482	**2,060,973**	**52,438**	**53,688**	**127,620**	**124,978**	**2,509,540**	**2,239,639**
Net equity	**1,039,379**	**998,254**	**189,053**	**169,254**	**229,600**	**218,443**	**1,458,032**	**1,385,951**
City's share (Note 7)	**1,007,781**	**963,672**	**189,053**	**169,254**	**62,951**	**57,857**	**1,259,785**	**1,190,783**
Results of Operations								
Revenues	2,621,213	2,464,878	147,818	125,122	80,271	89,319	2,849,302	2,679,319
Expenses	2,555,088	2,422,745	68,726	62,985	69,114	80,503	2,692,928	2,566,233
Net income (loss)	**66,125**	**42,133**	**79,092**	**62,137**	**11,157**	**8,816**	**156,374**	**113,086**
City's share (Note 7)	**66,125**	**42,133**	**79,092**	**62,137**	**4,799**	**3,791**	**150,016**	**108,061**
Distribution to City (Note 7)	–	–	59,293	55,888	–	–	59,293	55,888
Dividends paid to City (Note 7)	25,000	25,170	–	–	–	–	25,000	25,170
Net book value of assets sold from the City to Toronto Hydro Corporation (Note 7)	31,598	34,582	–	–	–	–	31,598	34,582
Net book value of assets transferred from Enwave to the City (Note 7)	–	–	–	–	35,817	36,109	35,817	36,109

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – SERVICE – 2010 – APPENDIX 2

for the year ended December 31, 2010

(all dollar amounts in thousands of dollars)

	2010									
	General Government	Protection	Transportation	Environmental	Health	Social and Family	Social Housing	Recreation and Cultural	Planning and Development	Consolidated
Taxation	3,968,421	–	–	–	–	–	–	–	–	3,968,421
User charges	48,257	156,420	1,049,019	1,010,679	3,353	68,362	16,869	157,205	18,929	2,529,093
Government transfers	106,000	50,553	664,285	106,062	256,048	1,548,849	372,880	31,578	36,987	3,173,242
Net GBE income	153,294	–	–	–	–	–	–	–	–	153,294
Other	294,387	109,024	234,283	152,235	4,125	20,754	319,564	78,294	59,306	1,271,972
TOTAL REVENUES	**4,570,359**	**315,997**	**1,947,587**	**1,268,976**	**263,526**	**1,637,965**	**709,313**	**267,077**	**115,222**	**11,096,022**
Salaries, wages and benefits	382,908	1,374,613	1,287,947	260,291	319,874	544,935	117,162	488,946	50,252	4,826,928
Materials	323,879	8,827	468,567	126,599	22,903	30,975	17,198	68,493	4,564	1,072,005
Contracted services	187,445	45,608	236,110	273,028	35,541	261,991	204,259	84,878	57,171	1,386,031
Interest on long-term debt	26,338	12,274	122,492	9,479	866	3,507	74,067	20,025	4,227	273,275
Transfer payments	55,163	46,840	71,716	76,061	12,953	1,184,359	161,815	43,227	(15,160)	1,636,974
Other	70,367	29,860	10,261	14,695	3,230	13,265	133,687	26,726	26,523	328,614
Amortization	19,664	51,688	636,851	123,744	5,904	1,801	110,099	63,615	4,985	1,018,351
TOTAL EXPENSES	**1,065,764**	**1,569,710**	**2,833,944**	**883,897**	**401,271**	**2,040,833**	**818,287**	**795,910**	**132,562**	**10,542,178**
ANNUAL SURPLUS/ (DEFICIENCY)	**3,504,595**	**(1,253,713)**	**(886,357)**	**385,079**	**(137,745)**	**(402,868)**	**(108,974)**	**(528,833)**	**(17,340)**	**553,844**

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – SERVICE – 2009 – APPENDIX 2

for the year ended December 31, 2009
(all dollar amounts in thousands of dollars)

2009

	General Government	Protection	Transportation	Environmental	Health	Social and Family	Social Housing	Recreation and Cultural	Planning and Development	Consolidated
Taxation	3,756,059	–	–	–	–	–	–	–	–	3,756,059
User charges	49,645	129,525	953,385	948,658	3,187	65,808	16,210	130,153	12,593	2,309,164
Government transfers	501,709	23,948	332,976	40,709	243,284	1,325,435	488,965	20,108	16,334	2,993,468
Net GBE income	108,657	–	–	–	–	–	–	–	–	108,657
Other	118,460	31,870	457,546	197,677	4,857	8,118	268,275	125,897	34,443	1,247,143
TOTAL REVENUES	**4,534,530**	**185,343**	**1,743,907**	**1,187,044**	**251,328**	**1,399,361**	**773,450**	**276,158**	**63,370**	**10,414,491**
Salaries, wages and benefits	306,801	1,326,458	1,251,568	249,188	296,319	491,958	110,299	446,731	44,115	4,523,437
Materials	154,489	61,799	431,526	107,347	23,117	38,990	30,601	70,675	21,224	939,768
Contracted services	163,018	24,692	241,491	298,347	33,748	257,893	195,435	118,889	23,401	1,356,914
Interest on long-term debt	13,372	11,066	101,027	12,093	834	4,810	63,463	21,298	1,540	229,503
Transfer payments	39,777	47,616	(54,856)	79,624	14,048	1,140,657	312,914	39,948	18,684	1,638,412
Other	60,747	16,038	7,596	23,239	3,108	12,136	28,355	27,870	16,381	195,470
Amortization	65,300	37,566	717,844	103,837	5,289	–	96,719	43,698	1,643	1,071,896
TOTAL EXPENSES	**803,504**	**1,525,235**	**2,696,196**	**873,675**	**376,463**	**1,946,444**	**837,786**	**769,109**	**126,988**	**9,955,400**
ANNUAL SURPLUS/ (DEFICIENCY)	**3,731,026**	**(1,339,892)**	**(952,289)**	**313,369**	**(125,135)**	**(547,083)**	**(64,336)**	**(492,951)**	**(63,618)**	**459,091**

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – ENTITY – APPENDIX 3

for the year ended December 31, 2010

(all dollar amounts in thousands of dollars)

2010

	City	Police Services	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies, Boards and Commissions	TOTAL
Taxation	3,968,421	–	–	–	–	–	3,968,421
User charges	1,479,898	6,790	934,889	4,129	16,869	86,518	2,529,093
Government transfers	2,993,760	38,694	–	4,646	95,520	40,622	3,173,242
Net GBE income	153,294	–	–	–	–	–	153,294
Other	696,871	100,366	60,270	6,293	317,391	90,781	1,271,972
TOTAL REVENUES	**9,292,244**	**145,850**	**995,159**	**15,068**	**429,780**	**217,921**	**11,096,022**
Salaries, wages and benefits	2,379,766	951,491	1,141,766	144,867	117,162	91,876	4,826,928
Materials	629,890	31,376	371,165	3,069	17,198	19,307	1,072,005
Contracted services	1,086,081	9,480	32,658	(24,690)	204,259	78,243	1,386,031
Interest on long–term debt **	190,104	9,104	–	–	74,067	–	273,275
Transfer payments	3,671,763	9,063	(1,397,054)	(192,821)	(413,331)	(40,646)	1,636,974
Other	134,607	20,248	2,962	–	133,687	37,110	328,614
Amortization	282,425	44,978	542,319	27,596	110,497	10,536	1,018,351
TOTAL EXPENSES	**8,374,636**	**1,075,740**	**693,816**	**(41,979)**	**243,539**	**196,426**	**10,542,178**
ANNUAL SURPLUS/ (DEFICIENCY)	**917,608**	**(929,890)**	**301,343**	**57,047**	**186,241**	**21,495**	**553,844**

**As at December 31, the City has issued $1,806,229 in debentures for capital expenditures made on behalf of the TTC (2009: $1,595,168). Included in interest on long-term debt is $91,269 related to this debt.

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – ENTITY – APPENDIX 3

for the year ended December 31, 2009

(all dollar amounts in thousands of dollars)

2009

	City	Police Services	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies, Boards and Commissions	TOTAL
Taxation	3,756,059	–	–	–	–	–	3,756,059
User charges	1,366,391	5,904	839,327	2,094	16,210	79,238	2,309,164
Government transfers	2,692,744	22,447	97,913	8,180	147,520	24,664	2,993,468
Net GBE income	108,657	–	–	–	–	–	108,657
Other	845,158	22,899	54,832	3,502	266,678	54,074	1,247,143
TOTAL REVENUES	**8,769,009**	**51,250**	**992,072**	**13,776**	**430,408**	**157,976**	**10,414,491**
Salaries, wages and benefits	2,210,003	868,152	1,111,692	143,228	110,299	80,063	4,523,437
Materials	519,273	12,699	339,404	3,301	30,601	34,490	939,768
Contracted services	1,061,950	8,731	27,864	18,939	195,435	43,995	1,356,914
Interest on long-term debt **	155,002	7,446	–	2,170	64,885	–	229,503
Transfer payments	1,512,933	8,691	3,131	–	107,826	5,831	1,638,412
Other	150,916	5,019	–	3,128	28,355	8,052	195,470
Amortization	277,862	33,061	632,786	25,962	98,178	4,047	1,071,896
TOTAL EXPENSES	**5,887,939**	**943,799**	**2,114,877**	**196,728**	**635,579**	**176,478**	**9,955,400**
ANNUAL SURPLUS/ (DEFICIENCY)	**2,881,070**	**(892,549)**	**(1,122,805)**	**(182,952)**	**(205,171)**	**(18,502)**	**459,091**

**As at December 31, the City has issued $1,595,168 in debentures for capital expenditures made on behalf of the TTC (2008: $1,496,274). Included in interest on long-term debt is $79,869 related to this debt.

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – TANGIBLE CAPITAL ASSETS BY ENTITY – APPENDIX 4

for the year ended December 31, 2010
(all dollar amounts in thousands of dollars)

2010 and 2009

	City, including Police Services	Toronto Transit Commission	Toronto Community Housing Corporation	Toronto Port Lands Company	Toronto Public Library	Other Agencies, Boards and Commissions	TOTAL
2010							
General							
Cost	6,453,336	3,105,012	3,077,285	173,653	355,014	147,535	13,311,835
Accumulated amortization	1,530,869	1,682,463	825,468	13,434	145,351	37,514	4,235,099
Net Book Value	**4,922,467**	**1,422,549**	**2,251,817**	**160,219**	**209,663**	**110,021**	**9,076,736**
Infrastructure							
Cost	10,700,220	5,087,432	–	–	–	–	15,787,652
Accumulated amortization	4,501,178	3,150,936	–	–	–	–	7,652,114
Net Book Value	**6,199,042**	**1,936,496**	**–**	**–**	**–**	**–**	**8,135,538**
Assets under construction	**723,125**	**1,537,760**	**106,356**	**–**	**9,588**	**–**	**2,376,829**
Total	**11,844,634**	**4,896,805**	**2,358,173**	**160,219**	**219,251**	**110,021**	**19,589,103**
2009							
General							
Cost	6,253,177	2,955,776	2,843,788	57,999	321,389	116,728	12,548,857
Accumulated amortization	1,456,912	1,407,904	715,197	10,093	139,186	31,017	3,760,309
Net Book Value	**4,796,265**	**1,547,872**	**2,128,591**	**47,906**	**182,203**	**85,711**	**8,788,548**
Infrastructure							
Cost	10,348,874	4,979,032	–	–	–	–	15,327,906
Accumulated amortization	4,371,470	2,905,150	–	–	–	–	7,276,620
Net Book Value	**5,977,404**	**2,073,882**	**–**	**–**	**–**	**–**	**8,051,286**
Assets under construction	**410,712**	**883,798**	**112,187**	**117,833**	**23,978**	**565**	**1,549,073**
Total	**11,184,381**	**4,505,552**	**2,240,778**	**165,739**	**206,181**	**86,276**	**18,388,907**

GLOSSARY

ABC: The City's agencies, boards and commissions are referred to as ABCs.

Accrual Accounting: the accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of legal obligation to pay. This is also known as the full accrual basis of accounting. Previously municipal governments did not capitalize tangible capital assets and recorded them as expenditures. This was the only exception to the accrual basis of accounting and therefore municipal accounting was previously referred to as the modified accrual basis of accounting.

Accumulated amortization: the sum of all amortization expensed on a given asset or asset class to-date.

Accumulated surplus: the difference between the City's non-financial assets and its net debt. The accumulated surplus is the sum of: assets invested in tangible capital assets, the operating, capital and reserve funds, net of amounts to be recovered.

Amortization expense: annual charge to expense to represent allocation of an asset's cost over its useful life.

Amounts to be recovered: the sum of items that have not been included in previous budgets and that will be recovered from future rates or taxes. Amounts to be recovered consist of outstanding debt, unfunded future employment costs, unfunded landfill post-closure costs, as well as unfunded environmental, property and liability claims.

BOG: the Board of Governors of Exhibition Place

Budget – operating: an outline of the government's operating revenue and expense plan for the upcoming year. The Operating Budget is formally presented early each year, and is subject to public consultation and debate prior to approval. Separate operating budgets are prepared for the tax supported and each of the rate supported areas. The Operating Budget sets out the amount of taxes to be collected for the year, as well as fees to be charged and authorized expenses.

Budget – capital: an outline of the government's capital revenue and expense plans for the upcoming year. Certain capital projects are budgeted on a life-to-date basis.

Business Improvement Area (BIA): A Business Improvement Area is an association of commercial property owners and tenants within a defined area who work in partnership with the City to create thriving, competitive, and safe business areas that attract shoppers, diners, tourists, and new businesses.

CICA: the Canadian Institute of Chartered Accountants. The CICA conducts research into current business issues and supports the setting of accounting, auditing and assurance standards for business, not-for-profit organizations and government.

City of Toronto Act, 2006: an Ontario Statute that outlines the broad permissive powers of the City of Toronto to pass bylaws that range from public safety, to the City's economic, social and environmental well being.

Consolidated statements: financial statements which include all of all entities controlled by the City.

Consolidation: inclusion of all entities controlled by the City, except for those which qualify as government business enterprises, on a line-by-line basis in the City's financial statements.

Contingent Liabilities: possible obligations that may result in the future sacrifice of economic benefits arising from existing conditions or situations involving uncertainty. The uncertainty will ultimately be resolved when one or more future events not wholly within the government's control occur or fail to occur. Resolution of the uncertainty will confirm the incurrence or non-incurrence of a liability.

Contractual Obligations: obligations of a government to others that will become liabilities when the terms of a contract or agreement are met.

CVA: Under Current Value Assessment a property is assessed for tax purposes at the price that it would be expected to sell for by a willing seller to a willing buyer.

Debenture: a debt instrument where the issuer promises to pay interest and repay the principal by the maturity date. It is unsecured, meaning there is no lien on any specific asset.

Debt: a financial obligation from borrowing money.

Deferred revenue: amounts received regarding obligatory reserve funds or funds with other internal or external restrictions, which have remain unspent at year end. These amounts are shown with liabilities and are recognized in revenue when they are spent for their intended purpose.

Deficit: the amount, if any, by which government expenses exceed revenues in any given year. Unlike the senior levels of government, municipalities cannot budget to run a deficit.

Derivatives: financial contracts that derive their value from other underlying instruments. TCHC has used a derivative to hedge interest costs.

Employee Benefits Liability – Gross: the present value of the expected payouts for benefits which employees have earned at year end. This amount is calculated by the City's actuaries every three years, and updated based on actual data between valuations.

Employee Benefits Liability – Net: the amount recorded in the Statement of Financial Position representing the present value of the expected payouts for benefits which employees have earned at year end, after allowing for the required smoothing of actuarial gains and losses. PSAB requires amortization of each actuarial gain or loss over the Expected Average remaining Service Life of the employee group, at the time of the actuarial valuation. This net liability may be lower than the gross liability when actuarial losses exceed gains (as in 2008), or larger than the gross liability when gains exceed losses (as in 2009).

Fair Value: the price that would be agreed upon in an arm's length transaction and in an open market between knowledgeable, willing parties who are under no compulsion to act. It is not the effect of a forced or liquidation sale.

Financial Assets: assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets include cash; an asset that is convertible to cash; a contractual right to receive cash or another financial asset from another party; a temporary or portfolio investment; and a financial claim on an outside organization or individual.

Fiscal Year: the City of Toronto's fiscal year runs from January 1 to December 31.

GAAP: generally accepted accounting principles, as laid out in the relevant Handbook – the Public Sector Accounting Handbook for government organizations and the CICA Handbook or IFRS for Government Business Enterprises.

GAAS: generally accepted auditing standards, standards established by Canadian Institute of Chartered Accountants (CICA) for use by public accountants when conducting external audits of the financial statements.

Government Business Enterprise (GBE): an organization that has all of the following characteristics: a) it is a separate legal entity with the power to contract in its own name and that can sue and be sued; b) it has been delegated the financial and operational authority to carry on a business; c) it sells goods and services to individuals and organizations outside of the government reporting entity as its principal activity; and d) it can, in the normal course of its operations, maintain its operations and meet its liabilities from revenues received from sources outside of the government reporting entity. Government business enterprises are accounted for under the modified equity method.

Hedging: a strategy to minimize the risk of loss on an asset (or a liability) from market fluctuations such as interest rate or foreign exchange rate changes. This is accomplished by entering into offsetting commitments with the expectation that a future change in the value of the hedging instrument will offset the change in the value of the asset (or the liability).

Indemnity: an agreement whereby one party agrees to compensate another party for any loss suffered by that party. The City can either seek or provide indemnification.

Infrastructure: the facilities, systems and equipment required to provide public services and support private sector economic activity including network infrastructure (e.g., roads, bridges, water and wastewater systems, large information technology systems), buildings (e.g., hospitals, schools, courts), and machinery and equipment (e.g., medical equipment, research equipment).

International Financial Reporting Standards (IFRS): Government Business Enterprises must follow IFRS for fiscal years beginning on or after January 1, 2011. Other government organizations may also choose to follow IFRS. IFRS reporting is also mandatory for publicly accountable (non-government) enterprises beginning in 2011. IFRSs are now available in part I of the CICA Handbook.

Liabilities: are present obligations of a government to others arising from past transactions or events, the settlement of which is expected to result in the future sacrifice of economic benefits. These liabilities have three essential characteristics: (a) they embody a duty or responsibility to others, leaving a government little or no discretion to avoid settlement of the obligation; (b) the duty or responsibility to others entails settlement by future transfer or use of assets, provision of goods or services, or other form of economic settlement at a specified or determinable date, on occurrence of a specified event, or on demand; and (c) the transactions or events obligating the government have already occurred.

Loan Guarantee: an agreement to pay all or part of the amount due on a debt obligation in the event of default by the borrower.

LTD: Long Term Disability

Modified Equity Method of Accounting: investment balances are adjusted for any earnings or losses of the government business enterprise, without adjustment to correspond to public sector GAAP.

MPAC: The Municipal Property Assessment Corporation is a non profit organization which serves Ontario property taxpayers together with provincial and municipal stakeholders by providing property assessments and enumeration services.

Multi-employer Pension Plan: is a defined benefit pension plan to which two or more governments or government organizations contribute, usually pursuant to legislation or one or more collective bargaining agreements. The main distinguishing characteristic of a multiemployer plan is that the contributions by one participating entity are not segregated in a separate account or restricted to provide benefits only to employees of the entity and, thus may be used to provide benefits to employees of all participating entities.

Net Book Value of Tangible Capital Assets: historical cost of tangible capital assets less both the accumulated amortization and the amount of any write-downs.

Net Debt: the difference between the City's total liabilities and financial assets. It represents the City's future revenue requirements to pay for past transactions and events.

Non-Financial Assets: assets that normally do not generate cash capable of being used to repay existing debts. For the Province, it comprises tangible capital assets and net assets of broader public sector organizations.

Obligatory reserve funds: amounts collected from developers or through other legislation or legal agreement, which must be spent in a prescribed manner.

Option: a contract that confers the right, but not the obligation, to buy or sell a specific amount of a commodity, currency or security at a specific price, on a certain future date.

Other than a Temporary Decline: a loss in value of a portfolio investment that is other than a temporary decline occurs when the actual value of the investment to the government becomes lower than the carrying value and the impairment is expected to remain for a prolonged period.

PSAB: the Public Sector Accounting Board (PSAB) of the CICA sets standards and provides guidance for financial and other performance information reported by the public sector.

Present Value: the current worth of one or more future cash payments, determined by discounting the payments using a given rate of interest.

Recognition: the process of including an item in the financial statements of an entity.

Reserves and reserve funds: fiscal and accounting entity segregated by Municipal Council for the purpose of carrying on specific activities or attaining certain objectives in accordance with internally or externally established restrictions or limitations. By City policy and practice, interest earnings are applied only to reserve funds, while reserves do not earn interest.

Segment: a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to help users of the financial statements identify the resources allocated to support the major activities of the government.

Sinking Fund Debenture: a debenture that is secured by periodic payments into a fund established to retire long-term debt.

Straight-Line Basis of Amortization: a method whereby the annual amortization expense is computed by dividing i) the historical cost of the asset less the residual value by ii) the number of years the asset is expected to be used.

Surplus: the amount by which revenues exceed expenses in any given year.

TAF: The Toronto Atmospheric Fund

Tangible Capital Assets: physical assets including land, buildings, transportation and transit infrastructure, water & wastewater infrastructure, vehicles and equipment. These assets are recorded in the City's consolidate financial statements for the first time in 2009.

TCHC: The Toronto Community Housing Corporation

TDSB: The Toronto District School Board

TEDCO: Toronto Economic Development Corporation, carrying on business as Toronto Portlands Company (TPLC)

TPLC: see TEDCO

Total Debt: the City's total borrowings outstanding.

TPA: Toronto Parking Authority

Transfer Payments: grants or transfers of monies to individuals, organizations or other levels of government for which the government making the transfer does not receive any goods or services directly in return, as would occur in a purchase or sale transaction; expect to be repaid, as would be expected in a loan; or expect a financial return, as would be expected in an investment.

TTC: The Toronto Transit Commission

TWRC: The Toronto Waterfront Revitalization Corporation

Unrealized Gain or Loss: an increase or decrease in the fair value of an asset accruing to the holder. Once the asset is disposed of or written off, the gain or loss is realized.

WSIB: The Workplace Safety and Insurance Board

2010 STATISTICAL INFORMATION

CITY OF TORONTO FINANCIAL REPORT

FIVE-YEAR REVIEW SUMMARY

(Not subject to audit; all dollar amounts are in thousands except per capita figure) (See accompanying end notes)

	2010	2009	2008	2007	2006
Population (Note 1)	2,773,000	2,755,800	2,738,600	2,730,100	2,631,725
Households (Note 1)	1,090,800	1,084,000	1,082,000	1,073,800	1,029,580
Areas in square kilometres	634	634	634	634	634
Full-time employees	46,228	45,673	42,627	41,452	40,649
Housing Starts	13,425	11,919	19,710	8,854	12,726
Building Permit Values	$10,167,238	$5,521,393	$5,899,802	$6,988,434	$5,962,598
TAXATION ASSESSMENT UPON WHICH TAX RATES WERE SET (Note 2)					
Residential, Multi-residential, New Multi-residential, Farmlands, and Managed Forest	$294,740,597	$276,277,574	$258,854,050	$255,450,742	$252,977,740
Commercial, Industrial and Pipeline	73,907,329	68,075,621	61,789,182	61,551,518	61,443,667
TOTAL	**$368,647,926**	**$344,353,195**	**$320,643,232**	**$317,002,260**	**$314,421,407**
Total per capita	$132,942	$124,956	$117,083	$116,114	$119,474
TAX RATES (URBAN AREA) – (Note 2)					
Residential, New Multi-Residential, Farmlands and Managed Forest (expressed in %) – **Note – Full Rate Only**					
City purposes	0.5895702%	0.6027807%	0.6109226%	0.5888434%	0.5668587%
School board purposes	0.2410000%	0.2520000%	0.2640000%	0.2640000%	0.2640000%
TOTAL	**0.8305702%**	**0.8547807%**	**0.8749226%**	**0.8528434%**	**0.8308587%**
Multi-Residential (expressed in %)					
City purposes	1.9552517%	2.0373418%	2.1191990%	2.0881901%	2.0605153%
School board purposes	0.2410000%	0.2520000%	0.2640000%	0.2640000%	0.2640000%
TOTAL	**2.1962517%**	**2.2893418%**	**2.3831990%**	**2.3521901%**	**2.3245153%**
Commercial (expressed in %)					
City purposes	1.9367482%	2.0431761%	2.1514381%	2.1174565%	2.0876138%
School board purposes	1.6615560%	1.8030600%	1.9683050%	1.9758210%	1.9758210%
TOTAL	**3.5983042%**	**3.8462361%**	**4.1197431%**	**4.0932775%**	**4.0634348%**
Industrial (expressed in %)					
City purposes	1.9900160%	2.1484993%	2.2855806%	2.3093771%	2.3197551%
School board purposes	1.7040030%	1.8618110%	2.0507090%	2.0599070%	2.0599070%
TOTAL	**3.6940190%**	**4.0103103%**	**4.3362896%**	**4.3692841%**	**4.3796621%**
Pipeline (expressed in %)					
City purposes	1.1340760%	1.1594874%	1.1751488%	1.1326782%	1.0903891%
School board purposes	1.6890270%	1.7425120%	1.7985840%	1.8026370%	1.8026370%
TOTAL	**2.8231030%**	**2.9019994%**	**2.9737328%**	**2.9353152%**	**2.8930261%**

FIVE-YEAR REVIEW SUMMARY

(Not subject to audit; all dollar amounts are in thousands except per capita figure) (See accompanying end notes)

	2010	2009	2008	2007	2006
TAXES RECEIVABLE, END OF THE YEAR					
Amount	$300,387	$313,088	$246,074	$220,372	$221,617
Per Capita	$108	$114	$90	$81	$84
NET LONG-TERM DEBT – END OF YEAR					
Amount	$2,890,472	$2,798,585	$2,741,227	$2,758,180	$2,261,455
Per Capita	$1,042	$1,016	$1,001	$1,010	$859
INTEREST CHARGES FOR NET LONG-TERM DEBT					
Amount	$221,663	$217,589	$173,723	$154,413	$135,565
Per Capita	$80	$79	$63	$57	$52
LONG-TERM DEBT SUPPORTED BY PROPERTY TAXES					
Gross Long-Term Debt	$3,694,108	$3,868,170	$3,556,500	$3,468,955	$2,875,756
Net Long-Term Debt (Net of Sinking Fund deposits)	$2,890,472	$2,798,585	$2,741,227	$2,758,180	$2,261,455
LONG-TERM DEBT AND MORTGAGES CHARGES (includes principal repayments, interest on long-term debt and interest earned on sinking funds).					
Amount	$1,179,542	$599,489	$583,407	$531,736	$460,749
Per Total Consolidated Expenditures	11.19%	6.02%	6.18%	5.62%	5.35%
DEBT REPAYMENT LIMIT (Note 3)	N/A	N/A	N/A	N/A	$1,020,307
(as determined by the Province of Ontario)					
TAXES COLLECTED					
City Collection	$3,917,991	$3,660,600	$3,529,681	$3,282,427	$3,222,222
Taxes Transferred to the School Board	1,886,726	1,882,376	1,870,204	1,851,618	1,837,372
TOTAL	**$5,804,717**	**$5,542,976**	**$5,399,885**	**$5,134,045**	**$5,059,594**
TRUST FUNDS BALANCE – END OF YEAR	**$46,743**	**$48,611**	**$45,422**	**$47,894**	**$47,358**

FIVE-YEAR REVIEW SUMMARY

(Not subject to audit; all dollar amounts are in thousands except per capita figure) (See accompanying end notes)

	2010	2009	2008	2007	2006
SUMMARY OF CONSOLIDATED REVENUES AND EXPENDITURES – (Note 4)					
CONSOLIDATED OPERATIONS					
REVENUE BY SOURCE					
Residential and Commercial property taxation	$3,859,765	$3,655,880	$3,469,974	$3,186,766	$3,074,783
Taxation from other government	108,656	100,179	80,710	99,181	112,480
User Charges	2,529,093	2,309,164	2,108,423	1,966,890	1,856,407
Funding transfers from other governments	3,173,242	2,993,468	3,025,828	2,188,715	2,273,922
Government business enterprise earnings	153,294	115,012	240,402	136,169	114,176
Rental and Concessions	372,959	355,005	355,591	347,317	336,523
Other	899,013	885,783	456,912	935,498	791,124
TOTAL	**$11,096,022**	**$10,414,491**	**$9,737,840**	**$8,860,536**	**$8,559,415**
CONSOLIDATED EXPENDITURES BY FUNCTION (Note 5)					
General Government	$1,065,764	$803,504	$794,329	$580,498	$569,225
Protection to persons and property	1,569,710	1,525,221	1,466,272	1,500,550	1,322,819
Transportation	2,833,944	2,696,197	2,578,243	2,398,891	2,241,737
Environment Services	883,897	873,684	855,105	1,060,052	841,794
Health Services	401,271	376,463	375,904	356,129	336,663
Social and family services	2,040,833	1,946,444	1,803,134	1,781,475	1,722,911
Social housing	818,287	837,786	651,022	803,784	747,494
Recreation and cultural services	795,910	769,110	770,880	849,001	740,744
Planning and development	132,562	126,991	144,655	136,179	93,136
TOTAL	**$10,542,178**	**$9,955,400**	**$9,439,544**	**$9,466,559**	**$8,616,523**
ANNUAL SURPLUS	**$553,844**	**$459,091**	**$298,296**	**–**	**–**
ACCUMULATED SURPLUS: (Note 4)					
Financial Assets	$6,513,984	$6,728,291	$7,109,217	–	–
Liabilities	10,899,622	10,392,487	10,647,259	–	–
Net Debt	(4,385,638)	(3,664,196)	(3,538,042)	–	–
Non–Financial Assets	19,870,692	18,595,406	17,806,450	–	–
Accumulated Surplus	**$15,485,054**	**$14,931,210**	**$14,268,408**	**–**	**–**

FIVE-YEAR REVIEW SUMMARY

(Not subject to audit; all dollar amounts are in thousands except per capita figure) (See accompanying end notes)

	2010	2009	2008	2007	2006
CONSOLIDATED SUMMARY OF FUNDING TRANSFERS FROM OTHER GOVERNMENTS (Note 4)					
Social Assistance	$885,319	$801,271	$732,840	$708,677	$675,500
Child Care Assistance	264,345	262,540	262,478	244,411	233,687
Health Services	118,669	117,558	151,526	142,641	125,981
Social Housing	544,278	422,284	446,501	413,225	392,358
Other	371,379	144,607	420,916	253,371	385,387
Government of Canada Transfer – TTC	187,120	700,876	508,499	236,668	1,993
Government of Canada Transfer – Capital	303,921	211,656	182,927	141,128	175,502
Province of Ontario Transfer – Capital	405,643	332,676	298,404	9,972	150,914
Province of Ontario Transfer – Reserve Funds	92,568	–	21,737	38,622	–
Province of Ontario Transfer – Best Start Program (one time program in 2006)	–	–	–	–	132,600
TOTAL	**$3,173,242**	**$2,993,468**	**$3,025,828**	**$2,188,715**	**$2,273,922**
CONSOLIDATED EXPENDITURES BY OBJECT (Note 4)					
Salaries, wages and benefits	$4,826,928	$4,523,437	$4,442,881	$4,235,706	$3,879,202
Materials	1,072,005	939,768	1,181,882	1,929,987	1,775,108
Contracted Services	1,386,031	1,356,914	1,355,457	1,708,706	1,425,774
Interest on long–term debt & TCHC mortgage	273,275	229,503	232,116	213,723	197,900
Transfer payments	1,636,974	1,638,412	1,295,514	1,190,895	1,182,924
Amortization	1,018,351	1,071,896	797,281	–	–
Other	328,614	195,470	134,413	187,542	155,615
TOTAL	**$10,542,178**	**$9,955,400**	**$9,439,544**	**$9,466,559**	**$8,616,523**
RESERVE & RESERVE FUND BALANCE – End of the year	$1,355,092	$1,460,612	$1,332,849	$1,177,460	$1,057,493
TANGIBLE CAPITAL ASSETS (Note 4)					
COST:					
General Assets	$13,311,835	$12,548,857	11,631,237	10,809,518	–
Infrastructure	15,787,653	15,327,906	14,933,347	14,596,849	–
Assets under construction	2,376,829	1,549,073	1,147,166	853,992	–
TOTAL	**31,476,317**	**29,425,836**	**27,711,750**	**26,260,359**	**–**
ACCUMULATED AMORTIZATION:					
General Assets	$4,235,099	$3,760,309	$3,316,129	$2,982,966	–
Infrastructure	7,652,115	7,276,620	6,755,678	6,379,426	–
TOTAL	**11,887,214**	**11,036,929**	**10,071,807**	**9,362,392**	**–**
NET BOOK VALUE	**$19,589,103**	**$18,388,907**	**$17,639,943**	**$16,897,967**	**–**

FIVE-YEAR REVIEW SUMMARY

(Not subject to audit; all dollar amounts are in thousands except per capita figure) (See accompanying end notes)

Note 1: Source of population data and number of households is from the City of Toronto, City Planning Division – which uses the data from the last Annual Demographic Estimate of Statistics Canada.

Note 2: Taxation related information reflect Current Value Assessment (CVA).

Note 3: Debt Repayment limit from the Province not applicable due to the new City of Toronto Act (COTA) effective 2007.

Note 4: Effective January 1, 2009, the City has adopted PSAB Section 3150 and 1200. These changes have resulted in new reporting requirements which have been applied retroactively and have resulted in restatement of comparative figures effective 2008 onwards and opening inventory of tangible capital assets as of January 1, 2008.

Note 5: During 2010, a review of the accounting for the TTC Pension Plan was undertaken. This change has been accounted for on a retroactive basis, with prior period restatement, in accordance with Section 2120 of the Public Sector Accounting Handbook. Comparative figures for 2009 only are amended.