

2008 Consolidated Financial Statements

Presentation to Audit Committee

September 24, 2009

Agenda

- **Introduction & Overview**
- **2008 Financial Statement - Highlights**
- **Restatement of 2007 comparatives**
- **New Financial Reporting in 2008**
- **New Requirements for 2009**
- **Closing Comments & Questions**

Overview

Roles and Responsibilities

Management

- sound financial system design
- internal control system
- statement preparation is in accordance with GAAP

Auditors

- evaluate & test critical financial systems
- perform other tests in accordance with GAAS
- express opinion as to fairness in “all material respects”

2008 Consolidated Statements Include:

- **Consolidated Financial Position**
- **Consolidated Financial Activities**
- **Cash Flow**
- **Current Operations**
- **Capital Operations**
- **Reserves and Reserve Funds**
- **Notes to the Financial Statements**

Staff Report

- Provides the “why” and “how” of the financial results
- Follows PSAB guidelines to content and presentation
- Incorporated in annual report

2008 Consolidated Financial Statements

Consolidated Statement of Financial Position

Statement of Financial Position

Financial Assets	(millions)	Liabilities	(millions)
Liquid		Current	
Cash & investments	4,050	Accounts Payable	1,971
Accounts & taxes receivable	1,125	Other liabilities	418
		Deferred revenues	1,919
	<hr/>		<hr/>
	5,175		4,308
	<hr/>		<hr/>
Long-term		Long-term	
Hydro Note	735	Employee benefits	2,589
GBE investment	1,193	Debentures & provincial loan	2,741
School board receivable	42	Mortgages Payable	869
Inventory	166	Landfill post closure	139
	-		
	<hr/>		<hr/>
	2,136		6,338
	<hr/>		<hr/>
Total	7,311		10,646
	<hr/>		<hr/>
Net liabilities	3,335		

Financial Position - Highlights

	Average Increase	<i>(in millions of dollars)</i>				
		2008	2007	2006	2005	2004
Liabilities	9.1%	10,647	9,631	8,452	8,068	7,526
Financial and Non-financial assets	7.3%	7,312	6,740	6,167	5,826	5,515
Net Liabilities	13.8%	3,335	2,891	2,285	2,242	2,011
Percentage Increase		15.3%	26.5%	1.9%	11.5%	

Financial Position - Highlights

<u>Financial Liabilities</u>	Average Increase	<i>(in millions of dollars)</i>				
		2008	2007	2006	2005	2004
Current and other	4.9%	2,529	2,337	2,146	2,143	2,091
Deferred revenues	28.3%	1,919	1,236	868	883	783
Mortgages payable	-3.1%	869	899	931	965	993
Net long-term debt	13.0%	2,741	2,758	2,261	1,965	1,681
Employee benefit	7.0%	2,589	2,401	2,246	2,112	1,978
TOTAL	9.1%	10,647	9,631	8,452	8,068	7,526

Financial Position: Not a Balance Sheet

- **Physical Assets – Not Disclosed**
 - Long Term Benefit of Investment in Capital Assets not reflected
 - Coming in 2009
- **Not an indicator of operating surplus or deficit**

Consolidated Statement of Financial Activities

Consolidated Statement of Financial Activities

Consolidated Statement of Financial Activities

	Consolidated	Operations	Capital	Reserves
Revenues	9,512,705	8,458,749	967,108	86,848
Expenditures	9,963,305	8,004,410	1,958,895	0
Net Revenues (expenditures)	(450,600)	454,339	(991,787)	86,848
Financing				
New debt issued	308,823		308,823	
Principal LTD repayments	(318,677)	(318,677)		
Interest earned on sinking funds	(32,614)	(32,614)		
Landfill/Insurance obligations	42,516	31,563	10,953	
Employee benefit liabilities	187,907	187,907	0	
	187,955	(131,821)	319,776	
Increase in non-financial assets	7,043	7,043		
Increase in fund balances	(255,602)	329,561	(672,011)	86,848
Interfund Transfers	0	(309,785)	241,244	68,541
Fund balance BOY	3,366,397	2,346,906	(157,969)	1,177,460
Fund Balance EOY	3,110,795	2,366,682	(588,736)	1,332,849

5-Year Operating Costs

Expenditures by Program	<i>(in millions of dollars)</i>					
	Average Annual Increase	2008	2007	2006	2005	2004
General Government	6.5%	666.5	491.5	476.4	521.0	518.2
Protection to persons and property	3.7%	1423.6	1426.6	1249.0	1186.2	1232.6
Transportation	7.7%	1805.9	1657.0	1499.1	1409.7	1340.0
Environmental services	3.0%	603.2	593.9	580.5	555.9	536.4
Health services	5.0%	368.8	349.2	331.0	315.3	302.9
Social and family services	4.8%	1794.3	1761.6	1700.2	1596.9	1488.4
Social Housing	(2.9)%	558.9	609.6	579.0	582.6	629.0
Recreational and cultural services	5.9%	683.7	650.9	608.0	596.9	544.1
Planning and development	28.8%	99.6	66.3	44.6	40.1	36.2
Total	4.8%	8004.5	7606.6	7067.8	6804.9	6627.8
		5.2%	7.6%	3.9%	2.7%	

5-Year Capital Program

Expenditures by Program	(in millions of dollars)					
	Average Annual Increase	2008	2007	2006	2005	2004
General Government	15.7%	99.7	89.0	70.0	62.1	55.5
Protection to persons and property	17.2%	103.8	74.0	73.9	67.6	55.0
Transportation	12.5%	879.3	741.9	742.7	546.4	548.9
Environmental services	14.1%	373.2	466.1	261.3	225.8	220.8
Health services	2.2%	8.4	7.0	5.6	8.9	7.7
Social and family services	(16.1)%	15.9	19.9	22.7	13.4	32.1
Social Housing	25.8%	233.9	194.1	168.5	99.6	93.5
Recreational and cultural services	15.4%	157.8	198.1	132.7	94.0	88.8
Planning and development	41.9%	86.9	69.9	30.8	35.0	21.4
Total	14.9%	1,958.9	1,860.0	1,508.2	1,152.8	1,123.7
		5.3%	23.3%	30.8%	2.6%	

5-Year Revenues by Type

Revenues	<i>(in millions of dollars)</i>					
	Average Annual Increase	2008	2007	2006	2005	2004
Property taxes	3.2%	3,369.9	3,285.9	3,187.3	3,082.0	2,975.0
COT taxes	n/a	180.7	-	-	-	-
User charges	5.8%	2,108.4	1,966.9	1,856.4	1,766.6	1,682.0
Government transfers	8.6%	2,222.6	1,952.0	2,254.7	1,831.4	1,600.7
Other	13.7%	1,631.0	1,655.7	1,236.1	1,045.7	975.4
Total	7.1%	9,512.7	8,860.5	8,534.5	7,725.7	7,233.0
%age Increase		7.4%	3.8%	10.5%	6.8%	-

Excess of Expenses Over Revenue

	<i>(in millions of dollars)</i>				
	2008	2007	2006	2005	2004
OPERATING EXPENDITURES	8,004.5	7,606.6	7,067.8	6,804.9	6,627.8
CAPITAL EXPENDITURES	1,958.9	1,860.0	1,508.2	1,152.8	1,123.7
TOTAL EXPENDITURES	9,963.4	9,466.6	8,576.0	7,957.7	7,751.5
TOTAL REVENUES	9,512.7	8,860.5	8,534.5	7,725.7	7,233.0
EXCESS OF EXPENDITURES OVER REVENUES	450.7	606.1	41.5	232.0	518.5

Reconciliation of 2008 Surplus

	2008	2007
Surplus as reported during 2009 budget process	79,526	95,137
Additional Year End Adjustments / Accruals	29,875	(11,696)
Final 2008 Operating Budget Surplus (City ONLY)	109,401	83,441
Accounting Adjustments for F/S Presentation Purposes		
Note Rec Toronto Hydro		(245,000)
Non cash adjustments to the ABC surpluses	70,713	93,857
Net increase in GBE's	51,285	61,709
Prior Year Surplus carried forward	(95,137)	(142,577)
PSAB Adjustments	(116,486)	10,426
(Decrease)/ Increase in Operating Fund Balance	19,776	(138,144)

Restatement:

2007 Comparative Figures

Restatement of 2007 Comparatives

- **Employee benefit liabilities**
- **Toronto Waterfront
Revitalization Corporation
(TWRC)**

2007 Employee Benefit Liabilities

	2007 Employee Benefit Liabilities (\$ 000's)		
	Restated	Original	Difference
Pension liabilities, other than OMERS	72,339	72,339	0
Sick leave benefits	450,172	249,337	200,835
Workplace Safety & Insurance Board obligations	315,117	315,117	0
Other employment & post-employment benefits	1,828,704	1,828,104	0
Total employee benefit obligation (Gross)	2,666,332	2,465,497	200,835
Less: Unamortized actuarial loss	265,022	132,979	132,043
Employee benefit liabilities (Net)	2,401,310	2,332,518	68,792

Sick Leave Obligations

SICK LEAVE OBLIGATIONS	2008	2007 Restated	2007 as Reported
	(\$000's)	(\$000's)	(\$000's)
Management & Excluded	69,386	66,880	35,946
Firefighters	62,869	60,087	49,717
L 416	51,189	47,700	29,056
L 79	95,457	88,591	51,418
Sub-Total: City	278,901	263,257	166,137
Police	154,770	152,825	61,480
Exhibition Place	1,360	1,319	638
Library	20,130	19,952	9,624
Zoo	2,899	2,712	1,330
TCHC	8,855	9,513	9,481
Sub-total ABCs	33,244	33,496	21,094
Comm. Centres & Arenas	664	594	626
Total Sick Leave Obligation	467,579	450,172	249,337

Employee Benefit Liabilities

- No immediate budget impact
- Continuing actions to address
 - Non-union
 - CUPE
 - Caps to limit unlimited liability items
 - Funding new WSIB through divisions
 - Increased funding \$4M in 2009 budget

TWRC

- Incorporated - 2001
 - With Province as sole shareholder
- May 15, 2003
 - Changed from provincially controlled entity
 - To a corporation w/o share capital
 - City / Province / Feds: 1/3rd each
- 2006
 - PSA standards changed

TWRC

2007 F/S

- Restated to proportionately consolidate 1/3rd share
 - Previously recorded expenditures
- Net Impact:
 - Net Assets increased \$13.3M

New Financial Reporting in 2008

Segmented Reporting

- **New PSA standard for 2008:**
 - resources → major activities
 - accountability obligations
 - understand performance of segments, and
 - Enhance transparency of financial reporting
- **Segments chosen based on consultations with other municipalities**
- **Additional segments expected in the future**

Operating Results By Entity

	City	Police	TTC	TPL	TCHC	Other ABCS	TOTAL
Taxation	3,550.7	-	-	-	-	-	3,550.7
User charges	1,173.2	6.3	840.9	3.8	15.0	69.2	2,108.4
Government transfers	2,163.2	29.3	-	6.0	-	24.2	2,222.6
Net GBE earnings	234.0	-	-	-	-	-	234.0
Other	907.4	25.0	74.9	3.8	319.4	66.5	1,396.9
TOTAL REVENUES	8,028.5	60.6	915.8	13.6	334.4	159.9	9,512.7
Salaries, wages...	2,336.4	835.0	948.3	137.1	98.9	87.2	4,442.9
Materials	1,530.9	94.8	168.7	4.3	244.4	109.0	2,152.1
Contracted svcs	1,282.5	18.6	137.4	39.7	172.6	18.8	1,669.5
Int on LT debt	152.5	6.5	-	2.0	71.1	-	232.1
Transfer payments	1,170.3	8.2	49.2	-	112.3	(8.2)	1,331.8
Other	94.9	3.2	-	1.0	27.3	8.5	134.9
EXPENDITURES	6,567.6	966.3	1,303.5	184.0	726.6	215.3	9,963.6
NET	1,461.0	(905.7)	(387.7)	(170.5)	(392.2)	(55.4)	(450.6)

TEDCO

- **Creation of BT & IT**
- **New Board Nov 13, 2008**
- **No longer independently controlled**
- **Treated as an investment to Nov 13**
- **Treated as an ABC Nov 14 to year end**

New Financial Reporting Requirements for 2009

Evolution of Public Sector Accounting Standards

- Receipts and expenditures Provincially mandated
- 2000/2001 Recording of post-employment benefits and landfill post-closure costs
- 2008 segmented disclosures
- 2009 tangible capital assets
- Now full accrual standards

Capital Asset Accounting and Reporting Changes

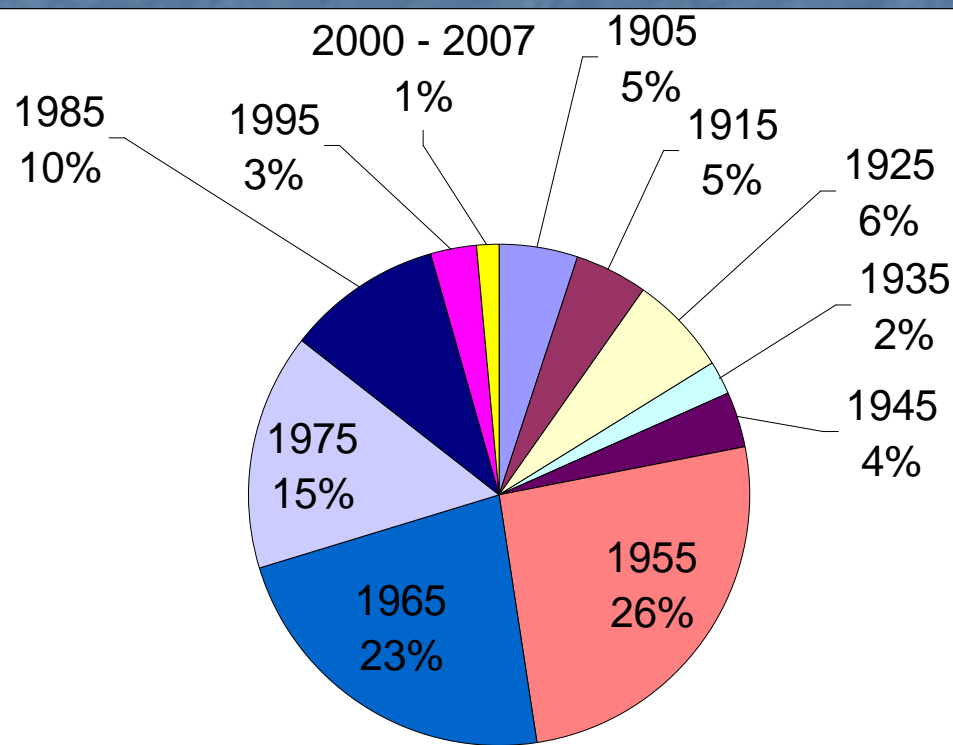
- Historical cost and amortization on the 2009 financial statements
- Opening inventory and valuation complete
- System design almost complete
- Audit of opening numbers July 2009
- Reporting format to AC early 2010
- Report to AC June 2010

Capital Assets View

(for illustrative purposes only – not audited)

	2007 (billions)		2007 (millions)
<i>Financial Assets</i>		<i>Financial Liabilities</i>	
Short-term	4.9	Short-term	3.5
Long-term	1.9	Long-term	6.2
	<u>6.8</u>		<u>9.7</u>
<i>Non-Financial Assets</i>		<i>Municipal Position</i>	
Tangible Capital Assets		Accumulated Surplus	
Land	3.0	Net Liabilities	- 2.9
Buildings	2.0	Equity in TCAs	14.0
Machinery and Equipment	1.0		
Vehicles	4.0		
Infrastructure - Roads	4.0		
Infrastructure - Water/Wastewa	6.0		
Infrastructure - TTC	2.0		
Assets under construction	0.5		
Accumulated Amortization	- 8.5		
	<u>14.0</u>		<u>11.1</u>
	<u>20.8</u>		<u>20.8</u>

Water Linear Assets by Decade



1905 1915 1925 1935 1945 1955 1965 1975 1985 1995 2000 - 2007

Closing Comments

- Net Debt
- Begun to use more plain language
- 3rd party confirmations:
 - GFOA Award for Financial Reporting received for the 2006 & 2007 F/S
 - AA credit rating

Questions