

A wide-angle photograph of the Toronto skyline as seen from the water. The CN Tower is the central focus, rising tall above other skyscrapers. The sky is blue with scattered white clouds. In the foreground, the dark water of the harbor is visible, with a few white boats. The text 'CITY OF TORONTO' and '2011 Consolidated Financial Statements' is overlaid in white on a semi-transparent blue grid background at the top of the image.

# CITY OF TORONTO

## 2011 Consolidated Financial Statements

Presentation to Audit Committee

July 3, 2012

# Presentation Outline

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- Introduction & Overview
- What's New for 2011
- 2011 Financial Statements (FS)
- Financial Highlights
- Concluding Remarks
- Questions

# Overview

# Roles and Responsibilities

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## *Management*

- Prepare Statements in accordance with GAAP
- Sound financial system design
- Internal control system

## *Auditors*

- Evaluate & test critical financial systems
- Perform other tests in accordance with GAAS
- Express opinion as to fairness in “all material respects”

# 113 Entities Included in FS

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- 19 ABCs
- 18 arenas & community centre boards
- 72 Business Improvement Areas (BIAs)
- 4 Government Business Entities (GBEs)

Separate, self supporting legal business entity controlled by the City

- Toronto Hydro
- Enwave Energy Corporation
- Toronto Parking Authority
- Toronto Port Lands Company (2011)

# 2011 Consolidated Statements include:

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- **Statement of Financial Position**
  - Summarizes Financial Position (Assets, Liabilities, Accumulated Surplus) at Dec. 31st
  
- **Operations & Accumulated Surplus**
  - Outlines Revenues, Expenses, Annual Surplus for the year; Accumulated Surplus at Dec 31<sup>st</sup>
  
- **Change in Net Debt**
  - Unique to governments
  
- **Cash Flows**
  - Identifies cash transactions (sources and uses of cash)

# Financial Statements also include:

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- Notes
  - Cross referenced to specific FS items
  - Explain & provide details on the item
- Schedules/Appendices
  - TCAs; GBEs; Breakout of Revenues & Expenses by Service & Entity
- Glossary of Terms
- Comparison to Prior Year

What's New for 2011

# CASA LOMA CORPORATION





# TPLC, a GBE (effective Jan. 1, 2011)

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As it meets all 4 of the required characteristics:

- (i) It is a separate legal entity;
- (ii) It has been delegated financial & operational authority to carry on a business;
- (iii) It sells goods & services outside of the government as its principal activity; and,
- (iv) It can maintain its operations & meet its liabilities from revenues received from sources outside of the government.

# PSAB Mandates International Financial Reporting Standards (IFRS) for GBEs

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- **TPLC & Toronto Parking Authority**
  - Adopted IFRS effective Jan. 1, 2011
- **Enwave:** will convert to IFRS effective Nov. 1, 2011 (for y/e Oct. 31, 2012)
- **Hydro:** is rate regulated & has until 2012 to transition

# IFRS vs PSAB – Main Difference

<b>PSAB</b>	<b>IFRS</b>
<b>Capital Assets held as Investments or for Re-sale</b>	
<ul style="list-style-type: none"><li>Recorded at <b>Historical Cost</b></li></ul>	<ul style="list-style-type: none"><li>Recorded at <b>Fair Market Value</b></li></ul>

# 2011 Consolidated Financial Statements

# Statement of Financial Position (Balance Sheet)

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Financial Assets	<ul style="list-style-type: none"> <li>▪ Cash or Assets that convert to cash, including Accts receivable, Investments in GBEs</li> </ul>
Liabilities	<ul style="list-style-type: none"> <li>▪ What we owe</li> <li>▪ Obligations that must be paid over the short &amp; longer term</li> <li>▪ Includes Funded &amp; Unfunded Liabilities</li> </ul>
Net Debt	<ul style="list-style-type: none"> <li>▪ Financial Assets – Liabilities</li> </ul>
Non-Financial Assets	<ul style="list-style-type: none"> <li>▪ TCAs</li> <li>▪ Inventories &amp; Prepaid Expenses</li> </ul>
Accumulated Surplus	<ul style="list-style-type: none"> <li>▪ Amount by which all Assets (Financial &amp; Non Financial) exceed Liabilities</li> </ul>

# Statement of Financial Position (\$M)

	<u>2011</u>	<u>2010</u>
Investments	3,496	3,294
Investments in GBES	1,716	1,259
All other	2,061	1,961
<b>Total Fin. Assets</b>	<b>7,273</b>	<b>6,514</b>
Accounts Payable	2,536	2,444
Deferred Revenue	1,513	1,440
Net Long Term Debt & Mortgages	4,038	3,694
Emp. Benefit Liabilities	2,776	2,589
All other	821	733
<b>Total Liabilities</b>	<b>11,684</b>	<b>10,900</b>
<b>Net Debt</b>	<b>(4,411)</b>	<b>(4,386)</b>
<b>Non-Financial Assets</b>	<b>20,923</b>	<b>19,871</b>
<b>Accumulated Surplus</b>	<b>16,512</b>	<b>15,485</b>

# Accumulated Surplus is comprised of:

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	(\$ Million)	
Tangible Capital Assets		20,629
Fund Balances (Operating, Capital, R&RFs)		3,098
<b>LESS: <u>Amounts to Be Recovered:</u></b>		
Mortgages (TCHC)	774	
Net Long Term Debt	3,264	
Landfill Closure & Post Closure Liabilities	121	
Employee Benefits	2,776	
Other	280	<u>(7,215)</u>
		<hr/> <b>16,512</b>

# Operations & Accumulated Surplus

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	<b>2011</b>	<b>2010</b>
	(\$Ms)	(\$Ms)
Total Revenues	<b>11,346</b>	<b>11,096</b>
Total Expenses	<b>10,650</b>	<b>10,542</b>
Annual Surplus	<b>696</b>	<b>554</b>
Accumulated Surplus – beginning	<b>15,485</b>	<b>14,931</b>
GBE Transition upon IFRS Adoption	331	
Accumulated Surplus – ending	<b>16,512</b>	<b>15,485</b>

# Statement of Change in Net Debt

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- Unique to governments
- Critical for governments as an indication of reasons for borrowing
- Toronto, unlike the Provincial and Federal governments, can only borrow to invest in assets
- Calculates change in Net Debt:

Annual surplus

+/- TCA transactions

+/- Change in other Non-Financial assets

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= Change in Net Debt

# Statement of Change in Net Debt

	2011 (\$Ms)	2010 (\$Ms)
Annual Surplus	<b>696</b>	<b>554</b>
Amortization of TCAs	815	1,018
Acquisition of TCAs	(2,131)	(2,258)
Loss on disposal of TCAs	70	39
Reclassification of TCAs	207	
	<b>(1,039)</b>	<b>(1,201)</b>
Change in Inventories & Prepays	<b>(13)</b>	<b>(75)</b>
Transition upon IFRS adoption	<b>331</b>	-
Increase in Net Debt	(25)	(722)
Net Debt - Beginning of Year	(4,386)	(3,664)
Net Debt - End of Year	<b>(4,411)</b>	<b>(4,386)</b>

# Statement of Cash Flow

	2011 \$Ms	2010 \$Ms
ANNUAL SURPLUS	696	554
Non-cash expenses	696	902
	1,392	1,456
Change in non-cash assets and liabilities	364	451
Cash provided by <b>Operating</b> activities	1,756	1,907
Cash applied to <b>Capital</b> activities	(1,968)	(2,256)
Cash provided by (applied to) <b>Investing</b> activities	(140)	584
Cash provided by <b>Financing</b> activities	353	48
<b>Net increase in cash during the year</b>	<b>1</b>	<b>283</b>
Cash – beginning of year	482	199
Cash – end of year	483	482

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# Financial Statements VS Budgeting

# Financial Statements vs Budgeting

<b>Financial Statements: Consolidated (City + ABCs)</b>	<b>Budgets: City Only</b>
<b>Includes:</b> <ul style="list-style-type: none"><li>▪ ABCs, BIAs, GBEs</li> <li>▪ Tax and Rate Supported Financials</li> <li>▪ Operating, Capital, Reserve &amp; Reserve Funds</li></ul>	<b>Separate Budgets for:</b> <ul style="list-style-type: none"><li>▪ ABCs, GBEs, BIAs</li> <li>▪ Tax, Water &amp; Solid Waste</li>  <li>▪ Operating &amp; Capital (Reserve &amp; Reserve Funds included)</li></ul>

# Financial Statements vs Budgeting

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<b>Financial Statements (Full Accrual Accounting)</b>	<b>Budgets (Cash Requirements Basis)</b>
<ul style="list-style-type: none"><li>■ Includes <u>non-cash expenses</u> (e.g. Amortization, changes in future employment benefits &amp; landfill liabilities)</li><li>■ TCA expenditures: capitalized</li></ul>	<ul style="list-style-type: none"><li>■ Cash Items Only (No amortization of TCAs)</li><li>■ TCAs: Expenditures recognized as the asset is acquired or built</li></ul>

# Reconciliation of 2011 Surplus

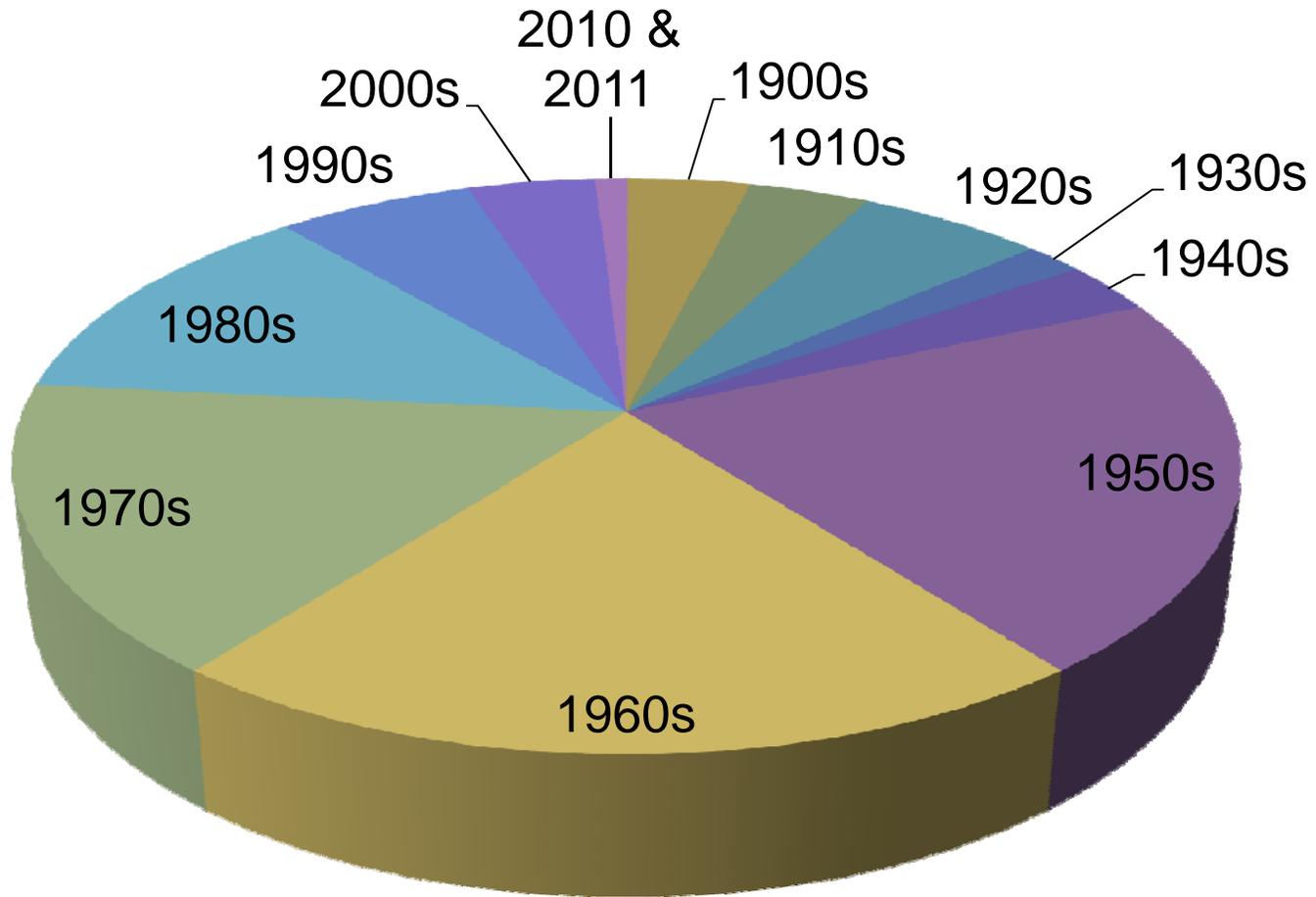
	<i>\$M</i>
	<u><b>2011</b></u>
<b>Budget surplus as reported (Tax Supported)</b>	<b>293</b>
Non-Levy (Water & Solid Waste) Surpluses	41
Build Toronto Dividend (timing difference)	20
Toronto Parking Authority Dividend (timing difference)	(7)
Prior Year (2010) Surplus carried fwd to 2011 Budget	(379)
Non cash adjts to the ABC surpluses	7
Net increase in City's equity in GBE's (Non-Cash)	125
PSAB Adjustments	45
Net Change in TCAs, Capital & Reserve Fund Balances	465
Amounts to be recovered – impacts	<u>86</u>
<b>Accounting Surplus for the year</b>	<u><b>696</b></u>

# 2011 Financial Highlights

# Tangible Capital Assets (in \$Billion)

	Cost	2011 Acc. Amort.	2011 NBV	2010 NBV	2011 vs 2010
<b><u>General</u></b>					
Land & Land Improvements	4.1	0.3	3.8	3.9	(0.1)
Buildings & Building Improvements	6.2	2.2	4.0	3.8	0.2
Machinery, Eqmt, Vehicles	3.5	2.1	1.4	1.4	-
<b>Total General</b>	<b>13.8</b>	<b>4.6</b>	<b>9.2</b>	<b>9.1</b>	<b>0.1</b>
<b><u>Infrastructure</u></b>					
Land, Bldg & Bldg Improvements	0.5	0.1	0.4	0.4	-
Machinery & Equipment	1.5	0.8	0.7	0.6	0.1
Water & Wastewater Linear	5.1	1.9	3.2	3.2	-
Roads Linear	3.9	1.8	2.1	2.1	-
Transit	5.4	3.3	2.1	1.8	0.3
<b>Total Infrastructure</b>	<b>16.4</b>	<b>7.9</b>	<b>8.5</b>	<b>8.1</b>	<b>0.4</b>
<b>Assets Under Construction</b>	<b>2.9</b>		<b>2.9</b>	<b>2.4</b>	<b>0.5</b>
<b>TOTAL</b>	<b>33.1</b>	<b>12.5</b>	<b>20.6</b>	<b>19.6</b>	<b>1.0</b>

# Linear Assets Acquisition date by decade



# Tangible Capital Assets, by Entity

	<b>Cost 2011 (\$ B)</b>	<b>Amort 2011 (\$ B)</b>	<b>Total 2011 (\$ B)</b>	<b>Total 2010 (\$ B)</b>	<b>2011 vs 2010 (\$ B)</b>
<b>City incl Police Services</b>	18.6	6.3	12.3	11.8	0.5
<b>TTC</b>	10.6	5.1	5.5	4.9	0.6
<b>TCHC</b>	3.4	0.9	2.5	2.4	0.1
<b>T. Port Lands Company</b>	-	-	-	0.2	(0.2)
<b>Toronto Public Library</b>	0.4	0.2	0.2	0.2	0.0
<b>Other ABCs</b>	0.2	0.1	0.1	0.1	0.0
<b>TOTAL</b>	<b>33.2</b>	<b>12.6</b>	<b>20.6</b>	<b>19.6</b>	<b>1.0</b>

# Employee Benefit Liabilities

	2011 \$Ms	2010 \$Ms	Diff. \$Ms
Pension liabilities, other than OMERS	124	29	95
Sick leave benefits	479	434	45
WSIB obligations	460	411	49
Employment & post-employee benefits	2,116	1,800	316
<b>Employee accrued benefit obligation</b>	<b>3,179</b>	<b>2,674</b>	<b>505</b>
Unamortized actuarial gain (loss)	(403)	(85)	(318)
<b>Employee benefit liabilities</b>	<b>2,776</b>	<b>2,589</b>	<b>187</b>

# Net Long Term Debt

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- Increased by \$374M to \$3,264M
  - City – ↑\$404M
  - Lakeshore Arena – ↑\$40M
  - TCHC – ↓\$66M
  - TDSB – ↓\$4
- Issued \$736M in debt during 2011
- Repayments \$295M
- Sinking fund earnings \$67M

# Debenture Issuance in 2011

<b>\$ 000s</b>	<u>Total</u>	<u>&lt;= 5 Yrs</u>	<u>10 Year</u>	<u>15 Year</u>	<u>20 Year</u>	<u>25 Years</u>	<u>30 Year</u>
<b>Summary by Service</b>							
Protection	47,677	-	47,677	-	-	-	-
General							
Government	57,894	-	37,894	-	-	-	20,000
Transportation	108,056	-	58,056	-	-	-	50,000
TTC	401,373	-	56,373	-	-	-	345,000
Planning & Devt	35,000	-	-	-	-	-	35,000
Lakeshore Arena	39,545	39,545	-	-	-	-	-
Social Housing	46,040	-	-	10,200	9,900	25,940	-
	<u>735,585</u>	<u>39,547</u>	<u>200,000</u>	<u>10,200</u>	<u>9,900</u>	<u>25,940</u>	<u>450,000</u>

# Net Debt: 5 Year Summary

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	<b>Annual Increase</b>	<b>2011 \$Ms</b>	<b>2010 \$Ms</b>	<b>2009 \$Ms</b>	<b>2008 \$Ms</b>	<b>2007 \$Ms</b>
Liabilities	4.95%	11,684	10,900	10,392	10,647	9,631
Financial Assets	2.53%	7,273	6,514	6,728	7,109	6,580
Net Debt	9.66%	4,411	4,386	3,664	3,538	3,051
% age increase		0.59%	19.69%	3.57%	15.97%	

# Comparisons to Others

2010

(\$M)

	Toronto	Montreal	Ottawa	Calgary	Edmonton	Vancouver
Investments	3,294	2,094	738	2,358	1,379	494
Investment in GBEs	1,260	-	343	1,845	2,465	-
Interest bearing L.T. debt	3,694	8,446	1,056	2,930	1,840	595
Net <b>debt</b> / assets	<b>(4,386)</b>	<b>(4,658)</b>	<b>(1,052)</b>	82	1,741	<b>(349)</b>
Tangible capital assets (net)	19,589	9,873	10,875	11,195	8,580	6,132

# Comparisons to Others

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**2011**

*(\$M)*

	Toronto	Montreal	Ottawa	Calgary	Edmonton	Vancouver
Investments	3,496	2,416	943	2,333	1,346	729
Investment in GBEs	1,716	-	352	1,944	2,351	-
Interest bearing L.T. debt	4,038	8,785	1,304	3,229	1,974	620
Net <b>debt</b> / assets	<b>(4,411)</b>	<b>(4,808)</b>	<b>(1,098)</b>	<b>(180)</b>	1,429	<b>(419)</b>
Tangible capital assets (net)	20,629	10,178	11,349	12,170	9,380	6,185

# Closing Comments

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- Financial Statements - Wealth of Information
- AA Credit Rating
- GFOA Award for Financial Reporting  
5 years in a row

# Questions

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