

CITY OF TORONTO

2013 Consolidated Financial Statements



Presentation to Audit Committee

June 27, 2014

Presentation Outline

- Overview
- What's New for 2013
- 2013 Financial Statements (FS)
- Financial Highlights
- Concluding Remarks
- Questions

Overview

Roles and Responsibilities

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”

118 Entities Included in FS

- 20 Agencies & Corporations
- 18 arena & community centre boards
- 77 Business Improvement Areas (BIAs)
- 3 Government Business Entities (GBEs)
 - Separate, self supporting legal business entities controlled by the City
 - Toronto Hydro
 - Toronto Parking Authority
 - Toronto Port Lands Company
 - *Enwave Energy Corporation (sold Oct. 31, 2012)*

What's New for 2013

2 new Accounting Standards

- **Tax Revenue (PS 3510):**
 - Accounting for tax revenue & tax receivables
 - Resulted in re-grouping between certain accounts: No impact on financial results
- **Government Transfers (PS 3410):**
 - Accounting for Govn't transfers received & paid
 - Resulted in some minor changes to deferred revenue and reserve fund balances
 - No material impact on financial results

2013 Consolidated Financial Statements

Statement of Financial Position (Balance Sheet)

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

Statement of Financial Position (\$M)

	<u>2013</u>	<u>2012</u>
Investments	4,662	4,414
Investments in GBES	1,836	1,775
All other	2,071	2,071
Total Fin. Assets	8,569	8,260
Accounts Payable	2,935	2,691
Deferred Revenue	1,692	1,574
Net Long Term Debt & Mortgages	4,497	4,431
Emp. Benefit Liabilities	3,166	3,036
All other	827	773
Total Liabilities	13,117	12,505
Net Debt	(4,548)	(4,245)
Non-Financial Assets	23,708	22,410
Accumulated Accounting Surplus	19,160	18,165

Accumulated Surplus is comprised of:

	(\$ Million)
Tangible Capital Assets	23,386
Fund Balances (Operating, Capital, R&RFs)	3,943
LESS: <u>Amounts to Be Recovered:</u>	
Mortgages (TCHC)	641
Net Long Term Debt	3,834
Landfill Closure & Post Closure Liabilities	124
Employee Benefits	3,166
Other	404
	<u>(8,169)</u>
ACCUMULATED <u>Accounting</u> SURPLUS	<u>19,160</u>

Operations & Accumulated Surplus

	2013	2012
	(\$Ms)	(\$Ms)
Total Revenues	11,233	11,476
Total Expenses	10,211	10,049
Annual Accounting Surplus	1,022	1,427
Accumulated Surplus – beginning	18,165	16,641
GBE Adjustments	(27)	97
Accumulated Surplus – ending	19,160	18,165

Statement of Change in Net Debt

- 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

= Change in Net Debt

Statement of Change in Net Debt

	2013	2012
	(\$Ms)	(\$Ms)
Annual Accounting Surplus	1,022	1,427
Amortization of TCAs	847	802
Acquisition of TCAs	(2,205)	(2,298)
(Gain) loss on disposal of TCAs	34	(7)
Proceeds on sale of assets	17	41
Reclassification of TCAs	31	50
<i>Change due to TCA</i>	(1,276)	(1,412)
Change in Inventories & Pre-paids	(22)	32
IFRS adjustment	(27)	97
Decrease (increase) in Net Debt	(303)	144
Net Debt - Beginning of Year	(4,245)	(4,389)
Net Debt - End of Year	(4,548)	(4,245)

Statement of Cash Flow

	2013 \$Ms	2012 \$Ms
ANNUAL Accounting SURPLUS	1,022	1,427
Non-cash expenses	705	519
	1,727	1,946
Change in non-cash assets and liabilities	735	548
Cash provided by Operating activities	2,462	2,494
Cash applied to Capital activities	(2,157)	(2,207)
Cash provided by (applied to) Investing activities	(238)	(617)
Cash provided by Financing activities	72	299
Net (decrease) in cash during the year	139	(31)
Cash – beginning of year	452	483
Cash – end of year	591	452

Financial Statements vs Budgeting

Financial Statements vs Budgeting

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

Financial Statements vs Budgeting

Financial Statements (Full Accrual Accounting)	Budgets (Cash Requirements Basis)
<ul style="list-style-type: none">▪ Revenues & Expenses recognized when earned or incurred (regardless of when cash is exchanged) ▪ Includes <u>non-cash expenses</u> (e.g. amortization & changes to long-term liabilities) ▪ TCA: Expenditures are capitalized	<ul style="list-style-type: none">▪ Recognizes transactions when funded ▪ Cash Items Only (No amortization of TCAs) ▪ TCAs: Expenditures recognized as asset is acquired or built

Reconciliation of 2013 Surplus

	<u>2013</u> (\$M)
Budget surplus as reported (Tax Supported)	168
Legislative / Council-directed transfers to R&RFs	64
Dividend – Build Toronto	10
Non cash adjustments to the ABC surpluses	29
Net increase in City's equity in GBE's (Non-Cash)	88
PSAB Adjustments	54
Net Change in TCAs, Capital & Reserve Fund Balances	572
Other Non Cash adjustments	37
Accounting Surplus for the year	<u>1,022</u>

2013 Financial Highlights

Tangible Capital Assets: 2013 (in \$Billion)

	Cost	Accum. Amort.	Net Book Value
General			
Land & Land Improvements	4.2	0.3	3.9
Buildings & Building Improvements	6.7	2.6	4.1
Machinery, Equip, Vehicles	3.9	2.5	1.4
Total General	14.8	5.4	9.4
Infrastructure			
Land, Bldg & Bldg Improvements	0.7	0.1	0.6
Machinery & Equipment	1.7	0.9	0.8
Water & Wastewater Linear	5.3	2.1	3.2
Roads Linear	4.0	1.9	2.1
Transit	6.0	3.4	2.6
Total Infrastructure	17.7	8.4	9.3
Assets Under Construction	4.7		4.7
TOTAL (2013)	37.2	13.8	23.4
2012	35.3	13.2	22.1

Assets Under Construction (AUCs)

	2013 \$M	2012 \$M
TTC	2,954	2,541
City	1,472	1,116
TCHC	122	116
Toronto Waterfront	94	92
Library	20	17
TPS	9	35
Total AUCs	4,671	3,897

Employee Benefit Liabilities, by Entity

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
	<u>\$M</u>	<u>\$M</u>	<u>\$M</u>	<u>\$M</u>	<u>\$M</u>
City	1,704	1,721	1,810	1,586	1,429
City Pre-OMERS Pensions	8	27	124	29	110
Police	599	569	581	514	480
Other Entities	721	687	664	545	442
Gross Liabilities	3,032	3,004	3,179	2,674	2,461
Unamortized Gain/(Loss)	135	32	(403)	(85)	42
Net Liabilities	3,167	3,036	2,776	2,589	2,503

Net Long Term Debt & Mortgages

- Increased by \$66M to \$4,497M
 - City – ↑\$24M
 - TCHC – ↑\$46M
 - TDSB – ↓\$4M
- Issued \$471M in debt during 2013
- Repayments \$331M
- Sinking fund earnings \$75M

Debenture Issuance in 2013 (\$000's)

	<u>Total</u>	TCHC ≤ 5 Year	<u>City</u> <u>10 Year</u>	<u>TCHC</u> <u>20 Year</u>	<u>Leaside</u> <u>20 Year</u>
Summary by Service					
General Government	19,659		19,659		
Protection	26,901		26,901		
Transportation	170,504		170,504		
Recreation & Culture	1,052				1,052
Transit	82,936		82,936		
Social Housing	170,158	30,021		140,137	
	471,210	30,021	300,000	140,137	1,052

Net Debt & TCAs: 5 Year Summary

(\$M)

	4 Year Average Annual Increase	2013	2012	2011	2010	2009
Net Debt	5.55%	4,548	4,245	4,389	4,386	3,664
Percentage Increase		7.14%	(3.29%)	0.08%	19.69%	
Net TCAs	6.19%	23,386	22,110	20,699	19,589	18,389
Percentage Increase		5.77%	6.82%	5.67%	6.53%	

Comparisons to Others: 2013 (\$M)

	Toronto	Montreal	Ottawa	Calgary	Edmonton	Vancouver
Investments	4,662	2,754	1,046	3,318	1,349	1,296
Investment in GBEs	1,836	0	382	2,460	2,262	0
Interest bearing L.T. debt	4,497	9,248	1,872	3,661	2,426	789
Net debt / assets	(4,547)	(5,297)	(1,259)	586	1,102	(206)
Tangible capital assets (net)	23,386	10,898	12,659	13,617	11,004	6,321

Closing Comments

- Sound Financial Performance
- AA/AA+ Credit Rating
- GFOA Award for Financial Reporting
7 years in a row

Questions



