

CITY OF TORONTO

2014 Consolidated Financial Statements



Presentation to Audit Committee

June 26, 2015

Presentation Outline

- Overview
- 2014 Consolidated Financial Statements
- Financial Statements vs. Budgeting
- 2014 Financial Highlights
- Upcoming Changes for 2015
- 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”

119 Entities Included in FS

- 20 Agencies & Corporations
- 18 Arena & community centre boards
- 78 Business Improvement Areas (BIAs)
- 3 Government Business Enterprises (GBEs)
 - Separate, self supporting legal business enterprises controlled by the City
 - Toronto Hydro
 - Toronto Parking Authority
 - Toronto Port Lands Company

2014 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"> ▪ Amounts owing ▪ Obligations that must be paid over the short & longer term ▪ Includes both 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>2014</u>	<u>2013</u>
Investments	4,572	4,662
Investments in GBES	1,804	1,836
All other	2,056	2,057
Total Fin. Assets	8,432	8,555
Accounts Payable	2,787	2,935
Deferred Revenue	2,007	1,692
Net Long Term Debt & Mortgages	4,758	4,497
Emp. Benefit Liabilities	3,410	3,166
All other	866	827
Total Liabilities	13,828	13,117
Net Debt	(5,396)	(4,562)
Non-Financial Assets	25,344	23,722
Accumulated Accounting Surplus	19,948	19,160

Accumulated Surplus is comprised of:

	(\$ Million)
Tangible Capital Assets	24,970
Fund Balances (Optg \$2.7B, Capital \$(1B), R&RFs \$2B)	3,658
LESS: <u>Amounts to Be Recovered:</u>	
Mortgages (TCHC)	579
Net Long Term Debt	4,179
Landfill Closure & Post Closure Liabilities	139
Employee Benefits	3,410
Other	373
	<u>(8,680)</u>
ACCUMULATED Accounting SURPLUS	<u>19,948</u>

Operations & Accumulated Surplus

	2014	2013
	(\$Ms)	(\$Ms)
Total Revenues	11,250	11,233
Total Expenses	10,462	10,211
Annual Accounting Surplus	788	1,022
Accumulated Surplus – beginning	19,160	18,165
GBE Adjustments	-	(27)
Accumulated Surplus – ending	19,948	19,160

Statement of Change in Net Debt

- Unique to governments
- Critical for governments as an indication of financing requirements
- 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

	2014	2013
	(\$Ms)	(\$Ms)
Annual Accounting Surplus	788	1,022
Amortization of TCAs	871	847
Acquisition of TCAs	(2,486)	(2,205)
(Gain) loss on disposal of TCAs	(5)	34
Proceeds on sale of assets	-	17
Reclassification of TCAs	36	31
<i>Change due to TCA</i>	(1,584)	(1,276)
Change in Inventories & Pre-paids	(38)	(36)
IFRS adjustment	-	(27)
Decrease (increase) in Net Debt	(834)	(317)
Net Debt - Beginning of Year	(4,562)	(4,245)
Net Debt - End of Year	(5,396)	(4,562)

Statement of Cash Flow

	2014 \$Ms	2013 \$Ms
ANNUAL Accounting SURPLUS	788	1,022
Non-cash expenses	793	705
	1,581	1,727
Change in non-cash assets and liabilities	285	735
Cash provided by Operating activities	1,866	2,462
Cash applied to Capital activities	(2,449)	(2,157)
Cash provided by (applied to) Investing activities	182	(238)
Cash provided by Financing activities	281	72
Net (decrease) in cash during the year	(120)	139
Cash – beginning of year	591	452
Cash – end of year	471	591

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/Funded Items Only (No amortization of TCAs)▪ TCAs: Expenditures recognized as asset is acquired or built

Reconciliation of 2014 Surplus

92

	<u>2014</u> (\$M)
Tax supported Budget surplus as reported	190
Legislative / Council-directed transfers to R&RFs	28
Non cash adjustments to the ABC surpluses	27
Net decrease in City's equity in GBE's (Non-Cash)	(32)
PSAB Adjustments	37
Net Change in TCAs, Capital & Reserve Fund Balances	445
Other Non Cash adjustments	93
Accounting Surplus for the year	<u>788</u>

2014 Financial Highlights

Tangible Capital Assets: 2014 (in \$Billion)

	Cost	Accum. Amort.	Net Book Value
General			
Land & Land Improvements	4.2	0.3	3.9
Buildings & Building Improvements	7.3	2.8	4.5
Machinery, Equip, Vehicles	4.1	2.6	1.5
Total General	15.6	5.7	9.9
Infrastructure			
Land, Bldg & Bldg Improvements	0.7	0.1	0.6
Machinery & Equipment	1.7	0.9	0.8
Water & Wastewater Linear	5.5	2.1	3.4
Roads Linear	4.2	2.0	2.2
Transit	6.2	3.5	2.7
Total Infrastructure	18.3	8.6	9.7
Assets Under Construction	5.5	-	5.5
TOTAL (2014)	39.4	14.4	25.0
2013	37.2	13.8	23.4

Assets Under Construction (AUCs)

	2014 \$M	2013 \$M
TTC	3,456	2,954
City	1,746	1,472
TCHC	116	122
Toronto Waterfront	125	94
Library	9	20
TPS	-	9
Total AUCs	5,452	4,671

Employee Benefit Liabilities, by Entity

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
	<u>\$M</u>	<u>\$M</u>	<u>\$M</u>	<u>\$M</u>	<u>\$M</u>
City	2,034	1,704	1,721	1,810	1,586
City Pre-OMERS Pensions	-	8	27	124	29
Police	695	599	569	581	514
Other Entities	809	720	687	664	545
Gross Liabilities	3,538	3,032	3,004	3,179	2,674
Unamortized Gain/(Loss)	(128)	135	32	(403)	(85)
Net Liabilities	3,410	3,166	3,036	2,776	2,589

Net Long Term Debt & Mortgages

- Increased by \$261M to \$4,758M
 - City – ↑\$287M
 - TCHC – ↓\$21M
 - TDSB – ↓\$5M
- Issued \$652M in debt during 2014
- Repayments \$316M
- Sinking fund earnings \$75M

Debenture Issuance in 2014 (\$000's)

	<u>Total</u>	<u>TCHC</u> <u><= 5 Years</u>	<u>City</u> <u>10 Years</u>	<u>City &</u> <u>TCHC</u> <u>30 Years</u>
Summary by Service				
Transportation	107,000	-	25,000	82,000
Transit	493,000	-	275,000	218,000
Social Housing	51,647	5,955	-	45,692
	<u>651,647</u>	<u>5,955</u>	<u>300,000</u>	<u>345,692</u>

Net Debt & TCAs: 5 Year Summary

(\$M)

	4 Year Average Annual Increase	2014	2013	2012	2011	2010
Net Debt	5.32%	5,396	4,562	4,245	4,389	4,386
Percentage Increase		18.26%	7.47%	(3.29%)	0.08%	
Net TCAs	6.26%	24,970	23,386	22,110	20,699	19,589
Percentage Increase		6.77%	5.77%	6.82%	5.67%	

Comparisons to Others: 2014 (\$M)

	Toronto	Montreal	Ottawa	Calgary	Edmonton	Vancouver
Investments	4,572	2,942	1,097	3,697	1,606	1,439
Investment in GBEs	1,804	-	393	2,528	2,340	-
Interest bearing L.T. debt	4,758	9,552	1,774	3,626	2,823	868
Net debt / assets	(5,396)	(5,090)	(1,439)	949	1,051	(64)
Tangible capital assets (net)	24,970	11,206	13,186	14,292	11,630	6,374

Upcoming Changes for 2015

- PS 3260 Contaminated Sites - Implementation for 2015
- Liability to be recorded in 2015 Financial Statements
- Requirements:
 - All Sites to be assessed: City, Agencies and Corporations, except for GBEs
 - Sites classed as in Productive or Non-Productive Use
 - Contamination compared to environmental standard
 - Measure contaminated site liabilities.

Upcoming Changes for future years

- 2017:
 - Financial Statement Presentation PS1201
 - Foreign Currency Translation PS2601
 - Portfolio Investments PS3041
 - Financial Instruments PS3450
 - Intro to Public Sector Accounting Standards
- 2018:
 - Related Party Disclosures PS2200
 - Assets PS3210, Contingent Assets PS3320, Contractual Rights PS3380
- 2019:
 - Restructuring Transactions PS3430

Closing Comments

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

Questions

