

CITY OF TORONTO

2018 Consolidated Financial Statements



Presentation to Audit Committee

June 28, 2019

Financial Statement Basics

- **Statement of Financial Position**
 - Reports on what the City own or controls, what it owes, the difference between financial assets and liabilities (net financial assets/debt) and what assets remain that are available to provide services
- **Statement of Operations and Accumulated Surplus**
 - Reports on revenues, expenses and the results for the year
- **Consolidated Statement of Net Debt**
 - Explains the difference between the annual surplus and the change in net debt
- **Consolidated Statement of Cash Flows**
 - Outlines where the City's cash came from and how it was used

What is Consolidated?

- Include all organizations that are controlled by the City
 - Includes the assets, liabilities, revenues and expenses of the operating fund, capital fund, and reserves and reserve funds for each entity including City divisions
- One hundred and twenty-two entities (122)
 - All City divisions
 - 21 agencies and corporations at 100% except
 - ✓ Toronto Waterfront Revitalization Corporation – 33.33%
 - ✓ Toronto Pam Am Sports Centre Inc. – 50%
 - 18 Arenas and Community Centre Boards
 - 83 Business Improvement Areas
 - Two (2) Government Business Enterprises
 - ✓ Separate, self supporting legal business entities
 - Toronto Hydro
 - Toronto Parking Authority

Roles and Responsibilities

- Management
 - Sound financial management and internal controls
 - Preparation of the consolidated financial statements in accordance with Canadian Public Sector Accounting Standards
- External Auditors
 - Evaluation and testing of critical financial systems
 - Performance of other tests in accordance with generally accepted auditing standards
 - Expressing an opinion on the fair presentation of the statements “in all material respects”
 - Provision of an Auditor’s Report with internal control recommendations
- Audit Committee
 - Review of all statements and reports provided
 - Approval of the statements prior to presentation to City Council

Financial Statements vs Annual Budget

Financial Statements:	Budgets:
<ul style="list-style-type: none">▪ Consolidated results of all City divisions, Agencies and Corporations, BIAs, GBEs▪ Includes the combined activities of Operating, Capital and Reserves/Reserve Funds▪ Prepared in accordance with Public Sector Accounting Standards▪ Full accrual accounting – revenues and expenses are recognized when the events giving rise occurs▪ Tangible Capital Assets (TCA) are capitalized on the Statement of Financial Position	<ul style="list-style-type: none">▪ Programs budget separately for annual cash requirements for expenditures; revenues and expenses are recognized when received (some limited accruals)▪ Requirements are broken down by Operating and Capital▪ Reserves/Reserve Funds contributions and draws included in annual budget▪ TCA expenditures recorded against capital budget as asset is acquired or built

What's different in 2018?

- **Reclassification of investment in Toronto Port Lands Company**
 - **City's investment in TPLC has been reclassified from a GBE to full consolidation**
- **Greenhouse Gas Emissions Reduction Note**
 - **First municipality in Canada**
 - **GHG progress since 1990 and targets to 2050**
 - **Supports TransformTO**

2018 Financial Highlights

Statement of Financial Position (\$M)

	<u>2018</u>	<u>2017</u>
Investments	3,380	4,118
Investments in GBES	2,131	2,423
All other amounts	5,785	3,429
Total Financial Assets	11,296	9,970
Accounts Payable and Accrued Liabilities	3,838	3,420
Deferred Revenue	3,867	2,812
Net Long Term Debt and Mortgages	6,794	6,266
Employee Benefit Liabilities	4,011	3,882
All other amounts	874	745
Total Liabilities	19,384	17,125
Net Debt	(8,088)	(7,155)
Non-Financial Assets (App. D)	33,262	30,895
Accumulated Surplus	25,174	23,740

Statement of Financial Position – Significant amounts

- **Net Long Term Debt and Mortgages Payable (\$6,794B)**
 - Issued \$937M in debt during 2018
 - Repayments made \$331M
 - Sinking fund earnings \$54M

- **Employee Benefit Liabilities (\$4,011B)**
 - Net increase was \$129M, 3.3% in total
 - Mainly from Police increase of 4.7% and TTC increase of 5.4%
 - Post retirement health (medical and dental) benefits is the main cost

Statement of Financial Position – Significant amounts

- **Net Debt (\$8,088B)**

- Increased by 13%
- Due to investment in tangible capital assets, mainly in City infrastructure and Transit

- **Non-Financial Assets**

- Increased by 7.7%, with the most significant increases in:
 - ✓ Building and Building Improvements of \$1.1B;
 - ✓ Transit Infrastructure of \$451M;
 - ✓ Vehicle additions of \$126M; and
 - ✓ Machinery and Equipment purchases of \$659M

Operations and Accumulated Surplus

	2018	2017
	(\$Ms)	(\$Ms)
Total Revenues	13,740	12,564
Total Expenses	12,306	11,315
Annual Surplus	1,434	1,249
Accumulated Surplus – beginning	23,740	22,491
Accumulated Surplus – ending	25,174	23,740

Concluding Remarks

Closing Comments

- Audit opinion reflects “fair presentation in all material respects”
- Comprehensive information in the City’s financial statements supports its’ AA/AA+ Credit Rating
- Financial Sustainability
- GFOA Award for Financial Reporting 11 years in a row

Questions



