

Trust Funds – 2019 Audited Consolidated Financial Statements

Date: November 2, 2020

To: Audit Committee

From: Controller

Wards: All

SUMMARY

The City of Toronto (City) and its agencies and corporations are the beneficiaries of assets from third parties intended to be used for specific purposes. These assets, mainly held in cash and investments, are administered by the City and two of its related parties, the Toronto Police Services Board and the St. Lawrence Centre for the Arts (TO Live). Although these trust funds are assets to the City and its consolidated entities, they represent liabilities to third parties and therefore, are not included in the City's consolidated financial statements.

This report presents the City's Audited Consolidated Trust Funds Financial Statements (Statements) for the year ended December 31, 2019 and provides highlights of the Trust Funds' 2019 financial performance and financial condition as at December 31, 2019.

The Trust Funds Financial Statements have been prepared by management who is responsible for ensuring that proper internal controls have been applied to the presentations in each statement. The City's 2019 auditors, PricewaterhouseCoopers LLP (PwC), are responsible for providing an opinion on the fair presentation of the financial statements in accordance with Public Sector Accounting Standards (PSAS). The Audit Committee is responsible for approving the statements prior to City Council approval.

In 2019, the Audited Consolidated Trust Funds Financial Statements received an unqualified audit opinion. In addition, no internal control recommendations were made by PwC.

Financial statements and auditor's reports are typically reported to the Audit Committee and Council in June, when external audit work is substantially complete. During the external auditor's normal engagement period, management's focus was on the COVID-19 response and meeting operational requirements. Additionally, public health restrictions put in place because of the pandemic required that the audit process be

conducted in an extended fashion over a longer period of time. As a result, the completion of the 2019 Statements and external audit was delayed.

RECOMMENDATIONS

The Controller recommends that:

1. City Council approve the 2019 Audited Consolidated Financial Statements for the City of Toronto Trust Funds as attached in Appendix A to this report.

FINANCIAL IMPACT

There is no financial impact resulting from the adoption of the recommendation in this report.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

On an annual basis, the City presents the Audited Consolidated Trust Funds Financial Statements. Following is the link to the 2018 Audited Trust Funds Consolidated Financial Statements and Council decision:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.AU3.8>

COMMENTS

A trust fund is a fund which consists of assets that have been conveyed or assigned to a trustee to be administered as directed by agreement or statute. As a result, a trustee holds title to the assets for the purpose of providing benefits and being accountable to a beneficiary. The City is the trustee of a number of trust funds that are to be used for specific purposes by the City or its agencies and corporations. The City administers most of the trust funds included in these financial statements, except for the following three trusts:

- i. Toronto Police Services Board, and Toronto Police Services Board Mounted Unit Trust Funds, administered by the Toronto Police Services Board; and
- ii. V.C. Polley Trust Fund (included under "Other" in Appendix B), administered by TOLive.

As part of its fiduciary responsibilities, the Trust Administrator ensures that funds received are to be used only for the purposes specified by each trust agreement.

Appendix A provides the Audited Consolidated Trust Funds Statements as at December 31, 2019.

The Statements include the Consolidated Statement of Financial Position, the Consolidated Statement of Operations and Changes in Fund Balances, and a Consolidated Statement of Continuity of Fund Balances.

Appendix B provides the description and purpose of each Trust Fund.

Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position highlights the trust fund assets, liabilities and fund balance, as at December 31, 2019.

Trust fund assets are comprised of cash, investments, and amounts due from the City or Administrators, where applicable. Total assets as at December 31, 2019 amounted to \$72.8 million (2018 - \$70.6 million) of which \$52.4 million (2018 - \$52.2 million) was in the form of investments.

Fund balances at December 31, 2019 amounted to \$72.6 million (2018 - \$70.4 million). The difference between Trust fund assets and year end fund balances represent liabilities of the trust funds.

Consolidated Statement of Operations and Changes in Fund Balances

The Consolidated Statement of Operations and Changes in Fund Balances reports the revenues and expenses of the fund, and the excess or deficit, which either increases or decreases the fund balance.

Revenues, consisting of investment earnings and contributions, have increased by \$5.6 million in 2019 to \$11.6 million (2018 - \$5.9 million); the investment income component of revenues increased by \$6.9 million in 2019, mainly due to the increase in the unrealized gain related to foreign exchange and the market value of Toronto Atmospheric Fund (TAF) investments.

Trust fund expenditures increased by \$3.2 million in 2019 compared with 2018, directly resulting from reduced distribution and investment withdrawals held in trust for TAF.

The Consolidated Statement of Continuity of Fund Balances details the balances of each individual trust fund forming the consolidated fund balance on the Statement of Financial Position of \$72.6 million. This statement also outlines the contributions, investment earnings and expenses, which represent withdrawals, for each individual fund.

Audit Results

The Consolidated Trust Funds Statements are audited by PwC, who is responsible for applying sufficient and adequate audit testing in order to provide an opinion on the fair presentation of the financial statements. In performing their work, PwC may recommend adjustments to the balances, or can recommend process or internal control improvements.

For the 2019 Statements, no recommendations were made.

The PwC 2019 Year End report to the Audit Committee is presented with the financial statements.

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SIGNATURE

Andrew Flynn
Controller

ATTACHMENTS

Appendix A: 2019 Audited Consolidated Trust Funds Financial Statements

Appendix B: Trust Funds Account Descriptions as at December 31, 2019

Appendix C: 2019 Year-End Report to the Audit Committee