

# AU7.1 Appendix A

APPENDIX A

## 2019 Consolidated Financial Statements

December 31, 2019

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## Management's Report

The management of the City of Toronto (City) is responsible for the integrity, objectivity and accuracy of the financial information presented in the accompanying consolidated financial statements.

The consolidated financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is disclosed in Note 1 to the consolidated financial statements.

To meet its responsibility, management maintains comprehensive financial and internal control systems designed to ensure the proper authorization of transactions, the safeguarding of assets and the integrity of the financial data. The City employs highly qualified professional staff and deploys an organizational structure that effectively segregates responsibilities, and appropriately delegates authority and accountability.

The Audit Committee, a sub-committee of City Council (Council), reviews and approves the consolidated financial statements before they are submitted to Council. In accordance with Council's directive, the Auditor General oversees the work of the external auditors performing financial statement attest audits. The Auditor General participates in all significant meetings held between the external auditors and management, is informed of all significant audit issues, and will report on any significant matters not appropriately addressed and resolved.

The 2019 consolidated financial statements have been audited by the City of Toronto's external auditors, PricewaterhouseCoopers LLP, whose report precedes the consolidated financial statements.

Toronto, Canada  
October XX, 2020

Andrew Flynn  
Controller

Heather Taylor  
Chief Financial Officer

Chris Murray  
City Manager

## **Independent Auditor's Report**

*PriceWaterhouseCoopers (PwC) signed and dated opinion to be inserted following City Council approval*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2019 (in millions of dollars)

	2019	2018 (see Note 25)
<b>FINANCIAL ASSETS</b>		
Cash and Cash Equivalents	4,397	3,626
Accounts and Taxes Receivable (Note 2)	2,109	1,913
Loans Receivable (Note 3)	176	181
Other Assets (Note 4)	179	182
Investments (Note 5)	3,247	3,263
Investments in Government Business Enterprises (Note 6)	2,202	2,131
<b>Total Financial Assets</b>	<b>12,310</b>	<b>11,296</b>
<b>LIABILITIES</b>		
Bank Indebtedness (Note 7)	107	104
Accounts Payable and Accrued Liabilities (Note 8)	3,706	3,838
Deferred Revenue (Note 9)	4,217	3,867
Provision for Property and Liability Claims (Note 10)	522	529
Environmental and Contaminated Site Liabilities (Note 11)	452	241
Mortgages Payable (Note 12)	289	292
Long-Term Debt (Note 13)	7,104	6,502
Employee Benefit Liabilities (Note 14)	4,133	4,011
<b>Total Liabilities</b>	<b>20,530</b>	<b>19,384</b>
<b>NET DEBT</b>	<b>(8,220)</b>	<b>(8,088)</b>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid Expenses	162	217
Inventories (Note 15)	300	328
Tangible Capital Assets (Note 16, Schedule 1)	34,564	32,717
	<b>35,026</b>	<b>33,262</b>
<b>ACCUMULATED SURPLUS (Note 17)</b>	<b>26,806</b>	<b>25,174</b>

Commitments and Contingencies (Note 18)

The accompanying Notes and Appendices are an integral part of these Consolidated Financial Statements.

## CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

for the year ended December 31, 2019 (in millions of dollars)

	2019 BUDGET (Note 19)	2019 ACTUAL	2018 ACTUAL
<b>REVENUE</b>			
Property and Taxation from Other Governments	4,404	4,410	4,350
Government Transfers (Note 20)	3,570	3,493	3,505
User Charges	3,472	3,526	3,255
Municipal Land Transfer Tax	730	799	730
Other Revenue Sources (Note 21)	625	654	589
Rent and Concessions	476	534	506
Development Charges	512	398	339
Government Business Enterprise Earnings (Note 6)	-	234	247
Investment Income	279	335	219
<b>Total Revenue</b>	<b>14,068</b>	<b>14,383</b>	<b>13,740</b>
<b>EXPENSES</b>			
Transportation	3,802	3,581	3,578
Social and Family Services	2,892	2,553	2,474
Protection to Persons and Property	1,903	1,930	1,858
Recreation and Cultural Services	1,112	1,073	1,006
Environmental Services	1,068	1,043	976
General Government	929	886	876
Social Housing	931	830	844
Health Services	487	497	490
Planning and Development	222	358	204
<b>Total Expenses (Note 22)</b>	<b>13,346</b>	<b>12,751</b>	<b>12,306</b>
<b>ANNUAL SURPLUS</b>	<b>722</b>	<b>1,632</b>	<b>1,434</b>
<b>ACCUMULATED SURPLUS - BEGINNING OF YEAR</b>	<b>25,174</b>	<b>25,174</b>	<b>23,740</b>
<b>ACCUMULATED SURPLUS - END OF YEAR (Note 18)</b>	<b>25,896</b>	<b>26,806</b>	<b>25,174</b>

Segmented Information is presented in Appendices 2 and 3.

The accompanying Notes and Appendices are an integral part of these Consolidated Financial Statements.

## CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

for the year ended December 31, 2019 (in millions of dollars)

	<b>2019 BUDGET (Note 19)</b>	<b>2019 ACTUAL</b>	<b>2018 ACTUAL</b>
<b>Annual Surplus</b>	<b>722</b>	<b>1,632</b>	<b>1,434</b>
Acquisition of Tangible Capital Assets	(3,724)	(3,493)	(3,530)
Amortization of Tangible Capital Assets	1,383	1,383	1,267
Loss / (gain) on disposal of Tangible Capital Assets	-	(14)	(3)
Recognition of Receivable from the Province (Note 16)	-	239	-
Proceeds on disposal of Tangible Capital Assets	-	38	13
<b>Change due to Tangible Capital Assets</b>	<b>(2,341)</b>	<b>(1,847)</b>	<b>(2,253)</b>
Change in Prepaid Expenses		55	(98)
Change in Inventories		28	(16)
<b>(Increase) in Net Debt</b>	<b>(1,619)</b>	<b>(132)</b>	<b>(933)</b>
<b>NET DEBT - BEGINNING OF YEAR</b>	<b>(8,088)</b>	<b>(8,088)</b>	<b>(7,155)</b>
<b>NET DEBT - END OF YEAR</b>	<b>(9,706)</b>	<b>(8,220)</b>	<b>(8,088)</b>

The accompanying Notes and Appendices are an integral part of these Consolidated Financial Statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2019 (in millions of dollars)

	2019	2018
<b>OPERATING ACTIVITIES</b>		
Annual Surplus	1,632	1,434
<b>Add (deduct) items not involving cash:</b>		
Government Business Enterprise Income from Operations	(234)	(247)
Amortization of Tangible Capital Assets	1,383	1,267
Loss (Gain) on Disposal of Tangible Capital Assets	(14)	(3)
Recognition of Pension surplus	(106)	-
	2,661	2,451
<b>Changes in Operating Assets and Liabilities</b>		
Accounts and Taxes Receivable	149	(543)
Accounts Payable and Accrued Liabilities	(132)	411
Deferred Revenue	350	1,047
Provision for Property and Liability Claims	(7)	(10)
Prepaid Expenses	55	(98)
Inventories	28	(16)
Environmental and Contaminated Sites Liabilities	211	84
Employee Benefit Liabilities	122	129
<b>Cash provided by Operating Activities</b>	<b>3,437</b>	<b>3,455</b>
<b>CAPITAL ACTIVITIES</b>		
Acquisition/Construction of Tangible Capital Assets	(3,493)	(3,194)
Proceeds on Disposal of Tangible Capital Assets	38	13
<b>Cash applied to Capital Activities</b>	<b>(3,455)</b>	<b>(3,181)</b>
<b>INVESTING ACTIVITIES</b>		
Other Assets	3	(136)
Loans Receivable	5	(23)
Investment Maturities and Sales	6,762	2,157
Purchase of Investments	(6,746)	(1,276)
Cash assumed on consolidation of TPLC	-	22
Dividends and Distributions from Government Business Enterprises	163	156
<b>Cash provided by Investing Activities</b>	<b>187</b>	<b>900</b>
<b>FINANCING ACTIVITIES</b>		
Bank Indebtedness	3	55
Principal Repayments on Mortgages Payable	(3)	(24)
Proceeds from Long-Term Debt issuance	1,041	937
Principal Repayments on Long-Term Debt	(351)	(331)
Interest Earned on Sinking Funds	(88)	(54)
<b>Cash provided by Financing Activities</b>	<b>602</b>	<b>583</b>



## CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2019 (in millions of dollars)

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	<b>2019</b>	<b>2018</b>
<b>Net Increase in Cash and Cash Equivalents during the Year</b>	771	1,757
<b>CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR</b>	3,626	1,869
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	<b>4,397</b>	<b>3,626</b>
<b>SUPPLEMENTARY INFORMATION:</b>		
<b>Cash paid for Interest on Debt</b>	334	296
<b>Cash received for Interest on Investments</b>	276	201

The accompanying Notes and Appendices are an integral part of these Consolidated Financial Statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 (in millions of dollars)

The City of Toronto (City) is the provincial capital of Ontario and the largest city in Canada. Although the City of Toronto was originally incorporated on March 6, 1834, the 1998 amalgamation of the City of Toronto, Metropolitan Toronto, East York, Etobicoke, North York, Scarborough and York resulted in the existing City. The City operates under the provisions of the City of Toronto Act, 2006.

## 1. Significant Accounting Policies

### Basis of Presentation

The Consolidated Financial Statements (Statements) of the City have been prepared by management in accordance with Canadian Public Sector Accounting Standards as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada).

### Principles of Consolidation

The Consolidated Financial Statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, reserves and reserve funds of the City and all organizations controlled by the City. In addition, the City proportionately consolidates two entities held in partnership. The Toronto Waterfront Revitalization Corporation is a 33.33% partnership with each of the Canadian and Ontario Governments, and the Toronto PanAm Sports Centre is a 50% partnership with the University of Toronto.

The City's 100% share of the Toronto Hydro Corporation and Toronto Parking Authority follow Government Business Enterprises (GBE) accounting, using the modified equity basis of accounting where the accounting principles of the GBEs are not adjusted to conform to the City's accounting principles and inter-organizational transactions and balances are not eliminated. Inter-organizational gains and losses are, however, eliminated on assets remaining within the government reporting entities at the reporting date.

### Consolidated entities:

#### Agencies and Corporations:

- |  |   |
|--|---|
| ❖ Board of Governors of Exhibition Place       | ❖ Toronto Licensing Commission  |
| ❖ Board of Management of the Toronto Zoo       | ❖ Toronto Police Services Board   |
| ❖ Build Toronto Inc. (BTI)                     | ❖ Toronto Public Library Board  |
| ❖ Casa Loma Corporation                        | ❖ Toronto Transit Commission (TTC)  |
| ❖ Heritage Toronto                             | ❖ Create TO   |
| ❖ Invest Toronto Inc. *                        | ❖ Yonge-Dundas Square   |
| ❖ Lakeshore Arena Corporation                  | ❖ City of Toronto Economic Development Corporation c.o.b. Toronto Port Lands Company (TPLC) |
| ❖ TOLive                                       | ❖ Toronto Pan Am Sports Centre Inc. (TPASC) (1/2 proportionately)                           |
| ❖ Toronto Atmospheric Fund (TAF)               | ❖ Toronto Waterfront Revitalization Corporation (TWRC) (1/3 proportionately)                |
| ❖ Toronto Board of Health                      |   |
| ❖ Toronto Community Housing Corporation (TCHC) |   |

\* Invest Toronto Inc. ceased its operations on June 12, 2019.

#### Arenas:

- |                                      |                          |
|--------------------------------------|--------------------------|
| ❖ Forest Hill Memorial               | ❖ Moss Park              |
| ❖ George Bell                        | ❖ North Toronto Memorial |
| ❖ Leaside Memorial Community Gardens | ❖ Ted Reeve              |
| ❖ McCormick Playground               | ❖ William H. Bolton      |

#### Community Centres:

- |                       |                            |
|-----------------------|----------------------------|
| ❖ 519 Church Street   | ❖ Eastview Neighbourhood   |
| ❖ Applegrove          | ❖ Waterfront Neighbourhood |
| ❖ Cecil Street        | ❖ Ralph Thornton           |
| ❖ Central Eglinton    | ❖ Scadding Court           |
| ❖ Community Centre 55 | ❖ Swansea Town Hall        |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 (in millions of dollars)

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### *Business Improvement Areas (BIAs):*

- ❖ Albion Islington Square
- ❖ Baby Point Gates
- ❖ Bayview Leaside
- ❖ Bloor Annex
- ❖ Bloor By The Park
- ❖ Bloor Street
- ❖ Bloor West Village
- ❖ Bloor Yorkville
- ❖ Bloorcourt Village
- ❖ Bloordale Village
- ❖ Cabbagetown
- ❖ Chinatown
- ❖ Church Wellesley Village
- ❖ City Place & Fort York
- ❖ College Promenade
- ❖ College West
- ❖ Corso Italia
- ❖ Crossroads of the Danforth
- ❖ Danforth Mosaic
- ❖ Danforth Village
- ❖ Dovercourt Village
- ❖ Downtown Yonge
- ❖ DuKe Heights
- ❖ Dupont by the Castle
- ❖ Eglinton Hill
- ❖ Emery Village
- ❖ Fairbank Village
- ❖ Financial District
- ❖ Forest Hill Village
- ❖ Gerrard India Bazaar
- ❖ Greektown on the Danforth
- ❖ Harbord Street
- ❖ Hillcrest Village
- ❖ Historic Queen East
- ❖ Junction Gardens
- ❖ Kennedy Road
- ❖ Kensington Market
- ❖ Korea Town
- ❖ Lakeshore Village
- ❖ Leslieville
- ❖ Liberty Village
- ❖ Little Italy
- ❖ Little Portugal on Dundas
- ❖ Long Branch
- ❖ Marketo District
- ❖ Midtown Yonge
- ❖ Mimico by the Lake
- ❖ Mimico Village
- ❖ Mirvish Village
- ❖ Mount Dennis
- ❖ Mount Pleasant
- ❖ Oakwood Village
- ❖ Ossington Avenue
- ❖ Pape Village
- ❖ Parkdale Village
- ❖ Queen Street West
- ❖ Regal Heights Village
- ❖ Riverside District
- ❖ Roncesvalles Village
- ❖ Rosedale Main Street
- ❖ Sheppard East Village
- ❖ shoptheQueensway.com
- ❖ St. Clair Gardens
- ❖ St. Lawrence Market Neighbourhood
- ❖ The Beach
- ❖ The Danforth
- ❖ The Eglinton Way
- ❖ The Kingsway
- ❖ The Waterfront
- ❖ Toronto Entertainment District
- ❖ Trinity Bellwoods
- ❖ Upper Village
- ❖ Uptown Yonge
- ❖ Village of Islington
- ❖ West Queen West
- ❖ Weston Village
- ❖ Wexford Heights
- ❖ Wilson Village
- ❖ Wychwood Heights
- ❖ Yonge and St. Clair
- ❖ Yonge Lawrence Village
- ❖ York Eglinton

All inter-organizational assets and liabilities and sources of financing and expenses have been eliminated in these consolidated financial statements.

### **Trust Funds**

Trust funds and their related operations administered by the City are not included in the consolidated financial statements, but are reported separately in the Trust Fund Financial Statements (Note 23).

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 (in millions of dollars)

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### **Use of Estimates and Measurement Uncertainty**

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting year. Significant estimates and assumptions, which include employee benefit liabilities, property tax assessment appeals, property, liability and accident claims provisions, landfill closure and post-closure liabilities, and environmental and contaminated sites provisions, are based on management's best information and judgment. Actual amounts, accounted for as they become known, may differ significantly from these estimates.

### **Cash and Cash Equivalents**

Cash and Cash Equivalents includes cash on hand, deposits held at banks, and other short-term highly liquid investments with original maturities of three months or less.

### **Receivables and Revenues**

Loans Receivable are recorded at the lower of amortized cost and the net recoverable value, when collectability and risk of loss exists. Changes in the valuation of loans receivables are recognized in the Consolidated Statement of Operations and Accumulated Surplus. Interest is accrued on loans receivable to the extent it is deemed collectable.

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues.

Taxation Revenues are recorded at the time tax billings are issued. Additional property tax revenue can be added throughout the year, after the return of the annual assessment roll used for billing purposes, as new properties are occupied or become subject to property tax. The City may receive supplementary assessment rolls over the course of the year from the Municipal Property Tax Assessment Corporation (MPAC) identifying new or omitted assessments. Property taxes for these supplementary and/or omitted amounts are then billed according to the City Council approved tax rate for each property class. Taxation revenues may also be impacted by reductions in assessment values resulting from assessment and/or property tax appeals performed by MPAC. An annual adjustment to cover estimated revenue loss attributable to deficiencies in tax revenues is included in the City's Consolidated Statement of Operations and Accumulated Surplus.

Municipal Land Transfer tax revenues are recorded following the registration of the taxable sale.

User Charges relate to transit fees, utility charges (water, wastewater and solid waste), licensing fees, and fees for use of various programs or activities. Revenue is recognized when the activity is performed or when the services are rendered.

Government Transfers to the City are recognized as revenues in the period during which the transfer is authorized by the transferring government and all eligibility criteria are met, except if there are stipulations that creates an obligation that meets the definition of a liability. Once a liability is recognized, the transfer is recorded in revenue as the obligations related to these stipulations are met.

Development Charges are charges imposed on land development or redevelopment projects. Fees are set out in a City by-law, which conforms to the requirements of the Development Charges Act, 1997. Development charges are collected when an above grade building permit is issued, and recognized in revenues when used to fund the growth-related portion of qualifying capital projects.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 (in millions of dollars)

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### Investments

Investments consist mainly of government and corporate bonds, debentures, equity and short-term instruments of various financial institutions. Investments are accounted for at amortized cost. Where there is a permanent loss in value, the investment value is written down to recognize the loss, with the corresponding write-down reflected in the Statement of Operations and Accumulated Surplus. The Statements also disclose the carrying value as the lower of amortized cost or market value.

Investment income is reported as revenue in the period earned. Investment income earned on Deferred Revenues, which are considered to be Reserve Funds (as they are set aside for specific purposes by legislation, regulation or agreement), is added to the respective Deferred Revenue balances.

### Deferred Revenue

Deferred Revenues, which include advance payments for tickets, building permits and program registration fees; contributions from developers according to Section 37 of the Planning Act; and revenues set aside for specific purposes (obligatory reserve funds), represent fees which have been collected, but for which the related services have not yet been provided. Revenue is recognized when the related activity occurs or the service is performed.

### Provision for Property and Liability Claims

Estimated costs to settle Property and Liability Claims are actuarially determined based on available loss information and projections of the present value of estimated future expenses, developed from the City's historical experience on loss payments. Where the costs are deemed to be likely and reasonably determinable, liabilities are included on the Consolidated Statement of Financial Position, with annual changes expensed as operating costs.

The TTC has a self-insurance program for Automobile and General Liability claims. When claims are reported, case reserves are initially estimated on an individual basis by adjusters and lawyers. A provision is made, on a present value basis, for claims incurred, for claims incurred-but-not-reported, and for internal and external adjustments.

### Environmental and Contaminated Site Liabilities

Liabilities arising from the remediation of contaminated sites are recorded when all of the following are met:

- Environmental standards exist;
- Contamination exceeds the standard;
- The City is directly responsible or accepts responsibility for the contamination;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the liability can be made.

The estimated amounts of future remediation costs are reviewed annually, based on available information and governing legislation. Where the costs are deemed to be likely and reasonably determinable, liabilities are included in the Consolidated Statement of Financial Position, with annual changes expensed as operating costs.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 (in millions of dollars)

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The City also provides for the estimated costs to remediate productive contaminated sites when conditions are identified as not compliant with environmental legislation and those costs can be reasonably determined.

The Ontario Environmental Protection Act sets out the regulatory requirements for the closure and maintenance of landfill sites. Under the Act, the City is required to provide for closure and post-closure care of solid waste landfill sites. The costs related to these obligations are provided for all inactive landfill sites and active landfill sites based on usage.

The estimated liability for the care of the active Green Lane landfill site is the present value of future cash flows associated with closure and post-closure costs discounted using the City's average long-term borrowing rate.

Post-closure care activities for inactive landfill sites are expected to occur in perpetuity and will involve surface and ground water monitoring, maintenance of drainage structures, monitoring leachate and landfill gas, and maintenance of the landfill cover. The costs to close existing landfill sites and to maintain closed solid waste landfill sites are based on estimated future expenditures in perpetuity in current dollars, adjusted for estimated inflation. These costs are reported as a liability on the Consolidated Statement of Financial Position, with annual changes expensed as operating costs.

### **Derivative Financial Instruments**

Although the City's investment policy prevents the use of derivative financial instruments for trading or speculative purposes, they are utilized in the management of its purchase of electricity and natural gas. Derivative contracts are recorded at their fair value as an asset or liability based on quoted market prices, with changes in fair value, if any, recorded in the Consolidated Statement of Operations and Accumulated Surplus.

A derivative financial instrument (interest rate swap) is being used to manage interest rate risk with respect to a certain TCHC term loan. TCHC does not account for its interest rate swap as a hedge, and as such, any realized or unrealized gains or losses are recognized in the Consolidated Statement of Operations and Accumulated Surplus.

### **Employee Benefit Liabilities**

Employee Benefit Liabilities include Sick Leave, Schedule 2 Employer benefits under the Workplace Safety and Insurance (WSIB) Act, Life Insurance, and Extended Health and Dental benefits for early retirees. The costs of these benefits are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care cost trends and plan investment performance. Accrued obligations and related costs of funded benefits are net of plan assets.

The costs of WSIB obligations are actuarially determined and expensed in the period they occur. The costs of termination benefits and compensated absences are recognized when the event that obligates the City occurs. Costs include projected future income payments, health care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis.

Past service costs from plan amendments related to prior period employee services are accounted for in the period of the plan amendment. The effects of a gain or loss from settlements or curtailments are expensed in the period they occur. Net actuarial gains and losses related to the employee benefits are amortized over the estimated average remaining service life of the related employee group. Employee future benefit assets are presented net of any required valuation allowance. Employee future benefit liabilities are discounted using current interest rates on the City's average long-term borrowing rate.

The cost of the City's multi-employer defined benefit pension plan, the Ontario Municipal Employees Retirement System (OMERS) pension, is accounted for as a defined benefit plan.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 (in millions of dollars)

### Non-Financial Assets

Non-Financial Assets are used to provide City services and are not available to discharge existing liabilities. These assets have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

#### Tangible Capital Assets

Tangible Capital Assets (TCA) are recorded at historical cost or estimated historical cost based on appraisals or other acceptable methods where historical cost is not available. Cost includes amounts directly attributable to the acquisition, construction, development or betterment of the asset. Internal labour directly attributable to the construction, development or implementation of a tangible capital asset is capitalized. The City does not capitalize interest costs associated with the acquisition or construction of tangible capital assets.

The cost less expected residual value is amortized on a straight-line basis, over the estimated useful life of the assets, at the following rates:

<u>Asset</u>	
Land improvements	15 - 70 years
Buildings and building improvements	25 - 100 years
Machinery and equipment	4 - 60 years
Motor vehicles	5 - 20 years
Water and wastewater linear	60 - 100 years
Roads linear	25 - 70 years
Transit	10 - 65 years

One-half of the amortization is recorded in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is substantially complete and available for productive use.

Donated tangible capital assets are recorded at estimated fair market value at the date of donation, with a corresponding recognition of revenue.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the City's ability to provide goods and services. Any impairment is accounted for as a loss in the Statement of Operations and Accumulated Surplus.

The City manages and controls various works of art and non-operational historical cultural assets which are not recorded as tangible capital assets and are not amortized. The valuation associated with these assets is not determinable. Examples of these assets include buildings, artifacts, paintings, and sculptures located at City sites and public display areas. The City's art collection includes historical buildings, artifacts, paintings and sculptures located at City sites and public display areas. In addition, the City has numerous moveable works of art collected between the 1850s and present day which include artifacts and archaeological specimens related to Toronto's history and culture.

### Expenses

Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay. Interest expenses is recognized as incurred. Expenses paid in the current period attributable to future benefits received are as classified as Prepaid Expenses in the City's Non-Financial Assets.

Government transfer payments to other public sector entities are recognized in the year that the transfer is authorized, and all eligibility criteria have been met by the recipient. Any transfers paid in advance are deemed to have met all eligibility criteria.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 (in millions of dollars)

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### Reserves and Reserve Funds

Reserve Funds are comprised of funds set aside for specific purposes. City Council has authorized the allocation of interest to reserve funds but not to reserves. There are two types of reserve funds:

a. Obligatory Reserve Funds are funds received and set aside for specific purposes by legislation or contractual agreements. These funds can only be used for prescribed purposes and are reported as Deferred Revenue on the Consolidated Statement of Financial Position.

b. Council Directed Reserve Funds are created by Council for specific purposes through by-law and are reported in the Accumulated Surplus balance on the Consolidated Statement of Financial Position.

### Future Accounting Pronouncements

The standards noted below were not in effect for the year ended December 31, 2019, therefore, have not been applied in preparing these financial statements. Management is assessing the impact of these standards on future Statements.

*Standards applicable for fiscal years beginning on or after April 1, 2022:*

PS 3450 Financial instruments establishes standards on how to account for and report all types of financial instruments including derivatives.

PS 2601 Foreign Currency Translation, which replaces PS 2600, establishes standards on how to account for and report transactions that are denominated in a foreign currency in government financial statements.

PS 1201 Financial Statement Presentation, which replaces PS 1200, establishes general reporting principles and standards for the disclosure of information in government financial statements. The Standard introduces the Statement of Remeasurement Gains and Losses, which reports changes in the values of financial assets and financial liabilities arising from their remeasurement at current exchange rates and/or fair value.

PS 3041 Portfolio Investments, which replaces PS 3040, establishes standards on how to account for and report portfolio investments in government financial statements.

PS 3280 Asset Retirement Obligations establishes standards on how to account for and report a liability for asset retirement obligations.

*Standards applicable for fiscal years beginning on or after April 1, 2023:*

PS 3400 Revenue establishes standards on how to account for and report on revenue, specifically differentiating between revenue arising from transactions that include performance obligations, referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 (in millions of dollars)

### 2. Accounts and Taxes Receivable

	<b>2019</b>	<b>2018</b> <b>(see Note 25)</b>
Federal and Provincial Government Receivables	1,047	1,023
Property Taxes Receivables	255	237
Trade and Other Receivables	807	653
	<b>2,109</b>	<b>1,913</b>

Federal and Provincial Government receivables include \$292 (2018 – \$536) related to Provincial Transit Infrastructure Fund (PTIF) claims, \$239 (2018 – \$nil) related to reimbursement of TTC upload costs from the Province, and \$136 (2018 – \$84) related to Provincial Gas Tax funding (PGT). PTIF funds of \$16 and PGT funds of \$136 were received in 2020.

### 3. Loans Receivable

	<b>2019</b>	<b>2018</b> <b>(see Note 25)</b>
TCHC promissory notes, loan agreements and receivables, bearing interest between 3.0% and 6.0% (2018 – 3.0% to 4.9%) with maturity dates from 2020 to 2057 (2018 – 2019 to 2057)	61	74
BTI loan facility and vendor-take-back (VTB) mortgage, bearing interest between 3.3% and 5.0% (2018 – 3.3% to 5.0%) with maturity dates from 2023 to 2027 (2018 – 2023 to 2027)	33	37
Loans receivable from community housing organizations bearing interest at rates from 0% to 5.0% (2018 - 0% to 5.0%) per annum, maturing from 2020 to 2074 (2018 - 2019 to 2074)	46	41
Energy loans receivable from organizations to enable the implementation of green initiative projects across the city bearing interest at rates from 0% to 3.7% (2018 – 0% to 3.7%) per annum, maturing from 2020 to 2040 (2018 – 2019 to 2040)	25	19
Loan receivable from Maple Leaf and Sports and Entertainment Ltd. for the expansion of BMO Stadium bearing an interest rate of 4.20% (2018 – 4.20%) and a maturity date of 2034 (2018 – 2034)	8	9
Other	3	1
	<b>176</b>	<b>181</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 (in millions of dollars)

### 4. Other Assets

	2019	2018 (see Note 25)
BTI 35% ownership of a General Partnership for the development of condominium properties	5	33
TCHC equal Contribution Equity in revitalization projects and equal interest Co-Tenancy Agreements for construction	15	22
TCHC – Externally restricted assets under Loan Agreements for Capital Expenditures	142	117
Other	17	10
	<b>179</b>	<b>182</b>

### 5. Investments

	2019		Carrying value
	Cost	Market value	
Government bonds	1,527	1,569	1,527
Money market instruments	345	345	345
Corporate bonds	961	965	961
Mortgages	115	115	115
Foreign Corporate Bonds	27	27	27
Equities	241	235	235
Other	31	54	31
	<b>3,247</b>	<b>3,310</b>	<b>3,241</b>

  

	2018 (see Note 25)		Carrying value
	Cost	Market value	
Government bonds	1,937	2,005	1,937
Money market instruments	853	853	853
Corporate bonds	416	410	410
Other	57	74	57
	<b>3,263</b>	<b>3,342</b>	<b>3,257</b>

Government bonds include bonds held in trust by the City's insurance carrier as collateral for the provision of automobile and primary liability insurance with a carrying value of \$66.8 (2018 - \$70.4).

The weighted average yield on the cost of the bond investment portfolio during the year was 3.5% (2018 – 3.04%). Maturity dates on investments in the portfolio range from 2020 to 2044 (2018 – 2019 to 2044). Included in the City's government bonds portfolio are City of Toronto debentures at coupon rates varying from 4.15% to 4.70% (2018 – 2.40% to 6.80%) with a carrying value of \$13.4 (2018 – \$279.9).

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 (in millions of dollars)

As it is the City's intention to hold corporate bonds to maturity, no write-down to market value has been recorded.

Changes in provincial regulations, which came into effect on January 1, 2018, allows the Toronto Investment Board to manage the funds not immediately required by the City, as well as to transition the City's investment portfolio to a more diversified asset mix in accordance with the City's investment standards and Council-approved investment policy.

### 6. Investments in Government Business Enterprises (GBEs)

	2019	2018
Toronto Hydro Corporation	1,877	1,822
Toronto Parking Authority	325	309
	<b>2,202</b>	<b>2,131</b>

As a result of a change in shareholder direction made by Toronto City Council effective January 1, 2018, TPLC qualified as a controlled entity which is consolidated rather than treated as a GBE. As a result, the City's 2018 opening investment value was reclassified and the entity fully consolidated on a line by line basis in 2018.

The book value continuity of the City's GBEs is as follows:

	2019	2018
Balance – beginning of year	2,131	2,423
Income from operations (Appendix 1)	233	245
Dividends received (Appendix 1)	(100)	(94)
Distribution to City (Appendix 1)	(63)	(62)
Change in net book value of street-lighting assets eliminated on sale to Toronto Hydro Corporation (Appendix 1)	1	2
Removal of accumulated equity in TPLC	-	(383)
Balance – end of year (Appendix 1)	<b>2,202</b>	<b>2,131</b>

GBE Earnings on the Consolidated Statement of Operations and Accumulated Surplus consist of the following:

	2019	2018
Income from Operations (Appendix 1)	233	245
Change in net book value of street-lighting assets on sale to Toronto Hydro Corporation (Appendix 1)	1	2
Government Business Enterprise Earnings	<b>234</b>	<b>247</b>

Condensed, audited financial results for each government business enterprise are disclosed in Appendix 1 to the Notes to these Consolidated Financial Statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 (in millions of dollars)

Related party transactions between the City and its government business enterprises are as follows:

	<b>2019</b>	<b>2018</b>
Street-lighting, electricity, and maintenance services purchased by the City from Toronto Hydro Corporation	299	277
Rent expense paid to the City from Toronto Parking Authority	3	3
	<b>302</b>	<b>280</b>

Principal repayments of unsecured Long-Term Debt of the GBEs are as follows:

	<b>Due to others</b>
2020	1
2021	301
2022	1
2023	251
2024	1
Thereafter	1,645
	<b>2,200</b>

Toronto Parking Authority has a debt payable, which relates to the purchase of equipment, of \$0.6 (2018 – \$0.5), bearing an effective interest rate of 2.3% and maturing on June 30, 2025.

### 7. Bank Indebtedness

The City has an unsecured demand revolving credit facility in the amount of \$100 (2018 – \$100) bearing interest at the bank prime rate with an effective rate during 2019 of 3.95% (2018 – 3.2%) per annum.

TCHC has a committed revolving credit facility of \$200 (2018 – \$200) that is available for short-term advances and letters of credit, with standby charges of 0.25%. Short-term advances are available by way of a prime loan at the bank prime rate and bankers' acceptances (BAs) at the bank BA rate plus 1.10%. The entity is in compliance with all bank covenants.

	<b>2019</b>	<b>2018</b>
City, net outstanding cheques	38	58
TCHC	69	46
	<b>107</b>	<b>104</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 (in millions of dollars)

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### 8. Accounts Payable and Accrued Liabilities

	2019	2018
Trade Payables and Accruals	3,142	3,293
Tax Appeal Assessments on Property Taxes Payable	402	399
Wages Payable	162	146
	<b>3,706</b>	<b>3,838</b>

### 9. Deferred Revenue

	2019	2018
Obligatory Deferred Revenues		
Restricted by Provincial legislation	2,353	2,178
Restricted by Agreements with Third Parties	1,455	1,274
Total Obligatory Deferred Revenues	<b>3,808</b>	<b>3,452</b>
Advance Payments and Contributions	409	415
<b>TOTAL DEFERRED REVENUE</b>	<b>4,217</b>	<b>3,867</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 (in millions of dollars)

### Deferred Revenue Continuity:

	2019		
	Obligatory Deferred Revenues	Advance payments and contributions	Total
Balance – beginning of year	3,452	415	3,867
Receipts during the year	1,949	4,430	6,379
Transferred to revenue	(1,593)	(4,436)	(6,029)
Balance – end of year	<b>3,808</b>	<b>409</b>	<b>4,217</b>

  

	2018		
	Obligatory Deferred Revenues	Advance payments and contributions	Total
Balance – beginning of year	2,478	334	2,812
Receipts during the year	2,303	3,370	5,673
Transferred to revenue	(1,329)	(3,289)	(4,618)
Balance – end of year	<b>3,452</b>	<b>415</b>	<b>3,867</b>

### 10. Provision for Property and Liability Claims

	2019	2018
Property and Liability Claims Provision	381	384
TTC Unsettled Accident Claims	141	145
	<b>522</b>	<b>529</b>

The City mitigates its risk through a combination of self-insurance and coverage with insurance carriers.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 (in millions of dollars)

### 11. Environmental and Contaminated Site Liabilities

	2019	2018
Environmental Liabilities (TTC and BTI)	20	14
Contaminated Site Liabilities	190	65
Active Landfill Site (Green Lane)	15	14
Inactive Landfill Sites	227	148
<b>Total Environmental and Contaminated Sites Liabilities</b>	<b>452</b>	<b>241</b>

Environmental and Contaminated Site liabilities are based on third-party engineering reports covering estimated costs of remediating sites with known contamination for which City entities are responsible. Given that the estimate of environmental liabilities is based on a number of assumptions, such as the City's interest rate and inflation rate, actual costs may vary. The estimated amounts of future remediation costs are reviewed regularly, based on available information and governing legislation.

#### Liability for Contaminated Sites held by TPLC

TPLC owns a number of properties that are not in productive use, where contamination exceeds environmental standards. Although TPLC is responsible for each of these properties, the anticipated land use is not known at this time, therefore, no remediation efforts have been planned. However, in accordance with PS 3260, Liability for Contaminated Sites, recognizing the uncertainty of the remediation action plan until use of this land is known, management has taken a risk management approach to determine a liability of \$179.6, which is an undiscounted balance, at December 31, 2019 (2018 – \$56.6). While certain contaminated properties may require additional remediation once the land use is known, at this time, it has been determined that risk can be mitigated through the management or containment of the contaminants, where appropriate, through a mixture of engineered and operating measures. Management will continue to monitor this risk and update the liability when conditions change or use is known with greater certainty.

#### Active Landfill Sites

In 2007, the City acquired the Green Lane Landfill, securing the City's long term disposal requirements. The landfill is projected to reach its approved capacity by the end of 2034, based on Toronto achieving a 70% residential waste diversion rate. The post-closure care period is expected to occur in perpetuity.

The estimated liability for the care of this landfill site is the present value of future cash flows associated with closure and post-closure costs discounted using the City's average long-term borrowing rate of 2.5% (2018 – 3.3%). The estimated present value of future expenditures for closure and post-closure care as at December 31, 2019 is \$15 (2018 – \$14), based on the percentage of total approved capacity used of 56% (2018 – 57%).

#### Reserve Balances

	2019	2018
Green Lane Reserve Fund	10	12
Green Lane Perpetual Care Reserve Fund (GLPC)	6	5
<b>Total</b>	<b>16</b>	<b>17</b>

Both of these reserve fund accounts are included as part of the State of Good Repair Reserve Fund (Note 17).

2019 contributions to the GLPC reserve of \$0.72 (2018 – \$0.72) are based on a contribution rate of 1.34 cents (2018 – 1.34 cents) per tonne of waste disposed.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 (in millions of dollars)

### Inactive Landfill Sites

The estimated liability for the care of inactive landfill sites is the present value of future cash flows associated with closure and post-closure costs discounted using the City's average long-term borrowing rate of 2.5% (2018 – 3.3%). The estimated present value of future expenditures for post-closure care as at December 31, 2019 was \$227 (2018 – \$148).

In order to help reduce the future impact of these obligations, the City has established a reserve fund for the care of these sites and maintains a trust fund to satisfy the requirements of the Ministry of the Environment, Conservation and Parks.

	2019	2018
Solid Waste Management Perpetual Care Reserve Fund	26	26
Keele Valley Site Post-Closure Trust Fund (Note 23)	8	8
	<b>34</b>	<b>34</b>

### 12. Mortgages Payable

	2019	2018
TCHC secured mortgages, collateralized by TCHC housing properties, with interest from 1.39% to 11% (2018 – 1.39% to 12.75%) and maturities ranging from 2020 to 2048	260	262
BTI mortgages, secured by assets and corporate guarantees of Build Toronto Holdings One Inc., BTI and common shares of PT Studios, with interest at 3.33%, maturing on March 15, 2027	29	30
	<b>289</b>	<b>292</b>

Principal repayments on mortgages are due as follows:

2020	43
2021	26
2022	26
2023	25
2024	23
Thereafter	146
	<b>289</b>

Principal re-payments made in 2019 were \$0.88 (2018 – \$0.85) on the BTI mortgages and \$1.9 (2018 – \$23.4) on the TCHC mortgages.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 (in millions of dollars)

### 13. Long-Term Debt

	2019	2018
Unsecured debentures issued by the City, bearing interest at various rates ranging from 2.40% to 6.8% (2018 – 2.40% to 8.00%), maturing from 2020 to 2049	7,290	6,759
Less: sinking fund deposits bearing interest at rates between 2% and 5% (2018 – 2% to 5%)	(1,604)	(1,601)
<b>Unsecured debentures, net of sinking fund deposits</b>	<b>5,686</b>	<b>5,158</b>
TCHC loans from Infrastructure Ontario secured by various floating and fixed income investments at floating and fixed rates between 2.23% and 4.53%, subject to financial covenants, maturing in 2043 to 2049.	925	835
TCHC debentures, unsecured, consisting of Series A bonds of \$250 at 4.87% (2007 to 2037) and Series B bonds of \$200 at 5.39% (2010 to 2040).	446	446
TCHC non-revolving, 10-year loan to assist with the financing of the construction for Phase 1 of its Building Renewal Program, which was completed in 2009. The loan was provided at a fixed interest rate of 3.39% with repayment beginning March 15, 2018.	21	24
Lakeshore Arena Corporation credit facilities secured by a mortgage over the property, a general security agreement and assignments of rents and leases, from Infrastructure Ontario, bearing interest at 3.48%, with a maturity date of October 31, 2042	25	26
BTI, collateralized by a first mortgage charge on the construction site loan facility, bearing interest at prime plus 0.50% and bankers' acceptances at 2.0%, and prime plus 0.50% respectively, paid in July 2019	-	12
Others, bearing interest between 1.75% to 8.05% maturing from 2020 to 2027	1	1
<b>Consolidated entities debentures</b>	<b>1,418</b>	<b>1,344</b>
<b>Total Net Long Term Debt</b>	<b>7,104</b>	<b>6,502</b>

The City's ability to issue long term debt is governed by Provincial legislation; long term debt can only be issued to finance capital expenditures.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 (in millions of dollars)

Principal repayments are due as follows:

	<b>2019</b>
2020	469
2021	477
2022	424
2023	433
2024	405
Thereafter	4,896
	<b>7,104</b>

2019 principal repayments total \$351 (2018 – \$331.4).

### 14. Employee Benefit Liabilities

	<b>2019</b>	<b>2018</b>
Sick leave benefits	527	485
Worker Safety Insurance Board (WSIB) obligations	789	681
Other Employment and Post-Employment Benefits	2,806	2,501
Total Employee Accrued Benefit Obligation	4,122	3,667
Unamortized Actuarial Gain	11	344
Employee Benefit Liabilities	<b>4,133</b>	<b>4,011</b>

The Employee Accrued Benefit Obligation reflects the full value of the actuarial gain; the gain increases the value of the liability until taken into income when realized.

Reconciliation of the plan assets and accrued benefit obligation, based on an actuarial assessment, to the amounts in the Consolidated Statement of Financial Position, is as follows:

	<b>2019</b>			
	<b>Employment and post- employment</b>	<b>TTC Pension Plan (Note 14, b(ii))</b>	<b>City Pension Plans (Note 14, b(iii))</b>	<b>Total</b>
Accrued benefit obligation	4,122	3,074	510	7,706
Plan assets	-	3,658	768	4,426
Funding deficit (surplus)	4,122	(584)	(258)	3,280
Unamortized actuarial gain	11	-	-	11
Valuation allowance	-	584	258	842
Employee benefit liability	<b>4,133</b>	-	-	<b>4,133</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 (in millions of dollars)

	2018			
	Employment and post-employment	TTC Pension Plan	City Pension Plans	Total
Accrued benefit obligation	3,667	2,688	1,281	7,636
Plan assets	-	3,268	1,467	4,735
Funding deficit (surplus)	3,667	(580)	(186)	2,901
Unamortized actuarial gain	344	18	-	362
Valuation allowance	-	562	186	748
Employee benefit liability	<b>4,011</b>	-	-	<b>4,011</b>

Continuity of the City's employee benefit liabilities, in aggregate, is as follows:

	2019			
	Employment and post-employment	TTC Pension Plan (Note 14, b(ii))	City Pension Plans (Note 14, b(iii))	Total
	\$	\$	\$	\$
Balance – beginning of year	4,011	-	-	4,011
Current service cost	306	82	-	388
Interest cost (revenue)	124	(32)	(11)	81
Amortization of actuarial (gain)	(31)	(7)	(61)	(99)
Employer contributions	(278)	(112)	-	(390)
Plan amendments	1	47	-	48
Change in valuation allowance	-	22	72	94
Balance – end of year	<b>4,133</b>	-	-	<b>4,133</b>

	2018			
	Employment and post-employment	TTC Pension Plan	City Pension Plans	Total
	\$	\$	\$	\$
Balance – beginning of year	3,882	-	-	3,882
Current service cost	278	81	-	359
Interest cost (revenue)	114	(38)	(14)	62
Amortization of actuarial (gain)	(24)	(49)	121	48
Employer contributions	(269)	(120)	-	(389)
Plan amendments	30	40	-	70
Change in valuation allowance	-	86	(107)	(21)
Balance – end of year	<b>4,011</b>	-	-	<b>4,011</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 (in millions of dollars)

Continuity of the accrued benefit obligation, in aggregate, is as follows:

	2019			Total
	Employment and post-employment	TTC Pension Plan (Note 14, b(ii))	City Pension Plans (Note 14, b(iii))	
	\$	\$	\$	
Balance – beginning of year	3,667	2,688	1,281	7,636
Current service cost	306	80	-	386
Interest cost	124	170	39	333
Amortization of actuarial (gain) loss	302	264	(22)	544
Benefits paid	(278)	(175)	(120)	(573)
Transfer to OMERS	-	-	(668)	(668)
Plan amendments	1	47	-	48
Balance – end of year	<b>4,122</b>	<b>3,074</b>	<b>510</b>	<b>7,706</b>

	2018			Total
	Employment and post-employment	TTC Pension Plan	City Pension Plans	
	\$	\$	\$	
Balance – beginning of year	3,813	2,637	1,304	7,754
Current service cost	278	81	-	359
Interest cost	114	161	62	337
Amortization of actuarial (gain) loss	(299)	(71)	50	(320)
Benefits paid	(269)	(160)	(135)	(564)
Plan amendments	30	40	-	70
Balance – end of year	<b>3,667</b>	<b>2,688</b>	<b>1,281</b>	<b>7,636</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 (in millions of dollars)

Continuity of the plan assets is as follows:

	2019			Total
	Employment and post-employment	TTC Pension Plan (Note 14, b(ii))	City Pension Plans (Note 14, b(iii))	
	\$	\$	\$	
Balance – beginning of year	-	3,268	1,467	4,735
Contributions	278	129	-	407
Actual return on assets	-	438	89	527
TTC Pension Fund administrative	-	(2)	-	(2)
Benefits paid	(278)	(175)	(120)	(573)
Transfer to OMERS	-	-	(668)	(668)
Balance – end of year	-	<b>3,658</b>	<b>768</b>	<b>4,426</b>

	2018			Total
	Employment and post-employment	TTC Pension Plan	City Pension Plans	
	\$	\$	\$	
Balance – beginning of year	-	3,323	1,597	4,920
Contributions	269	120	-	389
Actual return on assets	-	(15)	5	(10)
Benefits paid	(269)	(160)	(135)	(564)
Balance – end of year	-	<b>3,268</b>	<b>1,467</b>	<b>4,735</b>

Total expenses related to these employee benefits include the following:

	2019			Total
	Employment and post-employment	TTC Pension Plan (Note 14, b(ii))	City Pension Plans (Note 14, b(iii))	
	\$	\$	\$	
Current service cost	306	82	-	388
Interest cost (revenue)	124	(32)	(11)	81
Amortization of actuarial (gain)	(31)	(7)	(61)	-99
Plan amendments	1	47	-	48
Change in valuation allowance	-	22	72	94
Total expense	<b>400</b>	<b>112</b>	<b>-</b>	<b>512</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 (in millions of dollars)

	2018			Total
	Employment and post- employment	TTC Pension Plan	City Pension Plans	
	\$	\$	\$	
Current service cost	278	81	-	359
Interest cost (revenue)	114	(38)	(14)	62
Amortization of actuarial (gain)	(24)	(49)	121	48
Plan amendments	30	40	-	70
Change in valuation allowance	-	86	(107)	(21)
<b>Total expense</b>	<b>398</b>	<b>120</b>	<b>-</b>	<b>518</b>

### a) Sick leave benefits, WSIB obligations, and other employment and post-employment benefits

Actuarial assumptions

	2019	2018
Discount rate for accrued benefit obligation:		
Post-employment	2.4%	3.1%
Post-retirement	2.7%	3.4%
Sick leave	2.5%	3.2%
WSIB	2.7%	3.4%
Rate of compensation increase	0.7% to 3.5%	1.75% to 3.5%
Health care inflation – LTD, hospital and other medical	3.0% to 6.5%	3.0% to 6.5%
Health care inflation – Dental care	3.0% to 4.0%	3.0% to 4.5%
Health care inflation – Drugs	5.25% to 7.30%	5.5% to 8.08%
	2019	2018
Discount rate for benefit costs:		
Post-employment	3.1%	2.9%
Post-retirement	3.4%	3.3%
Sick leave	3.2%	3.1%
WSIB	3.4%	3.4%
Rate of compensation increase	1.75% to 3.25%	3.29% to 3.4%
Health care inflation – LTD, hospital and other medical	3.4% to 5.94%	4.0% to 6.46%
Health care inflation – Dental care	3.0% to 4.0%	3.0% to 4.0%
Health care inflation – Drugs	5.5% to 10.5%	5.5% to 10.8%

For 2019 benefit costs and year end 2019 benefit obligations, the health care inflation rate for Long-Term Disability (LTD), hospital, other medical, and drugs is assumed to reduce to 4.50% by 2030.

The City has established reserve funds to help reduce the future impact of the employee benefit obligation. As at December 31, 2019, the balance in the Employee Benefits Reserve Fund was \$233.7 (2018 - \$229.9), which includes \$41.3 (2018 - \$42.2) for Sick Leave and \$20.5 (2018 - \$17.2) for WSIB.

**b) Pension benefits****(i) OMERS Pension Plan**

The City makes contributions to the Ontario Municipal Employees' Retirement System plan (OMERS), a multi-employer pension plan, on behalf of most of its employees. The plan is a defined benefit plan that specifies the retirement benefit to be received by employees based on length of service and rates of pay. Employees and employers contribute equally to the plan.

The City does not recognize any share of the pension plan deficit based on the fair market value of OMERS assets, as this is a joint responsibility of all Ontario municipalities and their employees. Employer contributions for current service amounted to \$421.3 (2018 - \$416.3) and are expensed in the Consolidated Statement of Operations and Accumulated Surplus. The City is current with all payments to OMERS. As at December 31, 2019, OMERS has a deficit of \$3,400.0.

The date of the most recent filed actuarial valuation for funding purposes for the OMERS Primary Pension Plan was December 31, 2019. The next required filing of an actuarial valuation for funding purposes will be performed with a date no later than December 31, 2022.

**(ii) TTC Pension Plan**

The TTC participates in a defined benefit pension plan (TTC Pension Fund). The TTC Pension Fund is administrated by the Toronto Transit Commission Pension Fund Society (Society), a separate legal entity. The Board of Directors of the Society consists of 10 voting members, five of whom are appointed from the Toronto Transit Commission and five are appointed from the Amalgamated Transit Union Local 113 (ATU). Pursuant to the Sponsors Agreement between the ATU and the TTC, the TTC Pension Fund was registered as a Jointly Sponsored Pension Plan (JSPP) effective January 1, 2011.

The plan is accounted for as a joint defined benefit plan as the TTC and its employees jointly share the risk in the plan and share control of decisions related to the plan administration and to the level of benefits and contributions on an ongoing basis. The TTC is required to account for its portion of the plan (i.e. 50%) and therefore, recognized 50% of the pension expense incurred during the year and 50% of the plan's assets and obligation.

Effective January 1, 2019, in lieu of the TTC paying the administrative expenses of the TTC Pension Fund Society directly, the TTC and the Society agreed that the TTC would make a fixed contribution to the Society each January. The fixed contribution is adjusted annually based on the Toronto consumer price index. Along with the change, the former TTC employees of the Society became employees of the Society itself (as an employer). The contribution to administrative costs and the increase in the service cost have been reflected in the schedules below.

The plan covers substantially all employees of the TTC (and the Society) who have completed six months of continuous service. Under the Plan, contributions are made by the plan members and matched by the TTC (or the Society, as an employer). The contribution rates are set by the Board, subject to the funding requirements determined in the actuarial report and subject to the limitations in the Sponsors Agreements between ATU and the TTC.

The plan provides pensions to members, based on a formula that factors in the length of credited service and best four years of pensionable earnings up to a base year. A formula exists that sets a target for pensioner increases. The Board of Directors of the Society make decisions with respect to affordable pension formula updates, pension indexing and plan improvements based on the results of the most recent funding valuation and the priorities set out in the plan's by-laws and funding policy.

Effective January 1, 2019, the base year for the TTC pension plan and the funded supplemental pension plans was updated to December 31, 2018 from December 31, 2017. In addition, the survivor benefit date was updated to January 1, 2019 (from January 1, 2018) and an ad hoc increase of up to 2.16% (December 31, 2018 - 1.56%) was granted to all pensioners. The TTC's share of the prior service cost of these plan amendments have been reflected in the Consolidated Statement of Operations and Accumulated Surplus.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 (in millions of dollars)

The effective date of the most recent actuarial valuation for funding purposes for the TTC Pension Fund was January 1, 2019. The next required actuarial valuation for funding purposes will be performed as at January 1, 2020. The effect date of the most recent valuation for accounting purposes was December 31, 2019.

Actuarial assumptions for the TTC Pension Plan are as follows:

	2019	2018
Discount rate	6.25%	6.25%
Expected rate of return on plan assets	6.25%	6.25%
Rate of increase in salaries	3.25%	3.25%
Inflation rate	2.00%	2.00%

### (iii) City Pension Plans

During 2019, the City continued to administer four defined benefit pension plans that provide benefits to employees who were employed prior to the establishment of the OMERS pension plan. The plans cover closed groups of employees hired prior to July 1, 1968 and provide for pensions based on length of service and final average earnings.

During 2019, the Superintendent of Financial Services provided his consent to complete the Civic, Police, Metro, and York pension plan mergers with OMERS with the effective dates of July 31, 2019, August 31, 2019, October 31, 2019 and December 20, 2018 respectively.

Actuarial valuations were completed for the future obligation amounts that OMERS would have to assume as the new pension administrator. The City transferred the corresponding funds to OMERS on October 7, 2019, November 5, 2019, January 8, 2020 and January 8, 2019 respectively. The overall actuarial valuation for funding purposes for the City's pension plans was completed on December 31, 2019. The next required actuarial valuation for funding purposes will be performed as at December 31, 2020.

The mergers of the City's four pension plans have resulted in the recognition of \$106.0M of surplus by the City for its share of the pension plan surpluses.

There is no surplus distribution for the York pension plan merger as per the terms in the surplus sharing agreements. The City proceeded with the surplus distribution applications to the Superintendent of Financial Services as per the terms in the surplus sharing agreements and completing the regulatory documents to wind-up the pension plans for Civic, Police and Metro. These applications were submitted to the Superintendent of Financial Services on June 26, 2020, June 9, 2020 and August 21, 2020 respectively. The City anticipates these surplus distributions and wind-up of the pension plans will be approved by the Superintendent of Financial Services in late 2020 or 2021.

As at December 31, 2019, there were 317 (2018 – 340) Fire pensioners with an average age of 82.2 (2018 – 81.5) and 298 (2018 - 303) spousal beneficiaries in receipt of a pension, with an average age of 82.2 (2018 – 81.8). Pension payments and refunds during the year were \$20 (2018 - \$21). Given that all remaining members in the plans have over 35 years of service, there are no contributions being made into the plans.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 (in millions of dollars)

	2019			2018
	Pension assets – market value – end of year	Actuarial pension obligation – end of year	Net actuarial surplus	Net actuarial surplus
Toronto Civic Employee Pension Plan	113	-	113	89
Metropolitan Toronto Pension Plan	432	345	87	66
Metropolitan Toronto Police Pension Plan	21	-	21	7
City of York Employee Pension Plan	0.4	-	0.4	0.4
Toronto Firefighters Pension Plan	202	165	37	24
<b>Total of City Pension Plans</b>	<b>768</b>	<b>510</b>	<b>258</b>	<b>186</b>

### 15. Inventories

	2019	2018
Inventories	175	171
Properties held for resale	125	157
	<b>300</b>	<b>328</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 (in millions of dollars)

### 16. Tangible Capital Assets

	2019			2018
	Cost	Accumulated amortization	Net book value	Net book value
<b>General</b>				
Land	4,068	-	4,068	4,052
Land Improvements	1,444	627	817	587
Buildings and Building Improvements	11,679	4,105	7,574	7,495
Machinery and Equipment	3,040	1,702	1,338	1,351
Motor Vehicles	2,876	1,593	1,283	1,140
<b>Total General</b>	<b>23,107</b>	<b>8,027</b>	<b>15,080</b>	<b>14,625</b>
<b>Infrastructure</b>				
Land	140	-	140	140
Buildings and Building Improvements	827	210	617	617
Machinery and Equipment	2,974	1,307	1,667	1,513
Water and Wastewater Linear	6,927	2,463	4,464	4,228
Roads Linear	4,810	2,372	2,438	2,443
Transit	9,589	4,243	5,346	4,766
<b>Total Infrastructure</b>	<b>25,267</b>	<b>10,595</b>	<b>14,672</b>	<b>13,707</b>
<b>Assets under Construction</b>	<b>4,812</b>	<b>-</b>	<b>4,812</b>	<b>4,385</b>
<b>Total</b>	<b>53,186</b>	<b>18,622</b>	<b>34,564</b>	<b>32,717</b>

General capital assets include those assets which are not part of a network. Land includes all of the City's land except land under roads. Land improvements include outdoor parks and recreation facilities, land improvements around buildings, and the active landfill site. Buildings include office buildings, community centres, police, fire and ambulance stations, TCHC housing units and transit buildings. Machinery and equipment includes equipment used by Fire and Toronto Paramedic Services as well as computers and furniture. Corporate fleet and transit buses make up the vehicle assets.

Infrastructure assets include those capital assets which are part of one of three networks: roads, water/wastewater, and transit. The land within this category is the value of the land under the City's roads. Water and wastewater treatment plants, pumping stations, and storm facilities are included within Infrastructure buildings and building improvements. Machinery and equipment include expressway signs and traffic signals, as well as equipment within water and wastewater treatment plants and pumping stations. Water and wastewater infrastructure includes pipe networks delivering water and removing waste water. Road networks are inclusive of road bases, surfaces and sidewalks. Transit infrastructure includes the subway system, rolling stock, track work and power distribution assets.

General machinery and equipment includes capital leases from TCHC totaling \$3.2 (2018 - \$4.5).

Contributed tangible capital assets are recognized at fair value at the date of contribution. The value of contributed assets received during the year was \$0 (2018 - Nil).

On June 4, 2019, Ontario's government passed Bill 107, Getting Ontario Moving Act (Transportation Statute Law Amendment), 2019. Schedule 3 amends the Metrolinx Act, 2006, wherein the Lieutenant Governor in Council may prescribe that a rapid transit design, development or construction project is the sole responsibility of Metrolinx. On July 23, 2019, the Province filed Ontario Regulation O248/19 which came into force on the day it was filed. The regulation designated the Relief Line/Ontario Line, Scarborough Subway Extension/Line 2 East Extension, Eglinton Crosstown LRT and Yonge Subway Extension as being the sole responsibility of the

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 (in millions of dollars)

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Province. As a result, the City ceased to design, develop, construct or work on, or cause design, construction or work on these projects.

The City received an offer from the Minister of Transportation in October 2019, which included an offer to contractually compensate the City for investments the City had made related to the designated subway projects. In February 2020, the City and the Province signed a preliminary agreement (Ontario-Toronto Transit Partnership) that noted amongst other items, the following:

- The existing subway assets will remain the responsibility and under the ownership of the City and the TTC;
- The Province will have sole responsibility for the planning, design and construction of the former TTC subway projects, and intends to own the resulting assets; and
- The Province will undertake a financial review and reconciliation exercise with the City, related to the investments made by the TTC related to the planning, design and engineering work for these subway projects. Subject to the outcome of the exercise, the Province commits to reimburse the City for reasonable costs incurred for these projects.

In 2019, the TTC reassigned consultant contracts related to the three transit projects to Metrolinx. The City derecognized \$239 million from its assets under construction balance, which represents the costs related to these subway projects, and recognized a financial asset (Note 2) for the same amount that reflects the City's best estimate of amounts owing from the Province for reimbursement of reasonable costs incurred for these subway projects pursuant to the terms of the preliminary agreement. The financial review and reconciliation exercise has not yet been completed and, as a result, significant measurement uncertainty exists with respect to the reimbursement amount from the Province for these subway projects. Adjustments to the amounts owing from the Province, if any, resulting from the financial review and reconciliation exercise will be reflected in a future period once this process is completed.

The City recognized an additional write down of \$4.2 of Machinery and Equipment during the year (2018 - Nil).

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 (in millions of dollars)

### 17. Accumulated Surplus

	2019	2018
Operating Fund	569	363
Capital Fund	1,932	1,393
Reserves and Reserve Funds (a)	2,241	2,276
Net Investment in TCA (b)	26,719	25,682
Liabilities to be Funded from future revenues (c)	(4,655)	(4,540)
<b>Total</b>	<b>26,806</b>	<b>25,174</b>
 (a) Reserves and Reserve Funds		
Reserves:		
Corporate	652	764
Stabilization	203	204
Water and Wastewater	100	139
Donations	2	1
	<u>957</u>	<u>1,108</u>
 Reserve Funds:		
Employee Benefits	296	289
Corporate	568	492
Community Initiatives	174	139
State of Good Repair	246	248
	<u>1,284</u>	<u>1,168</u>
<b>Total Reserves and Reserve Funds</b>	<b>2,241</b>	<b>2,276</b>
 (b) Net Investment in TCA		
Tangible Capital Assets (Note 15)	34,564	32,717
Mortgages Payable (Note 12)	(289)	(292)
Long-Term Debt (Note 13)	(7,104)	(6,502)
Environmental and Contaminated Site Liabilities (Note 11)	(452)	(241)
<b>Total Net Investment in TCA</b>	<b>26,719</b>	<b>25,682</b>
 (c) Liabilities to be funded from future revenues		
Employee Benefit Liabilities (Note 14)	(4,133)	(4,011)
Provision for Property and Liability Claims (Note 12)	(522)	(529)
<b>Total Liabilities to be Funded</b>	<b>(4,655)</b>	<b>(4,540)</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 (in millions of dollars)

### 18. Commitments and Contingencies

a) In the normal course of its operations, labour relations, and completion of capital projects, the City is subject to various litigations, arbitrations, and claims. Where the potential liability is determinable, management believes that the ultimate disposition of the matters will not materially exceed the amounts recorded in the accounts. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to claims will be recorded in the period during which the liability is determinable. Amounts recorded in the accounts have not been disclosed in the financial statements as disclosure may adversely impact the outcome. Management's estimate is based on an analysis of specific claims and historical experience with similar claims. Any amendment to amounts accrued will be recorded once new information becomes available.

b) The City of Toronto has entered into the following commitments:

	<u>Total contract/contribution</u>	<u>Outstanding amount</u>
City Council approved contribution amount to 2025 for agreements with Province of Ontario and Metrolinx for the execution of the SmartTrack Program	1,470.0	1,469.9
Contract award to end of 2021 for the rehabilitation of the F.G Gardiner Expressway	314.0	202.3
Contract award to end of 2024 for the construction of Coxwell Bypass Tunnel	404.3	270.0
Contract award to early 2024 for the construction of New Outfall at Ashbridges Bay Treatment Plant	264.8	224.4
Contract award to end of 2030 for Waste Transport Services for four City districts	191.4	191.4

c) The TTC has entered into the following commitments:

	<u>Total contract</u>	<u>Outstanding amount</u>
Contract for 82 train sets 82 delivered to date	1,517.7	44.3
Contract for 204 Light Rail Vehicles 202 delivered to date	1,138.0	40.2
Contract for 1,073 Low Floor Clean Diesel Buses 1,073 delivered to date	754.5	3.4
Contract for 200 Hybrid Electric Buses 200 delivered to date	204.1	7.0
Contract for 128 Low Floor Wheel Trans Mini-Buses 128 delivered to date	23.6	2.3
Contract for 55 Battery Electric Buses 20 delivered to date	79.0	49.1

The TTC could be exposed to significant or material contractual cancellation penalties if any of its commenced capital projects do not continue as planned.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 (in millions of dollars)

- d) Council has approved the Policy for the Provision of Line of Credit and Loan Guarantees for Cultural and Community-Based Organizations that have a financial relationship with the City. The total amount of all lines of credit provided by the City under the policy for operating line of credit guarantees is limited to \$10 in the aggregate. The total amount of all capital loan guarantees provided by the City under the policy for capital loan guarantees is limited to \$300 in the aggregate, with individual loan guarantees being limited to a maximum of \$10 unless otherwise approved by Council. The total amount of all direct loans provided by the City under the policy for direct City loans is limited to \$125 in the aggregate. At December 31, 2019 the City had provided capital loan guarantees to certain third parties amounting to \$68.2 (2018 - \$41.1), and operating line of credit guarantees of \$6 (2018 - \$6), primarily related to several cultural non-profit organizations, and direct City loans amounting to \$52.6 (2018 - \$57.9), primarily to City agencies.

Interest terms on direct City loans were generally set equivalent to the cost of City borrowing at the time the loans were made. The repayment maturity dates on these loans typically range from 20 to 30 years. For loans guaranteed by the City, third party financing rates to community organizations are closer to prime interest rates, on terms ranging from 5 to 30 years.

The City maintains priority lender status on direct City loans, and has the right to remedy any defaults on line of credit and loan guarantees. Further, the City has established a Doubtful Loan Reserve to serve as source for funding any potential losses. The current balance in this fund is \$0.25 as at 2019 year end (2018 – \$0.25).

- e) At December 31, 2019, the City is committed to future minimum annual operating lease payments as follows:

	<b>2019</b>
	<hr/>
2020	76
2021	49
2022	40
2023	33
2024	28
Thereafter	<hr/> 146
	<hr/> <b>372</b> <hr/>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 (in millions of dollars)

### 19. Budget Data

Budget data presented in these consolidated financial statements is based on the 2019 operating and capital budgets approved by Council. Adjustments to budgeted values were required to provide comparative budget figures based on the full accrual basis of accounting. The following chart reconciles the approved budget with the budget figures as presented in these consolidated financial statements.

Revenues	Approved by Council	Consolidated Entities	Adjustments	Total Adjusted Budget
<u>Operating</u>				
Operating budget (net)	11,643	325	-	11,968
<u>Non-levy</u>				
Solid Waste Management Services	412	-	-	412
Toronto Parking Authority	167	-	(51)	116
Toronto Water	1,331	-		1,331
Reclassification of revenue for budgeting and reporting purpose	5	-	-	5
Capital budget	4,917	-	-	4,917
<u>Adjustments</u>				
Interfund revenue elimination	(495)	-	(2,686)	(3,181)
Other revenue	-	-	85	85
Taxation eliminated	(20)	-	-	(20)
Debt proceeds	-	-	(1,565)	(1,565)
<b>Total Revenue</b>	<b>17,960</b>	<b>325</b>	<b>(4,217)</b>	<b>14,068</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 (in millions of dollars)

Expenses	Approved by Council	Consolidated Entities	Adjustments	Total Adjusted Budget
<u>Operating</u>				
Gross operating expenses (net)	11,643	304	-	11,947
<u>Non-levy</u>				
Solid Waste Management Services	412	-	-	412
Toronto Parking Authority	167	-	-	167
Toronto Water	1,331	-	-	1,331
Reclassification of revenue for budgeting and reporting purpose	5	-	-	5
Capital budget	4,917	-	-	4,917
<u>Adjustments</u>				
Interfund expense elimination	(495)	-	(1,895)	(2,390)
Interdepartmental charges	-	-	(316)	(316)
Taxation elimination	(20)	-	-	(20)
Acquisition of Tangible Capital Assets	-	-	(3,724)	(3,724)
Amortization	-	-	1,382	1,382
Debt principal repayments	-	-	(365)	(365)
<b>Total Expenses</b>	<b>17,960</b>	<b>304</b>	<b>(4,918)</b>	<b>13,346</b>
<b>Annual Surplus</b>	<b>-</b>	<b>21</b>	<b>701</b>	<b>722</b>

### 20. Government Transfers

	2019	2018
<b><u>By Function</u></b>		
Social and Family Services	1,963	1,929
Transportation	791	897
Health Services	326	323
General Government	111	118
Social Housing	106	107
Protection to Persons and Property	64	56
Environmental Services	77	40
Planning and Development	41	26
Recreation and Cultural Services	14	9
<b>Total Transfers by Function</b>	<b>3,493</b>	<b>3,505</b>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 (in millions of dollars)

	2019	2018
<b>By Source</b>		
Operating Transfers		
Federal	242	208
Provincial	2,369	2,348
Other	14	13
	<u>2,625</u>	<u>2,569</u>
Capital Transfers		
Federal	520	766
Provincial	308	132
Other	40	38
	<u>868</u>	<u>936</u>
<b>Total Transfers by Source</b>	<b><u>3,493</u></b>	<b><u>3,505</u></b>

### 21. Other Revenue Sources

	2019	2018
Other Income	283	300
Pension Surplus (Note 14)	106	-
Sale of recycled materials and properties	102	119
Utilities cut and other recoveries	95	112
Hotel, Lodging and Sign tax	68	58
<b>Total Other Revenue Sources</b>	<b><u>654</u></b>	<b><u>589</u></b>

### 22. Total Expenses

	2019	2018
Salaries, Wages and Benefits	6,042	5,813
Contracted Services	1,910	1,865
Transfer Payments	1,721	1,463
Materials	866	1,289
Amortization (Schedule 1)	1,383	1,267
Interest on Long-Term Debt	337	328
Other	492	281
	<b><u>12,751</u></b>	<b><u>12,306</u></b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 (in millions of dollars)

### 23. Trust Funds

Trust funds administered by the City amounting to \$27 (2018 - \$26) have not been consolidated in these financial statements.

	2019	2018
Keele Valley Site Post-Closure Trust Fund (Note 11)	8	8
Homes for the Aged Trust Fund – Residents	6	6
Community Centre Development Levy Trust Fund – Railway Lands	5	5
Toronto Police Service Board Mounted Unit	2	2
Waterpark Place Trust Fund	1	1
Contract Aftercare Trust Fund	1	1
Other Trust Funds	4	3
	<b>27</b>	<b>26</b>

### 24. Subsequent Events

#### Build Toronto Dividend

On April 24, 2020, the Board of Directors of Build Toronto declared a dividend of \$25 to be paid in 2020 to the City of Toronto.

#### Responses to COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus (COVID-19) as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. On March 23, 2020, the City declared a state of emergency. These public health and emergency measures, which include the implementation of travel bans, self-imposed quarantine period and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. The impact of COVID-19 pandemic is considered to be a non-adjusting event at the balance sheet date and accordingly, the City has not reflected these subsequent conditions in the measurement of its assets as at December 31, 2019.

Given the ongoing and dynamic nature of the circumstances surrounding COVID-19, it is difficult to predict how significant the impact of COVID-19, including any responses to it, will be on the economy and the City's operations in particular, or for how long any disruptions are likely to continue. The extent of such impact will depend on future developments, which are highly uncertain, rapidly evolving and difficult to predict, including new information which may emerge concerning the severity of COVID-19 and additional actions which may be taken to contain COVID-19, as well as the timing of the re-opening of the economy in Canada.

In response to the City's efforts in addressing COVID-19, the organization has experienced decreases to its revenues and increases to its expenditures. On July 27, 2020, the Government of Ontario, in partnership with the Government of Canada, announced financial support for Ontario's 444 municipalities as part of the Safe Restart Agreement. Under this agreement, the City has secured \$668 of financial support, which are to be used towards municipal transit, social services, and general municipal operations.

#### TCHC Financing Agreement

On December 20, 2019, a financing agreement was signed between TCHC and Canada Mortgage and Housing Corporation (CMHC). TCHC expects to receive loans up to \$1,341 to fund eligible expenditures under the capital repair program between 2020 to 2027. The amount is based on a current portfolio of 58,860 units and a reduction below the current portfolio will result in a proportionate reduction in the amount. The loans contain a repayable amount up to \$814 and a forgivable amount up to \$527. The repayable amount is interest bearing at fixed interest rate determined by the lender at the time of each advance and is amortized for 30 years. The forgivable loan amount is forgivable over a 20-year period subject to TCHC meeting certain terms and conditions as outlined in the financing agreement.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 (in millions of dollars)

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Pursuant to the financing arrangement with CMHC, TCHC submitted a claim and received a total amount in 2020 of \$116 comprised of a repayable loan amount of \$58 bearing interest of 1.32% and a forgivable loan amount of \$58.

### **25. Comparative Values**

Certain 2018 values have been regrouped from consolidated financial statements previously presented, to conform with the presentation adopted in 2019.

### **26. Greenhouse Gas (GHG) Emission Reductions (unaudited)**

Toronto's climate action strategy (TransformTO) lays out a set of long-term, low-carbon goals and strategies to reduce local greenhouse gas emissions, and improve our health, grow the economy, and progress social equity. Under this strategy, Toronto's targets are to reduce GHG emissions from 1990 levels by 30% by 2020, 65% by 2030 and net zero by 2050, or sooner. Toronto has released its 2017 inventory on community-wide GHG emissions which indicates that GHG emissions in Toronto were 44% lower in 2017 than in 1990.

## CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

## SCHEDULE 1

As at and for the year ended December 31, 2019 (in millions of dollars)

2019

	Cost 2019					Accumulated Amortization 2019				Net Book Value 2019
	Beginning	Additions	Disposals / Transfers	Donated	Ending	Beginning	Amortization	Disposals	Ending	
<b>General</b>										
Land	4,052	39	(23)	-	4,068	-	-	-	-	4,068
Land improvements	1,057	387	-	-	1,444	470	157	-	627	817
Buildings and building improvements	11,372	319	(12)	-	11,679	3,877	231	(3)	4,105	7,574
Machinery and equipment	2,931	181	(72)	-	3,040	1,580	189	(67)	1,702	1,338
Vehicles	2,711	351	(186)	-	2,876	1,571	206	(184)	1,593	1,283
<b>Total General</b>	<b>22,123</b>	<b>1,277</b>	<b>(293)</b>	<b>-</b>	<b>23,107</b>	<b>7,498</b>	<b>783</b>	<b>(254)</b>	<b>8,027</b>	<b>15,080</b>
<b>Infrastructure</b>										
Land	140	-	-	-	140	-	-	-	-	140
Buildings and building improvements	810	17	-	-	827	193	17	-	210	617
Machinery and equipment	2,733	241	-	-	2,974	1,220	87	-	1,307	1,667
Water and wastewater linear	6,604	332	(9)	-	6,927	2,376	92	(5)	2,463	4,464
Roads linear	4,734	96	(20)	-	4,810	2,291	99	(18)	2,372	2,438
Transit	8,982	885	(278)	-	9,589	4,216	305	(278)	4,243	5,346
<b>Total infrastructure</b>	<b>24,003</b>	<b>1,571</b>	<b>(307)</b>	<b>-</b>	<b>25,267</b>	<b>10,296</b>	<b>600</b>	<b>(301)</b>	<b>10,595</b>	<b>14,672</b>
<b>Assets under construction</b>	<b>4,385</b>	<b>752</b>	<b>(325)</b>	<b>-</b>	<b>4,812</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,812</b>
<b>TOTAL</b>	<b>50,511</b>	<b>3,600</b>	<b>(925)</b>	<b>-</b>	<b>53,186</b>	<b>17,794</b>	<b>1,383</b>	<b>(555)</b>	<b>18,622</b>	<b>34,564</b>

**CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS**
**SCHEDULE 1**

As at and for the year ended December 31, 2018 (in millions of dollars)

**2018**

	<b>Cost 2018</b>					<b>Accumulated Amortization 2018</b>				<b>Net Book Value 2018</b>
	Beginning	Additions	Disposals / Transfers	Donated	Ending	Beginning	Amortization	Disposals	Ending	
<b>General</b>										
Land	3,637	421	(6)	-	4,052	-	-	-	-	4,052
Land improvements	1,004	53	-	-	1,057	438	32	-	470	587
Buildings and building improvements	10,403	1,037	(68)	-	11,372	3,538	339	-	3,877	7,495
Machinery and equipment	2,642	342	(53)	-	2,931	1,452	180	(52)	1,580	1,351
Vehicles	2,585	374	(248)	-	2,711	1,613	205	(247)	1,571	1,140
<b>Total General</b>	<b>20,271</b>	<b>2,227</b>	<b>(375)</b>	<b>-</b>	<b>22,123</b>	<b>7,041</b>	<b>756</b>	<b>(299)</b>	<b>7,498</b>	<b>14,625</b>
<b>Infrastructure</b>										
Land	140	-	-	-	140	-	-	-	-	140
Buildings and building improvements	715	95	-	-	810	178	15	-	193	617
Machinery and equipment	2,363	370	-	-	2,733	1,142	78	-	1,220	1,513
Water and wastewater linear	6,364	246	(6)	-	6,604	2,293	87	(4)	2,376	4,228
Roads linear	4,592	150	(8)	-	4,734	2,198	97	(4)	2,291	2,443
Transit	8,531	501	(50)	-	8,982	4,032	234	(50)	4,216	4,766
<b>Total infrastructure</b>	<b>22,705</b>	<b>1,362</b>	<b>(64)</b>	<b>-</b>	<b>24,003</b>	<b>9,843</b>	<b>511</b>	<b>(58)</b>	<b>10,296</b>	<b>13,707</b>
<b>Assets under construction</b>	<b>4,371</b>	<b>894</b>	<b>(880)</b>	<b>-</b>	<b>4,385</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,385</b>
<b>TOTAL</b>	<b>47,347</b>	<b>4,483</b>	<b>(1,319)</b>	<b>-</b>	<b>50,511</b>	<b>16,884</b>	<b>1,267</b>	<b>(357)</b>	<b>17,794</b>	<b>32,717</b>

## CONSOLIDATED SCHEDULE OF GOVERNMENT BUSINESS ENTERPRISES

## APPENDIX 1

As at and for the year ended December 31, 2019 (in millions of dollars)

Condensed Financial Results (\$) Fiscal Year Ended	<u>Toronto Hydro Corporation</u> December 31		<u>Toronto Parking Authority</u> December 31		<u>Total</u>	
	2019	2018	2019	2018	2019	2018
<b>Financial Position</b>						
Assets						
Current	564	517	117	85	681	602
Capital	5,041	4,711	213	206	5,254	4,917
Other	179	137	42	53	221	190
	<b>5,784</b>	<b>5,365</b>	<b>372</b>	<b>344</b>	<b>6,156</b>	<b>5,709</b>
Liabilities						
Current	714	975	38	32	752	1,007
Long-term	3,177	2,551	9	3	3,186	2,554
	<b>3,891</b>	<b>3,526</b>	<b>47</b>	<b>35</b>	<b>3,938</b>	<b>3,561</b>
<b>Net equity</b>	<b>1,893</b>	<b>1,839</b>	<b>325</b>	<b>309</b>	<b>2,218</b>	<b>2,148</b>
<b>City's share (Note 6)</b>	<b>1,877</b>	<b>1,824</b>	<b>325</b>	<b>309</b>	<b>2,202</b>	<b>2,133</b>
<b>Results of Operations</b>						
Revenues	3,647	3,527	165	156	3,812	3,683
Expenses	3,492	3,349	86	89	3,578	3,438
<b>Net income (loss)</b>	<b>155</b>	<b>178</b>	<b>79</b>	<b>67</b>	<b>234</b>	<b>245</b>
<b>City's share (Note 6)</b>	<b>155</b>	<b>178</b>	<b>79</b>	<b>67</b>	<b>234</b>	<b>245</b>
Distribution to City (Note 6)	-	-	63	62	63	62
Dividends paid to City (Note 6)	100	94	-	-	100	94
Net book value of assets sold from the City to Toronto Hydro Corporation (Note 6)	16	17	-	-	16	17

## CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – SERVICE

## APPENDIX 2

for the year ended December 31, 2019 (in millions of dollars)

2019

	General Government	Protection	Transportation	Environmental	Health	Social and Family	Social Housing	Recreation and Cultural	Planning and Development	Consolidated
Taxation*	5,209	-	-	-	-	-	-	-	-	5,209
User charges	74	234	1,410	1,504	2	67	19	180	36	3,526
Government transfers	111	64	791	77	326	1,963	106	14	41	3,493
Net GBE income	234	-	-	-	-	-	-	-	-	234
Other	589	79	376	164	4	18	396	188	107	1,921
<b>TOTAL REVENUES</b>	<b>6,217</b>	<b>377</b>	<b>2,577</b>	<b>1,745</b>	<b>332</b>	<b>2,048</b>	<b>521</b>	<b>382</b>	<b>184</b>	<b>14,383</b>
Salaries, wages and benefits	483	1,738	1,677	284	397	633	177	597	56	6,042
Materials	101	30	179	97	19	112	139	132	57	866
Contracted services	215	32	453	347	34	539	108	150	32	1,910
Interest on long-term debt	17	10	192	11	1	5	79	12	10	337
Transfer payments	(165)	64	77	112	39	1,240	95	74	185	1,721
Other	135	17	251	(17)	3	20	34	37	12	492
Amortization	102	40	753	209	4	3	198	71	3	1,383
<b>TOTAL EXPENSES</b>	<b>888</b>	<b>1,931</b>	<b>3,582</b>	<b>1,043</b>	<b>497</b>	<b>2,552</b>	<b>830</b>	<b>1,073</b>	<b>355</b>	<b>12,751</b>
<b>ANNUAL SURPLUS/ (DEFICIENCY)</b>	<b>5,329</b>	<b>(1,554)</b>	<b>(1,005)</b>	<b>702</b>	<b>(165)</b>	<b>(504)</b>	<b>(309)</b>	<b>(691)</b>	<b>(171)</b>	<b>1,632</b>

\*Taxation revenues are allocated to General Government for presentation purposes however fund all consolidated entities as required.

## CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – SERVICE

for the year ended December 31, 2018 (in millions of dollars)

## APPENDIX 2

2018

	General Government	Protection	Transportation	Environmental	Health	Social and Family	Social Housing	Recreation and Cultural	Planning and Development	Consolidated
Taxation*	5,080	-	-	-	-	-	-	-	-	5,080
User charges	72	205	1,351	1,343	2	66	18	162	36	3,255
Government transfers	118	56	898	40	323	1,929	107	9	25	3,505
Net GBE income	247	-	-	-	-	-	-	-	-	247
Other	343	69	375	73	4	18	472	226	73	1,653
<b>TOTAL REVENUES</b>	<b>5,860</b>	<b>330</b>	<b>2,624</b>	<b>1,456</b>	<b>329</b>	<b>2,013</b>	<b>597</b>	<b>397</b>	<b>134</b>	<b>13,740</b>
Salaries, wages and benefits	474	1,678	1,597	274	389	610	165	574	52	5,813
Materials	168	31	384	97	20	315	131	98	45	1,289
Contracted services	183	33	486	269	35	555	91	131	82	1,865
Interest on long-term debt	6	11	193	12	1	4	78	12	11	328
Transfer payments	(163)	54	200	112	38	970	172	72	8	1,463
Other	112	13	36	19	3	18	30	47	3	281
Amortization	96	38	682	193	4	2	177	72	3	1,267
<b>TOTAL EXPENSES</b>	<b>876</b>	<b>1,858</b>	<b>3,578</b>	<b>976</b>	<b>490</b>	<b>2,474</b>	<b>844</b>	<b>1,006</b>	<b>204</b>	<b>12,306</b>
<b>ANNUAL SURPLUS/ (DEFICIENCY)</b>	<b>4,984</b>	<b>(1,528)</b>	<b>(954)</b>	<b>480</b>	<b>(161)</b>	<b>(461)</b>	<b>(247)</b>	<b>(609)</b>	<b>(70)</b>	<b>1,434</b>

\* Taxation revenues are allocated to General Government for presentation purposes however fund all consolidated entities as required.



**CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – ENTITY**

for the year ended December 31, 2019 (in millions of dollars)

**APPENDIX 3**

**2019**

	City	Toronto Police Service	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies and Corporations	TOTAL
Taxation*	5,209	-	-	-	-	-	<b>5,209</b>
User charges	2,181	30	1,206	4	19	86	<b>3,526</b>
Government transfers	2,594	62	778	6	-	53	<b>3,493</b>
Net GBE income	234	-	-	-	-	-	<b>234</b>
Other	1,012	33	195	14	503	164	<b>1,921</b>
<b>TOTAL REVENUES</b>	<b>11,230</b>	<b>125</b>	<b>2,179</b>	<b>24</b>	<b>522</b>	<b>303</b>	<b>14,383</b>
Salaries, wages and benefits	2,986	1,137	1,485	151	177	106	<b>6,042</b>
Materials	401	10	207	4	139	105	<b>866</b>
Contracted services	1,356	23	350	29	108	44	<b>1,910</b>
Interest on long-term debt	248	8	-	-	79	2	<b>337</b>
Transfer payments	2,853	4	(741)	(191)	(258)	54	<b>1,721</b>
Other	149	6	260	3	34	40	<b>492</b>
Amortization	461	32	648	34	198	10	<b>1,383</b>
<b>TOTAL EXPENSES</b>	<b>8,454</b>	<b>1,220</b>	<b>2,209</b>	<b>30</b>	<b>477</b>	<b>361</b>	<b>12,751</b>
<b>ANNUAL SURPLUS/ (DEFICIENCY)</b>	<b>2,776</b>	<b>(1,095)</b>	<b>(113)</b>	<b>(6)</b>	<b>45</b>	<b>(58)</b>	<b>1,632</b>

\*Taxation revenues are allocated to City for presentation purposes to fund all consolidated entities as required.

## CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE BY ENTITY

## APPENDIX 3

for the year ended December 31, 2018 (in millions of dollars)

2018

	City	Toronto Police Service	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies and Corporations	TOTAL
Taxation*	5,080	-	-	-	-	-	5,080
User charges	1,952	30	1,178	4	18	73	3,255
Government transfers	2,516	55	892	6	-	36	3,505
Net GBE income	247	-	-	-	-	-	247
Other	562	31	200	16	666	178	1,653
<b>TOTAL REVENUES</b>	<b>10,357</b>	<b>116</b>	<b>2,270</b>	<b>26</b>	<b>684</b>	<b>287</b>	<b>13,740</b>
Salaries, wages and benefits	2,890	1,101	1,413	144	165	100	5,813
Materials	764	13	260	7	131	114	1,289
Contracted services	1,390	24	244	28	91	88	1,865
Interest on long-term debt	238	9	-	-	78	3	328
Transfer payments	2,414	-	(533)	(187)	(260)	29	1,463
Other	184	4	29	3	30	31	281
Amortization	434	28	579	36	178	12	1,267
<b>TOTAL EXPENSES</b>	<b>8,314</b>	<b>1,179</b>	<b>1,992</b>	<b>31</b>	<b>413</b>	<b>377</b>	<b>12,306</b>
<b>ANNUAL SURPLUS/ (DEFICIENCY)</b>	<b>2,043</b>	<b>(1,063)</b>	<b>278</b>	<b>(5)</b>	<b>271</b>	<b>(90)</b>	<b>1,434</b>

\* Taxation revenues are allocated to City for presentation purposes to fund all consolidated entities as required.

**CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – TANGIBLE CAPITAL ASSETS BY ENTITY**
**APPENDIX 4**

for the years ended December 31, 2019 and 2018

**2019 and 2018**

	<b>City, including Toronto Police Service</b>	<b>Toronto Transit Commission</b>	<b>Toronto Community Housing Corporation</b>	<b>Toronto Public Library</b>	<b>Other Agencies and Corporations</b>	<b>TOTAL</b>
<b>2019</b>						
<b>General</b>						
Cost	8,442	8,125	5,484	531	524	23,106
Accumulated amortization	2,497	3,068	2,136	196	130	8,027
<b>Net Book Value</b>	<b>5,945</b>	<b>5,057</b>	<b>3,348</b>	<b>335</b>	<b>394</b>	<b>15,079</b>
<b>Infrastructure</b>						
Cost	15,680	9,586	-	-	-	25,266
Accumulated amortization	6,352	4,242	-	-	-	10,594
<b>Net Book Value</b>	<b>9,328</b>	<b>5,344</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,672</b>
<b>Assets under construction</b>	<b>2,673</b>	<b>1,729</b>	<b>136</b>	<b>22</b>	<b>253</b>	<b>4,813</b>
<b>Total</b>	<b>17,946</b>	<b>12,130</b>	<b>3,484</b>	<b>357</b>	<b>647</b>	<b>34,564</b>
<b>2018</b>						
<b>General</b>						
Cost	8,260	7,770	5,026	490	577	22,123
Accumulated amortization	2,363	2,886	1,957	187	105	7,498
<b>Net Book Value</b>	<b>5,897</b>	<b>4,884</b>	<b>3,069</b>	<b>303</b>	<b>472</b>	<b>14,625</b>
<b>Infrastructure</b>						
Cost	15,021	8,982	-	-	-	24,003
Accumulated amortization	6,080	4,216	-	-	-	10,296
<b>Net Book Value</b>	<b>8,941</b>	<b>4,766</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,707</b>
<b>Assets under construction</b>	<b>2,070</b>	<b>1,998</b>	<b>128</b>	<b>38</b>	<b>151</b>	<b>4,385</b>
<b>Total</b>	<b>16,908</b>	<b>11,648</b>	<b>3,197</b>	<b>341</b>	<b>623</b>	<b>32,717</b>