

2020 Consolidated Financial Statements

December 31, 2020

DRAFT

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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. The consolidated financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.

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. The Auditor General independently monitors the work of the external auditors performing financial statement audits. The Auditor General meets with the external auditors, reviews the external auditor's annual audit plan and year-end reports, reviews the audited financial statements, and is kept informed by the external auditor and management of all significant audit issues. The Auditor General will report to Audit Committee on any significant matters that come to her attention that are not appropriately addressed and resolved.

The 2020 consolidated financial statements have been audited by the City of Toronto's external auditors, KPMG LLP. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the City of Toronto's consolidated financial statements.

Toronto, Canada
July XX, 2021

Andrew Flynn
Controller

Heather Taylor
Chief Financial Officer

Chris Murray
City Manager

Independent Auditor's Report

KPMG signed and dated opinion to be inserted following City Council approval

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2020 (in millions of dollars)

	2020	2019
FINANCIAL ASSETS		
Cash and Cash Equivalents	5,355	4,397
Accounts and Taxes Receivable (Note 2)	2,598	2,109
Loans Receivable (Note 3)	187	176
Other Assets (Note 4)	50	179
Investments (Note 5)	3,685	3,247
Investments in Government Business Enterprises (Note 6)	2,238	2,202
Total Financial Assets	14,113	12,310
LIABILITIES		
Bank Indebtedness (Note 7)	69	107
Accounts Payable and Accrued Liabilities (Note 8)	4,280	3,706
Deferred Revenue (Note 9)	5,216	4,217
Provision for Property and Liability Claims (Note 10)	456	522
Environmental and Contaminated Site Liabilities (Note 11)	393	452
Mortgages Payable (Note 12)	349	289
Long-Term Debt (Note 13)	7,654	7,104
Employee Benefit Liabilities (Note 14)	4,301	4,133
Total Liabilities	22,718	20,530
NET DEBT	(8,605)	(8,220)
NON-FINANCIAL ASSETS		
Prepaid Expenses	171	162
Inventories (Note 15)	334	300
Tangible Capital Assets (Note 16, Schedule 1)	36,528	34,564
	37,033	35,026
ACCUMULATED SURPLUS (Note 17)	28,428	26,806

Commitments and Contingencies (Note 18)

Subsequent Events (Note 24)

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, 2020 (in millions of dollars)

	2020 BUDGET (Note 19)	2020 ACTUAL	2019 ACTUAL
REVENUE			
Property and Taxation from Other Governments	4,579	4,582	4,410
Government Transfers (Note 20)	3,108	4,070	3,493
User Charges	3,820	2,864	3,526
Municipal Land Transfer Tax	794	804	799
Other Revenue Sources (Note 21)	731	597	654
Rent and Concessions	504	511	534
Development Charges	385	263	398
Government Business Enterprise Earnings (Note 6)	-	129	234
Investment Income	281	187	335
Total Revenue	14,202	14,007	14,383
EXPENSES			
Transportation	3,749	3,472	3,581
Social and Family Services	2,686	2,627	2,553
Protection to Persons and Property	1,987	1,946	1,930
Recreation and Cultural Services	1,180	938	1,073
Environmental Services	1,276	1,008	1,043
General Government	1,057	851	886
Social Housing	1,219	877	830
Health Services	519	536	497
Planning and Development	292	130	358
Total Expenses (Note 22)	13,965	12,385	12,751
ANNUAL SURPLUS	237	1,622	1,632
ACCUMULATED SURPLUS - BEGINNING OF YEAR	26,806	26,806	25,174
ACCUMULATED SURPLUS - END OF YEAR (Note 17)	27,043	28,428	26,806

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, 2020 (in millions of dollars)

	2020 BUDGET (Note 19)	2020 ACTUAL	2019 ACTUAL
Annual Surplus	237	1,622	1,632
Acquisition of Tangible Capital Assets	(3,410)	(3,410)	(3,493)
Amortization of Tangible Capital Assets	1,432	1,432	1,383
(Gain) on Disposal of Tangible Capital Assets	-	(31)	(14)
Recognition of Receivable from the Province (Note 2)	-	-	239
Proceeds on Disposal of Tangible Capital Assets	-	45	38
Change due to Tangible Capital Assets	(1,978)	(1,964)	(1,847)
Change in Prepaid Expenses	-	(9)	55
Change in Inventories	-	(34)	28
Increase in Net Debt	(1,741)	(385)	(132)
NET DEBT - BEGINNING OF YEAR	(8,220)	(8,220)	(8,088)
NET DEBT - END OF YEAR	(9,961)	(8,605)	(8,220)

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, 2020 (in millions of dollars)

	2020	2019
OPERATING ACTIVITIES		
Annual Surplus	1,622	1,632
Add (deduct) items not involving cash:		
Government Business Enterprise Income from Operations	(129)	(234)
Amortization of Tangible Capital Assets	1,432	1,383
(Gain) on Disposal of Tangible Capital Assets	(31)	(14)
Recognition of Pension surplus (Note 14(h)(iii))	-	(106)
	<u>2,894</u>	<u>2,661</u>
Changes in Operating Assets and Liabilities		
Accounts and Taxes Receivable	(489)	149
Accounts Payable and Accrued Liabilities	574	(132)
Deferred Revenue	999	350
Provision for Property and Liability Claims	(66)	(7)
Prepaid Expenses	(9)	55
Inventories	(34)	28
Environmental and Contaminated Sites Liabilities	(59)	211
Employee Benefit Liabilities	168	122
Cash provided by Operating Activities	<u>3,978</u>	<u>3,437</u>
CAPITAL ACTIVITIES		
Acquisition/Construction of Tangible Capital Assets	(3,410)	(3,493)
Proceeds on Disposal of Tangible Capital Assets	45	38
Cash applied to Capital Activities	<u>(3,365)</u>	<u>(3,455)</u>
INVESTING ACTIVITIES		
Other Assets	129	3
Loans Receivable	(11)	5
Proceeds from the Sale and Maturities of Investments	3,744	6,762
Purchase of Investments	(4,182)	(6,746)
Dividends and Distributions from Government Business Enterprises	93	163
Cash (applied to) / provided by Investing Activities	<u>(227)</u>	<u>187</u>
FINANCING ACTIVITIES		
Bank Indebtedness	(38)	3
Principal Repayments on Mortgages Payable	(26)	(3)
Issuance of Long-Term Debt	1,077	1,041
Principal Repayments on Long-Term Debt	(402)	(351)
Interest Earned on Sinking Funds	(39)	(88)
Cash provided by Financing Activities	<u>572</u>	<u>602</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2020 (in millions of dollars)

	2020	2019
Net Increase in Cash and Cash Equivalents during the Year	958	771
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	4,397	3,626
CASH AND CASH EQUIVALENTS – END OF YEAR	5,355	4,397
SUPPLEMENTARY INFORMATION:		
Cash paid for Interest on Long-Term Debt	199	334
Cash received for Interest on Investments	182	276

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 (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.

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. Since the first quarter of 2020, COVID-19 pandemic has impacted the global economic environment due to government-imposed lockdowns and social distancing requirements. The economic conditions and City's response to the COVID-19 pandemic had an operational and financial impact on the City. Although all 2020 COVID-19 financial impacts were managed, the full extent of the financial impact is currently indeterminable due to the evolving nature of the COVID-19 pandemic.

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, including the Toronto Police Services Board, 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 intercompany transactions and balances are not eliminated. Intercompany 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
- ❖ Board of Management of the Toronto Zoo
- ❖ Build Toronto Inc. (BTI)
- ❖ Casa Loma Corporation
- ❖ Heritage Toronto
- ❖ Lakeshore Arena Corporation
- ❖ TOLive
- ❖ Toronto Atmospheric Fund (TAF)
- ❖ Toronto Board of Health
- ❖ Toronto Community Housing Corporation (TCHC)
- ❖ Toronto Licensing Commission
- ❖ Toronto Public Library Board
- ❖ Toronto Transit Commission (TTC)
- ❖ Create TO
- ❖ Yonge-Dundas Square
- ❖ City of Toronto Economic Development Corporation c.o.b. Toronto Port Lands Company (TPLC)
- ❖ Toronto Pan Am Sports Centre Inc. (TPASC) (50% proportionately)
- ❖ Toronto Waterfront Revitalization Corporation (TWRC) (33.33% proportionately)

Arenas:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 (in millions of dollars)

Community Centres:

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

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
- ✦ Broadview Danforth
- ✦ Cabbagetown
- ✦ Chinatown
- ✦ Church Wellesley Village
- ✦ Forest Hill Village
- ✦ Gerrard India Bazaar
- ✦ Greektown on the Danfort
- ✦ Harbord Street
- ✦ Hillcrest Village
- ✦ 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 Village
- ✦ 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 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 intercompany 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).

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.

The pandemic has caused fluctuating markets that directly impact the discount rates used for the estimates. The full extent of the impact that COVID-19 pandemic, including government and regulatory responses to the pandemic, will have on the Canadian economy and the City's operations remains uncertain at this time.

Assets

Assets are economic resources controlled by the City as a result of past transactions or events and from which future economic benefits are expected to be obtained. For the year ended December 31, 2020, all material assets have been disclosed and reported within the City's consolidated financial statements.

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. When the terms associated with a loan are considered to be concessionary that all or a part of the loan is considered to be a grant, the City will expense the grant portion of the transaction as an expense in the Consolidated Statement of Operations and Accumulated Surplus at the time the loan is made.

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

Taxation revenues and associated receivables are recognized when they meet the definition of an asset, are authorized, and the taxable event occurs. 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 account for changes in collectability of the City's taxation receivables is reflected 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 consist of transit fees, utility charges (water, wastewater and solid waste), licensing fees, and fees associated with City programs and facilities rentals. Revenue is recognized when the activity is performed or when the services are rendered.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 (in millions of dollars)

Government Transfers to the City are recognized as revenues in the period in 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 by 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.

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.

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

Dividends are recognized when declared.

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 revenues 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 in the Consolidated Statement of Operations and Accumulated Surplus.

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 related to 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 in the Consolidated Statement of Operations and Accumulated Surplus.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 (in millions of dollars)

The City also provides for the estimated costs to remediate contaminated sites that are in productive use 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 for 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 in the Consolidated Statement of Operations and Accumulated Surplus.

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 as well as post-amalgamation retirees grandparented from their former area municipality. 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 contribution plan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 (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 City categories its TCA based on two major categories: general and infrastructure:

- 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 police, fire and 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.

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

Lease arrangements, which transfer substantially all of the risks and benefits that are incidental to ownership, are recognized as a leased tangible capital asset and amortized over the lease term. All other forms of lease arrangements are considered to be operating in nature. Operating lease payments are expensed as incurred as part of the City's Consolidated Statement of Operations and Accumulated Surplus.

Cloud-based software costs are assessed to determine if they meet the definitions of an asset and tangible capital asset. In the event the transactions satisfy both of the definitions, the City recognizes all costs associated with preparing the software for its intended use as part of the Assets Under Construction balance. Once the software has been fully implemented and is operational, the City will reclassify the associated costs to 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>	
<i>General assets</i>	
Land improvements	10 - 70 years
Buildings and building improvements	10 - 100 years
Machinery and equipment	4 - 75 years
Motor vehicles	5 - 20 years

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 (in millions of dollars)

<i>Infrastructure assets</i>	
Water and wastewater linear	60 - 100 years
Roads linear	4 - 100 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.

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 Consolidated 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.

Inventory

Inventory of materials and supplies is valued at the lower of cost and replacement cost. Inventory of land held for sale is valued at the lower of cost or net realizable value.

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.

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 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.

Contractual Rights and Obligations

Contractual rights reflect future rights to economic resources arising from contracts and/or agreements that will result in both an asset and revenue in future fiscal periods. For the year ended on December 31, 2020, the City is not aware of any contracts and/or agreements, which would result in contractual rights.

Contractual obligations represent obligations, which will result in liabilities upon the completion of agreed upon terms specified in contracts and/or agreements in future fiscal periods. For further details regarding the City's contractual obligations, including the nature, extent and timing of these types of transactions, please refer to Note 18.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 (in millions of dollars)

Contingent Assets and Liabilities

Contingent assets and contingent liabilities arise from circumstances when the City is uncertain whether it has an asset and/or liability on the date of the financial statements. The existence of the asset and/or liability is ultimately dependent upon the occurrence or non-occurrence of a future event that is outside of the entity's control.

For the year ended on December 31, 2020, the City is not aware of any contingent assets. However, disclosure regarding the City's contingent liabilities, including the nature, extent, and basis of estimates (if available), can be found in Note 18.

Loan Guarantees

The City provides loan guarantees for various cultural and community-based organizations, which are not consolidated as part of the City's consolidated financial statements. As loan guarantees represent potential financial commitments for the City, these amounts are considered as contingent liabilities and not formally recognized as liabilities until the City considers it likely for the borrower to default on its obligation. In the event a default occurs, the City will recognize a corresponding liability as part of the consolidated financial statements.

Related Party Transaction

A related party exists when one party has the ability to exercise control or shared control over the other. Related parties also include key management personnel, such as City Councillors and members of the Corporate Leadership Team, as well as their close family members.

PS 2200 – Related Party Disclosure requires the City to disclose circumstances in which the entity enters into transactions with its related parties at a value different from that which would have been arrived at if the parties were unrelated (i.e. not at arm's length) and these transactions are considered to have a significant financial impact on the City's consolidated financial statements. In the event qualifying transactions are identified, the City would disclose the nature of relationships with all involved parties, type of related party transaction, and amounts recognized in the consolidated financial statements.

As of December 31, 2020, the City is not aware of any material related party transactions aside from those that have already been disclosed as part of Note 6, Investments in Government Business Enterprise Earnings.

Future Accounting Pronouncements

The City continues to assess the impact on its consolidated financial statements of the following upcoming changes to PSAS.

While the timing of standard adoption can vary, certain standards must be adopted concurrently. The requirements in PS 1201 – Financial Statement Presentation, PS 3450 – Financial Instruments, PS 2601 – Foreign Currency Translation and PS 3041 – Portfolio Investments must be implemented at the same time. The City has not adopted any new accounting standards for the year ended on December 31, 2020.

Standards applicable for fiscal years beginning on or after April 1, 2022 (in effect for the City for the year ending on December 31, 2023):

PS 1201 – Financial Statement Presentation replaces PS 1200 – Financial Statement Presentation. This standard 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 separate from the Statement of Operations. The new statement reports the changes in the values of financial assets and financial liabilities arising from their remeasurement at current exchange rates and/or fair value, and the government's proportionate share of other comprehensive income arising from the results of government business enterprises and partnerships.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 (in millions of dollars)

PS 3450 – Financial instruments establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments can be elected to be measured at cost, amortized cost or fair value. Unrealized gains and losses arising from changes in fair value are presented in the new Statement of Remeasurement Gains and Losses.

PS 2601 – Foreign Currency Translation replaces PS 2600 – Foreign Currency Translation. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denominated in a foreign currency that are reported at fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Statement of Remeasurement Gains and Losses. However, the new standard also provides an election that will allow for the continued recognition of all exchange gains and losses directly in the Statement of Operations.

PS 3041 – Portfolio Investments replaces PS 3040 – Portfolio Investments. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 – Financial Instruments. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 – Temporary Investments will no longer apply.

PS 3280 – Asset Retirement Obligations establishes the accounting and reporting requirements for legal obligations associated with the retirement of tangible capital assets controlled by a government or government organization. A liability for a retirement obligation can apply to tangible capital assets either in productive use or no longer in productive use. Upon adoption of this standard, PS3270 Solid Waste Landfill Closure and Post-closure Liability will no longer apply.

Standards applicable for fiscal years beginning on or after April 1, 2023 (in effect for the City for the year ending on December 31, 2024):

PS 3160 – Public Private Partnerships (P3s) identifies requirements on how to account for and disclose transactions in which public sector entities procure major infrastructure assets and/or services from private sector entities. Recognition of assets arising from P3 arrangements is ultimately dependent on whether public sector entities control the purpose and use of the assets, access to the future economic benefits and exposure to the risks associated with the assets, and significant residual interest in the asset, if any, at the end of the term of P3s. Measurement of the asset and related liability will also be dependent on the overall model used to compensate the private sector entity.

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.

PSG-8 – Purchased intangibles provides guidelines on accounting and reporting for purchased intangibles. Concurrently, PS 1000 – Financial Statement Concepts has been amended to remove the prohibition against recognizing intangibles purchased in an exchange transaction in public sector financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 (in millions of dollars)

2. Accounts and Taxes Receivable

	2020	2019
Federal and Provincial Government Receivables	1,309	1,047
Property Taxes Receivables	466	255
Trade and Other Receivables	823	807
	2,598	2,109

Included in Federal and Provincial Government receivables are:

- Safe Restart Agreement (SRA) – \$355 (2019 – \$nil): intended to support safe restart of the economy following the COVID-19 pandemic. \$153 has been received since December 31, 2020;
- Provincial Transit Infrastructure Fund (PTIF) claims – \$294 (2019 – \$292): \$144 has been received since December 31, 2020; and
- Provincial Gas Tax (PGT) – \$139 (2019 – \$136): \$139 has been received since December 31, 2020.

In 2019, the Province enacted 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 Province. As a result, the City and the TTC ceased to design, develop, construct or work on, or cause design, construction or work on these projects. The TTC also reassigned consultant contracts related to the three transit projects to Metrolinx. In response to this transfer, the City recognized a receivable of \$239, which reflected the City's best estimate of amounts owing from the Province for reimbursement of reasonable costs incurred for these subway projects. The City is continuing to recognize this receivable as at December 31, 2020. No changes to this estimate are anticipated at this time.

3. Loans Receivable

	2020	2019
TCHC promissory notes, loan agreements and receivables, bearing interest rates between 3.0% and 6.0% (2019 – 3.0% to 4.9%) per annum with maturity dates from 2021 to 2057 (2019 – 2020 to 2057)	72	61
BTI loan facility and vendor-take-back (VTB) mortgages, bearing interest rates between 3.3% and 5.0% (2019 – 3.3% to 5.0%) per annum with maturity dates from 2023 to 2027	32	33
Loans receivable from community housing organizations bearing interest rates between 0% and 5.0% (2019 - 0% to 5.0%) per annum, with maturity dates from 2021 to 2074 (2019 – 2020 to 2074)	47	46
Energy loans receivable from organizations to enable the implementation of green initiative projects across the City bearing interest rates between 0% and 3.7% (2019 – 0% to 3.7%) per annum, with maturity dates from 2021 to 2040 (2019 - 2020 to 2040)	25	25
Loan receivable from Maple Leaf Sports and Entertainment Ltd. for the expansion of BMO Stadium bearing an interest rate of 4.20% per annum with a maturity date of 2034	8	8
Other	3	3
	187	176

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 (in millions of dollars)

4. Other Assets

	2020	2019
TCHC equal Contribution Equity in revitalization projects and equal interest Co-Tenancy Agreements for construction	13	15
TCHC Externally restricted assets under Loan Agreements for Capital Expenditures	6	142
Other	31	22
	50	179

5. Investments

	2020	
	Cost	Market value
Government bonds	1,554	1,649
Corporate bonds	1,099	1,143
Equities	740	799
Mortgages	117	124
Money market instruments	93	93
Other	71	88
Foreign corporate bonds	11	12
	3,685	3,908

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

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 \$67 (2019 - \$66.8).

The weighted average yield on the cost of the bond investment portfolio during the year was 3.3% (2019 – 3.5%). Maturity dates on investments in the portfolio range from 2040 to 2046 (2019 – 2020 to 2044).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 (in millions of dollars)

Included in the City's government bonds portfolio are City of Toronto debentures at coupon rates varying from 2.15% to 4.70% (2019 – 4.15% to 4.70%) with a carrying value of \$16 (2019 – \$13).

The City is not aware of any significant risks or indicators which suggest that corporate bonds are permanently impaired, requiring a formal write-down of these assets. It is the City's intention to hold corporate bonds to maturity.

Changes in provincial regulations, which came into effect on January 1, 2018, allow 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)

	2020	2019
Toronto Hydro Corporation	1,903	1,877
Toronto Parking Authority	335	325
	2,238	2,202

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

	2020	2019
Balance – beginning of year	2,202	2,131
Income from operations (Appendix 1)	128	233
Change in net book value of street-lighting assets eliminated on sale to Toronto Hydro Corporation (Appendix 1)	1	1
Dividends received (Appendix 1)	(93)	(100)
Distribution to City (Appendix 1)	-	(63)
Balance – end of year (Appendix 1)	2,238	2,202

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

	2020	2019
Income from Operations (Appendix 1)	128	233
Change in net book value of street-lighting assets on sale to Toronto Hydro Corporation (Appendix 1)	1	1
Government Business Enterprise Earnings	129	234

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, 2020 (in millions of dollars)

Related party transactions between the City and its GBEs are as follows:

	2020	2019
Street-lighting, electricity, and maintenance services purchased by the City from Toronto Hydro Corporation	305	299
Property taxes paid to the City from Toronto Parking Authority	22	22
Property taxes paid to the City from Toronto Hydro	4	4
Rent expense paid to the City from Toronto Parking Authority	2	3
	333	328

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

	Due to others
2021	301
2022	1
2023	251
2024	1
2025	-
Thereafter	1,844
	2,398

Repayments relate to Toronto Hydro Corporation's long term debt series with interest rates ranging from 1.50% to 5.54% per annum and maturity dates ranging between 2021 to 2063 and Toronto Parking Authority debt payable of \$0.6 (2019 - \$0.6) relating to the purchase of equipment, bearing an effective interest rate of 2.3% per annum and maturing on June 30, 2025.

7. Bank Indebtedness

The City has an unsecured demand revolving credit facility in the amount of \$100 (2019 – \$100) bearing interest at the bank prime rate with an effective rate during 2020 of 2.45% (2019 – 3.95%) per annum.

TCHC has a committed revolving credit facility of \$200 (2019 – \$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%. Short-term drawings of \$nil (2019 - \$69M) have been made in 2020. The entity is in compliance with all bank covenants.

	2020	2019
City, net outstanding cheques	69	38
TCHC	-	69
	69	107

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 (in millions of dollars)

8. Accounts Payable and Accrued Liabilities

	2020	2019
Trade Payables and Accruals	3,659	3,142
Tax Appeal Assessments on Property Taxes Payable	397	402
Wages Payable	224	162
	4,280	3,706

9. Deferred Revenue

	2020	2019
Obligatory Deferred Revenues		
Restricted by Provincial legislation	2,976	2,353
Restricted by Agreements with Third Parties	1,339	1,455
Total Obligatory Deferred Revenues	4,315	3,808
Advance Payments and Contributions	901	409
TOTAL DEFERRED REVENUE	5,216	4,217

Deferred Revenue Continuity:

	2020		
	Obligatory Deferred Revenues	Advance payments and contributions	Total
Balance – beginning of year	3,808	409	4,217
Amount received during the year	2,107	3,882	5,989
Amount recognized as revenue	(1,600)	(3,390)	(4,990)
	4,315	901	5,216
Balance – end of year			
	2019		
	Obligatory Deferred Revenues	Advance payments and contributions	Total
Balance – beginning of year	3,452	415	3,867
Amount received during the year	1,949	4,430	6,379
Amount recognized as revenue	(1,593)	(4,436)	(6,029)
	3,808	409	4,217
Balance – end of year			

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 (in millions of dollars)

10. Provision for Property and Liability Claims

	2020	2019
Property and Liability Claims Provision	309	381
TTC Unsettled Accident Claims	147	141
	456	522

The City's insurance program is administered through a combination of self-insurance and coverage with insurance carriers. The City maintains a corporate insurance reserve fund of \$32 (2019 – \$18) that can be used to finance payments for vehicle, property and liability insurance claim payments, as well as related legal and adjusting expenses.

11. Environmental and Contaminated Site Liabilities

	2020	2019
Inactive Landfill Sites	173	227
Contaminated Site Liabilities	170	190
Active Landfill Site (Green Lane)	26	15
Environmental Liabilities (TTC and BTI)	24	20
Total Environmental and Contaminated Sites Liabilities	393	452

Environmental and Contaminated Site liabilities are based on internal expert assessments and/or 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 annually 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 \$160, which is an undiscounted balance, at December 31, 2020 (2019 – \$180). 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 2.8% (2019 – 2.5%). The estimated present value of future expenditures for closure and post-closure care as at December 31, 2020 is \$26 (2019 – \$15), based on the percentage of total approved capacity used of 59% (2019 – 56%). Undiscounted expenditures are \$35 (2019 - \$38) and the net present value of the total liability has been recorded in the Statement of Financial Position.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 (in millions of dollars)

In order to help reduce the future impact of these obligations, the City has established reserve funds for the care of these sites. Both of these reserve fund accounts are included as part of the State of Good Repair Reserve Fund (Note 17).

Reserve Balances	2020	2019
Green Lane Reserve Fund	7	10
Green Lane Perpetual Care Reserve Fund (GLPC)	7	6
Total	14	16

2020 contributions to the GLPC reserve of \$0.67 (2019 – \$0.72) are based on a contribution rate of 1.34 (2019 – 1.34) per tonne of waste disposed. This rate is updated annually.

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 2.8% (2019 – 2.5%). The estimated present value of future expenditures for post-closure care as at December 31, 2020 was \$173 (2019 – \$227).

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. The Solid Waste Management Perpetual Care Reserve Fund is included as part of the State of Good Repair Reserve Fund (Note 17), and the Keele Valley Site Post-Closure Trust Fund is included as part of the City's various trust funds (Note 23).

	2020	2019
Solid Waste Management Perpetual Care Reserve Fund (Note 17)	25	26
Keele Valley Site Post-Closure Trust Fund (Note 23)	8	8
	33	34

12. Mortgages Payable

	2020	2019
TCHC secured mortgages, collateralized by TCHC housing properties, with interest rates between 0.68% and 11% (2019 – 1.39% to 11%) per annum and maturity dates ranging from 2021 to 2032	321	260
BTI mortgage, secured by assets and corporate guarantees of Build Toronto Holdings One Inc., BTI and common shares of PT Studios, with an interest rate of 3.33% per annum, maturing on March 15, 2027	28	29
	349	289

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 (in millions of dollars)

Principal repayments on mortgages are due as follows:

	2020
2021	48
2022	28
2023	28
2024	25
2025	25
Thereafter	195
	349

Principal re-payments made in 2020 were \$0.9 (2019 – \$0.88) on the BTI mortgages and \$25 (2019 – \$22) on the TCHC mortgages.

13. Long-Term Debt

	2020	2019 (Note 25)
Unsecured debentures issued by the City, bearing interest at various rates ranging from 0.00% to 6.80% (2019 – 2.40% to 6.80%), maturing from 2021 to 2049	7,527	6,790
Unsecured green bond issued by the City, bearing interest at various rates ranging from 2.6% to 3.2% (2019 – %2.6 to 3.2%), maturing from 2039 to 2048	630	500
Unsecured social bond issued by the City, bearing interest at 1.6% (2019 – Nil), maturing in 2030	100	-
Less: sinking fund deposits bearing interest at rates between 2% and 5% (2019 – 2% to 5%)	(2,011)	(1,604)
Unsecured debentures, net of sinking fund deposits	6,246	5,686
TCHC loans from Infrastructure Ontario secured by various floating and fixed income investments at floating and fixed rates between 2.47% and 4.53%, subject to financial covenants, maturing in 2043 to 2049	918	925
TCHC debentures, unsecured, consisting of Series A bonds of \$250 at 4.87% (maturing in 2037) and Series B bonds of \$200 at 5.39% (maturing in 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	19	21
Lakeshore Arena Corporation credit facilities secured by a property mortgage, 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	24	25
Others, bearing interest between 1.75% to 8.05% maturing from 2021 to 2027	1	1
Consolidated entities debentures	1,408	1,418
Total Net Long Term Debt	7,654	7,104

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, 2020 (in millions of dollars)

2020 principal repayments total \$402 (2019 – \$351). Principal repayments are due as follows:

	2020
2021	536
2022	476
2023	486
2024	460
2025	437
Thereafter	5,259
	7,654

14. Employee Benefit Liabilities

a) Description of Benefits

The City of Toronto provides post retirement benefit plans for hospital, extended healthcare, drug, dental and life insurance benefits; amounts include health care spending accounts for Toronto Firefighters and the Toronto Police Service. Post-employment benefit plans provide income benefits for employees on Long-Term Disability and the continuation of benefits (hospital, extended health care, drug, dental and life insurance) in respect thereof; accumulated sick leave benefits; and self-insured WSIB Benefits (for Schedule 2 employers).

The most recent actuarial valuation was completed for the fiscal year ending December 31, 2020, from an extrapolation of the December 31, 2018 actuarial valuation. The next actuarial valuation for post-retirement and post-employment benefits is expected to be performed as at December 31, 2021.

	2020	2019
Sick leave benefits	579	527
Worker Safety Insurance Board (WSIB) obligations	932	789
Other Employment and Post-Employment Benefits	3,195	2,806
Total Employee Accrued Benefit Obligation	4,706	4,122
Unamortized Actuarial Loss	(405)	11
Employee Benefit Liabilities	4,301	4,133

b) Reconciliation of the plan assets and accrued benefit obligation, based on the actuarial assessment, to the amounts in the Consolidated Statement of Financial Position:

	2020			
	Post-retirement and post- employment	TTC Pension Plan (Note 14, h(ii))	City Pension Plans (Note 14, h(iii))	Total
Accrued benefit obligation (Note 14(c))	4,706	3,304	164	8,174
Fair Value of Plan assets (Note 14(d))	-	3,987	352	4,339
Funding deficit (surplus)	4,706	(683)	(188)	3,835
Unamortized actuarial loss	(405)	-	-	(405)
Valuation allowance	-	683	188	871
Employee benefit liability (Note 14(e))	4,301	-	-	4,301

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 (in millions of dollars)

	2019			
	Post-retirement and post-employment	TTC Pension Plan	City Pension Plans	Total
Accrued benefit obligation (Note 14(c))	4,122	3,074	510	7,706
Fair Value of Plan assets (Note 14(d))	-	3,658	768	4,426
Funding deficit (surplus)	4,122	(584)	(258)	3,280
Unamortized actuarial loss	11	-	-	11
Valuation allowance	-	584	258	842
Employee benefit liability (Note 14(e))	4,133	-	-	4,133

c) Continuity of the accrued benefit obligation, in aggregate:

	2020			
	Post-retirement and post-employment	TTC Pension Plan (Note 14, h(ii))	City Pension Plans (Note 14, h(iii))	Total
	\$	\$	\$	\$
Balance – beginning of year	4,122	3,074	510	7,706
Current service cost	347	91	-	438
Interest cost	111	172	8	291
Actuarial (gain) loss	408	101	83	592
Benefits paid	(283)	(186)	(95)	(564)
Transfer to OMERS	-	-	(342)	(342)
Plan amendments	1	52	-	53
Balance – end of year	4,706	3,304	164	8,174

	2019			
	Post-retirement and post-employment	TTC Pension Plan	City Pension Plans	Total
	\$	\$	\$	\$
Balance – beginning of year	3,667	2,688	1,281	7,636
Current service cost	306	80	-	386
Interest cost	124	170	39	333
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	4,122	3,074	510	7,706

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 (in millions of dollars)

d) Continuity of the plan assets:

	2020			Total \$
	Post-retirement and post-employment \$	TTC Pension Plan (Note 14, h(ii)) \$	City Pension Plans (Note 14, h(iii)) \$	
Balance – beginning of year	-	3,658	768	4,426
Employer Contributions	283	130	-	413
Actual return on assets	-	387	21	408
TTC Pension Fund administrative	-	(2)	-	(2)
Benefits paid	(283)	(186)	(95)	(564)
Transfer to OMERS	-	-	(342)	(342)
Balance – end of year	-	3,987	352	4,339

	2019			Total \$
	Post-retirement and post-employment \$	TTC Pension Plan \$	City Pension Plans \$	
Balance – beginning of year	-	3,268	1,467	4,735
Employer 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	-	3,658	768	4,426

The City has established reserve funds to help reduce the future impact of the employee benefit obligation. As at December 31, 2020, the balance in the Employee Benefits Reserve Fund was \$396 (2019 - \$234, which includes \$52 (2019 - \$41) for Sick Leave and \$18 (2019 - \$21) for WSIB.

e) Continuity of the City's employee benefit liabilities, in aggregate:

	2020			Total \$
	Post-retirement and post-employment \$	TTC Pension Plan (Note 14, h(ii)) \$	City Pension Plans (Note 14, h(iii)) \$	
Balance – beginning of year	4,133	-	-	4,133
Current service cost	348	93	-	441
Interest cost (revenue)	111	(28)	(1)	82
Amortization of actuarial loss (gain)	(9)	(58)	71	4
Employer contributions	(283)	(147)	-	(430)
Plan amendments	1	52	-	53
Change in valuation allowance	-	88	(70)	18
Balance – end of year	4,301	-	-	4,301

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 (in millions of dollars)

	2019			
	Post-retirement and post-employment	TTC Pension Plan	City Pension Plans	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	4,133	-	-	4,133

f) Total expenses related to these employee benefits include the following:

	2020			
	Post-retirement and post-employment	TTC Pension Plan (Note 14, h(ii))	City Pension Plans (Note 14, h(iii))	Total
	\$	\$	\$	\$
Current service cost	348	93	-	441
Interest cost (revenue)	111	(28)	(1)	82
Amortization of actuarial loss (gain)	(9)	(58)	71	4
Plan amendments	1	52	-	53
Change in valuation allowance	-	88	(70)	18
Total expense	451	147	-	598

	2019			
	Post-retirement and post-employment	TTC Pension Plan	City Pension Plans	Total
	\$	\$	\$	\$
Current service cost	306	82	-	388
Interest cost (revenue)	124	(32)	(11)	81
Amortization of actuarial loss (gain)	(31)	(7)	(61)	(99)
Plan amendments	1	47	-	48
Change in valuation allowance	-	22	72	94
Total expense	400	112	-	512

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 (in millions of dollars)

g) Sick leave benefits, WSIB obligations, and post-retirement and post-employment benefits:

The following is a list of actuarial assumptions:

	2020	2019
Discount rate for accrued benefit obligation:		
Post-employment	1.2%	2.4%
Post-retirement	2.0%	2.7%
Sick leave	1.5%	2.5%
WSIB	2.0%	2.7%
Rate of compensation increase	1.25% to 3.5%	0.7% to 3.5%
Health care inflation – LTD, hospital and other medical	4.5% to 6.5%	3.0% to 6.5%
Health care inflation – Dental care	3.0% to 4.0%	3.0% to 4.0%
Health care inflation – Drugs	5.5% to 7.30%	5.25% to 7.30%
	2020	2019
Discount rate for benefit costs:		
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	1.25% to 3.25%	1.75% to 3.25%
Health care inflation – LTD, hospital and other medical	4.0% to 5.31%	3.4% to 5.94%
Health care inflation – Dental care	3.0% to 4.0%	3.0% to 4.0%
Health care inflation – Drugs	5.5% to 10.4%	5.5% to 10.5%

For 2020 benefit costs and year end 2020 benefit obligations, the health care inflation rate for Long-Term Disability (LTD), hospital, other medical, and drugs is assumed to reduce to 4.75% by 2030.

h) **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 \$210 (2019 - \$211) 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, 2020, OMERS has a deficit of \$3,211 (2019 - deficit \$3,397).

The date of the most recently 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 are included in the consolidated values presented.

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, 2020 the base year for the TTC pension plan and the funded supplemental pension plans was updated to December 31, 2019 from December 31, 2018. In addition, the survivor benefit date was updated to January 1, 2020 (from January 1, 2019) and an ad hoc increase of up to 1.96% (December 31, 2019 – 2.16%) 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.

The effective date of the most recent actuarial valuation for funding purposes for the TTC Pension Fund was January 1, 2020. The next required actuarial valuation for funding purposes will be performed as at January 1, 2023. The effective date of the most recent valuation for accounting purposes was December 31, 2020.

Actuarial assumptions for the TTC Pension Plan are as follows:

	2020	2019
Discount rate	5.5%	6.25%
Actual rate of return on plan assets	4.7%	13.90%
Expected rate of return on plan assets	5.5%	6.25%
Rate of increase in salaries	1.25% to 3.25%	1.75% to 3.25%
Inflation rate	2.00%	2.00%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 (in millions of dollars)

(iii) City Pension Plans

During 2020, the City completed the merger of the Civic, Metro, Police and York pension plans with OMERS. The City transferred the corresponding funds to OMERS on October 7, 2019, November 5, 2019, January 8, 2020 and January 8, 2019 respectively. As a result, there is a zero obligation at December 31, 2020 for these plans. OMERS has taken over responsibility to pay future benefits.

The mergers of the City's four pension plans resulted in the 2019 recognition of \$106 of surplus by the City for its share of the pension plan surpluses. The Superintendent of Financial Services (now known as the CEO of the Financial Services Regulatory Authority of Ontario) approved the surplus distributions and wind-up of the York pension plan on September 8, 2020 and the Civic and Police plans on December 14th, 2020. Surpluses were distributed to members in 2020 per the terms in the surplus sharing agreements. The City received its share of the surplus funds from the Police and Civic plans on February 12, 2021, and February 23, 2021. The City received approval for the surplus distribution and windup of the Metro pension plan in 2021. Once all assets have been distributed, the plans will be deregistered consistent with regulations of the Pension Benefits Act.

The City continues to administer the Toronto Fire Department Superannuation and Benefit Fund, a defined benefit pension plan that provides benefits to employees who were employed prior to the establishment of the OMERS pension plan. The plan covers a closed group of employees hired prior to July 1, 1968 and provides for pensions based on length of service and final average earnings. The overall accounting valuation for funding purposes for the City's pension plan was completed on December 31, 2020. The next required accounting valuation for funding purposes will be performed as at December 31, 2021.

As at December 31, 2020, there were 293 (2019 – 317) Fire pensioners with an average age of 83 (2019 – 82.2) and 296 (2019 - 298) survivors and beneficiaries in receipt of a pension, with an average age of 82.7 (2019 – 82.2). Pension payments during the year were \$19 (2019 - \$20). Given that there are no active members in the plan, there are no contributions being made into the plan.

The financial status of the City Pension Plans as at December 31, 2020 is as follows:

	2020			2019
	Pension assets – market value – end of year	Actuarial pension obligation – end of year	Net actuarial surplus	Net actuarial surplus
Toronto Civic Employee Pension Plan	57	-	57	113
Metropolitan Toronto Pension Plan	87	-	87	87
Metropolitan Toronto Police Pension Plan	7	-	7	21
City of York Employee Pension Plan	-	-	-	<1
Toronto Firefighters Pension Plan	201	164	37	37
Total of City Pension Plans	352	164	188	258

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 (in millions of dollars)

Actuarial assumptions for the City Pension Plan:

	2020	2019
Discount rate	4.9%	4.5%-4.9%
Actual rate of return on plan assets	9.2%	8.3%
Expected rate of return on plan assets	4.9%	4.5%-4.9%
Inflation rate	2.0%	2.00%

15. Inventories

	2020	2019
Inventories	223	175
Properties held for resale	111	125
	334	300

16. Tangible Capital Assets

	2020			2019
	Cost	Accumulated amortization	Net book value	Net book value
General				
Land	4,188	-	4,188	4,068
Land Improvements	1,887	805	1,082	817
Buildings and Building Improvements	12,275	4,345	7,930	7,574
Machinery and Equipment	3,244	1,797	1,447	1,338
Motor Vehicles	2,960	1,719	1,241	1,283
Total General	24,554	8,666	15,888	15,080
Infrastructure				
Land	140	-	140	140
Buildings and Building Improvements	958	230	728	617
Machinery and Equipment	3,015	1,397	1,618	1,667
Water and Wastewater Linear	7,247	2,554	4,693	4,464
Roads Linear	5,031	2,469	2,562	2,438
Transit	10,291	4,533	5,758	5,346
Total Infrastructure	26,682	11,183	15,499	14,672
Assets under Construction	5,141	-	5,141	4,812
Total	56,377	19,849	36,528	34,564

General machinery and equipment includes the net book value of City capital leases totaling \$5 and from TCHC totaling \$2 (2019 - \$3. General building and building improvements includes capital leases totaling \$1 (2019 - \$nil)

Contributed tangible capital assets are recognized at fair value at the date of contribution. The value of contributed assets received during the year was \$14 (2019 - \$nil).

The City recognized an additional write down of \$0.5 of assets under construction during the year (2019 - \$4).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 (in millions of dollars)

17. Accumulated Surplus

	2020	2019
Historical Surplus	1,790	2,501
Reserves and Reserve Funds (a)	3,263	2,241
Net Investment in TCA (b)	28,132	26,719
Liabilities to be Funded from future revenues (c)	(4,757)	(4,655)
Total	28,428	26,806
 (a) Reserves and Reserve Funds		
Reserves:		
Corporate	612	652
Stabilization	823	203
Water and Wastewater	166	100
Donations	2	2
	<u>1,603</u>	<u>957</u>
 Reserve Funds:		
Employee Benefits	478	296
Corporate	693	568
Community Initiatives	209	174
State of Good Repair (Note 11)	280	246
	<u>1,660</u>	<u>1,284</u>
 Total Reserves and Reserve Funds	 <u>3,263</u>	 <u>2,241</u>
 (b) Net Investment in TCA		
Tangible Capital Assets (Note 16)	36,528	34,564
Mortgages Payable (Note 12)	(349)	(289)
Long-Term Debt (Note 13)	(7,654)	(7,104)
Environmental and Contaminated Site Liabilities (Note 11)	(393)	(452)
Total Net Investment in TCA	<u>28,132</u>	<u>26,719</u>
 (c) Liabilities to be funded from future revenues		
Employee Benefit Liabilities (Note 14)	(4,301)	(4,133)
Provision for Property and Liability Claims (Note 10)	(456)	(522)
Total Liabilities to be Funded	<u>(4,757)</u>	<u>(4,655)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 (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	1,470
Contract award to end of 2024 for the construction of Coxwell Bypass Tunnel	404	190
Contract award to end of 2021 for the rehabilitation of the F.G Gardiner Expressway	314	57
Contract award to early 2024 for the construction of New Outfall at Ashbridges Bay Treatment Plant	265	186
Contract award to end of 2030 for waste transport services for four City districts	191	191
Contract award to early 2023 for single stream recyclable materials processing and marketing services	114	83
Agreement for construction of Ashbridges Bay Treatment Plant Landform by the end of 2025	94	71

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

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	1,523	47
Contract for 204 Light Rail Vehicles 202 delivered to date	1,151	26
Contract for 1,073 Low Floor Clean Diesel Buses 1,073 delivered to date	755	3
Contract for 140 Low Floor Wheel Trans Mini-Buses 140 delivered to date	28	4
Contract for 60 Battery Electric Buses 60 delivered to date	88	3
Contracts for construction and implementation of various capital projects	445	445

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 (in millions of dollars)

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

- d) As at December 31, 2020, the Toronto Parking Authority has contractual commitments of \$43 (2019 - \$33) relating to the development of an enterprise resource planning system, and the purchase of above grade and/or substrata title to parking structures as part of a development sale of above grade strata title to air rights over land on which the Toronto Parking Authority currently operates parking lots.
- e) As at December 31, 2020, the Toronto Hydro Corporation recognized the following future minimum payments for capital projects and other commitments:

Frequency of payment	Capital project and other
Less than one year	36
Between one and five years	39
Total amount of future minimum payments	<u>75</u>

- f) 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, 2020 the City had provided capital loan guarantees to certain third parties amounting to \$53 (2019 - \$68), and operating line of credit guarantees of \$6 (2019 - \$6), primarily related to several cultural non-profit organizations.

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. As at December 31, 2020, the current balance in this fund is \$0.25 (2019 – \$0.25).

- g) At December 31, 2020, the City is committed to future minimum annual operating lease payments as follows:

	2020
	<u> </u>
2021	134
2022	49
2023	41
2024	34
2025	31
Thereafter	<u>161</u>
	<u>450</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 (in millions of dollars)

19. Budget Data

Budget data presented in these consolidated financial statements is based on the 2020 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, which includes non-cash amounts such as amortization on tangible capital assets. The following chart reconciles the approved budget with the budget figures as presented in these consolidated financial statements.

	Approved by Council				Adjustments	Total Adjusted Budget
	Operating	Capital	Non-Levy	Consolidated Entities		
Revenue:						
Property and Taxation from Other Governments	4,702	-	-	-	(123)	4,579
Government Transfers	2,492	526	-	(2)	92	3,108
User Charges	2,040	1,107	1,947	(99)	(1,175)	3,820
Municipal Land Transfer Tax	794	-	-	-	-	794
Other Revenue Sources	1,374	2,447	-	47	(3,137)	731
Rent and Concessions	59	-	-	445	-	504
Development Charges	-	385	-	-	-	385
Investment Income	265	-	-	29	(13)	281
Total Revenue:	11,726	4,465	1,947	420	(4,356)	14,202
Expenses:						
Transportation	2,648	1,627	234	(18)	(742)	3,749
Social and Family Services	2,674	148	-	-	(136)	2,686
Protection to Persons and Property	1,901	135	-	-	(49)	1,987
Recreation and Cultural Services	954	304	-	(36)	(42)	1,180
Environmental Services	173	1,319	1,719	-	(1,935)	1,276
General Government	2,380	442	-	-	(1,765)	1,057
Social Housing	427	271	-	328	193	1,219
Health Services	514	17	-	-	(12)	519
Planning and Development	55	202	(6)	29	12	292
Total Expenses:	11,726	4,465	1,947	303	(4,476)	13,965
Annual Surplus	-	-	-	117	(120)	237

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 (in millions of dollars)

The following adjustments were made to revenue and expenditures to eliminate transactions that were not based on PSAS:

Revenue adjustments (\$4,356):

- Contributions to the City's operating fund, capital fund & reserve and reserve funds (\$2,409)
- Proceeds from the issuance of long-term debt (\$1,544)
- Reclassification between revenue and expense (\$400)
- Consolidated entities budgets (\$65)
- Other adjustments (\$62 - reduction)

Expenditure adjustments (\$4,476):

- Withdrawals from City's operating fund, capital fund & reserve and reserve funds (\$2,037)
- Capitalization of tangible capital assets and recognition of amortization (\$1,449)
- Reclassification between revenue and expense (\$400)
- Debt principal repayments (\$368)
- Internal cost recoveries (\$157)
- Consolidated entities budgets (\$21)
- Other adjustments (\$44)

20. Government Transfers

	2020	2019
<u>By Function</u>		
Social and Family Services	1,835	1,963
Transportation	163	791
Health Services	358	326
General Government	216	111
Social Housing	274	106
Protection to Persons and Property	62	64
Environmental Services	(17)	77
Planning and Development	86	41
Recreation and Cultural Services	16	14
Total Transfers by Function	2,993	3,493
Add: COVID-19 Safe Restart Funding and Social Services Relief Funding (Shelters)	1,077	-
Total Transfers by Function	4,070	3,493

	2020	2019
<u>By Source</u>		
Operating Transfers		
Federal	333	242
Provincial	3,438	2,369
Other	13	14
	3,784	2,625
Capital Transfers		
Federal	107	520
Provincial	171	308
Other	8	40
	286	868
Total Transfers by Source	4,070	3,493

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 (in millions of dollars)

On July 27, 2020, the Province of Ontario, in partnership with the Government of Canada, announced its intention to provide \$4,000 in financial support for Ontario's 444 municipalities as part of the Safe Restart Agreement (Agreement). The Agreement allowed the City to qualify for government transfers, which would support municipal operating pressures and municipal transit systems, paid by the senior levels of government in various Phases.

Subsequent to this initial announcement, the City received and recognized \$258 of revenues, which were ultimately used to respond to municipal operating pressures, as well as \$640 of revenues, which were used to respond to municipal transit costs and lost revenues. The City also received Social Services Relief Funding for shelters (\$165) and amounts allocated for Toronto Public Health's Safe Restart efforts (\$14). Further details associated with government transfers can be found in Appendix 2, Consolidated Schedule of Segment Disclosure – Service.

21. Other Revenue Sources

	2020	2019
Other Income	417	283
Pension Surplus (Note 14(h)(iii))	-	106
Sale of recycled materials and properties	48	102
Utilities cut and other recoveries	110	95
Hotel, Lodging and Sign tax	22	68
Total Other Revenue Sources	597	654

22. Total Expenses

	2020	2019
Salaries, Wages and Benefits	6,127	6,042
Contracted Services	1,584	1,910
Transfer Payments	1,533	1,721
Amortization (Schedule 1)	1,432	1,383
Materials	1,010	866
Interest on Long-Term Debt	346	337
Other	353	492
	12,385	12,751

Further details associated with the City's expenses can be found in Appendix 2, Consolidated Schedule of Segment Disclosure – Service.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 (in millions of dollars)

23. Trust Funds

Trust funds administered by the City amounting to \$27 (2019 - \$27) have not been consolidated in these financial statements.

	2020	2019
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	4
	<u>27</u>	<u>27</u>

24. Subsequent Events

Build Toronto Dividend

On May 11, 2021, the Board of Directors of Build Toronto declared a dividend of \$25 to be paid in 2021 to the City of Toronto.

Toronto Seniors Housing Corporation

On May 5, 2021, City Council authorized the City to establish the Toronto Seniors Housing Corporation (TSHC). The new organization will be responsible for managing 83 senior-designated buildings that are owned by TCHC. The City will be the TSHC's sole shareholder, and provide annual operating subsidy payments of approximately \$30-35.

There are no known financial implications arising from the establishment of TSHC for the year ended on December 31, 2020.

25. Comparative Figures

Certain 2019 values have been regrouped from consolidated financial statements previously presented, to conform with the presentation adopted in 2020.

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 2018 inventory on community-wide GHG emissions which indicates that GHG emissions in Toronto were 37% lower in 2018 than in 1990.

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

SCHEDULE 1

As at and for the year ended December 31, 2020 (in millions of dollars)

2020

	Cost 2020					Accumulated Amortization 2020				Net Book Value 2020
	Beginning	Additions	Disposals / Transfers	Donated	Ending	Beginning	Amortization	Disposals	Ending	
General										
Land	4,068	123	(3)	-	4,188	-	-	-	-	4,188
Land improvements	1,444	431	-	12	1,887	627	178	-	805	1,082
Buildings and building improvements	11,679	607	(11)	-	12,275	4,105	244	(4)	4,345	7,930
Machinery and equipment	3,040	297	(95)	2	3,244	1,702	190	(95)	1,797	1,447
Motor vehicles	2,876	171	(87)	-	2,960	1,593	213	(87)	1,719	1,241
Total General	23,107	1,629	(196)	14	24,554	8,027	825	(186)	8,666	15,888
Infrastructure										
Land	140	-	-	-	140	-	-	-	-	140
Buildings and building improvements	827	131	-	-	958	210	20	-	230	728
Machinery and equipment	2,974	42	(1)	-	3,015	1,307	91	(1)	1,397	1,618
Water and wastewater linear	6,927	326	(6)	-	7,247	2,463	95	(4)	2,554	4,693
Roads linear	4,810	225	(4)	-	5,031	2,372	101	(4)	2,469	2,562
Transit	9,589	712	(10)	-	10,291	4,243	300	(10)	4,533	5,758
Total infrastructure	25,267	1,436	(21)	-	26,682	10,595	607	(19)	11,183	15,499
Assets under construction	4,812	344	(15)	-	5,141	-	-	-	-	5,141
TOTAL	53,186	3,409	(232)	14	56,377	18,622	1,432	(205)	19,849	36,528

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	
General										
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
Motor vehicles	2,711	351	(186)	-	2,876	1,571	206	(184)	1,593	1,283
Total General	22,123	1,277	(293)	-	23,107	7,498	783	(254)	8,027	15,080
Infrastructure										
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
Total infrastructure	24,003	1,571	(307)	-	25,267	10,296	600	(301)	10,595	14,672
Assets under construction	4,385	752	(325)	-	4,812	-	-	-	-	4,812
TOTAL	50,511	3,600	(925)	-	53,186	17,794	1,383	(555)	18,622	34,564

CONSOLIDATED SCHEDULE OF GOVERNMENT BUSINESS ENTERPRISES

APPENDIX 1

As at and for the year ended December 31, 2020 (in millions of dollars)

Condensed Financial Results (\$) Fiscal Year Ended	Toronto Hydro Corporation December 31		Toronto Parking Authority December 31		Total	
	2020	2019	2020	2019	2020	2019
Financial Position						
Assets						
Current	508	564	83	117	591	681
Capital	5,382	5,041	220	213	5,602	5,254
Other	184	179	67	42	251	221
	6,074	5,784	370	372	6,444	6,156
Liabilities						
Current	951	714	27	38	978	752
Long-term	3,205	3,177	8	9	3,213	3,186
	4,156	3,891	35	47	4,191	3,938
Net equity	1,918	1,893	335	325	2,253	2,218
City's share (Note 6)	1,903	1,877	335	325	2,238	2,202
Results of Operations						
Revenues	3,975	3,647	96	165	4,071	3,812
Expenses	3,857	3,492	85	86	3,942	3,578
Net income (loss)	118	155	11	79	129	234
City's share (Note 6)	118	155	11	79	129	234
Distribution to City (Note 6)		-		63	-	63
Dividends paid to City (Note 6)	93	100	-	-	93	100
Net book value of assets sold from the City to Toronto Hydro Corporation	15	16	-	-	15	16

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – SERVICE

APPENDIX 2

for the year ended December 31, 2020 (in millions of dollars)

2020

	General Government	Protection to Persons and Property	Transportation	Environmental	Health	Social and Family	Social Housing	Recreation and Cultural	Planning and Development	Consolidated
Taxation*	5,386	-	-	-	-	-	-	-	-	5,386
User charges	75	209	670	1,717	-	58	18	74	43	2,864
Government transfers**	1,121	62	156	(17)	372	2,000	274	16	86	4,070
Net GBE income	129	-	-	-	-	-	-	-	-	129
Other	315	69	280	162	6	29	511	132	54	1,558
TOTAL REVENUES	7,026	340	1,106	1,862	378	2,087	803	222	183	14,007
Salaries, wages and benefits	522	1,749	1,666	288	426	672	203	546	55	6,127
Materials	79	37	354	137	20	147	128	83	25	1,010
Contracted services	79	31	419	204	35	502	117	116	81	1,584
Interest on long-term debt	17	8	197	10	1	10	79	13	11	346
Transfer payments	(59)	66	2	123	44	1,244	96	75	(58)	1,533
Other	110	10	67	26	6	49	41	32	12	353
Amortization	103	45	767	220	4	3	213	73	4	1,432
TOTAL EXPENSES	851	1,946	3,472	1,008	536	2,627	877	938	130	12,385
ANNUAL SURPLUS/ (DEFICIENCY)	6,175	(1,606)	(2,366)	854	(158)	(540)	(74)	(716)	53	1,622

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

** Government transfers includes \$1,077 of funding received for Start Restart and Social Services Relief.

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – SERVICE

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

APPENDIX 2

2019

	General Government	Protection to Persons and Property	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
TOTAL REVENUES	6,217	377	2,577	1,745	332	2,048	521	382	184	14,383
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
TOTAL EXPENSES	888	1,931	3,582	1,043	497	2,552	830	1,073	355	12,751
ANNUAL SURPLUS/ (DEFICIENCY)	5,329	(1,554)	(1,005)	702	(165)	(504)	(309)	(691)	(171)	1,632

* 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, 2020 (in millions of dollars)

APPENDIX 3
2020

	City	Toronto Police Service	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies and Corporations	TOTAL
Taxation*	5,386	-	-	-	-	-	5,386
User charges	2,265	22	520	1	18	38	2,864
Government transfers	3,692	61	134	6	75	102	4,070
Net GBE income	129	-	-	-	-	-	129
Other	466	27	96	16	841	112	1,558
TOTAL REVENUES	11,938	110	750	23	934	252	14,007
Salaries, wages and benefits	3,053	1,145	1,478	150	203	98	6,127
Materials	550	20	221	5	128	86	1,010
Contracted services	1,071	21	259	33	117	83	1,584
Interest on long-term debt	258	6	-	-	78	4	346
Transfer payments	3,426	11	(1,370)	(202)	(272)	(60)	1,533
Other	216	3	62	3	41	28	353
Amortization	477	37	659	36	213	10	1,432
TOTAL EXPENSES	9,051	1,243	1,309	25	508	249	12,385
ANNUAL SURPLUS/ (DEFICIENCY)	2,887	(1,133)	(559)	(2)	426	3	1,622

*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, 2019 (in millions of dollars)

2019

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

* 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, 2020 and 2019

2020 and 2019

	City, including Toronto Police Service	Toronto Transit Commission	Toronto Community Housing Corporation	Toronto Public Library	Other Agencies and Corporations	TOTAL
2020						
General						
Cost	8,990	8,614	5,894	507	549	24,554
Accumulated amortization	2,663	3,315	2,380	205	103	8,666
Net Book Value	6,327	5,299	3,514	302	446	15,888
Infrastructure						
Cost	16,392	10,290				26,682
Accumulated amortization	6,650	4,533				11,183
Net Book Value	9,742	5,757				15,499
Assets under construction	3,338	1,238	178	76	311	5,141
Total	19,407	12,294	3,692	378	757	36,528
2019						
General						
Cost	8,442	8,125	5,484	531	525	23,107
Accumulated amortization	2,497	3,068	2,136	196	130	8,027
Net Book Value	5,945	5,057	3,348	335	395	15,080
Infrastructure						
Cost	15,680	9,586	-	-	-	25,266
Accumulated amortization	6,352	4,242	-	-	-	10,594
Net Book Value	9,328	5,344	-	-	-	14,672
Assets under construction	2,673	1,729	136	22	252	4,812
Total	17,946	12,130	3,484	357	647	34,564