

2021 Consolidated Financial Statements

December 31, 2021

Table of Contents

Management’s Report..... 3

Independent Auditor's Report 4

Consolidated Statement of Financial Position..... 5

Consolidated Statement of Operations and Accumulated Surplus..... 6

Consolidated Statement of Change in Net Debt.....7

Consolidated Statement of Cash Flows 8

Notes to Consolidated Financial Statements.....10

Consolidated Schedule of Tangible Capital Assets – Schedule 1 44

Consolidated Schedule of Government Business Enterprises – Appendix 1 46

Consolidated Schedule of Segment Disclosure – Service – Appendix 2..... 47

Consolidated Schedule of Segment Disclosure – Entity – Appendix 3 49

Tangible Capital Assets by Entity – Appendix 4..... 51

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 2021 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, 2022

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, 2021 (in millions of dollars)

	2021	2020
FINANCIAL ASSETS		
Cash and Cash Equivalents	6,642	5,355
Accounts and Taxes Receivable (Note 2)	2,076	2,598
Loans Receivable (Note 3)	194	187
Other Assets (Note 4)	44	50
Investments (Note 5)	3,691	3,685
Investments in Government Business Enterprises (Note 6)	2,294	2,238
Total Financial Assets	14,941	14,113
LIABILITIES		
Bank Indebtedness (Note 7)	99	69
Accounts Payable and Accrued Liabilities (Note 8)	3,408	4,280
Deferred Revenue (Note 9)	5,823	5,216
Provision for Property and Liability Claims (Note 10)	480	456
Environmental and Contaminated Site Liabilities (Note 11)	468	393
Mortgages Payable (Note 12)	389	349
Long-Term Debt (Note 13)	8,146	7,654
Employee Benefit Liabilities (Note 14)	4,507	4,301
Total Liabilities	23,320	22,718
NET DEBT	(8,379)	(8,605)
NON-FINANCIAL ASSETS		
Prepaid Expenses	150	171
Inventories (Note 15)	269	334
Tangible Capital Assets (Note 16, Schedule 1)	38,386	36,528
	38,805	37,033
ACCUMULATED SURPLUS	30,426	28,428

Contingent Assets and Liabilities (Note 17)

Contractual Rights and Obligations (Note 18)

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

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

for the year ended December 31, 2021 (in millions of dollars)

	2021 BUDGET (Note 19)	2021 ACTUAL	2020 ACTUAL
REVENUE			
Property and Taxation from Other Governments	4,690	4,767	4,650
Government Transfers (Note 20)	4,840	4,682	4,070
User Charges	3,082	2,798	2,864
Municipal Land Transfer Tax	694	1,172	804
Rent and Concessions	457	477	511
Development Charges	552	365	263
Investment Income	266	147	187
Government Business Enterprise Earnings (Note 6)	-	146	129
Other Revenue Sources (Note 21)	569	687	597
Total Revenue	15,150	15,241	14,075
EXPENSES			
Transportation	4,329	3,648	3,472
Social and Family Services	3,177	2,658	2,627
Protection to Persons and Property	1,995	1,985	1,946
Recreation and Cultural Services	1,165	969	938
Environmental Services	1,371	1,148	1,008
General Government	1,276	1,066	919
Social Housing	1,178	950	877
Health Services	625	687	536
Planning and Development	213	132	130
Total Expenses (Note 22)	15,329	13,243	12,453
ANNUAL (DEFICIT)/SURPLUS	(179)	1,998	1,622
ACCUMULATED SURPLUS - BEGINNING OF YEAR	28,428	28,428	26,806
ACCUMULATED SURPLUS - END OF YEAR	28,249	30,426	28,428

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, 2021 (in millions of dollars)

	2021 BUDGET (Note 19)	2021 ACTUAL	2020 ACTUAL
Annual Surplus	(179)	1,998	1,622
Acquisition of Tangible Capital Assets	(3,423)	(3,423)	(3,410)
Amortization of Tangible Capital Assets	1,554	1,554	1,432
Gain on Disposal of Tangible Capital Assets	-	(27)	(31)
Proceeds on Disposal of Tangible Capital Assets	-	38	45
Change due to Tangible Capital Assets	(1,869)	(1,858)	(1,964)
Change in Prepaid Expenses	-	21	(9)
Change in Inventories	-	65	(34)
(Increase)/decrease in Net Debt	(2,048)	226	(385)
NET DEBT - BEGINNING OF YEAR	(8,605)	(8,605)	(8,220)
NET DEBT - END OF YEAR	(10,653)	(8,379)	(8,605)

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, 2021 (in millions of dollars)

	2021	2020
OPERATING ACTIVITIES		
Annual Surplus	1,998	1,622
Add (deduct) items not involving cash:		
Government Business Enterprise Income from Operations	(146)	(129)
Amortization of Tangible Capital Assets	1,554	1,432
Gain on Disposal of Tangible Capital Assets	(27)	(31)
	<u>3,379</u>	<u>2,894</u>
Changes in Assets and Liabilities		
Accounts and Taxes Receivable	522	(489)
Accounts Payable and Accrued Liabilities	(872)	574
Deferred Revenue	607	999
Provision for Property and Liability Claims	24	(66)
Environmental and Contaminated Sites Liabilities	75	(59)
Employee Benefit Liabilities	206	168
Prepaid Expenses	21	(9)
Inventories	65	(34)
Cash provided by Operating Activities	<u>4,027</u>	<u>3,978</u>
CAPITAL ACTIVITIES		
Acquisition/Construction of Tangible Capital Assets	(3,423)	(3,410)
Proceeds on Disposal of Tangible Capital Assets	38	45
Cash applied to Capital Activities	<u>(3,385)</u>	<u>(3,365)</u>
INVESTING ACTIVITIES		
Net change in Other Assets	6	129
Net change in Loans Receivable	(7)	(11)
Proceeds from the Sale and Maturities of Investments	5,698	3,744
Purchase of Investments	(5,704)	(4,182)
Dividends and Distributions from Government Business Enterprises	90	93
Cash (applied to) / provided by Investing Activities	<u>83</u>	<u>(227)</u>
FINANCING ACTIVITIES		
Net change in Bank Indebtedness	30	(38)
Principal Repayments on Mortgages Payable	(49)	(26)
Issuance of Long-Term Debt	1,070	1,077
Principal Repayments on Long-Term Debt	(471)	(402)
Interest Earned on Sinking Funds	(18)	(39)
Cash provided by Financing Activities	<u>562</u>	<u>572</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2021 (in millions of dollars)

	2021	2020
Net Increase in Cash and Cash Equivalents during the Year	1,287	958
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	5,355	4,397
CASH AND CASH EQUIVALENTS – END OF YEAR	6,642	5,355
SUPPLEMENTARY INFORMATION:		
Cash paid for Interest on Long-Term Debt	364	199
Cash received for Interest on Investments	238	182

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 (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, the COVID-19 pandemic has impacted the global economic environment due to government-imposed lockdowns and social distancing requirements as a result of multiple waves of the pandemic. The economic conditions and City's response to the COVID-19 pandemic continued to have an operational and financial impact on the City in 2021. Although all 2021 COVID-19 financial impacts were managed, the full extent of the future 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 Statements reflect the assets, liabilities, revenues and expenses of City Divisions, 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 | ✦ Toronto Seniors Housing Corporation (TSHC) |
| ✦ Board of Management of the Toronto Zoo | ✦ Toronto Public Library Board |
| ✦ Build Toronto Inc. (BTI) | ✦ Toronto Transit Commission (TTC) |
| ✦ Casa Loma Corporation | ✦ Create TO |
| ✦ Heritage Toronto | ✦ Yonge-Dundas Square |
| ✦ Lakeshore Arena Corporation | ✦ City of Toronto Economic Development Corporation c.o.b. Toronto Port Lands Company (TPLC) |
| ✦ TOLive | ✦ Toronto Pan Am Sports Centre Inc. (TPASC) (50% proportionately) |
| ✦ Toronto Atmospheric Fund (TAF) | ✦ Toronto Waterfront Revitalization Corporation (TWRC) (33.33% proportionately) |
| ✦ Toronto Community Housing Corporation (TCHC) | |

Arenas:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 (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
- ✦ City Place & Fort York
- ✦ College Promenade
- ✦ College West
- ✦ Corso Italia
- ✦ Crossroads of the Danforth
- ✦ Danforth Mosaic
- ✦ Danforth Village
- ✦ Dovercourt Village
- ✦ Downtown Yonge
- ✦ DuKe Heights
- ✦ Dupont by the Castle
- ✦ Eglinton Hill
- ✦ Emery Village
- ✦ Fairbank Village
- ✦ Financial District
- ✦ Forest Hill Village
- ✦ Gerrard India Bazaar
- ✦ Greektown on the Danforth
- ✦ Harbord Street
- ✦ Hillcrest Village
- ✦ 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
- ✦ Rogers Road
- ✦ 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 administered by the City are not included in these consolidated financial statements, with the exception of certain investments held on behalf of TAF.

Use of Estimates and Measurement Uncertainty

The preparation of these 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 Statement date, 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 these estimates. The continuing impact of the COVID-19 pandemic, including government and regulatory responses to the pandemic, 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, 2021, all material assets have been disclosed and reported within the City's 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 the 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 such that all or a part of the loan is considered to be a grant, the City will expense the grant portion of the transaction 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.

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 recognized 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, 2021 (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 create an obligation that meets the definition of a liability. Once a liability is recognized, the transfer is recognized as 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 Consolidated 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 conditions 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 (in millions of dollars)

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 in the Consolidated Statement of Operations and Accumulated Surplus.

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 associated 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 in the Consolidated Statement of Operations and Accumulated Surplus.

Derivative Financial Instruments

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.

Financial derivatives (heating fuel swaps) are being used to help manage the TTC's exposure to fluctuating fuel prices by setting a fixed price for a future purchase of a fixed quantity of fuel. 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.

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 grandfathered 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 plan benefits are net of plan assets.

The costs of WSIB obligations are actuarially determined and recognized 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 using discount rates derived from the City's long-term borrowing rate.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 (in millions of dollars)

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 recognized 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 rates derived from the City's long-term borrowing rate consistent with the duration of the benefit obligations.

The City accounts for its participation in the Ontario Municipal Employees Retirement System (OMERS), a multi-employer public sector pension fund, as a defined contribution 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.

The City continues to administer the Toronto Fire Department Superannuation and Benefit Fund as a defined benefit pension plan covering a closed group of employees hired prior to the establishment of the OMERS pension plan.

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 supportable 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 categorizes 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 TCAs 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 TCA and amortized over the lease term. All other forms of lease arrangements are considered to be operating expenses and recognized on the City's Consolidated Statement of Operations and Accumulated Surplus.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 (in millions of dollars)

Cloud-based software costs are assessed to determine if they meet the definitions of an asset and TCA. 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 re-classify the associated costs to TCAs. Ongoing support and maintenance costs are expensed.

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

Tangible Capital Asset

General assets:

Land improvements	10 - 70 years
Buildings and building improvements	10 - 100 years
Machinery and equipment	4 - 75 years
Motor vehicles	5 - 20 years

Infrastructure assets:

Water and wastewater linear	20 - 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.

TCAs 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 TCAs and are not amortized. The valuation associated with these assets is not determinable. The City's collection includes historical buildings, artifacts, paintings and sculptures located at City sites and public display areas.

The City also has various natural assets, including ravines and urban forests that are used to mitigate and address climate-related risks, as well as provide services to residents and businesses. PSAS does not currently recognize natural assets as assets that must be recognized and reflected as part of public sector entities' financial statements. Separate disclosure, however, has been added for completeness purposes, as well as to demonstrate the City's ongoing commitments in maintaining its natural assets.

Inventory

Inventory of materials and supplies, which are often consumed for purposes of providing goods and/or services to residents and businesses, 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

The City has Reserves and Discretionary (i.e. Council-Directed) Reserve Funds, which are reported in the Accumulated Surplus balance on the Consolidated Statement of Financial Position. These historical balances were established in response to a policy, assist with fiscal management, or demonstrate compliance with legislation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 (in millions of dollars)

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.

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.

Contractual obligations represent obligations, which will result in liabilities upon completion of agreed upon terms specified in contracts and/or agreements in future fiscal periods.

For further details regarding the City's contractual rights and obligations, including nature, extent and timing of these types of transactions, please refer to Note 18.

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, 2021, 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 17.

Loan and Line of Credit Guarantees

The City provides loan guarantees for various cultural and community-based organizations, which are not consolidated as part of the City's Statements. As the 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 and the amount of the liability can be estimated. The City monitors the status of the organizations, loans, and lines of credit annually and in the event that payment by the City is likely to occur, a provision will be recognized in the Statements.

Related Party Transactions

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 City's Corporate Leadership Team (the City Manager, Deputy City Managers, Chief Financial Officer and Treasurer, Controller and Division Heads), 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 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 Statements.

As of December 31, 2021, 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 Enterprises.

Future Accounting Pronouncements

The City continues to assess the impact on its Statements of the following upcoming changes to PSAS.

The City has not adopted any new accounting standards for the year ended on December 31, 2021.

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, and introduces a new Statement of Remeasurement Gains and Losses that is separate from the Statement of Operations. This 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. The requirements in PS 2601 – Foreign Currency Translation, PS 3041 – Portfolio Investments, and PS 3450 – Financial Instruments, which must be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses. The requirements of these standards are explained further below.

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 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 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, PS 3270 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 P3 term. Measurement of the asset and related liability will also be dependent on the overall model used to compensate the private sector entity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 (in millions of dollars)

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. Taxation revenue is excluded from the scope of this standard.

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 in public sector financial statements against recognizing intangibles purchased in an exchange.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 (in millions of dollars)

2. Accounts and Taxes Receivable

	2021	2020
Federal and Provincial Government Receivables	953	1,309
Property Taxes Receivables	381	466
Trade and Other Receivables	742	823
	2,076	2,598

Included in Federal and Provincial Government receivables are:

- Safe Restart Agreement (SRA) – \$103 (2020 – \$355): intended to support safe restart of the economy following the COVID-19 pandemic;
- Provincial Transit Infrastructure Fund (PTIF) claims – \$151 (2020 – \$294);
- Provincial Gas Tax (PGT) – \$139 (2020 – \$139); and
- Interim Housing Assistance Program – \$17 (2020 – \$14).

Federal and Provincial Government Receivables include a receivable of \$239, which reflects the City's estimated reimbursement for various subway projects that were transferred to the Province in 2019.

3. Loans Receivable

	2021	2020
TCHC promissory notes, loan agreements and receivables, bearing interest rates between 3.0% and 6.0% (2020 – 3.0% to 6.0%) per annum with maturity dates from 2022 to 2057 (2020 – 2021 to 2057)	76	72
BTI loan facility and vendor-take-back (VTB) mortgages, bearing interest rates between 3.3% and 5.0% (2020 – 3.3% to 5.0%) per annum with maturity dates from 2022 to 2027 (2020 – 2021 to 2027)	32	32
Loans receivable from community housing organizations bearing interest rates between 0% and 5.0% (2020 – 0% to 5.0%) per annum, with maturity dates from 2022 to 2074 (2020 – 2021 to 2074)	46	47
Energy loans receivable from organizations to enable the implementation of green initiative projects across the City bearing interest rates between 0% and 3.7% (2020 – 0% to 3.7%) per annum, with maturity dates from 2022 to 2040 (2020 – 2021 to 2040)	30	25
Loan receivable from Maple Leaf Sports and Entertainment Ltd. for the expansion of BMO Stadium bearing an interest rate of 4.2% (2020 – 4.2%) per annum with a maturity date of 2034	8	8
Other	2	3
	194	187

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 (in millions of dollars)

4. Other Assets

	2021	2020
TCHC equal Contribution Equity in revitalization projects and equal interest Co-Tenancy Agreements for construction	12	13
TCHC Externally restricted assets under Loan Agreements for Capital Expenditures	6	6
Other	26	31
	44	50

5. Investments

	2021	
	Cost	Market value
Government Bonds	1,448	1,484
Corporate Bonds	1,136	1,147
Equities	758	957
Mortgages	118	117
Money Market Instruments	112	112
Foreign Corporate Bonds	39	39
Other	80	99
	3,691	3,955

	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
Foreign Corporate Bonds	11	12
Other	71	88
	3,685	3,908

Government bonds previously included 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 \$0 (2020 – \$67). All bonds requiring collateral have been settled in 2021.

The weighted average yield on the cost of the bond investment portfolio during the year was 3.2% (2020 – 3.3%). Maturity dates on investments in the portfolio range from 2030 to 2049 (2020 – 2040 to 2046).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 (in millions of dollars)

Included in the City's government bonds portfolio are City of Toronto debentures at coupon rates varying from 1.6% to 4.7% (2020 – 2.2% to 4.7%) with a carrying value of \$31 (2020 – \$16).

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

The Toronto Investment Board manages the funds not immediately required by the City, as well as managing the City's investments in accordance with the City's investment standards and Council-approved investment policy.

6. Investments in Government Business Enterprises (GBEs)

	2021	2020
Toronto Hydro Corporation	1,969	1,903
Toronto Parking Authority	325	335
	2,294	2,238

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

	2021	2020
Balance – beginning of year	2,238	2,202
Income from operations (Appendix 1)	142	128
Dividends received (Appendix 1)	(70)	(93)
Distribution to City (Appendix 1)	(20)	-
Other (Appendix 1)	4	1
Balance – end of year (Appendix 1)	2,294	2,238

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

	2021	2020
Income from Operations (Appendix 1)	142	128
Other (Appendix 1)	4	1
Government Business Enterprise Earnings	146	129

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, 2021 (in millions of dollars)

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

	2021	2020
Street-lighting, electricity, and maintenance services purchased by the City from Toronto Hydro Corporation	284	305
Property taxes paid to the City from Toronto Parking Authority	21	22
Rent expense paid to the City from Toronto Parking Authority	2	2
Property taxes paid to the City from Toronto Hydro	4	4
	311	333

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

	Due to others
2022	1
2023	251
2024	1
2025	-
2026	200
Thereafter	1,995
	2,448

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 2023 to 2063 and Toronto Parking Authority debt payable of \$0.6 (2020 – \$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 (2020 – \$100) bearing interest at the bank prime rate with an effective rate during 2021 of 2.5% (2020 – 2.5%) per annum.

TCHC has a committed revolving credit facility of \$200 (2020 – \$200) that is available for short-term advances and letters of credit, with standby charges of 0.3%. 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 1.1%. Short-term drawings of \$43 (2020 – \$nil) have been made in 2021. The entity is in compliance with all bank covenants.

	2021	2020
City, net outstanding cheques	56	69
TCHC	43	-
	99	69

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 (in millions of dollars)

8. Accounts Payable and Accrued Liabilities

	2021	2020
Trade Payables and Accruals	2,798	3,659
Tax Appeal Assessments on Property Taxes	383	397
Wages Payable	227	224
	3,408	4,280

9. Deferred Revenue

	2021	2020
Obligatory Deferred Revenues		
Restricted by Provincial legislation	3,593	2,976
Restricted by Agreements with Third Parties	1,310	1,339
Total Obligatory Deferred Revenues	4,903	4,315
Advance Payments and Contributions	920	901
TOTAL DEFERRED REVENUE	5,823	5,216

Deferred Revenue Continuity:

	2021		
	Obligatory Deferred Revenues	Advance payments and contributions	Total
Balance – beginning of year	4,315	901	5,216
Amount received during the year	2,329	2,542	4,871
Amount recognized as revenue	(1,741)	(2,523)	(4,264)
Balance – end of year	4,903	920	5,823
	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)
Balance – end of year	4,315	901	5,216

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 (in millions of dollars)

10. Provision for Property and Liability Claims

	2021	2020
Property and Liability Claims Provision	341	309
TTC Unsettled Accident Claims	139	147
	480	456

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 \$63 (2020 – \$32) 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

	2021	2020
Inactive Landfill Sites	150	173
Contaminated Site Liabilities	267	170
Active Landfill Site (Green Lane)	21	26
Environmental Liabilities (TTC and BTI)	30	24
Total Environmental and Contaminated Sites Liabilities	468	393

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 remediation methods and average industry remediation rates, actual costs may vary. The estimated amounts of future remediation costs are reviewed annually based on available information and governing legislation, as well as adjusted to account for annual increases in remediation costs.

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 \$216 (2020 – \$160), which is an undiscounted balance, at December 31, 2021. 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 combination 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 2.7% (2020 – 2.8%).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 (in millions of dollars)

The estimated present value of future expenditures for closure and post-closure care as at December 31, 2021 is \$21 (2020 – \$26), based on the percentage of total approved capacity used of 61% (2020 – 59%). Undiscounted expenditures are \$37 (2020 – \$35) and the net present value of the total liability has been recorded in the Statement of Financial Position.

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.

Reserve Balances	2021	2020
Green Lane Reserve Fund	4	7
Green Lane Perpetual Care Reserve Fund (GLPC)	8	7
Total	12	14

2021 contributions to the GLPC reserve of \$0.6 (2020 – \$0.7) are based on a contribution rate of \$1.3 (2020 – \$1.3) 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 2.7% (2020 – 2.8%). The estimated present value of future expenditures for post-closure care as at December 31, 2021 was \$150 (2020 – \$173).

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.

	2021	2020
Solid Waste Management Perpetual Care Reserve Fund	24	25
	24	25

12. Mortgages Payable

	2021	2020
TCHC secured mortgages, collateralized by TCHC housing properties, with interest rates between 0.7% and 11% (2020 – 0.7% to 11%) per annum and maturity dates ranging from 2022 to 2052	361	321
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 3.3% per annum, maturing on March 15, 2027	28	28
	389	349

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 (in millions of dollars)

Principal repayments on mortgages are due as follows:

	2021
2022	31
2023	31
2024	29
2025	30
2026	29
Thereafter	239
	389

Principal re-payments made in 2021 were \$0.9 (2020 – \$0.9) on the BTI mortgages and \$48 (2020 – \$25) on the TCHC mortgages.

13. Long-Term Debt

	2021	2020
Unsecured debentures issued by the City, bearing interest at various rates ranging from 0% to 6.8% (2020 – 0% to 6.8%), maturing from 2023 to 2051	7,586	7,527
Unsecured green bonds issued by the City, bearing interest at various rates ranging from 2.2% to 3.2% (2020 – 2.6% to 3.2%), maturing from 2039 to 2048	780	630
Unsecured social bonds issued by the City, bearing interest at 1.6% (2020 – 1.6%), maturing in 2030	200	100
Less: sinking fund deposits bearing interest at rates between 2% and 5% (2020 – 2% to 5%)	(1,796)	(2,011)
Unsecured debentures, net of sinking fund deposits	6,770	6,246
TCHC loans from Infrastructure Ontario secured by various floating and fixed income investments at floating and fixed rates between 2.5% and 4.5%, subject to financial covenants, maturing between 2043 to 2049	888	918
TCHC debentures, unsecured, consisting of Series A bonds of \$250 at 4.9% (maturing in 2037) and Series B bonds of \$200 at 5.4% (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 3.4% with repayment beginning March 15, 2018	17	19
Lakeshore Arena Corporation credit facilities from Infrastructure Ontario, secured by a property mortgage, a general security agreement and assignments of rents and leases, bearing interest at 3.5%, with a maturity date of October 31, 2042	25	24
Others, bearing interest between 1.8% to 8.1% maturing from 2021 to 2027	-	1
Consolidated entities debentures	1,376	1,408
Total Net Long Term Debt	8,146	7,654

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 (in millions of dollars)

2021 principal repayments total \$471 (2020 – \$402). Principal repayments are due as follows:

	2021
2022	523
2023	534
2024	509
2025	488
2026	460
Thereafter	5,632
	8,146

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 as at December 31, 2021. The next actuarial valuation for post-retirement and post-employment benefits is scheduled to be performed on December 31, 2024.

	2021	2020
Sick leave benefits	479	579
Worker Safety Insurance Board (WSIB) obligations	939	932
Other Employment and Post-Employment Benefits	2,889	3,195
Total Employee Accrued Benefit Obligation	4,307	4,706
Unamortized Actuarial Gain/(Loss)	200	(405)
Employee Benefit Liabilities	4,507	4,301

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:

	2021			
	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))	4,307	3,052	156	7,515
Fair Value of Plan assets (Note 14(d))	-	4,267	201	4,468
Funding deficit/(surplus)	4,307	(1,215)	(45)	3,047
Unamortized actuarial gain	200	-	-	200
Valuation allowance	-	1,215	45	1,260
Employee benefit liability (Note 14(e))	4,507	-	-	4,507

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 (in millions of dollars)

	2020			
	Post-retirement and post-employment	TTC Pension Plan	City Pension Plans	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

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

	2021			
	Post-retirement and post-employment	TTC Pension Plan (Note 14, h(ii))	City Pension Plans (Note 14, h(iii))	Total
	\$	\$	\$	\$
Balance – beginning of year	4,706	3,304	164	8,174
Current service cost	394	96	-	490
Interest cost	85	175	(18)	242
Actuarial (gain)/loss	(583)	(362)	7	(938)
Benefits paid	(310)	(197)	3	(504)
Transfer to OMERS	15	36	-	51
Plan amendments	-	-	-	-
Balance – end of year	4,307	3,052	156	7,515

	2020			
	Post-retirement and post-employment	TTC Pension Plan	City Pension Plans	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 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 (in millions of dollars)

d) Continuity of the plan assets:

	2021			Total \$
	Post-retirement and post-employment \$	TTC Pension Plan (Note 14, h(ii)) \$	City Pension Plans (Note 14, h(iii)) \$	
Balance – beginning of year	-	3,987	352	4,339
Employer Contributions	310	131	-	441
Actual return on assets	-	349	19	368
Employer Surplus Distribution	-	-	(108)	(108)
TTC Pension Administrative Expenses	-	(2)	-	(2)
Benefits paid	(310)	(198)	(62)	(570)
Transfer to OMERS	-	-	-	-
Balance – end of year	-	4,267	201	4,468

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

The City has established reserve funds to help reduce the future impact of the employee benefit obligation. As at December 31, 2021, the balance in the Employee Benefits Reserve Fund was \$486 (2020 – \$396), which includes \$55 (2020 – \$52) for Sick Leave and \$17 (2020 – \$18) for WSIB.

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

	2021			Total \$
	Post-retirement and post-employment \$	TTC Pension Plan (Note 14, h(ii)) \$	City Pension Plans (Note 14, h(iii)) \$	
Balance – beginning of year	4,301	-	-	4,301
Current service cost	394	99	-	493
Interest cost (revenue)	84	(32)	(2)	50
Amortization of actuarial loss/(gain)	23	(71)	(5)	(53)
Employer contributions	(310)	(131)	-	(441)
Plan amendments	15	36	-	51
Change in valuation allowance	-	99	7	106
Balance – end of year	4,507	-	-	4,507

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 (in millions of dollars)

	2020			
	Post-retirement and post-employment	TTC Pension Plan	City Pension Plans	Total
	\$	\$	\$	\$
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

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

	2021			
	Post-retirement and post-employment	TTC Pension Plan (Note 14, h(ii))	City Pension Plans (Note 14, h(iii))	Total
	\$	\$	\$	\$
Current service cost	394	99	-	493
Interest cost (revenue)	84	(32)	(2)	50
Amortization of actuarial loss/(gain)	23	(71)	(5)	(53)
Plan amendments	15	36	-	51
Change in valuation allowance	-	99	7	106
Total expense	516	131	-	647

	2020			
	Post-retirement and post-employment	TTC Pension Plan	City Pension Plans	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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 (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 compiled from actuarial valuations completed for 2021:

	2021	2020
Discount rate for accrued benefit obligation:		
Post-employment	1.6% to 2.2%	1.2%
Post-retirement	2.6% to 2.9%	2.0%
Sick leave	1.8% to 2.5%	1.5%
WSIB	2.3% to 2.4%	2.0%
Rate of compensation increase	1.3% to 3.5%	1.3% to 3.5%
Health care inflation – LTD, hospital and other medical	5.0% to 6.2%	4.5% to 6.5%
Health care inflation – Dental care	3.0% to 4.0%	3.0% to 4.0%
Health care inflation – Drugs	6.0% to 6.9%	5.5% to 7.3%
	2021	2020
Discount rate for benefit costs:		
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	1.3% to 3.5%	1.3% to 3.3%
Health care inflation – LTD, hospital and other medical	4.0% to 5.9%	4.0% to 5.3%
Health care inflation – Dental care	3.0% to 4.0%	3.0% to 4.0%
Health care inflation – Drugs	6.0% to 10.3%	5.5% to 10.4%

For 2021 benefit costs and year end 2021 benefit obligations, the health care inflation rate for Long-Term Disability (LTD), hospital, other medical, and drugs is assumed to reduce to a range of 4.0% to 5.0% by 2030 based on the latest actuarial valuation.

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 the plan is managed by OMERS and the City does not share risk or control of decisions in the plan administration, benefits, or contribution. The plan is a joint pension plan of all Ontario municipalities and their employees. Employer contributions for current service amounted to \$212 (2020 – \$210) and are expensed in the Consolidated Statement of Operations and Accumulated Surplus. Employees' contributions amounted to \$212 (2020 – \$210). The City is current with all payments to OMERS. As at December 31, 2021, OMERS has a deficit of \$3,131 (2020 – deficit \$3,211).

The date of the most recently filed actuarial valuation for funding purposes for the OMERS Primary Pension Plan was December 31, 2020. The next required filing of an actuarial valuation for funding purposes will be performed with a date no later than December 31, 2023.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 (in millions of dollars)

(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 (Board) 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.

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, 2021 (from January 1, 2020) and an ad hoc increase of up to 1.0% (December 31, 2020 – 2.0%) 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, 2021. The next required actuarial valuation for funding purposes will be performed as at January 1, 2024. The effective date of the most recent valuation for accounting purposes was December 31, 2021.

Actuarial assumptions for the TTC Pension Plan are as follows:

	2021	2020
Discount rate	6.2%	5.5%
Actual rate of return on plan assets	11.3%	4.7%
Expected rate of return on plan assets	5.3%	5.5%
Rate of increase in salaries	1.3% to 3.3%	1.3% to 3.3%
Inflation rate	2.0%	2.0%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 (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. OMERS has taken over responsibility to pay future benefits. As a result, the City has no continuing obligation related to these plans at December 31, 2021.

The mergers resulted in \$106 of surplus for the City, which represents its share of the pension plan surpluses. This amount was received in full in 2021, and the plans have now been 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, 2021. The next required accounting valuation for funding purposes will be performed as at December 31, 2022.

As at December 31, 2021, there were 264 (2020 – 293) Fire pensioners with an average age of 83.6 (2020 – 83) and 291 (2020 – 296) survivors and beneficiaries with an average age of 83.3 (2020 – 82.7), in receipt of a pension. Pension payments during the year were \$18 (2020 – \$19). 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, which includes assets that will be distributed to members in future fiscal years, as at December 31, 2021 is as follows:

	2021			2020
	Pension assets – market value – end of year	Actuarial pension obligation – end of year	Net actuarial surplus	Net actuarial surplus
Toronto Civic Employee Pension Plan	0.4	-	0.4	57
Metropolitan Toronto Pension Plan	0.5	-	0.5	87
Metropolitan Toronto Police Pension Plan	0.1	-	0.1	7
Toronto Firefighters Pension Plan	200	156	44	37
Total of City Pension Plans	201	156	45	188

Actuarial assumptions for the Toronto Fire Department Superannuation and Benefit Plan:

	2021	2020
Discount rate	4.9%	4.9%
Actual rate of return on plan assets	9.0%	9.2%
Expected rate of return on plan assets	4.9%	4.9%
Inflation rate	2.0%	2.0%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 (in millions of dollars)

15. Inventories

	2021	2020
Inventories	231	223
Properties held for resale	38	111
	269	334

16. Tangible Capital Assets

	2021			2020
	Cost	Accumulated amortization	Net book value	Net book value
General				
Land	4,203	-	4,203	4,188
Land Improvements	2,238	1,004	1,234	1,082
Buildings and Building Improvements	12,985	4,555	8,430	7,930
Machinery and Equipment	3,452	1,954	1,498	1,447
Motor Vehicles	2,993	1,857	1,136	1,241
Total General	25,871	9,370	16,501	15,888
Infrastructure				
Land	140	-	140	140
Buildings and Building Improvements	975	252	723	728
Machinery and Equipment	3,098	1,491	1,607	1,618
Water and Wastewater Linear	7,318	2,650	4,668	4,693
Roads Linear	5,219	2,574	2,645	2,562
Transit	10,655	4,876	5,779	5,758
Total Infrastructure	27,405	11,843	15,562	15,499
Assets under Construction	6,323	-	6,323	5,141
Total	59,599	21,213	38,386	36,528

General machinery and equipment includes the net book value of City capital leases totaling \$nil (2020 – \$5) and from TCHC totaling \$nil (2020 – \$2). General building and building improvements includes capital leases totaling \$nil (2020 – \$1).

The value of donated assets received during the year was \$18 (2020 – \$14).

The City recognized an additional write down of \$2 of assets under construction during the year (2020 – \$0.5).

17. Contingent Assets and Liabilities**a) Contingent Assets**

In the ordinary course of business, various claims and lawsuits are brought by the City. It is the opinion of management that the settlement of these actions will result in the City's favour and that the settlement amounts will be available for the City's use. These contingent assets are not recorded in the Statements.

b) Contingent Legal Liabilities

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 occurrence of a future event is considered likely to result in a loss with respect to an existing condition and potential liability is reasonably estimated, amounts have been included in accrued liabilities. Management believes that the ultimate disposition of the matters will not materially exceed the provisions recorded in the accounts. In other cases when 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.

c) Loan and Line of Credit Guarantees

The City currently guarantees operating lines of credit and capital loans under Council approved policies for organizations that have a financial relationship with the City. The City monitors the status of these lines of credit, loans, and the financial position of the organizations. As at December 31, 2021 all loans and lines of credit are in good standing and no provision has been recorded (2020 – \$nil). Organizations that have received a guarantee from the City also pledged various assets for security purposes.

i. Loan Guarantees

Loan guarantees provided by the City are to support the capital initiatives of organizations that will assist in increasing participation in sports, recreation, culture and community-based activities. The total amount of all capital loan guarantees provided by the City under the policy for capital loan guarantees is limited to an aggregate total of \$300, with individual loan guarantees being limited to a maximum of \$10 unless otherwise approved by Council.

In 2021, the City provided capital loan guarantees to various organizations amounting to \$35 (2020 – \$27). The City's guarantees are set to expire between 2022 and 2049 (2020 – 2021 and 2049).

ii. Line of Credit Guarantees

The intended purpose of line of credit guarantees is to enable culture and community-based organizations to obtain a line of credit for operational cash requirements in the event no other economic resources are available. Organizations are required to submit audited financial statements and business plans to demonstrate their financial viability and capacity to repay the funds on an annual basis. The City is authorized to provide line of credit guarantees of \$10 in aggregate.

In 2021, the City provided line of credit guarantees that have an aggregate value of \$6 (2020 – \$6).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 (in millions of dollars)

18. Contractual Rights and Obligations

a. Contractual Rights

The City is involved with various contracts and agreements arising in the ordinary course of business. This results in contractual rights to economic resources, leading to both assets and revenues in the future. The City has significant contractual rights to revenues from a lease agreement for a City-owned property that is estimated to generate revenues of \$21M over the next five-year period.

b. Contractual Obligations

The City and its consolidated entities have entered into various agreements and contracts for goods, services and planned capital activity to support the delivery of services to residents and businesses.

The City's procurement of goods and services are completed in accordance with the City's purchasing by-law (Municipal Code Chapter 195, Purchasing). For instance, City Council authorization is required to negotiate, enter into, and execute significant agreements and contracts. The City's most significant contractual obligations and estimates of amounts payable over the coming years have been summarized in the below tables:

i. City of Toronto

Commitment	Amounts to be paid in:						Total
	2022	2023	2024	2025	2026	Thereafter	
Service agreements for winter maintenance services	71	130	133	137	142	891	1,504
Transfer payment agreement with the Province of Ontario and Metrolinx for the SmartTrack Program	-	-	-	1,463	-	-	1,463
Construction agreements for the Ashbridges Bay Treatment Plant	169	128	108	85	33	52	575
Construction and engineering services agreements for the Basement Flooding Protection Program	133	134	96	46	9	6	424
Service agreements for curbside collection services	60	49	41	42	26	-	218
Service agreements for single stream recyclable materials processing and marketing activities	38	42	42	42	42	4	210
Service agreements for waste transport services in the City	20	20	20	20	20	78	178
Construction agreements for the Coxwell Bypass Tunnel	54	40	21	-	-	-	115
Construction agreements for Liquid Train Upgrades and rehabilitation at the Highland Creek Treatment Plant	24	22	14	23	3	15	101
Operation and maintenance agreement of the Disco Rd organics processing facility	13	13	13	13	13	32	97
Construction agreement for the North East Scarborough Community Centre and Child Care Centre	18	31	30	-	-	-	79

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 (in millions of dollars)

Commitment	Amounts to be paid in:						
	2022	2023	2024	2025	2026	Thereafter	Total
Service agreement for landfill operations, management and construction services	10	10	10	10	10	29	79
Service agreement for electrical maintenance service	16	16	17	17	11	-	77
Construction agreement for the St. Lawrence Market North Redevelopment	49	25	-	-	-	-	74
Transfer payment agreement agreements with the Province of Ontario for the GO Rail Expansion program	-	-	-	62	-	-	62
Various agreements for purchase of goods and services for multiple capital projects	308	179	105	45	25	50	712
Various agreements for purchase of goods and services for miscellaneous operational needs	217	158	104	71	52	37	639
Total	1,200	997	754	2,076	386	1,194	6,607

ii. City Agencies, Corporations, and Government Business Enterprises:

Commitment	Amounts to be paid in:						
	2022	2023	2024	2025	2026	Thereafter	Total
Agreement for the provision of 264 Light Rail vehicles to the TTC - 204 delivered to date	38.4	80.3	219.4	23.2	-	-	361.3
Various agreements for the purchase of goods and services for multiple TTC capital projects	122	111	44	22.8	3.7	-	303.5
Agreement for the provision of 111 Low Floor Wheel Trans Mini- Buses to the TTC - 2 delivered to date	23.9	9.9	-	-	-	-	33.8
Various agreements for the purchase of goods and services for the Toronto Hydro Corporation's capital projects and operational needs	32.6	4.6	1.9	0.5	3.1	-	42.7
Agreement for the purchase of above grade and/or substrata title to parking structures by the Toronto Parking Authority	0.3	18	5.4	-	-	9	32.7
Total	217.2	223.8	270.7	46.5	6.8	9	774

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 (in millions of dollars)

c. Lease Commitments

At December 31, 2021, the City is committed to future minimum annual operating lease payments, mainly for facilities and equipment. Lease commitments over the next five years and thereafter are as follows:

	2021
2022	83
2023	42
2024	36
2025	32
2026	23
Thereafter	115
	331

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 (in millions of dollars)

19. Budget Data

Budget data presented in these Statements is based on the 2021 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 the capitalization of capital expenditures to TCA, the recognition of debt proceeds as a liability and non-cash expenditures such as amortization on tangible capital assets. The following chart reconciles the approved budget with the budget figures as presented in these Statements:

	Approved by Council				Adjustments	Total Adjusted Budget
	Operating	Capital	Non-Levy	Consolidated Entities		
Revenue:						
Property and Taxation from Other Governments	4,818	-	-	-	(128)	4,690
Government Transfers	4,154	596	-	(2)	92	4,840
User Charges	1,117	1,231	1,896	(45)	(1,117)	3,082
Municipal Land Transfer Tax	694	-	-	-	-	694
Other Revenue Sources	1,207	2,757	-	14	(3,409)	569
Rent and Concessions	60	-	-	397	-	457
Development Charges	-	552	-	-	-	552
Investment Income	257	-	-	38	(29)	266
Total Revenue:	12,307	5,136	1,896	402	(4,591)	15,150
Expenses:						
Transportation	2,683	1,902	155	(21)	(390)	4,329
Social and Family Services	2,970	467	-	-	(260)	3,177
Protection to Persons and Property	1,919	118	-	-	(42)	1,995
Recreation and Cultural Services	913	371	-	(28)	(91)	1,165
Environmental Services	166	1,438	1,749	-	(1,982)	1,371
General Government	2,538	524	-	-	(1,786)	1,276
Social Housing	443	161	-	360	214	1,178
Health Services	618	19	-	-	(12)	625
Planning and Development	57	136	(8)	16	12	213
Total Expenses:	12,307	5,136	1,896	327	(4,337)	15,329
Annual Surplus/(Deficit)	-	-	-	75	(254)	(179)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 (in millions of dollars)

The following adjustments were made to revenue and expenditures to eliminate transactions that were not based on PSAS. Revenue adjustments represent exclusion of amounts recognized as revenue for cash budgeting purposes, but not PSAS, such as: contributions to the City's reserves and discretionary reserve funds, as well as proceeds from the issuance of long-term debt. Expenditure adjustments represent exclusion of amounts recognized as expenses for cash budgeting purposes, but not PSAS, such as withdrawals from the City's reserves and discretionary reserve funds, and principal repayments for the City's long term debt.

Revenue adjustments (\$4,591):

- Contributions to the City's operating fund, capital fund, and reserve and discretionary reserve funds (\$2,318)
- Proceeds from the issuance of long-term debt (\$1,994)
- Reclassification between revenue and expense (\$318)
- Consolidated entities budgets – net revenues (\$33)
- Other adjustments (\$72 – increase)

Expenditure adjustments (\$4,337):

- Withdrawals from City's operating fund, capital fund and reserve and discretionary reserve funds (\$2,107)
- Capitalization of tangible capital assets and recognition of amortization (\$1,278)
- Reclassification between revenue and expense (\$318)
- Debt principal repayments (\$438)
- Internal cost recoveries (\$164)
- Consolidated entities budgets – net expenditures (\$20)
- Other adjustments (\$12)

20. Government Transfers

	2021	2020
<u>By Function</u>		
Social and Family Services	1,905	1,842
Transportation	363	156
Health Services	338	334
General Government	100	217
Social Housing	75	184
Protection to Persons and Property	65	62
Environmental Services	33	(17)
Planning and Development	39	86
Recreation and Cultural Services	21	15
Total Transfers by Function	2,939	2,879
Add:		
COVID-19 Impacts	1,662	1,191
Ministry of Health COVID-19 Vaccination Program	81	-
Total Transfers by Function	4,682	4,070

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 (in millions of dollars)

	2021	2020
By Source		
Operating Transfers		
Federal	348	333
Provincial	3,795	3,438
Other	14	13
	<u>4,157</u>	<u>3,784</u>
Capital Transfers		
Federal	375	107
Provincial	147	171
Other	3	8
	<u>525</u>	<u>286</u>
Total Transfers by Source	<u>4,682</u>	<u>4,070</u>

In 2021, the City continued to receive transfer payments from the Province of Ontario as part of the Safe Restart Agreement (Agreement) to support municipal operating pressures that arose from the City's responses to the pandemic, including but not limited to increases in public health protocols and initiatives, and municipal transit systems due to a sustained reduction in ridership figures.

The City received and recognized \$450 (2020 – \$258) of revenues, which were ultimately used to respond to municipal operating pressures, as well as \$739 (2020 – \$640) of revenues, which were used to respond to municipal transit costs and lost revenues. The City also received Social Services Relief Funding and other funding \$306 (2020 – \$177) and amounts allocated for Toronto Public Health's Safe Restart efforts \$134 (2020 – \$14).

The City recognized \$19 (2020 – \$37) as part of the Government of Canada's Interim Housing Assistance Program. This additional transfer payment was provided by the federal government to recognize the City's efforts in offering interim housing services to asylum claimants in 2021.

Further details associated with government transfers can be found in Appendix 2, Consolidated Schedule of Segment Disclosure – Service.

21. Other Revenue Sources

	2021	2020
Utilities cut and other recoveries	146	110
Sale of recycled materials and properties	68	48
Hotel, Lodging and Sign tax	26	22
Other Income	447	417
Total Other Revenue Sources	<u>687</u>	<u>597</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 (in millions of dollars)

22. Total Expenses

	2021	2020
Salaries, Wages and Benefits	6,418	6,127
Contracted Services	1,754	1,584
Transfer Payments to Agencies, Corporations, and Other External Organizations	1,427	1,533
Amortization (Schedule 1)	1,554	1,432
Materials	1,284	1,078
Interest on Long-Term Debt	361	346
Other	445	353
	13,243	12,453

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

23. Comparative Figures

Certain 2020 comparative amounts have been regrouped from the Statements previously presented, to conform with the presentation adopted in 2021.

24. Greenhouse Gas (GHG) Emission Reductions (unaudited)

Toronto's climate action strategy (TransformTO Net Zero Strategy) 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 2040. Toronto has released its 2019 inventory on community-wide GHG emissions which indicates that GHG emissions in Toronto were 38% lower in 2019 than in 1990.

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

SCHEDULE 1

As at and for the year ended December 31, 2021 (in millions of dollars)

2021

	Cost 2021					Accumulated Amortization 2021				Net Book Value 2021
	Beginning	Additions	Disposals / Transfers	Donated	Ending	Beginning	Amortization	Disposals	Ending	
General										
Land	4,188	14	(14)	15	4,203	-	-	-	-	4,203
Land improvements	1,887	355	(7)	3	2,238	805	201	(2)	1,004	1,234
Buildings and building improvements	12,275	764	(54)	-	12,985	4,345	260	(50)	4,555	8,430
Machinery and equipment	3,244	266	(58)	-	3,452	1,797	215	(58)	1,954	1,498
Motor vehicles	2,960	112	(79)	-	2,993	1,719	216	(78)	1,857	1,136
Total General	24,554	1,511	(212)	18	25,871	8,666	892	(188)	9,370	16,501
Infrastructure										
Land	140	-	-	-	140	-	-	-	-	140
Buildings and building improvements	958	17	-	-	975	230	22	-	252	723
Machinery and equipment	3,015	83	-	-	3,098	1,397	94	-	1,491	1,607
Water and wastewater linear	7,247	73	(2)	-	7,318	2,554	98	(2)	2,650	4,668
Roads linear	5,031	188	-	-	5,219	2,469	105	-	2,574	2,645
Transit	10,291	364	-	-	10,655	4,533	343	-	4,876	5,779
Total infrastructure	26,682	725	(2)	-	27,405	11,183	662	(2)	11,843	15,562
Assets under construction	5,141	1,187	(5)	-	6,323	-	-	-	-	6,323
TOTAL	56,377	3,423	(219)	18	59,599	19,849	1,554	(190)	21,213	38,386

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 GOVERNMENT BUSINESS ENTERPRISES

APPENDIX 1

As at and for the year ended December 31, 2021 (in millions of dollars)

Condensed Financial Results (\$) Fiscal Year Ended	Toronto Hydro Corporation December 31		Toronto Parking Authority December 31		Total	
	2021	2020	2021	2020	2021	2020
Financial Position						
Assets						
Current	490	508	102	83	592	591
Capital	5,735	5,382	222	220	5,957	5,602
Other	188	184	42	67	230	251
	6,413	6,074	366	370	6,779	6,444
Liabilities						
Current	808	951	35	27	843	978
Long-term	3,623	3,205	6	8	3,629	3,213
	4,431	4,156	41	35	4,472	4,191
Net equity	1,982	1,918	325	335	2,307	2,253
City's share (Note 6)	1,969	1,903	325	335	2,294	2,238
Results of Operations						
Revenues	3,633	3,975	97	96	3,730	4,071
Expenses	3,496	3,857	88	85	3,584	3,942
Net income (loss)	137	118	9	11	146	129
City's share (Note 6)	137	118	9	11	146	129
Distribution to City (Note 6)	-	-	20	-	20	-
Dividends paid to City (Note 6)	70	93	-	-	70	93
Net book value of assets sold from the City to Toronto Hydro Corporation	13	15	-	-	13	15

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – SERVICE

APPENDIX 2

for the year ended December 31, 2021 (in millions of dollars)

2021

	General Government	Protection to Persons and Property	Transportation	Environmental	Health	Social and Family	Social Housing	Recreation and Cultural	Planning and Development	Consolidated
Taxation*	5,939	-	-	-	-	-	-	-	-	5,939
User charges	96	223	629	1,628	-	58	18	82	64	2,798
Government transfers**	1,622	65	363	33	461	2,003	75	21	39	4,682
Net GBE income	146	-	-	-	-	-	-	-	-	146
Other	388	64	253	182	13	18	473	207	78	1,676
TOTAL REVENUES	8,191	352	1,245	1,843	474	2,079	566	310	181	15,241
Salaries, wages and benefits	543	1,797	1,734	282	545	684	221	555	57	6,418
Materials	264	36	372	139	29	179	146	83	36	1,284
Contracted services	141	27	406	240	45	640	116	111	28	1,754
Interest on long-term debt	22	9	203	10	1	14	76	13	13	361
Transfer payments	(153)	51	(6)	224	57	1,064	122	88	(20)	1,427
Other	131	14	103	26	6	73	37	42	13	445
Amortization	118	51	836	227	4	4	232	77	5	1,554
TOTAL EXPENSES	1,066	1,985	3,648	1,148	687	2,658	950	969	132	13,243
ANNUAL SURPLUS/ (DEFICIENCY)	7,125	(1,633)	(2,403)	695	(213)	(579)	(384)	(659)	49	1,998

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

** Government transfers includes \$1,662 of revenues recognized for COVID-19 Impacts and \$81 for Ministry of Health COVID-19 Vaccination Program.

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – SERVICE

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

APPENDIX 2

2020

	General Government	Protection to Persons and Property	Transportation	Environmental	Health	Social and Family	Social Housing	Recreation and Cultural	Planning and Development	Consolidated
Taxation*	5,454	-	-	-	-	-	-	-	-	5,454
User charges	75	209	670	1,717	-	58	18	74	43	2,864
Government transfers**	1,121	62	156	(17)	372	2,090	184	16	86	4,070
Net GBE income	129	-	-	-	-	-	-	-	-	129
Other	315	69	280	162	6	29	511	132	54	1,558
TOTAL REVENUES	7,094	340	1,106	1,862	378	2,177	713	222	183	14,075
Salaries, wages and benefits	522	1,749	1,666	288	426	672	203	546	55	6,127
Materials	147	37	354	137	20	147	128	83	25	1,078
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	919	1,946	3,472	1,008	536	2,627	877	938	130	12,453
ANNUAL SURPLUS/ (DEFICIENCY)	6,175	(1,606)	(2,366)	854	(158)	(450)	(164)	(716)	53	1,622

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

** Government transfers includes \$1,191 of revenues recognized for COVID-19 Impacts.

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – ENTITY

for the year ended December 31, 2021 (in millions of dollars)

APPENDIX 3
2021

	City	Toronto Police Service	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies and Corporations	TOTAL
Taxation*	5,939	-	-	-	-	-	5,939
User charges	2,253	27	459	1	18	40	2,798
Government transfers	4,220	64	343	6	2	47	4,682
Net GBE income	146	-	-	-	-	-	146
Other	666	29	224	9	623	125	1,676
TOTAL REVENUES	13,224	120	1,026	16	643	212	15,241
Salaries, wages and benefits	3,227	1,179	1,543	153	221	95	6,418
Materials	789	16	257	3	145	74	1,284
Contracted services	1,291	18	261	35	116	33	1,754
Interest on long-term debt	274	7	-	-	76	4	361
Transfer payments	3,500	15	(1,519)	(206)	(307)	(56)	1,427
Other	273	6	92	3	36	35	445
Amortization	511	42	723	36	233	9	1,554
TOTAL EXPENSES	9,865	1,283	1,357	24	520	194	13,243
ANNUAL SURPLUS/ (DEFICIENCY)	3,359	(1,163)	(331)	(8)	123	18	1,998

*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, 2020 (in millions of dollars)

2020

	City	Toronto Police Service	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies and Corporations	TOTAL
Taxation*	5,454	-	-	-	-	-	5,454
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	12,006	110	750	23	934	252	14,075
Salaries, wages and benefits	3,053	1,145	1,478	150	203	98	6,127
Materials	618	20	221	5	128	86	1,078
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	9,119	1,243	1,309	25	508	249	12,453
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 – TANGIBLE CAPITAL ASSETS BY ENTITY
APPENDIX 4

for the years ended December 31, 2021 and 2020

2021 and 2020

	City, including Toronto Police Service	Toronto Transit Commission	Toronto Community Housing Corporation	Toronto Public Library	Other Agencies and Corporations	TOTAL
2021						
General						
Cost	9,522	8,919	6,386	514	530	25,871
Accumulated amortization	2,828	3,639	2,601	215	87	9,370
Net Book Value	6,694	5,280	3,785	299	443	16,501
Infrastructure						
Cost	16,751	10,654				27,405
Accumulated amortization	6,968	4,875				11,843
Net Book Value	9,783	5,779				15,562
Assets under construction	4,380	1,374	78	99	392	6,323
Total	20,857	12,433	3,863	398	835	38,386
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