

An aerial photograph of Toronto, Ontario, Canada, showing a dense urban skyline with numerous high-rise buildings. In the foreground, there is a large green park area with trees and a marina filled with many sailboats. The water is a deep blue, and the sky is a clear, light blue with some light clouds. The text "CITY OF TORONTO" and "2010 Consolidated Financial Statements" is overlaid in a dark blue, sans-serif font on a black background that spans the top half of the image.

CITY OF TORONTO

2010 Consolidated Financial Statements

Presentation to Audit Committee

July 5, 2011

Agenda

- Introduction & Overview
- 2010 Financial Statements (FS)
- Restatement of 2009 Comparatives
- Financial Highlights
- Closing Comments & Questions

Overview

Roles and Responsibilities

Management

- Prepare Statements in accordance with GAAP
- Sound financial system design
- Internal control system

Auditors

- Evaluate & test critical financial systems
- Perform other tests in accordance with GAAS
- Express opinion as to fairness in “all material respects”

109 Entities Included in FS

- 18 ABCs
- 18 arenas & community centre boards
- 70 Business Improvement Areas (BIAs)
- 3 Government Business Entities (GBEs)
 - (Separate, self supporting legal business entity controlled by the City)
 - Toronto Hydro, Enwave Energy Corporation, Toronto Parking Authority

2010 Consolidated Statements include:

- **Statement of Financial Position**
 - Summarizes Financial Position (Assets, Liabilities, Accumulated Surplus) at Dec. 31st
- **Operations & Accumulated Surplus**
 - Outlines Revenues, Expenses, Annual Surplus for the year; Accumulated Surplus at Dec. 31st
- **Change in Net Debt**
 - Unique to governments
- **Cash Flows**
 - Identifies cash transactions (sources and uses of cash)

Financial Statements also include:

- **Notes**

- Cross referenced to specific FS items
- Explain & provide details on the item

- **Schedules/Appendices**

- TCAs; GBEs; Breakout of Revenues & Expenses by Service & Entity

- **Glossary of Terms**

2010 Consolidated Financial Statements

Statement of Financial Position (Balance Sheet)

Financial Assets	<ul style="list-style-type: none"> ▪ Cash or Assets that convert to cash, including Accounts receivable, Investments in GBEs
Liabilities	<ul style="list-style-type: none"> ▪ What we owe ▪ Obligations that must be paid over the short & longer term
Net Debt	<ul style="list-style-type: none"> ▪ Financial Assets – Liabilities
Non-Financial Assets	<ul style="list-style-type: none"> ▪ Tangible Capital Assets (TCAs) ▪ Inventories & Prepaid Expenses
Accumulated Surplus	<ul style="list-style-type: none"> ▪ Amount by which all Assets (Financial & Non Financial) exceed Liabilities

Statement of Financial Position (\$M)

	<u>2010</u>	<u>2009</u>
Investments	3,294	3,251
Investments in GBES	1,259	1,191
All other	1,961	2,286
Total Fin. Assets	6,514	6,728
Accounts Payable	2,444	2,024
Deferred Revenue	1,440	1,576
Net Long Term Debt & Mortgages	3,694	3,639
Emp. Benefit Liabilities	2,589	2,503
All other	733	650
Total Liabilities	10,900	10,392
Net Debt	(4,386)	(3,664)
Non-Financial Assets	19,871	18,595
Accumulated Surplus	15,485	14,931

Accumulated Surplus is comprised of:

	(\$ Million)	
Tangible Capital Assets		19,589
Fund Balances (Operating, Capital, R&RFs)		2,491
LESS: <u>Amounts to Be Recovered:</u>		
Mortgages (TCHC)	804	
Net L.T. Debt	2,856	
Landfill Closure & Post Closure Liabilities	121	
Employee Benefits	2,589	
Other	225	<u>(6,595)</u>
		<hr/> 15,485

Net Long Term Debt at Dec. 31, 2010

	2010 \$ M	2009 \$ M
City, Tax-supported Long Term Debentures	2,021	2,176
City, Solid Waste Long Term Debentures	91	94
City, Provincial Loan	170	170
Recoverable from School Board	34	38
TCHC Debentures	<u>574</u>	<u>320</u>
Total	2,890	2,798

Operations & Accumulated Surplus

	2010	2009
	(\$Ms)	(\$Ms)
Total Revenues	11,096	10,414
Total Expenses	10,542	9,955
Annual Surplus	554	459
Accumulated Surplus - beginning	14,931	14,472
Accumulated Surplus - ending	15,485	14,931

Statement of Change in Net Debt

- Unique to governments
- Critical for governments as an indication of reasons for borrowing
- Toronto, unlike the Provincial and Federal governments, can only borrow to invest in assets
- Calculates change in Net Debt:

Annual surplus

+/- TCA transactions

+/- Change in other Non-Financial assets

= Change in Net Debt

Statement of Change in Net Debt

	2010 (\$Ms)	2009 (\$Ms)
Annual Surplus	554	459
Amortization of Capital Assets	1,018	1,072
Acquisition of Capital Assets	(2,258)	(1,854)
Gain / proceeds	39	33
	(647)	(290)
Change in Inventories & Prepays	(75)	(40)
Increase in Net Debt	(722)	(330)
Net Debt - Beginning of Year	(3,664)	(3,334)
Net Debt - End of Year	(4,386)	(3,664)

Statement of Cash Flow

	2010 \$Ms	2009 \$Ms
ANNUAL SURPLUS	554	459
Non-cash expenses	902	942
	1,456	1,401
Change in non-cash assets and liabilities	451	(584)
Cash provided by Operating activities	1,907	817
Cash applied to Capital activities	(2,256)	(1,806)
Cash provided by (applied to) Investing activities	584	846
Cash provided by Financing activities	48	110
Net (decrease) in cash during the year	283	(33)
Cash – beginning of year	198	231
Cash – end of year	481	198

Financial Statements vs Budgeting

Financial Statements vs Budgeting

Financial Statements: Consolidated (City + ABCs)	Budgets: City Only
<p>Includes:</p> <ul style="list-style-type: none">▪ ABCs, BIAs, GBEs ▪ Tax and Rate Supported Financials ▪ Operating, Capital, Reserve & Reserve Funds	<p>Separate Budgets for:</p> <ul style="list-style-type: none">▪ ABCs, GBEs, BIAs ▪ Tax, Water & Solid Waste ▪ Operating & Capital (Reserve & Reserve Funds included)

Financial Statements vs Budgeting

Financial Statements (Full Accrual Accounting)	Budgets (Cash Requirements Basis)
<ul style="list-style-type: none">■ Includes <u>non-cash expenses</u> (eg. Amortization, changes in future employment benefits & landfill liabilities)■ TCA expenditures: capitalized	<ul style="list-style-type: none">■ Cash Items Only (No amortization of TCAs)■ TCAs: Expenditures recognized as the asset is acquired or built

Reconciliation of 2010 Surplus

	<i>\$M</i>	
	<u>2010</u>	<u>2009</u>
Budget surplus as reported (Tax Support)	367	360
Non Levy (Water & Solid Waste) Surpluses	40	35
Toronto Parking Authority (TPA) timing difference	(10)	(10)
Non cash adjustments to the ABCs	(107)	(192)
Net increase in City's equity in GBE's	69	33
Principal repayment of Note – Toronto Hydro	(528)	(245)
Prior Year Surplus carried forward	(359)	(89)
PSAB Adjustments	(11)	10
Net Change TCAs, Capital & Reserve Fund Balances	375	331
Amounts to be recovered - impacts	718	226
Accounting Surplus for the year	<u>554</u>	<u>459</u>

Restatement of 2009 Comparative Figures

TTC Pension Plan

- Operated by TTC Pension Fund Society
 - Separate Legal Entity
- 12,579 active members; 6,400 pensioners
- Defined Benefit/Defined Contribution Hybrid Plan
- Modified Final Average Plan
- Cost of Living Increases are ad-hoc
- Plan has an Accounting Surplus of \$157 M

TTC Pension Plan - Restatement

- In 2010 - determined that Plan best reflects a Joint Defined Benefit Plan (PSAB Section 3250)
 - Commission & Employee Group jointly share Plan risks & rewards
- Previously, City recognized amounts paid by the Commission as an Expense
- As a Joint Defined Benefit Plan – Recognize City portion of Pension Expense incurred during the year & City portion of plan's assets
- Reduction of the net liability in 2010 of \$124 M (2009 \$166 M)

TTC Pension Plan Restatement - Impact

Consolidated Statement of Financial Position

	2009 (as reported)	2009 (as restated)	Change
	\$000	\$000	\$000
Employee benefit liabilities	2,669,013	2,503,414	(165,599)
Accumulated surplus	14,765,611	14,931,210	165,599

Consolidated Statement of Operations

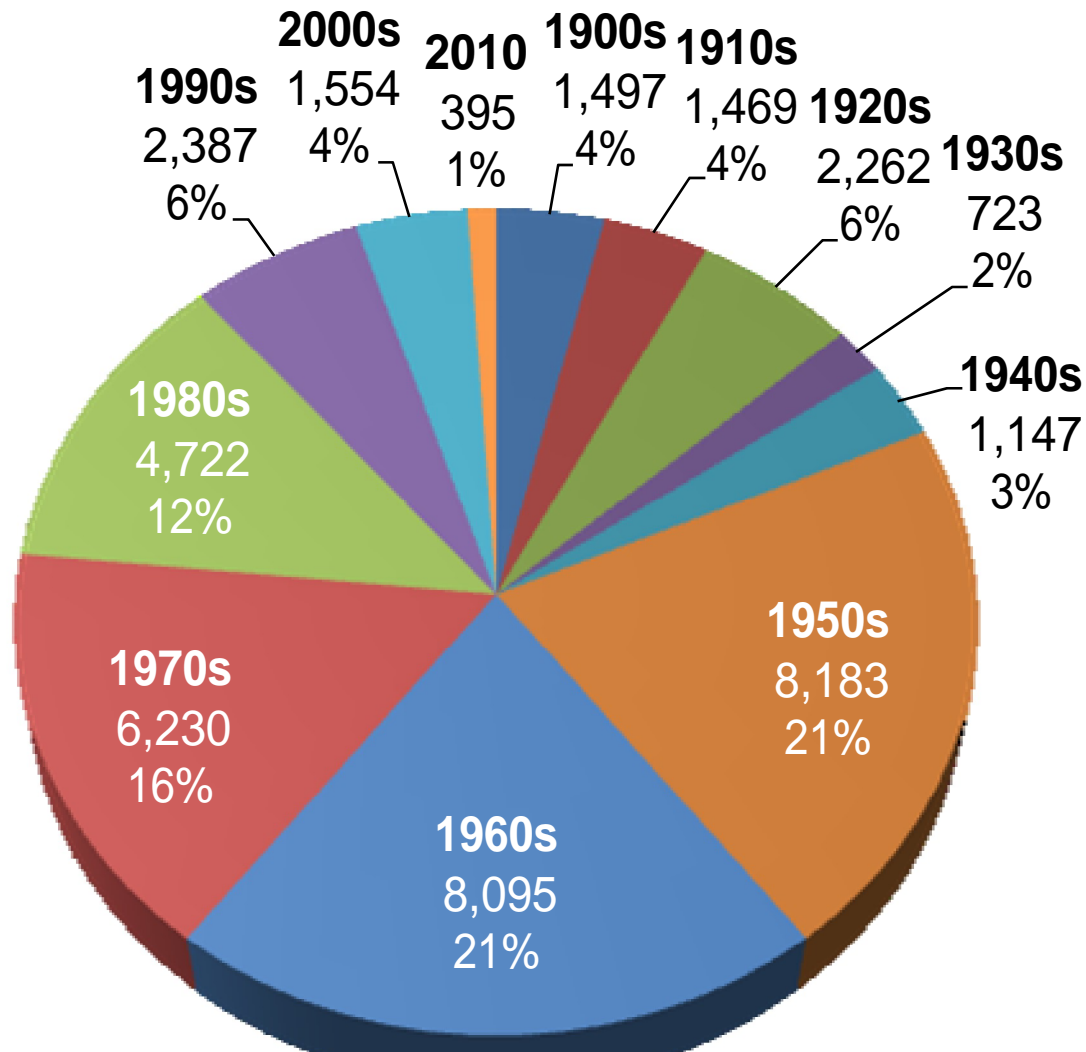
Transportation	2,658,085	2,696,197	38,112
Total expenses	9,917,288	9,955,400	38,112
Annual surplus	497,203	459,091	(38,112)
Accumulated surplus, beginning of year	14,268,408	14,472,119	203,711
Accumulated surplus, end of year	14,765,611	14,931,210	165,599

2010 Financial Highlights

Tangible Capital Assets (in \$ Billion)

	Cost	2010 Acc. Amort.	2010 NBV	2009 NBV	2010 vs 2009
General					
Land & Land Improvements	4.2	0.3	3.9	3.8	0.1
Buildings & Building Improvements	5.8	2.0	3.8	3.5	0.3
Machinery, Eqmt, Vehicles	3.3	1.9	1.4	1.5	(0.1)
Total General	13.3	4.2	9.1	8.8	0.3
Infrastructure					
Land, Bldg & Bldg Improvements	0.5	0.1	0.4	0.4	0.0
Machinery & Equipment	1.4	0.8	0.6	0.6	0.0
Water & Wastewater Linear	5.0	1.8	3.2	3.1	0.1
Roads Linear	3.8	1.7	2.1	1.9	0.2
Transit	5.1	3.3	1.8	2.1	(0.3)
Total Infrastructure	15.8	7.7	8.1	8.1	0.0
Assets Under Construction	2.4		2.4	1.5	0.9
TOTAL	31.5	11.9	19.6	18.4	1.2

Proportion of City linear assets by decade



**ROADS AND WATER, WASTE WATER LINEAR
ESTIMATED REPLACEMENT COST \$ MILLION**

Tangible Capital Assets, by Entity

	Cost 2010 (\$ B)	Amort 2010 (\$ B)	Total 2010 (\$ B)	Total 2009 (\$ B)	2010 vs 2009 (\$ B)
City incl Police Services	17.8	6.0	11.8	11.2	0.6
TTC	9.7	4.8	4.9	4.5	0.4
TCHC	3.2	0.8	2.4	2.2	0.2
T. Port Lands Company	0.2	0.0	0.2	0.2	0.0
Toronto Public Library	0.4	0.2	0.2	0.2	0.0
Other ABCs	0.1	0.0	0.1	0.1	0.0
TOTAL	31.4	11.8	19.6	18.4	1.2

Employee Benefit Liabilities

	2010 \$Ms	2009 \$Ms	Diff. \$Ms
Pension liabilities, other than OMERS	29	109	(80)
Sick leave benefits	435	429	6
WSIB obligations	392	358	34
Employment & post-employee benefits	1,749	1,565	184
Employee accrued benefit obligation	2,605	2,461	144
Unamortized actuarial gain (loss)	(16)	42	(58)
Employee benefit liabilities	2,589	2,503	86

Net Long Term Debt

- Increased by \$92M to \$2,890M
 - City ↓\$158M to \$2,281M
 - TCHC ↑\$254M to \$574M
 - TDSB ↓\$4M to \$34M
- Issued \$965M in debt during 2010
 - (City \$702M, ABCs \$263M)
- Repayments \$821M
 - Incl. \$600M mainly from sale of Hydro note
- Sinking fund earnings \$53M

Net Debt: 5 Year Summary

	Annual Increase	2010 \$Ms	2009 \$Ms	2008 \$Ms	2007 \$Ms	2006 \$Ms
Liabilities	6.57%	10,900	10,392	10,647	9,631	8,452
Financial Assets	2.08%	6,514	6,728	7,109	6,580	6,000
Net Debt	15.65%	4,386	3,664	3,538	3,051	2,452
% Increase in net Debt		19.69%	3.57%	15.97%	24.42%	
\$ Increase in Net debt		722	126	487	580	
Capital Asset Increase		1,200	749	742	n/a	

Comparisons to Others - 2010

(\$M)

	Toronto	Montreal	Ottawa	Calgary	Edmonton	Vancouver
Investments	3,294	2,094	738	2,358	1,379	494
Investment in GBEs	1,260	-	343	1,845	2,465	-
Interest bearing L.T. debt	3,694	8,446	1,056	2,930	1,840	595
Net debt / assets	(4,386)	(4,658)	(1,052)	82	1,741	(349)
Tangible capital assets (net)	19,589	9,873	10,875	11,195	8,580	6,132

Closing Comments

- Financial statements present a wealth of information
- AA Credit Rating
- GFOA Award for Financial Reporting

Questions



