

CITY OF TORONTO

2012 Consolidated Financial Statements



Presentation to Audit Committee

July 4, 2013

Presentation Outline

- Introduction & Overview
- What's New for 2012
- Restatement 2011 Comparative Figures
- 2012 Financial Statements (FS)
- Financial Highlights
- Concluding Remarks
- 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”

114 Entities Included in FS

- 19 Agencies & Corporations
- 18 Arena & Community Centre Boards
- 73 Business Improvement Areas (BIAs)
- 4 Government Business Entities (GBEs)
 - Separate, self supporting legal business entity controlled by the City
 - Toronto Hydro
 - Toronto Parking Authority
 - Toronto Port Lands Company (effective Jan. 2011)
 - Enwave Energy Corporation (sold Oct. 31, 2012)

2012 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
- Comparison to Prior Year

What's New for 2012

Toronto Hydro

- Adopts US Rate-Regulated GAAP, beginning in 2012
- For City's Financial Statements:
 - Hydro must be converted to IFRS
- Adjustment to IFRS resulted in a \$97M change to Retained Earnings for Hydro

IFRS vs US GAAP – Main Difference

	Change to Hydro's Retained Earnings (\$ millions)
De-recognition of Regulatory Assets	(\$83.8)
De-recognition of Liabilities	254.0
Other Post-Employment Benefits (IFRS recognizes actuarial gains/losses into income over Employees Average Remaining Service Life (EARSL))	(34.7)
De-recognition of other capital assets (property, plant & equipment)	(38.0)
Other, net	<u>(0.3)</u>
Change to Retaining Earnings	97.2

Restatement of 2011 Comparative Figures

Two Adjustments to 2011 F/S

1. **Deferred Revenue Accounts**
2. **Toronto Waterfront Revitalization Corporation (TWRC)**

Review of Deferred Revenue Accounts

- Some Loans from Reserves & Reserve Funds had offsetting deferred revenue accounts
 - Some pre-dated consolidation
 - Some are from ongoing programs
- Eliminated deferred revenue accounts related to Loans
 - Resulted in increased accumulated surplus at Dec 31, 2011 of \$59.2M

2011 Restated Stmt. of Financial Position

<u>Deferred Revenue Adjustment</u>	2011 (Restated) (000's)	2011 (as Reported) (000's)	Change (000's)
Assets: Acct. Receivable	1,169,204	1,169,755	(551)
Liabilities: Deferred Revenue	1,420,179	1,479,932	59,753
Accumulated Surplus	16,571,274	16,512,072	59,202

TWRC – Assets Under Development

- TWRC restated its 2011 Financial Statements to include Assets under Development

Impact on City's Consolidated Statements

- Resulted in increased accumulated surplus at Dec 31, 2011 of \$70.1M

2011 Restated Stmt. of Financial Position

<u>TWRC Adjustment</u>	2011 (Restated) (000's)	2011 (as Reported) (000's)	Change (000's)
Non-Financial Assets: Assets under Construction	20,699,162	20,629,025	70,137
Accumulated Surplus	16,582,209	16,512,072	70,137

Restatement 2011: Deferred Rev. & TWRC

	2011 (Restated) (000's)	2011 (as Reported) (000's)	Change (000's)
Assets: Acct. Receivable	1,169,204	1,169,755	(551)
Liabilities: Deferred Revenue	1,420,179	1,479,932	59,753
Non-Financial Assets: Assets under Construction	20,699,162	20,629,025	70,137
Accumulated Surplus	16,641,411	16,512,072	129,339

2012 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 Accts receivable, Investments in GBEs
Liabilities	<ul style="list-style-type: none"> ▪ What we owe ▪ Obligations that must be paid over the short & longer term ▪ Includes Funded & Unfunded Liabilities
Net Debt	<ul style="list-style-type: none"> ▪ Financial Assets – Liabilities
Non-Financial Assets	<ul style="list-style-type: none"> ▪ 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>2012</u>	<u>2011</u>
Investments	4,414	3,488
Investments in GBES	1,775	1,716
All other	2,056	2,079
Total Fin. Assets	8,245	7,283
Accounts Payable	2,676	2,616
Deferred Revenue	1,574	1,420
Net Long Term Debt & Mortgages	4,431	4,038
Emp. Benefit Liabilities	3,036	2,776
All other	773	822
Total Liabilities	12,490	11,672
Net Debt	(4,245)	(4,389)
Non-Financial Assets	22,410	21,030
Accumulated Surplus	18,165	16,641

Accumulated Surplus is comprised of:

	(\$ Million)
Tangible Capital Assets	22,110
Fund Balances (Operating, Capital, R&RFs)	3,962
LESS: <u>Amounts to Be Recovered:</u>	
Mortgages (TCHC)	732
Net Long Term Debt	3,673
Landfill Closure & Post Closure Liabilities	124
Employee Benefits	3,036
Other	342
	<u>(7,907)</u>
	<u>18,165</u>

Operations & Accumulated Surplus

	2012	2011
	(\$Ms)	(\$Ms)
Total Revenues	11,703	11,292
Total Expenses	10,276	10,565
Accounting annual Surplus	1,427	727
Accumulated Surplus – beginning	16,641	15,583
GBE IFRS Adjustments	97	331
Accumulated Surplus – ending	18,165	16,641

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

	2012	2011
	(\$Ms)	(\$Ms)
Annual Surplus	1,427	727
Amortization of TCAs	802	815
Acquisition of TCAs	(2,298)	(2,161)
(Gain) loss on disposal of TCAs	(7)	70
Reclassification of TCAs	50	207
Proceeds on sale of assets	41	-
<i>Change due to TCA</i>	(1,412)	(1,069)
Change in Inventories & Prepaids	32	(2)
IFRS adjustment	97	331
Decrease (increase) in Net Debt	144	(13)
Net Debt - Beginning of Year	(4,389)	(4,376)
Net Debt - End of Year	(4,245)	(4,389)

Statement of Cash Flow

	2012 \$Ms	2011 \$Ms
ANNUAL SURPLUS	1,427	727
Non-cash expenses	519	697
	1,946	1,424
Change in non-cash assets and liabilities	548	334
Cash provided by Operating activities	2,494	1,758
Cash applied to Capital activities	(2,207)	(1,954)
Cash provided by (applied to) Investing activities	(617)	(155)
Cash provided by Financing activities	299	353
Net (decrease) in cash during the year	(31)	2
Cash – beginning of year	483	481
Cash – end of year	452	483

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">▪ Agencies & Corporations, BIAs, GBEs▪ Tax & Rate Supported Financials▪ Operating, Capital, Reserve & Reserve Funds	<p>Separate Budgets for:</p> <ul style="list-style-type: none">▪ Agencies & Corporations, GBEs, BIAs▪ Tax, Water & Solid Waste▪ Operating & Capital (Reserve & Reserve Funds included in both)

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> (e.g. 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 2012 Surplus

\$M

2012

Budget surplus as reported (Tax Supported)	248
Council-directed transfers to reserves and reserve funds	60
Non-Levy (Water & Solid Waste) Surpluses	12
Bank tower impacts	94
Enwave, gain on sale	97
Dividends & Interest (Enwave & TPLC)	53
Prior Year (2011) Surplus carried fwd to 2012 Budget	(102)
Non cash adjts to the ABC surpluses	63
Net increase in City's equity in GBE's (Non-Cash)	33
PSAB Adjustments	31
Net Change in TCAs, Capital & Reserve Fund Balances	768
Amounts to be recovered – impacts	70
Accounting Surplus for the year	1,427

2012 Financial Highlights

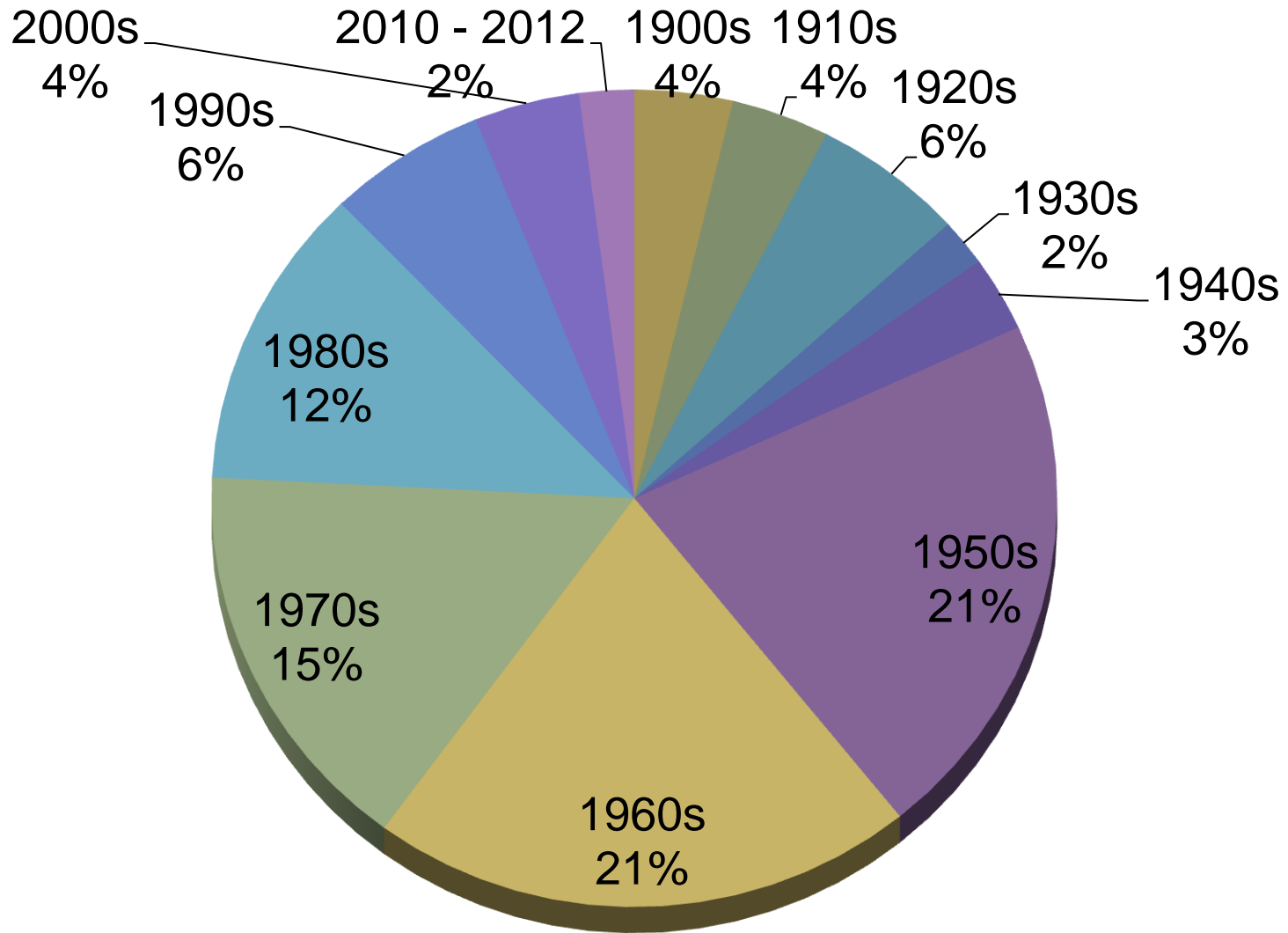
Noteworthy in 2012

- In Mar 2012, Toronto Portlands Company (TPLC) sold the Corus building for \$186M;
 - TPLC repaid their loan of \$128M; and
 - Paid the City a dividend of \$40M
- Enwave sold for a \$97M gain
- Sherbourne Commons received from TWRC, value \$34M, gain on transfer 2/3rds

Tangible Capital Assets (in \$Billion)

	Cost	2012 Acc. Amort.	2012 NBV	2011 NBV	2012 vs 2011
General					
Land & Land Improvements	4.1	0.3	3.8	3.8	0.0
Buildings & Building Improvements	6.4	2.3	4.1	4.0	0.1
Machinery, Eqmt, Vehicles	3.7	2.3	1.4	1.4	-
Total General	14.2	4.9	9.3	9.3	0.1
Infrastructure					
Land, Bldg & Bldg Improvements	0.6	0.1	0.5	0.4	0.1
Machinery & Equipment	1.7	0.9	0.8	0.7	0.1
Water & Wastewater Linear	5.2	2.0	3.2	3.2	0
Roads Linear	4.0	1.9	2.1	2.1	0
Transit	5.7	3.4	2.3	2.1	0.2
Total Infrastructure	17.2	8.3	8.9	8.5	0.4
Assets Under Construction	3.9		3.9	3.0	0.9
TOTAL	35.3	13.2	22.1	20.7	1.4

Linear Assets Acquisition date by decade



Tangible Capital Assets, by Entity

	Cost 2012 (\$ B)	Amort 2012 (\$ B)	Total 2012 (\$ B)	Total 2011 (\$ B)	2012 vs 2011 (\$ B)
City incl Police Services	19.2	6.5	12.7	12.3	0.4
TTC	11.9	5.4	6.5	5.5	1.0
TCHC	3.5	1.0	2.5	2.5	0.0
Toronto Public Library	0.4	0.2	0.2	0.2	0.0
Other ABCs	0.3	0.1	0.2	0.2	0.0
TOTAL	35.3	13.2	22.1	20.7	1.4

Employee Benefit Liabilities

	2012	2011	Diff.
	\$Ms	\$Ms	\$Ms
Pension liabilities, other than OMERS	27	124	-97
Sick leave benefits	471	479	-8
WSIB obligations	429	460	-31
Employment & post-employee benefits	2,077	2,116	-39
Employee accrued benefit obligation	3,004	3,179	-175
Unamortized actuarial gain (loss)	32	-403	435
Employee benefit liabilities	3,036	2,776	260

Net Long Term Debt

- Increased by \$435M to \$3,699M
 - City – ↑\$444M
 - TCHC – ↓\$5M
 - TDSB – ↓\$4
- Issued \$802M in debt during 2012
- Repayments \$295M
- Sinking fund earnings \$71M

Debenture Issuance in 2012

\$ 000s	<u>Total</u>	<u>Debentures</u> <u>10 Year</u>	<u>Infrastructure</u>		<u>Debentures</u> <u>30 Year</u>
			<u>Ontario</u> <u>20 Year</u>	<u>TCHC</u> <u>25 Year</u>	
Summary by Service					
General Government	38,290	38,290	-	-	-
Protection	27,377	8,877	-	-	18,500
Transportation	62,649	22,649	-	-	40,000
TTC	376,503	158,367	-	-	218,136
Environmental	168,680	1,646	143,670	-	23,364
Social and Family	13,499	13,499	-	-	-
Social Housing	60,839	2,800	-	58,039	-
Recreation & Culture	45,974	45,974	-	-	-
Planning & Development	7,898	7,898	-	-	-
	<u>801,709</u>	<u>300,000</u>	<u>143,670</u>	<u>58,039</u>	<u>300,000</u>

Net Debt: 5 Year Summary

Net Debt (\$Ms)	4 Year Average Annual Increase	2012	2011	2010	2009	2008
Liabilities	4.07%	12,490	11,672	10,900	10,392	10,647
Financial assets	3.78%	8,245	7,283	6,514	6,728	7,109
Net Debt	4.66%	4,245	4,389	4,386	3,664	3,538
Percentage Increase		(3.29%)	0.08%	19.69%	3.57%	

Net Debt & TCAs: 5 Year Summary

Net Debt (\$Ms)	4 Year Average Annual Increase	2012	2011	2010	2009	2008
Net Debt	4.66%	4,245	4,389	4,386	3,664	3,538
Percentage Increase		(3.29%)	0.08%	19.69%	3.57%	
Net TCAs	5.81%	22,110	20,699	19,589	18,389	17,640
Percentage Increase		6.82%	5.67%	6.53%	4.25%	

Comparisons to Others

2012

(\$M)

	Toronto	Montreal	Ottawa	Calgary	Edmonton	Vancouver
Investments	4,414	2,658	1,246	2,709	1,255	1,006
Investment in GBEs	1,775	0	366	2,162	2,233	0
Interest bearing L.T. debt	4,431	9,009	1,657	3,421	2,233	704
Net debt / assets	(4,245)	(4,955)	(1,180)	140	1,181	(268)
Tangible capital assets (net)	22,110	10,546	11,816	12,982	10,202	6,180

Comparisons to Others

2011

(\$M)

	Toronto	Montreal	Ottawa	Calgary	Edmonton	Vancouver
Investments	3,496	2,416	943	2,333	1,346	729
Investment in GBEs	1,716	-	352	1,944	2,351	-
Interest bearing L.T. debt	4,038	8,785	1,304	3,229	1,974	620
Net debt / assets	(4,411)	(4,808)	(1,098)	(180)	1,429	(419)
Tangible capital assets (net)	20,629	10,178	11,349	12,170	9,380	6,185

What's coming for 2013

- Government Transfers
 - Record revenue from transfers received unless there is a liability
- Financial Instruments and financial statement presentation
 - Measuring derivative and certain investments at fair value
 - Introduces a statement of remeasurement gains and losses
 - Applies to government organizations for 2013, (eg TTC & TCHC)
 - City on or before 2016

Closing Comments

- Financial Statements - Wealth of Information
- AA Credit Rating
- GFOA Award for Financial Reporting 6 years in a row

Questions



