

# CITY OF TORONTO

## 2016 Consolidated Financial Statements



Presentation to Audit Committee

June 27, 2017

# Presentation Outline

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- Overview
- 2016 Consolidated Financial Statements
- Financial Statements vs. Budgeting
- 2016 Financial Highlights
- Upcoming Changes For Future Years
- Concluding Remarks
- Questions

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# Overview

# Roles and Responsibilities

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## ***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”

# 123 Entities Included in FS

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- 20 Agencies & Corporations
- 18 Arena & community centre boards
- 82 Business Improvement Areas (BIAs)
- 3 Government Business Enterprises (GBEs)
  - Separate, self supporting legal business enterprises controlled by the City
    - Toronto Hydro
    - Toronto Parking Authority
    - Toronto Port Lands Company

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# **2016 Consolidated Financial Statements**



# Statement of Financial Position

## (Balance Sheet)

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Financial Assets	<ul style="list-style-type: none"> <li>▪ Cash or Assets that convert to cash, including Accts receivable, Investments in GBEs</li> </ul>
Liabilities	<ul style="list-style-type: none"> <li>▪ Amounts owing</li> <li>▪ Obligations that must be paid over the short &amp; longer term</li> <li>▪ Includes both funded &amp; unfunded liabilities</li> </ul>
Net Debt	<ul style="list-style-type: none"> <li>▪ Financial Assets – Liabilities</li> </ul>
Non-Financial Assets	<ul style="list-style-type: none"> <li>▪ Tangible Capital Assets (TCAs)</li> <li>▪ Inventories &amp; Prepaid Expenses</li> </ul>
Accumulated Surplus	<ul style="list-style-type: none"> <li>▪ Amount by which all Assets (Financial &amp; Non Financial) exceed all Liabilities</li> </ul>

# Statement of Financial Position (\$M)

	<b><u>2016</u></b>	<b><u>2015</u></b>
Investments	4,248	5,153
Investments in GBES	2,069	2,026
All other	2,976	1,892
<b>Total Fin. Assets</b>	<b>9,293</b>	<b>9,071</b>
Accounts Payable & Accrued Lia.	3,290	3,143
Deferred Revenue	2,417	2,239
Net Long Term Debt & Mortgages	5,436	5,257
Emp. Benefit Liabilities	3,757	3,599
All other	891	913
<b>Total Liabilities</b>	<b>15,791</b>	<b>15,151</b>
<b>Net Debt</b>	<b>(6,498)</b>	<b>(6,080)</b>
<b>Non-Financial Assets</b>	<b>28,989</b>	<b>27,323</b>
<b>Accumulated Accounting Surplus</b>	<b>22,491</b>	<b>21,243</b>



# Accumulated Surplus is comprised of:

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	(\$ Million)
Tangible Capital Assets	28,584
Fund Balances(Optg\$2.4B, Capital \$(799M), R&RFs \$2.0B)	3,639
<b>LESS:</b> <u>Amounts Expected to Be Recovered:</u>	
Mortgages (TCHC)	363
Net Long Term Debt	5,072
Landfill Closure & Post Closure Liabilities	138
Employee Benefits	3,757
Other	402
	<u>(9,732)</u>
Accumulated Accounting Surplus	<u>22,491</u>

# Operations & Accumulated Surplus

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	<b>2016</b>	<b>2015</b>
	(\$Ms)	(\$Ms)
Total Revenues	<b>12,202</b>	<b>12,097</b>
Total Expenses	<b>10,954</b>	<b>10,903</b>
Annual Accounting Surplus	<b>1,248</b>	<b>1,194</b>
Accumulated Surplus – beginning	<b>21,243</b>	<b>20,049</b>
Accumulated Surplus – ending	<b>22,491</b>	<b>21,243</b>

# Statement of Change in Net Debt

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- Unique to governments
- Critical for governments as an indication of financing requirements
- 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

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= Change in Net Debt

# Statement of Change in Net Debt

	2016 (\$Ms)	2015 (\$Ms)
Annual Accounting Surplus	<b>1,248</b>	<b>1,194</b>
Amortization of TCAs	974	851
Acquisition of TCAs	(2,588)	(2,884)
(Gain) Loss on disposal of TCAs	(39)	7
Proceeds on sale of assets	15	12
<i>Change due to TCA</i>	<b>(1,638)</b>	<b>(2,014)</b>
Change in Inventories & Prepaids	<b>(28)</b>	<b>35</b>
Decrease (increase) in Net Debt	<b>(418)</b>	<b>(785)</b>
Net Debt - Beginning of Year	(6,080)	(5,295)
Net Debt - End of Year	<b>(6,498)</b>	<b>(6,080)</b>

# Statement of Cash Flow

	2016 \$Ms	2015 \$Ms
ANNUAL Accounting SURPLUS	1,248	1,194
Non-cash expenses	676	487
	1,924	1,681
Change in non-cash assets and liabilities	606	738
Cash provided by <b>Operating</b> activities	2,530	2,419
Cash applied to <b>Capital</b> activities	(2,573)	(2,872)
Cash provided by (applied to) <b>Investing</b> activities	1,016	(308)
Cash provided by <b>Financing</b> activities	271	566
<b>Net (decrease) in cash during the year</b>	<b>1,244</b>	<b>(195)</b>
Cash – beginning of year	249	444
Cash – end of year	1,493	249

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# **Financial Statements vs Budgeting**

# Financial Statements vs Budgeting

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



# Financial Statements vs Budgeting

Financial Statements (Full Accrual Accounting)	Budgets (Cash Requirements Basis)
<ul style="list-style-type: none"> <li>▪ Revenues &amp; Expenses recognized when earned or incurred (regardless of when cash is exchanged)</li> <li>▪ Includes <u>non-cash expenses</u> (e.g. amortization &amp; changes to long-term liabilities)</li> <li>▪ TCA: Expenditures are capitalized</li> </ul>	<ul style="list-style-type: none"> <li>▪ Recognizes transactions when funded</li> <li>▪ Cash/Funded Items Only (No amortization of TCAs)</li> <li>▪ TCAs: Expenditures recognized as asset is acquired or built</li> </ul>

# Reconciliation of 2016 Surplus

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	<b><u>2016</u></b> (\$M)
<b>Tax supported Budget surplus as reported</b>	<b>188</b>
Legislative / Council-directed transfers to R&RFs	25
Non cash adjustments to the ABC surpluses	(129)
Net increase in City's equity in GBE's (Non-Cash)	44
PSAB Adjustments	21
Net Change in TCAs, Capital & Reserve Fund Balances	713
Other Non Cash adjustments	<u>386</u>
<b>Accounting Surplus for the year</b>	<b><u>1,248</u></b>

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# 2016 Financial Highlights

# Tangible Capital Assets: 2016 (in \$Billion)

	Cost	Accum. Amort.	Net Book Value
<b><u>General</u></b>			
Land & Land Improvements	4.6	0.4	4.2
Buildings & Building Improvements	8.6	3.2	5.4
Machinery, Equip, Vehicles	4.7	2.9	1.8
<b>Total General</b>	<b>17.9</b>	<b>6.5</b>	<b>11.4</b>
<b><u>Infrastructure</u></b>			
Land, Bldg & Bldg Improvements	0.8	0.2	0.6
Machinery & Equipment	2.3	1.1	1.2
Water & Wastewater Linear	6.2	2.2	4.0
Roads Linear	4.4	2.1	2.3
Transit	7.2	3.8	3.4
<b>Total Infrastructure</b>	<b>20.9</b>	<b>9.4</b>	<b>11.5</b>
<b>Assets Under Construction</b>	<b>5.6</b>	<b>-</b>	<b>5.6</b>
<b>TOTAL (2016)</b>	<b>44.4</b>	<b>15.9</b>	<b>28.5</b>
2015	42.0	15.0	27.0

# Assets Under Construction (AUCs)

	<b>2016 \$M</b>	<b>2015 \$M</b>
TTC	3,889	3,714
City	1,427	1,873
TCHC	142	109
Toronto Waterfront	98	102
Library	17	5
Toronto Police	5	-
<b>Total AUCs</b>	<b>5,578</b>	<b>5,803</b>

# Employee Benefit Liabilities, by Entity

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
	<u>\$M</u>	<u>\$M</u>	<u>\$M</u>	<u>\$M</u>	<u>\$M</u>
City	2,118	2,069	2,034	1,704	1,721
City Pre-OMERS Pensions	-	-	-	8	27
Police	596	574	695	599	569
Other Entities	883	855	809	720	687
<b>Gross Liabilities</b>	<b>3,597</b>	<b>3,498</b>	<b>3,538</b>	<b>3,031</b>	<b>3,004</b>
Unamortized Gain/(Loss)	159	101	(128)	135	32
<b>Net Liabilities</b>	<b>3,756</b>	<b>3,599</b>	<b>3,410</b>	<b>3,166</b>	<b>3,036</b>

# Net Long Term Debt & Mortgages

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- Increased by \$179M to \$5,436M
  - City – ↑\$281.7M
  - TCHC – ↓\$96.3M
  - TDSB – ↓\$6.4M
- Issued \$754.6M in debt during 2016
- Repayments \$511M
- Sinking fund earnings \$64.9M



# Debenture Issuance in 2016 (\$000's)

<u>Summary by Service</u>	<u>Total</u>	<u>City</u> <u>&amp; TAF</u>	<u>City</u>	<u>City &amp; TCHC</u>
		<u>10 years</u>	<u>20 years</u>	<u>30 years</u>
Children's Services	2,100	2,100	-	-
Emergency Medical Services	3,069	3,069	-	-
Exhibition Place	2,525	2,525	-	-
Facilities & Real Estate	40,548	12,865	27,683	-
FCM-TAF	679	679	-	-
Finance	3,200	3,200	-	-
Fire Services	40,148	5,500	34,648	-
Long-Term Care	49,500	-	49,500	-
Pan Am Games	41,357	7,330	34,027	-
Police	38,700	38,700	-	-
Public Health	4,500	4,500	-	-
Social Housing	53,895	-	115	53,780
Toronto Public Library	6,075	6,075	-	-
Transportation	25,910	25,910	-	-
Transit	388,226	188,226	-	200,000
Waterfront Secretariat	54,142	-	54,142	-
<b>Total</b>	<b>754,574</b>	<b>300,679</b>	<b>200,115</b>	<b>253,780</b>

# Net Debt & TCAs: 5 Year Summary

(\$M)

	4 Year Average Annual Increase	2016	2015	2014	2013	2012
<b>Net Debt</b>	<b>11.2%</b>	<b>6,498</b>	<b>6,080</b>	<b>5,295</b>	<b>4,562</b>	<b>4,245</b>
<b>Percentage Increase</b>		<b>6.9%</b>	<b>14.8%</b>	<b>16.1%</b>	<b>7.5%</b>	
<b>Net TCAs</b>	<b>6.6%</b>	<b>28,584</b>	<b>26,965</b>	<b>24,970</b>	<b>23,386</b>	<b>22,110</b>
<b>Percentage Increase</b>		<b>6.0%</b>	<b>8.0%</b>	<b>6.8%</b>	<b>5.8%</b>	

# Comparisons to Others: 2016 (\$M)

	Toronto	Montreal	Ottawa	Calgary	Edmonton	Vancouver
Investments	4,248	3,474	1,273	4,096	1,899	1,630
Investment in GBEs	2,069	-	427	2,291	2,672	-
Interest bearing L.T. debt	5,436	10,892	1,948	3,317	3,339	1,034
Net <b>debt</b> / assets	<b>(6,498)</b>	<b>(6,152)</b>	<b>(1,833)</b>	1,359	959	79
Tangible capital assets (net)	28,584	13,150	14,495	16,014	13,342	6,759

# Upcoming Changes for future years

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- 2017:
  - Intro to Public Sector Accounting Standards
- 2018:
  - Related Party Disclosures PS2200
  - Assets PS3210, Contingent Assets PS3320, Contractual Rights PS3380, Inter-entity Transactions PS3420
- 2019:
  - Restructuring Transactions PS3430
- 2020:
  - Financial Statement Presentation PS1201
  - Foreign Currency Translation PS2601
  - Portfolio Investments PS3041
  - Financial Instruments PS3450

# Closing Comments

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- AA/AA+ Credit Rating
- Net Debt increased \$785M
- Long Term Financial Direction
- GFOA Award for Financial Reporting  
10 years in a row

# Questions

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