

CITY OF TORONTO

AU13.1

2017 Consolidated Financial Statements



Presentation to Audit Committee

July 13, 2018

Presentation Outline

- Overview of the 2017 Consolidated Financial Statements
- Accounting Vs. Budgeting
- 2017 Financial Highlights
- PSAB – New Standards and Initiatives
- Concluding Remarks
- Questions

Overview of the Consolidated Financial Statements

Individual Statements

- Consolidated Statement of Financial Position
 - Consolidated Statement of Operations and Accumulated Surplus
 - Consolidated Statement of Net Debt
 - Consolidated Statement of Cash Flows
- Summarizes the assets (financial and non-financial), liabilities, net debt and accumulated surplus at December 31
 - Outlines revenues, expenses and surplus for the year and accumulated surplus as at December 31 This combines the operating, capital, reserve and reserve funds for the City and all of the consolidated entities
 - Outlines the change in net debt as a result of annual operations, tangible capital asset transactions and changes in other non-financial assets
 - Summarizes the City's cash position and changes during the year from City's sources and uses of cash

123 Entities Included in FS

- 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

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”

Accounting vs. Budgeting

Financial Statements vs Annual Budget

Financial Statements:	Budgets:
<ul style="list-style-type: none">▪ Consolidated results of all City divisions, Agencies & Corporations, BIAs, GBEs▪ Includes the combined activities of Operating, Capital and Reserves/Reserve Funds	<ul style="list-style-type: none">▪ Programs budget separately for annual cash requirements for expenditures▪ Requirements are broken down by Operating and Capital▪ Reserves/Reserve Funds contributions and draws included in annual budget

Financial Statements vs Annual Budget

Financial Statements:	Budgets:
<ul style="list-style-type: none">▪ Prepared in accordance with PSAB – revenues and expenses recognized when earned or incurred AND includes non-cash expenses▪ Tangible capital assets (TCAs) are capitalized	<ul style="list-style-type: none">▪ Operating & Capital (Reserves & Reserve Funds included in both)▪ Cash requirements basis – transactions recognized when funded▪ TCA expenditures recognized as asset is acquired or built

2017 Financial Highlights

Statement of Financial Position (\$M)

	<u>2017</u>	<u>2016</u>
Investments	4,118	4,248
Investments in GBES	2,423	2,069
All other	3,474	2,976
Total Fin. Assets	10,015	9,293
Accounts Payable & Accrued Lia.	3,420	3,349
Deferred Revenue	2,812	2,430
Net Long Term Debt & Mortgages (App. A)	6,266	5,436
Emp. Benefit Liabilities (App. B)	3,882	3,757
All other	746	819
Total Liabilities	17,126	15,791
Net Debt (App. C)	(7,111)	(6,498)
Non-Financial Assets (App. D)	30,851	28,989
Accumulated Accounting Surplus	23,740	22,491

Statement of Financial Position – Significant amounts

- **Net Long Term Debt & Mortgages**
 - Issued \$1,312M in debt during 2017
 - Repayments made \$424M in 2017
 - Sinking fund earnings \$58M

- **Employee Benefit Liabilities**
 - Went up by \$215M, 6% in total
 - Police up by 10.7% and TTC up by 7.6%
 - Post retirement LTD is the main cost

Statement of Financial Position – Significant amounts

- **Net Debt**

- Increased by 9.4%
- Due to investment in tangible capital assets, mainly in Social Housing and Transit

- **Non-Financial Assets**

- Increased by 6.9%, with the most significant portion being:
 - ✓ Building and Building Improvements of \$1.4B;
 - ✓ Transit Infrastructure of \$231M;
 - ✓ Vehicle additions of \$295M; and
 - ✓ Machinery and Equipment purchases of \$491M

Operations and Accumulated Surplus

	2017	2016
	(\$Ms)	(\$Ms)
Total Revenues	12,564	12,202
Total Expenses	11,315	10,954
Annual Accounting Surplus	1,249	1,248
Accumulated Surplus – beginning	22,491	21,243
Accumulated Surplus – ending	23,740	22,491

Reconciliation of 2017 Surplus

	<u>2017</u> (\$M)
Tax supported Budget surplus as reported	261
Legislative / Council-directed transfers to R&RFs	36
Non cash adjustments related to ABC surpluses	(113)
Net increase in City's equity in GBE's (Non-Cash)	104
PSAB Adjustments (City)	17
Net Change in TCAs, Capital & Reserve Fund Balances	643
Other Non Cash adjustments	301
Accounting Surplus for the year	<u>1,249</u>

Accumulated Surplus

	(\$ Million)
Tangible Capital Assets	30,464
Fund Balances (Optg \$3.1B, Capital (\$1.1B) , R&RFs \$2.0B)	3,956
<u>Amounts to Be Recovered from future revenues:</u>	
Mortgages (TCHC)	316
Net Long Term Debt	5,950
Landfill Closure & Post Closure Liabilities	134
Employee Benefits	3,882
Other	398
	<u>(10,680)</u>
 Accumulated Accounting Surplus	 <u>23,740</u>

PSAB – New Standards, New Initiatives

PSAB – New or revised Standards/Guidance

- 2018:
 - Related Party Disclosures PS2200
 - Assets PS3210, Contingent Assets PS3320, Contractual Rights PS3380, Inter-entity Transactions PS3420
 - Task Force on Climate Related Financial Disclosures
- 2019:
 - Restructuring Transactions PS3430
- 2020:
 - Financial Statement Presentation PS1201
 - Foreign Currency Translation PS2601
 - Portfolio Investments PS3041
 - Financial Instruments PS3450

Concluding Remarks

Closing Comments

- Clean Audit Opinion
- Comprehensive information in the City's financial statements supports its' AA/AA+ Credit Rating
- Net Debt increased \$613M
- Long Term Financial Direction
- GFOA Award for Financial Reporting 11 years in a row

Questions



Appendices

Appendix A: Net Long Term Debt & Mortgages

- Increased by \$830M to \$6,266M
 - City – ↑\$544M
 - TCHC – ↑\$290.2M
 - TDSB – ↓\$4.6M
- Issued \$1,312M in debt during 2017
- Repayments \$424M
- Sinking fund earnings \$58M

Appendix A: Debenture Issuance in 2017 (\$000's)

<u>Summary by Service</u>	<u>Total</u>	<u>City & TAF</u> <u>≤10 years</u>	<u>City & TCHC</u> <u>20 years</u>	<u>Lakeshore</u> <u>25 years</u>	<u>City & TCHC</u> <u>30 years</u>
311 Toronto	2,733	2,733	-	-	-
Economic Development & Culture	10,397	10,397	-	-	-
Emergency Medical Services	8,310	8,310	-	-	-
Facilities & Real Estate (Union Station)	42,599	-	42,599	-	-
FCM-Toronto Atmospheric Fund	1,878	1,878	-	-	-
Financial Services	12,451	12,451	-	-	-
Fire	14,817	14,817	-	-	-
Lakeshore Arena	26,700	-	-	26,700	-
Library	32,247	32,247	-	-	-
Long Term Care	29,298	-	-	-	29,298
Parks, Forestry & Recreation	21,774	21,774	-	-	-
Planning (including Build Toronto)	12,307	12,307	-	-	-
Police	57,310	18,281	-	-	39,029
Social Housing	370,833	-	-	-	370,833
Solid Waste Management	44,701	-	44,701	-	-
Toronto Atmospheric Fund (TAF)	324	324	-	-	-
Transportation	141,851	141,851	-	-	-
Transit	481,512	137,139	112,700	-	231,673
Total	1,312,042	414,509	200,000	26,700	670,833

Appendix B: Employee Benefit Liabilities, by Entity

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
	<u>\$M</u>	<u>\$M</u>	<u>\$M</u>	<u>\$M</u>	<u>\$M</u>
City	2,215	2,118	2,069	2,034	1,704
City Pre-OMERS Pensions	-	-	-	-	8
Police	660	596	574	695	599
TTC	768	713	684	656	545
Other Entities	170	170	171	153	175
Gross Liabilities	3,813	3,597	3,498	3,538	3,031
Unamortized Gain/(Loss)	69	159	101	(128)	135
Net Liabilities	3,882	3,756	3,599	3,410	3,166

Appendix C: Net Debt & TCAs: 5 Year Summary (\$M)

	4 Year Average Annual Increase	2017	2016	2015	2014	2013
Net Debt	11.8%	7,111	6,498	6,080	5,295	4,562
Percentage Increase		9.4%	6.9%	14.8%	16.1%	
Net TCAs	6.9%	30,464	28,584	26,965	24,970	23,386
Percentage Increase		6.6%	6.0%	8.0%	6.8%	

Appendix D: Tangible Capital Assets 2017 (in \$Billions)

	Cost	Accum. Amort.	Net Book Value
General			
Land & Land Improvements	4.6	0.4	4.2
Buildings & Building Improvements	10.4	3.5	6.9
Machinery, Equip, Vehicles	5.2	3.1	2.1
Total General	20.2	7.0	13.2
Infrastructure			
Land, Bldg & Bldg Improvements	0.9	0.2	0.7
Machinery & Equipment	2.3	1.1	1.2
Water & Wastewater Linear	6.4	2.3	4.1
Roads Linear	4.6	2.2	2.4
Transit	8.5	4.0	4.5
Total Infrastructure	22.7	9.8	12.9
Assets Under Construction	4.4	-	4.4
TOTAL (2017)	47.3	16.8	30.5
2016	44.4	15.9	28.5

Appendix D: Assets Under Construction (AUCs)

	2017 \$M	2016 \$M
TTC	2,053	3,889
City	1,958	1,427
TCHC	223	142
Toronto Waterfront	107	98
Library	30	17
Toronto Police	0	5
Total AUCs	4,371	5,578

