Financial Statement Basics

• Statement of Financial Position
  - Reports on what the City own or controls, what it owes, the difference between financial assets and liabilities (net financial assets/debt) and what assets remain that are available to provide services

• Statement of Operations and Accumulated Surplus
  - Reports on revenues, expenses and the results for the year

• Consolidated Statement of Net Debt
  - Explains the difference between the annual surplus and the change in net debt

• Consolidated Statement of Cash Flows
  - Outlines where the City’s cash came from and how it was used
What is Consolidated?

• Include all organizations that are controlled by the City
  ➢ Includes the assets, liabilities, revenues and expenses of the operating fund, capital fund, and reserves and reserve funds for each entity including City divisions
• One hundred and twenty-two entities (122)
  ➢ All City divisions
  ➢ 21 agencies and corporations at 100% except
    ✓ Toronto Waterfront Revitalization Corporation – 33.33%
    ✓ Toronto Pam Am Sports Centre Inc. – 50%
  ➢ 18 Arenas and Community Centre Boards
  ➢ 83 Business Improvement Areas
  ➢ Two (2) Government Business Enterprises
    ✓ Separate, self supporting legal business entities
      ■ Toronto Hydro
      ■ Toronto Parking Authority
Roles and Responsibilities

- **Management**
  - Sound financial management and internal controls
  - Preparation of the consolidated financial statements in accordance with Canadian Public Sector Accounting Standards

- **External Auditors**
  - Evaluation and testing of critical financial systems
  - Performance of other tests in accordance with generally accepted auditing standards
  - Expressing an opinion on the fair presentation of the statements “in all material respects”
  - Provision of an Auditor’s Report with internal control recommendations

- **Audit Committee**
  - Review of all statements and reports provided
  - Approval of the statements prior to presentation to City Council
## Financial Statements vs Annual Budget

<table>
<thead>
<tr>
<th>Financial Statements:</th>
<th>Budgets:</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Consolidated results of all City divisions, Agencies and Corporations, BIAs, GBEs</td>
<td>▪ Programs budget separately for annual cash requirements for expenditures; revenues and expenses are recognized when received (some limited accruals)</td>
</tr>
<tr>
<td>▪ Includes the combined activities of Operating, Capital and Reserves/Reserve Funds</td>
<td>▪ Requirements are broken down by Operating and Capital</td>
</tr>
<tr>
<td>▪ Prepared in accordance with Public Sector Accounting Standards</td>
<td>▪ Reserves/Reserve Funds contributions and draws included in annual budget</td>
</tr>
<tr>
<td>▪ Full accrual accounting – revenues and expenses are recognized when the events giving rise occurs</td>
<td>▪ TCA expenditures recorded against capital budget as asset is acquired or built</td>
</tr>
<tr>
<td>▪ Tangible Capital Assets (TCA) are capitalized on the Statement of Financial Position</td>
<td></td>
</tr>
</tbody>
</table>
What’s different in 2018?

- Reclassification of investment in Toronto Port Lands Company
  - City’s investment in TPLC has been reclassified from a GBE to full consolidation

- Greenhouse Gas Emissions Reduction Note
  - First municipality in Canada
  - GHG progress since 1990 and targets to 2050
  - Supports TransformTO
2018 Financial Highlights
## Statement of Financial Position ($M)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td>3,380</td>
<td>4,118</td>
</tr>
<tr>
<td>Investments in GBES</td>
<td>2,131</td>
<td>2,423</td>
</tr>
<tr>
<td>All other amounts</td>
<td>5,785</td>
<td>3,429</td>
</tr>
<tr>
<td><strong>Total Financial Assets</strong></td>
<td><strong>11,296</strong></td>
<td><strong>9,970</strong></td>
</tr>
<tr>
<td>Accounts Payable and Accrued Liabilities</td>
<td>3,838</td>
<td>3,420</td>
</tr>
<tr>
<td>Deferred Revenue</td>
<td>3,867</td>
<td>2,812</td>
</tr>
<tr>
<td>Net Long Term Debt and Mortgages</td>
<td>6,794</td>
<td>6,266</td>
</tr>
<tr>
<td>Employee Benefit Liabilities</td>
<td>4,011</td>
<td>3,882</td>
</tr>
<tr>
<td>All other amounts</td>
<td>874</td>
<td>745</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>19,384</strong></td>
<td><strong>17,125</strong></td>
</tr>
<tr>
<td><strong>Net Debt</strong></td>
<td><strong>(8,088)</strong></td>
<td><strong>(7,155)</strong></td>
</tr>
<tr>
<td>Non-Financial Assets (App. D)</td>
<td>33,262</td>
<td>30,895</td>
</tr>
<tr>
<td><strong>Accumulated Surplus</strong></td>
<td><strong>25,174</strong></td>
<td><strong>23,740</strong></td>
</tr>
</tbody>
</table>
Net Long Term Debt and Mortgages Payable ($6,794B)
- Issued $937M in debt during 2018
- Repayments made $331M
- Sinking fund earnings $54M

Employee Benefit Liabilities ($4,011B)
- Net increase was $129M, 3.3% in total
- Mainly from Police increase of 4.7% and TTC increase of 5.4%
- Post retirement health (medical and dental) benefits is the main cost
Statement of Financial Position – Significant amounts

- **Net Debt ($8,088B)**
  - Increased by 13%
  - Due to investment in tangible capital assets, mainly in City infrastructure and Transit

- **Non-Financial Assets**
  - Increased by 7.7%, with the most significant increases in:
    - Building and Building Improvements of $1.1B;
    - Transit Infrastructure of $451M;
    - Vehicle additions of $126M; and
    - Machinery and Equipment purchases of $659M
# Operations and Accumulated Surplus

<table>
<thead>
<tr>
<th></th>
<th>2018 ($Ms)</th>
<th>2017 ($Ms)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenues</td>
<td>13,740</td>
<td>12,564</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>12,306</td>
<td>11,315</td>
</tr>
<tr>
<td><strong>Annual Surplus</strong></td>
<td>1,434</td>
<td>1,249</td>
</tr>
<tr>
<td>Accumulated Surplus – beginning</td>
<td>23,740</td>
<td>22,491</td>
</tr>
<tr>
<td>Accumulated Surplus – ending</td>
<td>25,174</td>
<td>23,740</td>
</tr>
</tbody>
</table>
Concluding Remarks
Closing Comments

- Audit opinion reflects “fair presentation in all material respects”
- Comprehensive information in the City’s financial statements supports its’ AA/AA+ Credit Rating
- Financial Sustainability
- GFOA Award for Financial Reporting 11 years in a row