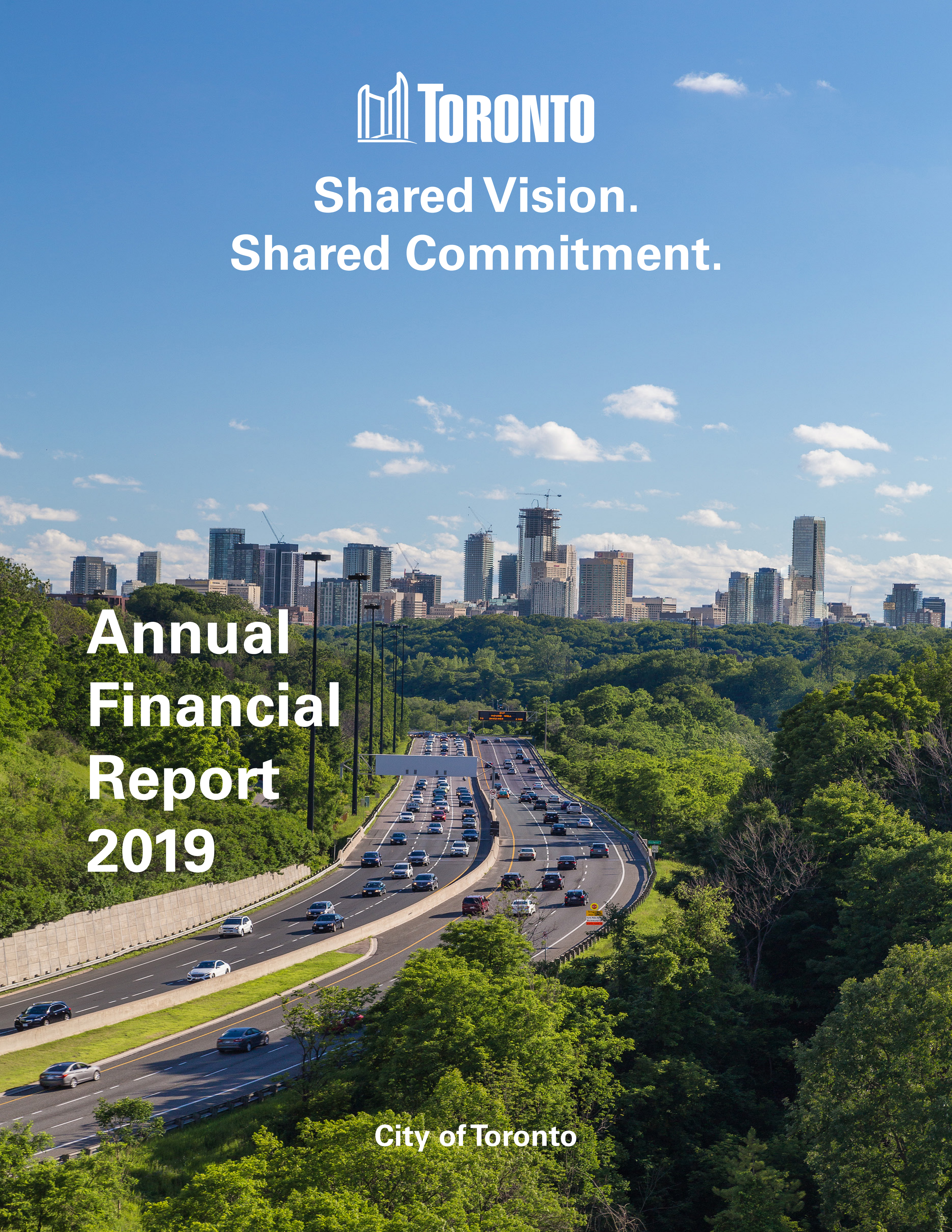
TORONTO

Shared Vision.
Shared Commitment.

Annual Financial Report 2019



City of Toronto

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This report was prepared by Accounting Services, Strategic Communications and Design Services, with collaboration from City of Toronto Divisions, Corporate Finance, and Environment and Energy.

Our Mayor’s Message

Welcome to Toronto, home of the 2019 World Champion Toronto Raptors!

Our city came together to celebrate that amazing victory by our team – the Raptors' first NBA championship. I was proud to lead City Council in commemorating the Raptors' win by re-naming a stretch of Bremner Blvd as “Raptors Way” in their honour. I also had the honour to present the entire team with the Key to the City.

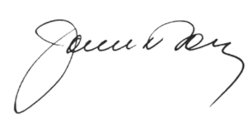
Last year was also a winning year for City Council in many ways. Early in the year, Council approved the Housing Now plan, designed to increase the supply of new affordable rental housing in mixed-income communities by making municipally-owned properties available to non-profit and private organizations. We also focused on supportive housing, affordable housing, modular housing, the expansion of the housing allowance program, community housing and increased protection for tenants. It is our goal to ensure that housing for Torontonians is a right, not a privilege.

To get people moving across our city, Council voted to make the King Street Transit Pilot project permanent, with King Street between Bathurst and Jarvis Streets operating as a corridor that gives public transit and cyclists a priority over private vehicles. Vision Zero 2.0 was endorsed by Council, focusing on lowering speed limits on designated streets and planning for automated speed enforcement. An updated Cycling Network Plan was approved along with infrastructure investments to continue to make cycling safe and more convenient, making getting around our city easier for many.

I would like to thank Members of Council for their work on these initiatives and so many more – as we work towards making Toronto one of the most livable cities around the world.

As we close the book on 2019, we know there are difficult and challenging times ahead in 2020 and beyond. The COVID-19 pandemic that has gripped the world has forced us to re-imagine how we deliver the services that almost three million residents depend on each day. Our prudent financial planning, adamant support for a strong public health system and investment in Toronto services will serve us well, and help keep our championship mentality, as we move into a year like no other.

Sincerely,



Mayor John Tory
City of Toronto

About Our Council

Front row: Councillor Jaye Robinson, Councillor James Pasternak, Councillor Ana Bailão, Councillor Denzil Minnan-Wong, Mayor John Tory, Councillor Frances Nunziata, Councillor Michael Thompson, Councillor Paul Ainslie, Councillor Stephen Holyday.

Middle row: Councillor Paula Fletcher, Councillor Cynthia Lai, Councillor Jim Karygiannis, Councillor Gary Crawford, Councillor Joe Cressy, Councillor Michael Ford, Councillor Kristyn Wong-Tam, Councillor Anthony Perruzza.

Top row: Councillor John Filion, Councillor Mike Layton, Councillor Gord Perks, Councillor Mike Colle, Councillor Mark Grimes, Councillor Jennifer McKelvie, Councillor Josh Matlow, Councillor Brad Bradford, Councillor Shelley Carroll.

Did You Know?

City Council consists of **26 members** - the Mayor, who is elected city-wide, as well as 25 Councilors who are elected in each ward across the city.

Our Mayor and the Councillors serve a term of **four years.**

Want to learn more about your ward, Councillor or City Council?

Visit toronto.ca/city-government/council/

Council Vision and Values

Vision

Toronto is a caring and friendly city.

We have opportunities to sustain and enrich our lives and reach our highest potential. Our diversity is valued and celebrated and our communities are a source of pride. We are actively involved in the social, cultural and political life of the city.

Toronto is a dynamic city.

As the nation's leading economic engine, we are a centre of innovation and growth with a strong international presence. Our dynamic city is well positioned to succeed in the world economy.

Toronto is a clean, green and sustainable city.

We integrate environmental stewardship into our daily activities. We maintain and improve the health of the environment for present and future generations.

Toronto invests in quality of life.

We invest in quality of life – socially, economically, culturally and environmentally – to make Toronto a desirable place to live, prosper and visit.

Motto

Diversity our strength

Toronto is one of the most diverse cities in the world. We value the contributions made by everyone and believe that the diversity among its people has strengthened Toronto.

Mission

To serve a great city and its people.

All About Us

Our Achievements in 2019

The City has won numerous awards for quality, innovation, and liveability.

3rd of the top 50 technology talent markets in North America

CBRE Research

2019 NBA **World Champions**

National Basketball Association

7th out of 140 cities for the most liveable cities in the world

Economist Intelligence Unit

6th out of 60 cities for the safest cities in the world

Economist Intelligence Unit

15th out of 1,000 cities for start-up ecosystem strength

StartupBlink

Home to the **7th** best hospital in the world

Newsweek

17th out of 130 top-performing global cities

Kearney

Toronto at a Glance

Area:
634 m^2

Population:
2.965 million

Tree canopy:
11.5 million trees

Unemployment rate:
6.5%

GDP growth rate:
1.9%

Credit rating:
AA and AA+[1]

1: AA (Dominion Bond Rating Service and Standard & Poor’s) and AA+ (Moody’s Investors Services)

Our City Manager's Message

I am pleased to share the City of Toronto's 2019 Annual Financial Report. This report provides details about the City's financial performance, progress and achievements over the past year.

I am very proud that the City has been named one of Canada's Best Diversity Employers for the fourth year in a row, again named one of Canada's Top 100 Employers, Top Family-Friendly Employers and Greater Toronto's Top Employers. I am also proud of our strong and diverse workforce who work hard every day to ensure the needs and priorities of Toronto residents are met.

In 2019, the City's senior leadership team rolled out our Corporate Strategic Plan, centred on earning trust and confidence in the public service. The Plan creates a common understanding of the work we need to focus on to be successful, delivering our day-to-day services with excellence and ensuring a high quality of life for all Toronto residents. The plan sets out our commitment to our people, our partnerships, our performance and our priorities.

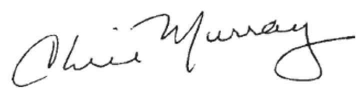
Our strategic priorities include maintaining and creating affordable housing, keeping Toronto moving with safe and accessible transportation, investing in people and neighbourhoods to protect and improve with quality of life for all residents, and to tackle climate change and build resilience.

Our corporate priorities are focused on financial sustainability and a well-run City. As a general rule our residents, businesses and visitors should know we take seriously the value they expect for the money they spend.

This trust and confidence in local government is built through a committed, engaged and diverse workforce.

The path laid out in our Corporate Strategic Plan is how we plan to deal with the substantial equity challenges we face in 2020 and beyond. We know that a growing number of people are struggling to make ends meet, placing added pressure on the City to sustain a strong public health system, make significant progress on our affordable housing plan, and make prudent fiscal choices as we move into our challenging and complex future.

Sincerely,



Chris Murray
City Manager

Our Service Groups

Community and Social Services

Community and Social Services provides a diverse range of supports to allow all Toronto residents feel safe and secure in their city. The service area's goal is to see a Toronto where individual outcomes are determined by an individual's effort, not pre-determined by their address, race, or income. The needs of the vulnerable are prioritized while nurturing and supporting a "Toronto for All."

Infrastructure and Development Services

Infrastructure and Development Services' mission is to create safe and sustainable municipal infrastructure that enhances the high quality of life for Toronto residents through professionalism in project planning, engineering and project management services. The service area oversees our drinking water, keeps our streets clean during the summer and plowed during the winter, and ensures the garbage is picked up.

Corporate Services

Corporate Services enables City staff to deliver programs and services to Toronto residents. Their main focus is on the delivery of effective, efficient and modern services to all of the City's divisions, agencies and corporations. Corporate Services ensures City is running efficiently, uses existing and emerging technology to serve residents, while ensuring environmental sustainability and climate change are at the forefront.

Finance and Treasury Services

Finance and Treasury Services provides financial services, corporate strategic advice, risk management expertise, and corporate financial planning, management, reporting and control services to the City's divisions, agencies and corporations, City Council and the public. This service area ensures the City's financial resources are used to effectively to deliver services important to Toronto residents.

Did You Know?

In 2019, Toronto:

- Saw 525.5 million monthly transit trips.
- Had 80,168 licensed childcare spaces.
- Issued 12,441 residential permits issued.
- Average of 428,747 people used the City's free drop-in programs.
- Fire Services responded to 134,392 unique incidents.
- Issued 46,593 business licenses.

Service Snapshots

Keeping the City Movement: Toronto Transit Commission

The Toronto Transit Commission (TTC) is a City Agency that provides public transit services to Toronto residents, as well as residents and visitors from surrounding municipalities and visitors around the world. The TTC started its operations in the 1920's as a street railway service operator, and has since evolved into its current operating model, which allows the Agency to service more than 525.5 million riders through its bus, Wheel-Trans, streetcars, and subway services.

Making strategic investments

Every weekday, the TTC supports 1.7 million people in reaching their next destination. Their ability to provide safe and reliable services is dependent on the capital investments that are ultimately made to accommodate existing and future service demand. In 2019, the TTC presented its first-ever Capital Investment Plan, which outlined the entity's capital investment requirements of $33.5 billion over the next 15 years. They anticipate that their capital investment requirements will revolve around:

- Subway (53%)
- Buses (18%)
- Stations (12%)
- Streetcars (9%)
- Other assets (7%)
- Wheel-Trans (1%)

The TTC also made significant advancements in 2019 to address its state of good repair backlog, as well as increased the number of electric buses it has in service to continue reducing the Agency's greenhouse gas emissions, and completed Phase 3 of the Automatic Train Control re-signalling program.

Collaborating with the Government of Ontario

In 2019, the Government of Ontario (the Province) filed Ontario Regulation O248/19 (Regulation), which designated the Relief Line/Ontario Line, Scarborough Subway Extension/ Line 2 East Extension, Eglinton Crosstown Light Rail Transit, and Yonge Subway Extension projects all became the sole responsibility of the Province. All existing subway assets remained the responsibility and under the ownership of the City and the TTC.

In response to the Province's Regulation, the TTC ceased all work associated with the transit expansion projects and disposed of $239 million of its assets under construction. The City and the TTC will continue to collaborate with the Province to ensure seamless integration of the resulting assets with existing subway infrastructure and assets, as well as reach a mutual understanding and agreement for the amount of reimbursement the City will receive for costs incurred on projects transferred to the Province.

Providing Rapid Emergency Response: Toronto Paramedic Services

Protecting citizens during times when they need it the most is at the core of the Toronto Paramedic Services, as they're responsible for responding to life-threatening emergency medical calls, providing community paramedicine and emergency call mitigation services.

Mitigation is key

Did you know that the Toronto Paramedic Services also provide pre-hospital medical care? The Community Paramedicine Program was launched in 1999, and focuses on health promotion and injury prevention.

Targeted support options are offered to frequent 911 callers, as well as at-risk citizens who have previously received support from front line Paramedics during 911 emergency calls. By assessing each patient's unique needs, Paramedics are able to offer primary medical care and referrals for services, such as case management, home care, rehabilitation services, and remote monitoring to reduce the likelihood of the patient requiring emergency care. For instance, in 2019, participation of Toronto Community Housing Corporation's residents in various Community Paramedic Led Clinics led to an estimated 16.5% reduction in emergency calls to those addresses.

Patients can also elect to receive extended support after their treatment. The Community Agency Notification program connects patients with their community support agencies in order to create better care experiences for the patients.

Maximizing every second

During critical times, it is imperative to provide patients with efficient and effective care. Through emergency medical dispatch and emergency medical care, Paramedics are able to provide preliminary treatment for a wide variety of injuries and medical conditions, as well as safe transportation to a medical facility.

Need for paramedic services is increasing – in 2019, 10% of the city's population were treated by Toronto Paramedic Services. To ensure the most appropriate medical resources are assigned to each request, Toronto Paramedic Services uses a medical priority dispatch system, which enables dispatchers to triage all 911 calls and quickly identify life threatening emergencies. Despite receiving a record number of calls for service, the Toronto Paramedic Services' Central Ambulance Communications Centre supported emergency calls and also maintained its designation as an Accredited Centre of Excellence.

Toronto Paramedic Services also continued to enhance the efficiency and effectiveness of its services during the year. In partnership with the Hospital for Sick Children, as well as with the support of the Government of Ontario, Toronto Paramedic Services started to provide acute care transport services for critically ill and injured newborns and children for the hospital.

Did you know?

Toronto Paramedic Services in 2019:

Answered 457,474 emergency calls	Transported 226,390 patients	Achieved a response time of 12.2 minutes for critical or life threatening calls

Keeping Toronto Safe: Toronto Police Service

Ensuring public safety through partnerships with communities is what guides the Toronto Police Service's activities. Specifically, the Toronto Police Service supports the public with crime prevention, law enforcement, emergency response, and maintaining public order, to cement the City as a primary location where people choose to live, work, visit, and invest in.

Building long-lasting partnerships

Establishing public trust and confidence is essential when developing partnerships with communities. In order to embed police officers in places that need support the most, the Toronto Police Service continued its implementation of the Connected Officer program in 2019. The program provided police officers with 700 mobile devices to facilitate faster access to essential information, as well as increased opportunities for police officers to connect with residents in communities.

The Toronto Police Service also expanded the Neighbourhood Officer Program in order to continue improving public trust, addressing community safety and quality of life issues, and building relationships with residents. During the year, 127 neighbourhood community officers were assigned to 35 neighbourhoods across the city. All neighbourhood community officers receive specialized training that focuses on dispute resolution and working with vulnerable populations, and serve in their roles for a minimum of four years.

Enforcing through data

The future is data – and the Toronto Police Service relies on data compilation, tracking, and analysis to position themselves for success. With the launch of the Public Safety Data Portal, Toronto Police Service has made its crime statistics available to members of the public.

Recent trends indicate that the nature of crime in Toronto is changing. From cybercrime to increased gun violence, Toronto Police Service recognizes that there are new challenges that need to be addressed with corresponding changes in services to ensure that specialized support can be provided. In particular, as the complexity of crimes are increasing, the time that police officers spend on each call is also increasing. For instance, officers spent 10.0% more time responding to calls during which they assisted citizens in crisis or those suffering from drug overdoses.

Notable increases were seen in various major crime categories, including assault, auto theft, breaking and entering, and theft over $5,000. The Toronto Police Service is committed to keeping communities safe and will continue to advance its service delivery staffing levels to address enforcement requirements.

Did you know?

Toronto Police Service in 2019:

Received 1,943,379 calls for service	Got 1,073 firearms off Toronto streets	Had 4,694 active police officers

Supporting Our Elders: Senior Services and Long-Term Care

Senior Services and Long-Term Care is responsible for the planning and implementation of City services for seniors, which include community support programs, adult day programs, supportive housing services, and the operation of ten long-term care homes.

Staying active and connected

Maintaining social interaction is essential for seniors health and overall well-being. It's important to increase opportunities for seniors to make meaningful connections with their peers and reduce stress, Senior Services and Long-Term Care provides adult day programs, which revolve around social, recreational, and physical activities. Since inception, the City has provided more than 14,000 client days of care for seniors who are frail or socially isolated.

Promoting independent living

The City's Supportive Housing Program supports residents in various facilities throughout the City, including assistance with personal care, safety checks, light meal preparation, and referral to community resources and assistance navigating the health care system. All residents who participate in the program are also part of an on-going assessment process with a Registered Practical Nurse to ensure that the seniors receive customized care.

For seniors who live in their own homes and require assistance, the Homemakers and Nurses Services Program helps seniors to receive access to light housekeeping, laundry, shopping, and meal preparation services. Since inception the City has provided 150,000 hours of services to clients to foster independent living.

Compassionate Care

Toronto has an aging population deserve to live with dignity and respect. By 2030, approximately 19 per cent of the City's population will be 65 or older, and when independent living is no longer an option, the City's long-term care homes are on call to assist. The City's long-term care homes serve some of the most vulnerable residents with pre-existing medical conditions that require dedicated. Providing innovative programming, such as therapeutic pet visiting and gardening has allowed the City to enhance overall quality of life for more than 2,600 residents.

All About the Money

Reconciling the City's Budget

On an annual basis, the City prepares a balanced budget that outlines our cash requirements (i.e. expenditures) for the current fiscal year and matches them with revenue sources available. The City's budget is presented using an approach known as "modified cash" because it includes end of the year expenditures which might be paid in the following year.

The City's budget reflects sources of funding that represents cash receipts, such as property taxes, provincial or federal government grants, issuance of long-term debt, or the use of reserves previously set aside for specific purposes, such as capital expenditures. These sources of cash inflows are then offset against the City's anticipated expenditures arising from day-to-day operations and service delivery, such as payment for resources used to provide front line services, construction of key infrastructure, and payments made in support of social assistance programs. The budget, therefore, is a key source of information that we use to assess our overall financial performance.

However, the City's financial statements must use a different presentation approach known as "accrual accounting" in order to comply with financial reporting requirements established by the Public Sector Accounting Board. Accrual accounting requires that financial transactions be recorded and reported when they occur, regardless of when cash is ultimately collected or paid. Public sector accounting standards also require that capital assets be presented on the Statement of Financial Position and amortized over the useful life of the assets, which is the time period during which the City receives benefits from the assets, and that debt proceeds, although they provide an immediate source of cash, be recognized as liabilities to be repaid over a period of time. There are also a number of other accrual accounting entries, such as non-cash changes in certain liabilities required for financial statement presentation purposes. Due to differences in accounting treatments allowed under the modified-cash basis and accrual basis, a reconciliation is required to show how the two different methods align.

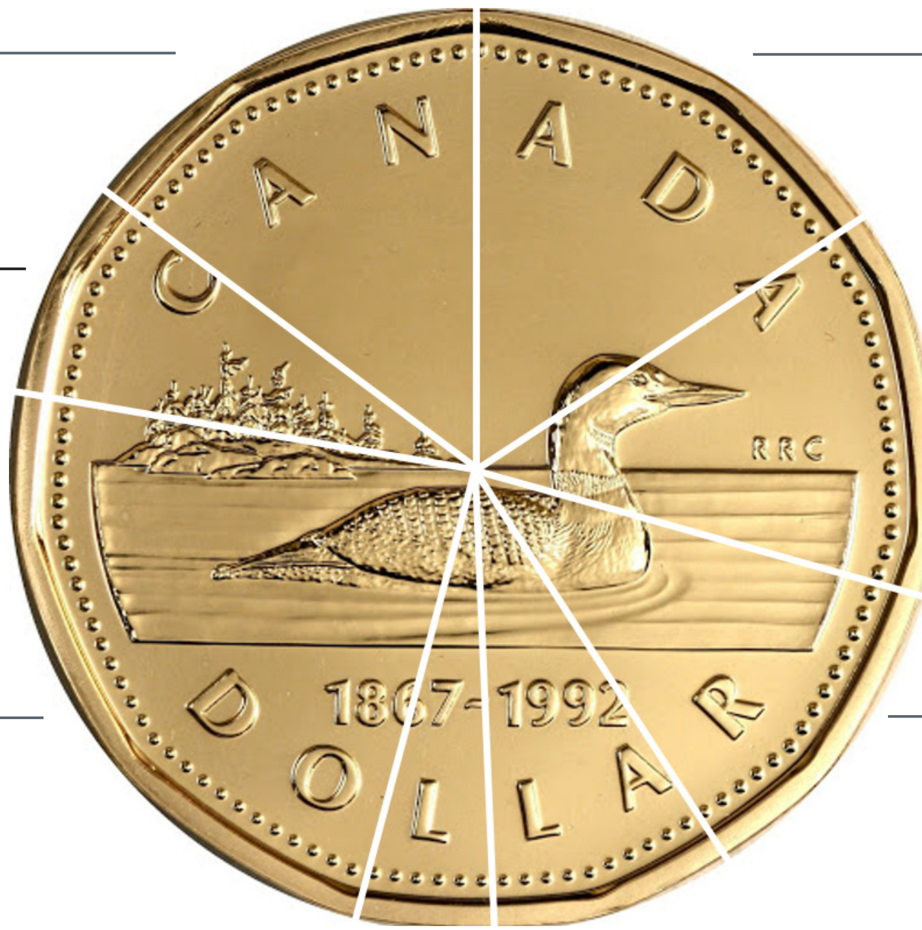
The following table reconciles the City's balanced budget for revenue and expenditure totals with revenue and expenditure totals reflected in the financial statements. The Accrual Accounting Adjustments column adds or deducts those amounts that must be reflected differently on the financial statements.

	Balanced Budget Approved by Council	Accrual Accounting Adjustments	Budget per Financial Statements
City council approved operating budget - revenues			
Tax supported services	11,643		11,643
Rate supported services[1]	1,915		1,915
Add:			
Capital budget	4,917	-	4,917
Consolidated entities[2]	-	325	325
Other revenue	-	85	85

	Balanced Budget Approved by Council	Accrual Accounting Adjustments	Budget per Financial Statements
City council approved operating budget - revenues			
Deduct:			
Elimination of internal transactions[3]	-	(3,181)	(3,181)
Toronto Parking Authority[4]	-	(51)	(51)
Debt proceeds	-	(1,565)	(1,565)
Re-classification of taxation	-	(20)	(20)
	18,475	**(4,407)**	**14,068**
City Council approved operating budget - expenditures			
Tax supported services	11,643	-	11,643
Rate supported services[1]	1,915	-	1,915
Add:			
Amortization	-	1,382	1,382
Capital budget	4,917	-	4,917
Consolidated entities[2]	-	304	304
Deduct:			
Debt principal repayments, including sinking fund earnings	-	(365)	(365)
Estimated capital asset expenditures	-	(3,724)	(3,724)
Elimination of internal transactions[3]	-	(2,706)	(2,706)
Re-classification of taxation	-	(20)	(20)
	18,475	**(5,129)**	**13,346**
Net surplus - Dec. 31, 2019	**-**	**N/A**	**722**

1. Certain services provided by the City are funded using a rate-based program whereby residents pay fees for the services that they receive. Examples of rate-based programs include: Toronto Water (e.g. collection and treatment of water and wastewater, as well as storm water management) and Solid Waste Management Services (e.g. collection of garbage, recyclables, and organics from residential homes and businesses).
2. Consolidated entities include organizations that are controlled by the City, such as Agencies and Corporations (e.g. Toronto Public Library Board), Arenas, Community Centres, and Business Improvement Areas. The financial statement budget is increased by the net results of their operations, which are excluded from the City's cash budget.
3. The City has a separate budget for operating revenues and expenditures (supports day-to-day service delivery and business) and capital revenues and expenditures (supports investment in infrastructure and other capital assets). Transfers between these two budgets, as well as between cash reserves are not recognized as valid sources of revenue under accrual accounting and therefore, are eliminated for financial statement purposes.
4. Transactions between the City and the Toronto Parking Authority are eliminated for financial statement purposes as they are not valid sources of revenue for the financial statements.

Where Your Money Went



Other
($0.14)

Transit
($0.17)

Parks & Community Centres
($0.08)

Emergency Services
($0.13)

Policing
($0.24)

Housing
($0.11)

Road Maintenance
($0.05)

Social & Health Services
($0.08)

Our Chief Financial Officer and Treasurer's Message

I am pleased to share the City of Toronto's Annual Financial Report for the year ending December 31, 2019. Our report has been delayed as a result of the COVID-19 pandemic.

The Annual Financial Report provides an overview of how the City managed and used the public's financial resources to deliver services to residents, businesses, and other stakeholders. Specifically, this document summarizes key financial events and operational activities that contributed to the City's overall financial health and position.

As the steward of the public's financial resources, the City recognizes the importance of achieving and sustaining financial sustainability. In 2019, the City increased its overall property tax rate by 1.8 per cent and sustained its position of having the lowest property tax rate in the province. Through use of these additional funds, the City invested in initiatives aimed at modernizing its operations, improving overall mobility, and strengthening affordable housing services, all for the benefits of the citizens it serves.

During 2019, the City completed two major financial transactions – the transfer of the Toronto Transit Commission's subway expansion projects to the Province of Ontario, as well as the completion of the merger between the City's four pension plans and the Ontario Municipal Employees Retirement System. Additional details supporting both of these transactions can be found in the notes of our consolidated financial statements.

The City also maintained its credit rating with external agencies, which was largely due to Toronto's dynamic and diversified economy, relatively low property taxes, and robust liquidity.

In addition to the successes achieved in 2019, the City understands the importance of preparing for the future. This includes our commitment to preparing our City and our community for a changing climate and tackling climate change. Our 2019 report builds on our 2018 climate metrics and targets through enhanced climate related financial disclosures, following the Task Force for Climate-Related Financial Disclosure (TCFD) reporting framework. Our TCFD journey showcases our climate change action and mitigation as we move towards our net-zero target.

Finally, as of the time of writing this report, the City is responding to unprecedented operational and financial challenges caused by the global pandemic, COVID-19. Although the future of COVID-19 remains unpredictable, the City remains optimistic about its readiness and ability to respond to rapidly changing landscape and needs of its residents, businesses and stakeholders. As we continue to navigate through the demands and evolving changes brought on by the pandemic, we will leverage our prudent financial management, dedicated employees, and partnerships with senior levels of government and Canadian municipalities to stabilize our operations and most importantly, fulfill our role of being a reliable service provider and steward of public resources.

Sincerely,

Heather Taylor
Chief Financial Officer and Treasurer

2019 Year in Review

Statement of Financial Position

The table below provides highlights of the City's Statement of Financial Position as of December 31, 2019.

(in millions of dollars)

Item	2019	2018	$ Change	% Change
Financial Assets	$12,310	$11,296	$1,014	9.0%
Liabilities	$20,530	$19,384	$1,146	5.9%
Net Debt	$(8,220)	$(8,088)	$(132)	1.6%
Non-Financial Assets	$35,026	$33,262	$1,764	5.3%
Accumulated Surplus	$26,806	$25,174	$1,632	6.5%

In 2019, the City experienced moderate growth in its net debt position where the balance increased from $8.1 billion to $8.2 billion, which represents an increase of $0.1 billion or 1.6%. This indicator suggests we currently have more liabilities than financial assets, which will require us to generate future revenues to pay for our existing obligations.

The City recognized an accumulated surplus of $26.8 billion, which indicates that the City had previously raised sufficient funds for its operating and capital activities. The City's accumulated surplus balance is comprised mainly of its investment in tangible capital assets and reserves.

Statement of Operations and Accumulated Surplus

The table below provides highlights of the City's Statement of Operations and Accumulated Surplus for the year ending December 31, 2019.

(in millions of dollars)

Item	2019	2018	$ Change	% Change
Revenues	$14,383	$13,740	$643	4.7%
Expenses	$12,751	$12,306	$445	3.6%
Annual Surplus	$1,632	$1,434	$198	13.8%

On an overall basis, the City continued to demonstrate a strong financial performance in 2019, with revenues and annual surpluses both increasing by 4.7% and 13.8%, respectively, when compared to the prior year. The largest driver of the City's favourable results is the recognition of one-time revenue of $106 million, which resulted from the City's share of the surplus resulting from the entity's pension plans merger with Ontario Municipal Employees Retirement System (OMERS).

Key Components of the Statement of Financial Position

General: Financial Assets

Overall, the City's financial assets increased by $1.0 billion or 9.0% in 2019. The largest drivers of the increase in financial assets are:

- Cash and cash equivalents increased as a result of the City holding more cash at the end of the year that was reinvested, as per the Toronto Investment Board decisions in early 2020.
- Accounts and taxes receivables increased mainly due to the recognition of:
  - An anticipated reimbursement from the Province ($239 million) for costs associated with major subway projects, which were transferred to Metrolinx; and
  - Surplus distribution for pension plans ($106 million) for the surplus associated with the City's pension plans that were merged with OMERS.

Cash and Cash Equivalents

The City's cash and cash equivalents are key financial resources that are used to meet overall operating needs on a day-to-day basis.

How is the City doing?

In order to assess the health of this balance, the following ratio will be considered:

Cash and cash equivalents as a % of total expenses

$$= \frac{\text{Cash and cash equivalents}}{\text{Total expenses}}$$

- This ratio represents the percent of annual expenses that can be financed using the City's existing cash and cash equivalents. A higher ratio indicates that the City has sufficient cash on hand to meet the majority of operating expenses and thus, has a low risk of insolvency.
- On average, municipalities have a ratio between 5% and 10%, with ratios greater than 10% reflecting a considerably strong liquidity position and opportunity for investment.

What is our number?

- In 2019, the City maintained higher than normally required cash positions for the purposes of strengthening its long-term investment portfolio.

	2019	2018
Cash and cash equivalents as a % of total expenses	34.5%	29.5%

Accounts and Taxes Receivable

Accounts receivable are amounts owed by third parties to the City, such as transfers coming from other levels of government, utilities and user charges, parking fines and interest receivable from investments. Accounts receivable arise when customers are provided with services which they can pay at a later date, which is usually 30 days from the date of receipt of service. Taxes receivable are uncollected property taxes as of December 31; the City issues interim bills in January and final bills in May.

How is the City doing?

In order to assess the health of this balance, the following ratio will be considered:

Net taxes receivable as a % of taxes levied

$$= \frac{\text{Taxes receivable - allowance for doubtful accounts}}{\text{Property tax revenue}}$$

- This ratio represents the portion of property taxes that are uncollected at year end. Since property taxes are the largest source of revenue for the City, it is important that these taxes are collected quickly to maximize cash flow.
- On average, municipalities have a ratio between 10% and 15%, with ratios less than 10% showing a strong ability to collect taxes receivables.

What is our number?

- In 2019, the City's ratio performed favourably in comparison to the benchmark ratio, which indicated that the City's collection practices remained efficient and effective.

	2019	2018
Net taxes receivable as a % of taxes levied	5.8%	5.4%

Investments

The City's cash flow requirements are dynamic and dependent on overall daily operational activities, as well as longer term requirements. In order to accommodate daily cash needs, the City maintains an investment portfolio, consisting of short-term assets and recognizes these amounts as cash equivalents.

In 2019, the City's short-term investment portfolio had an average fund balance of $3.3 billion and provided a return of 2.4%. The City also maintains a long-term fund which allows for longer term investments, earning relatively higher rates of return, as funds are not immediately required.

During the year, the City also transitioned to a more diversified asset mix in accordance with our investment standards and Council-approved investment policy. The new investment strategy expanded the types of long-term investments, such as mortgages, equities, and foreign corporate bonds held by the City. The City's 2019 average long-term investment portfolio was $3.0 billion and generated an average rate of return of 6.3%.

In addition to the City's general investments, we also maintained sinking fund investments, which are assets held to secure funds available for future debt repayments. In 2019, the City's sinking fund earned investment income of $84.4 million and generated on average rate of return of 4.9%.

So, what's the bottom line?

Long-term fund returns on capital earned: **6.3%**

Short-term fund returns on capital earned: **2.4%**

Total short and long-term funds return on investment earned: **4.3%**

Total short and long-term earned income: **$267.3 million**

Tangible Capital Assets

In 2019, the City spent $3.5 billion on acquisitions and construction of new assets. The continued growth of the City's tangible capital assets is correlated with the city's rapid expansion – in 2019, Toronto's population increased by close to 46,000 residents. Our tangible capital assets support all City services.

The City's capital investments included:

$1.4B

For various light rail vehicles and buses, which support state of good repair activities and expansion plans.

$0.9B

For water and wastewater assets, including the construction of the Coxwell bypass tunnel ($81M) and Ashbridges Bay treatment plant outfall ($42M).

$0.3B

For investments in roads, bridges, and traffic control assets, including continued construction of the Gardiner Expressway ($89M).

$0.1B

For various affordable housing projects, including efforts in increasing the energy efficiency of Toronto Community Housing Buildings.

Asset Management

Did you know?

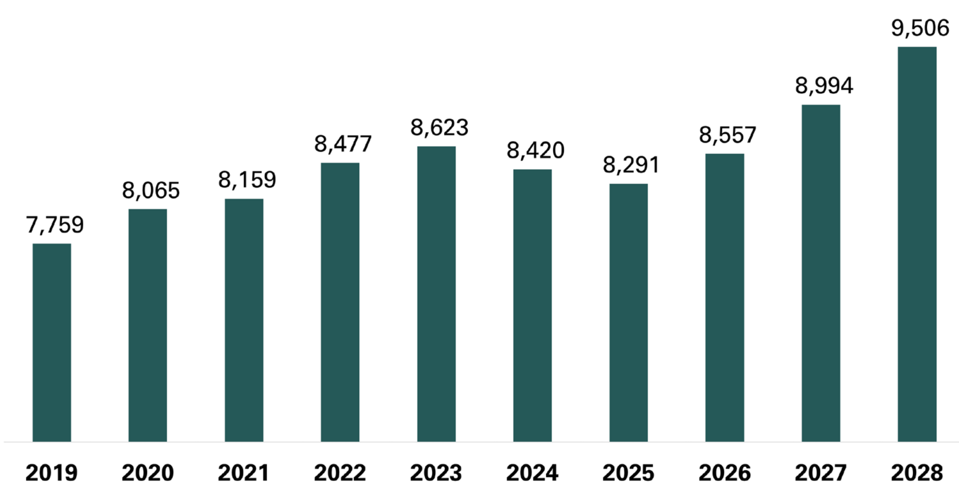
The City has infrastructure valued at $94 billion (based on replacement cost estimates). From transporting commuters to delivering safe and clean water to Toronto residents, the City's infrastructure provides key services. It's the City's priority to sustain assets in a state of good repair (SOGR), especially as poor asset conditions could result in service interruptions and reduce residents' overall quality of life.

The state of good repair backlog represents the accumulated amount of required capital investments that the City will need to pay for in future periods.

So how does the City prioritize which of its infrastructure should be maintained on an annual basis? The organization determines its annual capital investment requirements through the consideration of the City's asset conditions, provincial legislative requirements, available budget, other capital priorities (e.g. construction and/or acquisition of infrastructure to address population growth), and overall asset management strategy and framework.

Over the next ten years, the City will allocate 49% of its capital funding to meet SOGR requirements1. Despite annual investments, the City is estimated to have an accumulated SOGR backlog of $9.5 billion by 2028 as shown below. As the City's financial resources are limited, it will become increasingly important to balance the organization's overall SOGR investments with its budgeting decisions.

10-Year Capital SOGR Backlog ($ million)



General: Liabilities

On an overall basis, the City's financial liabilities increased by $1.1 billion or 5.9% in 2019. The largest drivers of the increase in liabilities are:

- Deferred revenue: increased as a result of contributions received for development charges, park levies, and section 37 funds;
- Long-term debt: increased due to debentures issued to finance the City's capital activities, including projects that promote environmental sustainability; and
- Environmental and contaminated sites liabilities: increased due to the completion of the Toronto Port Lands Company's valuation of future remediation costs for its contaminated sites, as well as a lower discount rate used to calculate the liability.

Long-Term Debt

In 2019, the City continued to sustain its long-term borrowing activities in order to make a series of capital investments, including projects that promote transit expansion, housing and environmental sustainability. Debt is issued conservatively and is considered as the City's last source of funding.

During the year, the City issued $950 million in debentures, which consisted of:

- 10-year debenture ($400 million)
- 20-year green bond ($200 million)
- 30-year debenture ($350 million)

The Green Debenture Program allows the City to leverage its low cost of borrowing to finance various capital projects that contribute to environmental sustainability. As part of the Program's strategy, the City carefully selects projects that fulfill environmental objectives that include:

- mitigation and adaptation to the effects of climate change
- abatement and avoidance of greenhouse gas emissions
- resource recovery and a hierarchical waste management approach
- air, water, and soil pollution prevention and control

Green bonds issued in 2019 were used towards key initiatives that promoted sustainable clean transportation, renewable energy, energy efficiency, and climate change adaptation and resilience. The following are examples of some of the key projects that were funded using green bonds this year:

Project Name	Description
Port Lands Flood Protection	A project aimed to protect Toronto's southeastern downtown area (Port Lands, South Riverdale, and Leslieville) from extreme flooding by creating a naturalized river mouth that reconnects Don River to Lake Ontario. Upon completion of the project, the City will effectively remove flood risk from approximately 240 hectares of land.
Toronto Community Housing Energy Retrofits	A project focused on creating a network of sustainable buildings by reducing energy consumption by 25 percent by December 2028.

Project Name	Description
Toronto Community Housing Energy Retrofits	Examples of key conservation efforts achieved through the project include LED lighting retrofits, installation of new higher-efficiency windows, and replacement of boilers.
Cycling Infrastructure	Projects aimed to achieving the City's long-term climate action target of 75% of trips under five kilometres being walked or cycled by 2050. In 2019, various projects allowed the City to build 4.3 km of new bike lanes on Lawrence Avenue East and Blue Jays Way, create protected cycle tracks on Conlins Road, Hoskins Road, Bloor Street, and Scarlett Road, as well as upgrade 28.7 km of existing bike lanes across the City.

In addition to the City's Green Debenture Program, the remainder of the City's debenture proceeds were used towards state of good repair projects and major transit projects.

How is the City doing?

In order to measure the City's financial health, the following key financial ratios will be considered:

Long-term debt proceeds to asset acquisitions

$$= \frac{\text{Proceeds from issued long-term debt}}{\text{Acquisition of tangible capital assets}}$$

- This ratio represents the percent of tangible capital assets funded through the use of additional long-term debt.
- The lower the ratio, the better; this means that the City purchased tangible capital assets not only through the use of long-term debt, but also with its own cash and generated revenue.

Long-term debt per taxpayer

$$= \frac{\text{Total long-term debt}}{\text{Total population}}$$

- This ratio represents the overall debt burden borne by an individual taxpayer.
- Similar to the above ratio, it is generally better to have a lower ratio, especially as a higher ratio will indicate that the City will need to secure more funds, such as taxation revenue, in the future to repay its outstanding debt.

Debt service charges as a % of total revenue

$$= \frac{\text{Interest expense + principal repayments on debt}}{\text{Total revenue}}$$

- This ratio represents the percentage of revenues that must be used to pay for interest and principal on the City's debt.
- On average, municipalities have a ratio that ranges from 5% to 10%. Ratios that are less than 5% indicate a stronger than average ability to effectively pay down existing principal and interest on debt.

What are our numbers?

	2019	2018
Long-term debt proceeds to asset acquisitions	33.4%	26.5%
Long-term debt per taxpayer (unrounded)	$2,396	$2,199
Debt service charges as a % of total revenue	4.8%	5.0%

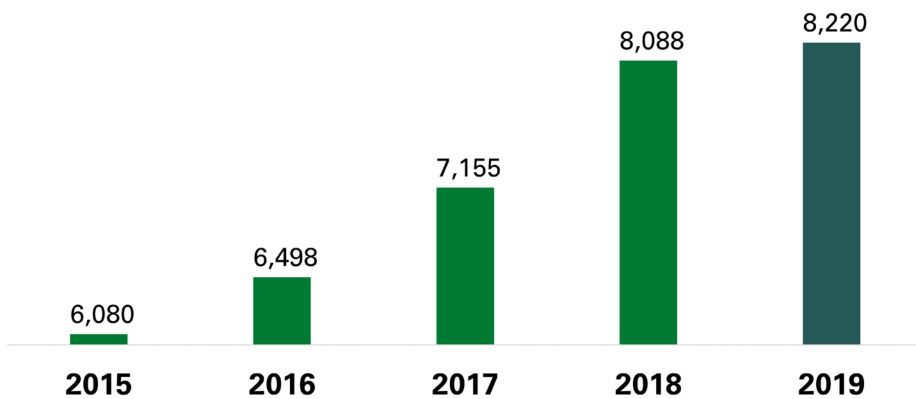
- The City's long-term debt position is favourable in comparison to the benchmark for municipalities. Particularly, the City is keeping debt at lower levels in order to reduce burden on individual taxpayers, as well as leverage other sources of revenue to finance major capital acquisitions.
- Although taxation and other sources of revenues, such as grants received from senior levels of government, are primarily used to finance the City's operations and capital investments, current year trends indicate that the City's reliance on long-term debt is increasing. Specifically, the City increased future burden of taxpayers paying for debt costs. The City will therefore, need to closely monitor its use of debt especially as the entity's overall debt requirements will increase over the next several years.

Net Debt

Net debt is a key financial measure that is unique to the public sector. The Public Sector Accounting Board defines net debt as all liabilities (both short and long-term liabilities) less financial assets; the amount represents current City obligations that must be funded from future revenues.

The City's Net Debt as at December 31, 2019 increased by $132 million, or 1.6%, from $8.1 billion to $8.2 billion. This increase is due primarily to the City's financing of tangible capital assets (through debt), offset by the annual surplus.

Over the past five years, the City's net debt balance has been growing steadily at an average annual rate of 9%. The City will need to monitor its net debt balance in order to reduce the likelihood of having to use future revenues towards debt service charges as opposed to the provision of services.



Reserves and Reserve Funds

The City maintains three types of reserves:

- Deferred revenue (obligatory reserve funds): advance payments for goods and/or services that the City has not yet provided to a government, government organization, third-party entity, or individual. Use of deferred revenues are restricted to activities specified in legislation, contract, or agreement. These balances earn interest and are reported as a liability in the City's consolidated financial statements. Although the cash has been received, deferred revenues are not considered income to the City until the obligation has been executed.
- Reserves: an allocation of accumulated net revenue, which can be set aside for a specific use and does not reflect earned interest. Reserves are disclosed in the accumulated surplus balance of the City's consolidated financial statements.
- Council-directed reserve funds: funds earning interest income that have been set aside in response to a by-law. Similar to reserves, Council-directed reserve funds are a component of the City's accumulated surplus, which is disclosed in the consolidated financial statements.

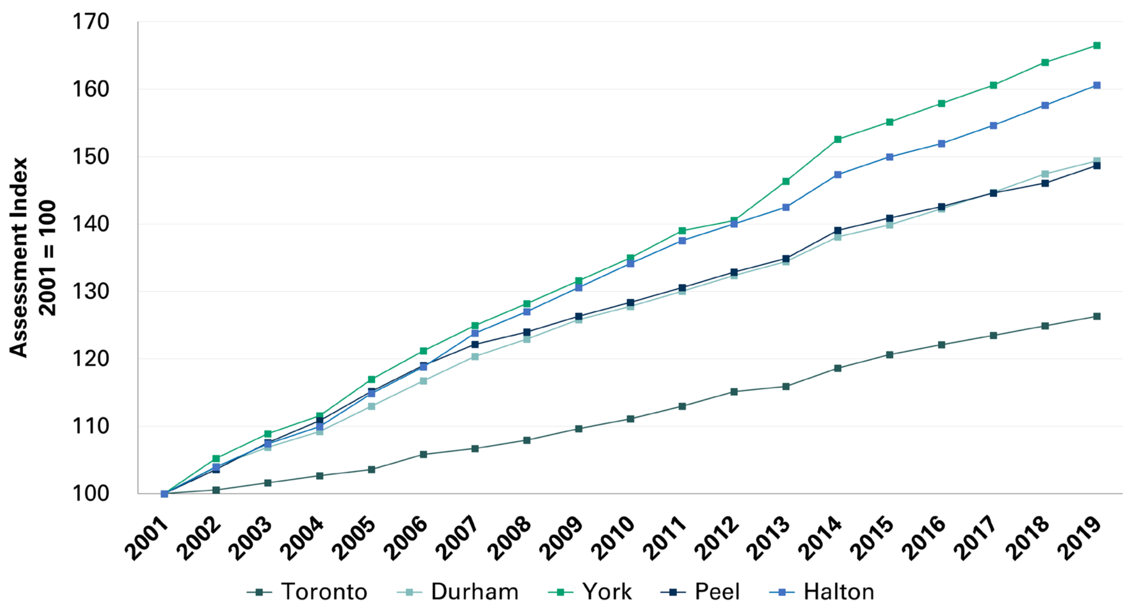
As at December 31, 2019, the City's obligatory deferred revenues included in the consolidated Statement of Financial Position totalled $3.8 billion. The value of Reserves and Council-Directed (Discretionary) Reserve Funds included in consolidated Accumulated Surplus totalled $2.2 billion. The total 2019 increase was $0.3 billion. Although the City's reserves is continuing to increase, the vast majority of the City's reserve and discretionary reserve fund balances have been committed to fund future capital project expenditures and known future liabilities, leaving minimal amounts for discretionary spending and are therefore, not considered to be equivalent to cash and cash equivalents. Specifically, the City has committed $5.8 billion of its overall $6.1 billion balance in reserves, obligatory reserve funds, and Council-directed reserve funds.

Key Components of the Statement of Operations and Accumulated Surplus

Property Tax

The City has a diverse mix of revenue streams, which are used to provide various services and programs to the public. The largest source of revenue is the City's property tax, which accounts for approximately 30.7% of the City's total revenues.

City Council continues to maintain property tax rates at or below inflation and considers and approves comprehensive tax policy intended to enhance competitiveness. The chart below shows that Toronto's property assessment was just 26% above its 2001 level, partly due to the conversion of certain industrial properties into residential properties. Specifically, Toronto's 2019 property assessment value was $695.1 billion.



The amount of property taxes payable by a property is determined by multiplying the current assessment of that property by the applicable tax rate for that class of property, such as residential, commercial, industrial, or multi-residential. The total tax rate for a property class consists of both a municipal tax rate used by the City for its operational requirements and an education tax rate required by the Province for education funding. In 2019, an average household in Toronto with an assessed value of $665,000 paid the following:

	2019 Tax Rate	2018 Property Tax
Municipal purposes	0.453770%	$3,018
Education purposes	0.161000%	$1,071
Total	0.614770%	$4,089

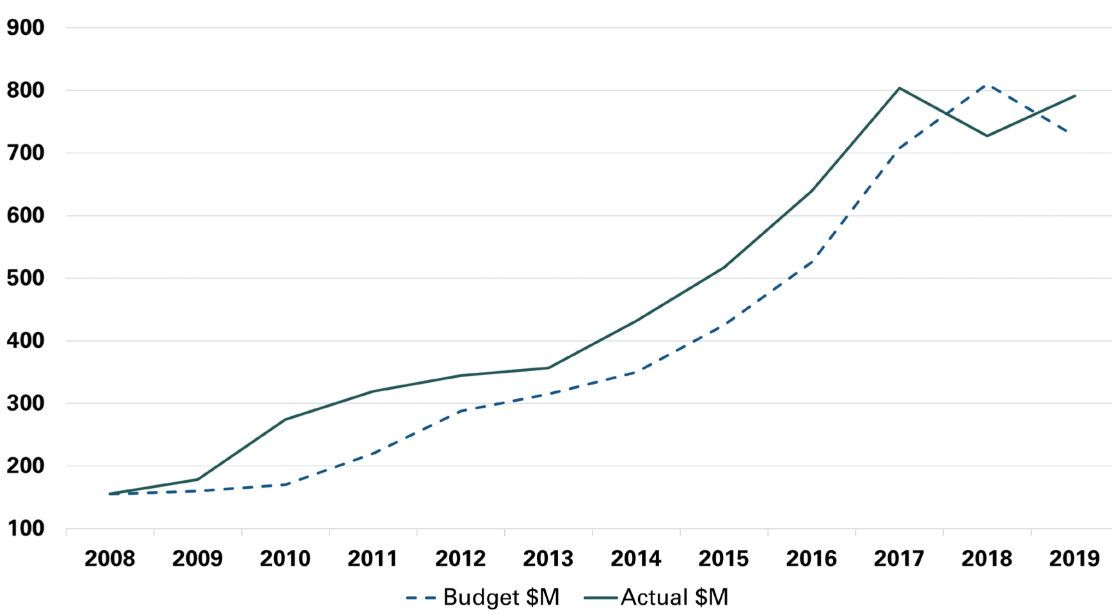
In addition, tax ratios for the commercial and industrial tax classes exceeded the provincial thresholds. However, both have shown consistent decreases over the past years demonstrating the effectiveness of the City's taxation policies.

	2019 Tax Ratios	Provincial Threshold Ratios
Multi-residential	2.34	2.74
Commercial	2.78	1.98
Industrial	2.76	2.63

Municipal Land Transfer Tax

The City of Toronto is the only Ontario municipality with the legislative authority to allow it to levy taxes other than property taxes. The Municipal Land Transfer Tax was implemented in 2008 and represents one of the largest sources of revenues for the City – in 2019, the City collected $0.8 billion of municipal land transfer tax revenue.

The City benefited from increased revenues coming from the Municipal Land Transfer Tax since its inception. Municipal Land Transfer Tax revenues are directly dependent on Toronto's real estate activity, which started to rebound in late 2019 since a gradual decline in 2017 and 2018. Specifically, the number of home sales in Greater Toronto rebounded by 12.6% in 2019 to 87,825 from 2018's 10-year low of 78,015. As a result, 2019 actuals were $69 million or 9.5% higher than prior year's revenues, as well as 2019 budgeted revenues.



Five Year Overview of Consolidated Revenues

The five year overview of revenues outlined in the table below demonstrates that property taxes continue to be one of the slowest growing revenue sources for the City. The City continues to be limited by provincial legislation and Council policy from extending tax rate increases on the commercial, industrial, and multi-residential assessment base on the same basis as the residential base.

(in millions of dollars)

Revenues	**Avg. Annual Increase**	**2019**	**2018**	**2017**	**2016**	**2015**
Property and taxation from other governments	2.6%	4,410	4,350	4,198	4,051	3,966
Government transfers	5.4%	3,493	3,505	2,800	2,738	2,862
User charges	5.2%	3,526	3,255	3,028	3,073	2,780
Municipal Land Transfer Tax	12.9%	799	730	805	645	524
Other revenue sources	8.2%	654	589	479	687	738
Rent and concessions	4.6%	534	506	469	462	452
Development charges	29.1%	398	339	314	184	221
Government business enterprise earnings	13.5%	234	247	236	165	294
Investment income	7.4%	335	219	235	197	261
Total	**4.9%**	**14,383**	**13,740**	**12,564**	**12,202**	**12,098**

As a result of the slow growth of property tax revenue, more reliance has been placed on other sources of revenue, such as transfers received from senior levels of government, user charges, and municipal land transfer tax for purposes of generating sufficient funds to pay for operating expenditures and minimize increases to the City's property tax rate.

Five Year Overview of Consolidated Expenses

The five year overview of consolidated expenses in the table below indicate that City expenditures continue to grow at a reasonable rate relative to revenue growth.

(in millions of dollars)

Expenses	Avg. Annual Increase	2019	2018	2017	2016	2015
Transportation	5.0%	3,581	3,578	3,140	3,067	2,944
Social and family services	6.0%	2,553	2,474	2,193	2,038	2,024
Protection to persons and property	1.2%	1,930	1,858	1,811	1,808	1,808
Recreation and cultural services	3.4%	1,073	1,006	1,008	1,002	989
Environmental services	2.6%	1,043	976	955	933	940
General government	2.3%	886	876	776	760	824
Social housing	2.7%	830	844	824	780	775
Health services	3.0%	497	490	461	450	452
Planning and development	28.4%	358	204	147	116	146
Total	**4.9%**	**12,751**	**12,306**	**12,564**	**12,202**	**12,098**

On an annual basis, the City's expenditures are continuing to increase, which illustrates increasing demand for City services. Operating segments that are responsible for the majority of the City's costs are facing rising costs to:

- Maintain aging infrastructure, including affordable housing facilities, in a state of good repair. Costs associated with repairs and maintenance are considered as expenses as they do not improve an asset's service potential or output and do not extend the productive period of an asset.
- Respond to increased staffing costs resulting from offering of new and/or expanded services, such as the Child Youth Advocacy program and overall child care spaces, as well as settlement of the Local 3888 Collective Agreement, cost of living adjustments, and legislative changes resulting from the Province's Fair Workplaces, Better Jobs Act, 017 (Bill 148). Bill 148 effectively increased the City's minimum wage rates.;
- Increases in expenditures resulting from the completion of Toronto Port Lands Company's assessment of contaminated sites.
- Accommodate increases in refugees and other vulnerable citizens seeking social assistance support and shelter services.

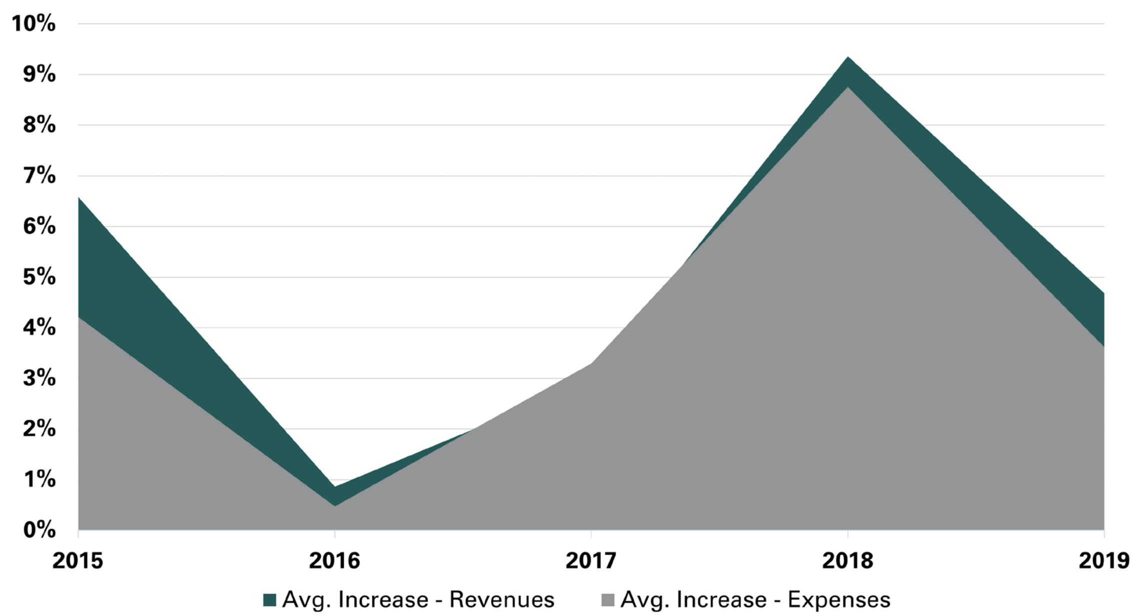
Expenditures also increased due to higher amortization associated with increased tangible capital asset balances, write-down of tangible capital assets held by the City's agencies, and an increase in the City's obligation related to Toronto Port Land Company's contaminated sites, which recognizes the City's ongoing commitment to remediate any City-owned properties where contamination exceeds environmental standards.

In order to respond to sustained increases in the City's expenditures, City administrators are collaborating with City Council, as well as senior levels of government to identify new funding sources, operating models, and cost containment strategies in order to maintain existing service levels, reduce reliance on long-term debt, and minimize potential increases to the City's property tax rate.

Bridging the Gap

Predicting the pace of growth of the City's revenues and expenditures is not a simple task. When comparing the annual rate of change for both revenues and expenditures over the past five years, it is evident that expenditures are increasing at a similar rate to that of revenues. Although the City's budgeting, planning, and forecasting processes allow the organization to achieve a balanced budget on an annual basis, it will become important to monitor the City's costs, especially if expenditure levels and liabilities continue to increase as it may indicate that the City may not be generating sufficient revenues to pay for its operating activities.

We need to consider the context of how rapidly our costs are increasing to determine if we are generating sufficient revenues.



Municipal Benchmarking Network Canada

The City partners with 17 other Canadian municipalities through the Municipal Benchmarking Network of Canada (MBNCanada). In addition to Toronto, other members include the Cities of Calgary, Durham, Greater Sudbury, Halton, Halifax, Hamilton, London, Montreal, Niagara, Regina, Saskatoon, Thunder Bay, Waterloo, Windsor, Winnipeg, and York.

MBNCanada assesses municipal performance in 36 different service areas, which encompass approximately 600 different activity level indicators and performance measures resolving around efficiency, customer service, and community impact.

Toronto is unique among Canadian municipalities because of its size and role as Ontario's and Canada's economic engine. It is also the centre of Ontario's business, culture, entertainment, sporting and provincial and international governance activities.

Some areas where Toronto's service/activity levels or performance measures have improved in relation to the previous year include:

- Increase in the average nightly number of emergency shelter beds available
- 94% overall satisfaction scores amongst long-term care residents and families
- Increase in regulated child care spaces in the city
- Increase in amount of cultural grants provided
- Increase in proportion of electronic library uses

Toronto: An Award Winning City

The City has won numerous awards for quality, innovation, excellence, and efficiency in delivering public services.

Canada's Top 100 Employers

Canada's Best Diversity Employers

Runner Up in the Public Sector Category of the 2019 Circulars Awards

2018 Corporation of the Year award

Finalist for 2019's Most Improved Supplier Diversity Program

Pathway to a Modern and Digital Government

Changing the Way We Work

Due to continued advancements in technology, working in traditional office environments is no longer a necessity or requirement. The City's Office Portfolio Optimization Plan, called ModernTO, aims to reshape how and where employees work, reduce the number of office locations, and adapt to changing workforce requirements.

Based on ModernTO's overall plan and strategic framework that was approved by City Council in 2019, the program is anticipated to generate several benefits over the next few years, which include:

- Consolidation of 750,000 square feet of office space
- Generate long-term savings of $30 million per year
- Unlock $420 million in real estate value and therefore, repurpose lands that the City could use towards other initiatives, such as affordable housing programs or construction of community infrastructure
- Modernize workspaces for over 15,000 City employees while offering remote work options

Modernizing Our Operations

In order to increase the efficiency and effectiveness of service delivery, the City has embarked on a modernization journey. Through proposed changes that will impact the organization's people, processes, and technology, the City is:

- Implementing a new enterprise resource planning software, which will consolidate and automate the City's financial processes, minimize use of auxiliary systems and increase transparency and reliability of financial information used to support management decisions. Work associated with the new system is projected to begin in 2021 and be completed by 2023.
- Updating the asset management process in order to streamline activities throughout the organization, enhance the City's ability to comply with provincial asset management requirements and improve information used to support capital investment decisions so that limited financial resources are allocated to the right projects at the right times.

Responding to COVID-19

On March 23, 2020, Mayor Tory declared a State of Emergency in the City of Toronto (City) in order to slow the spread of and respond to the global pandemic known as COVID-19. Based on recommendations from the City's Medical Officer of Health, Dr. Eileen de Villa, the City introduced and implemented a series of public health measures and operational changes, including restricted access to City facilities and increased emphasis on front line services.

COVID-19 is continuing to have a significant impact on Canadians, as well as other economies around the world. Specifically, COVID-19 increased travel restrictions, mandated extended shutdowns of businesses and created supply chain disruptions. This has increased the level of uncertainty relating to the potential long-term financial and operational impacts COVID-19 could have on the City.

Specifically, COVID-19 is ultimately impacting the City's revenues. In order to focus our spending on essential services, as well as other critical business operations, the City has been taking several actions during the year. In particular, the City anticipates to have a cash shortfall of $0.5 billion by the end of 2020 - this shortfall is net of:

- Our budget mitigation strategies that aimed to reduce spending and restrict non-essential increases to our workforce. These strategies are expected to generate total savings of $0.5 billion in expenditures; and
- The Phase 1 Safe Restart Agreement funding ($0.7 billion), which was confirmed in August 2020.

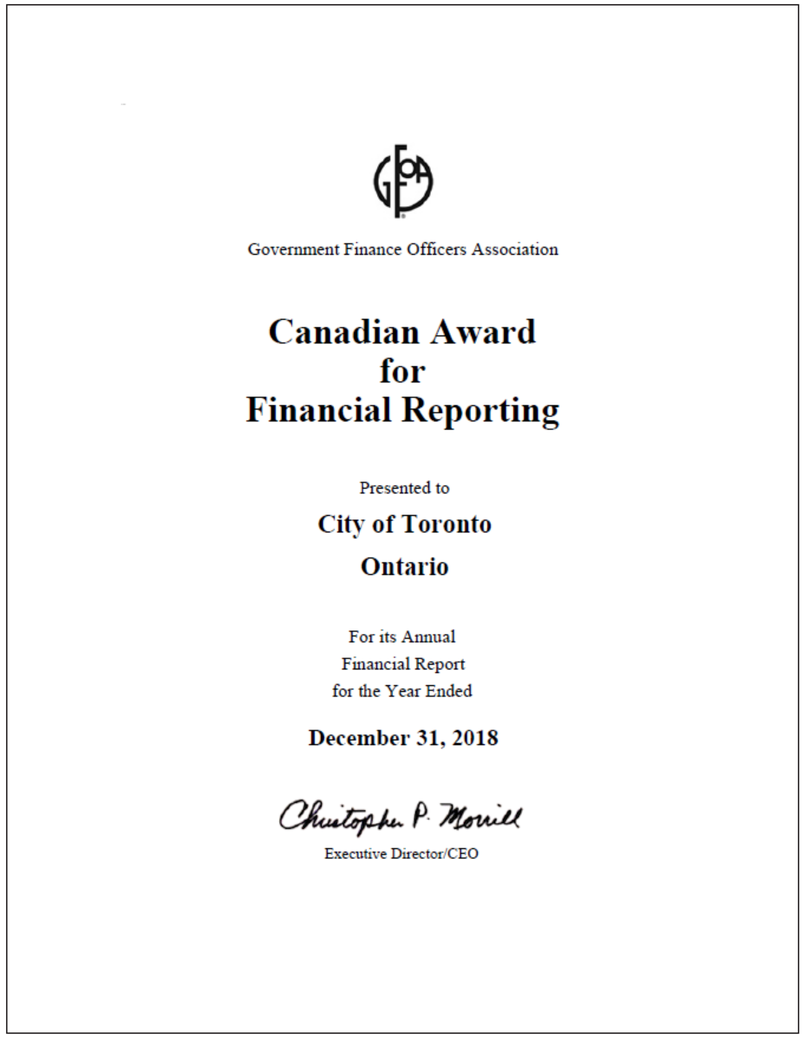
As an essential services provider, the City recognizes the importance to protect the interests and safety of its residents and businesses. The City will continue its ongoing efforts to enable and sustain services without interruption, protect the health and safety of the public and find short-term and long-term financial support. Although the full impact remains largely unpredictable, the City is optimistic that it will persevere in leading residents and businesses through this pandemic.

Our Financial Statements

Our Financial Reporting Achievement

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Canadian Award for Financial Reporting to the City of Toronto for its annual financial report for the fiscal year ended December 31, 2018. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.

In order to be awarded a Canadian Award for Financial Reporting, a government unit must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments and address user needs.



Government Finance Officers Association

Canadian Award for Financial Reporting

Presented to

City of Toronto

Ontario

For its Annual Financial Report for the Year Ended

December 31, 2018

Christopher P. Morrill

Executive Director/CEO

A Canadian Award for Financial Reporting is valid for a period of one year only. The City of Toronto is continuing this standard of high-quality reporting for the submission and evaluation to the GFOA for the 2019 Award Program.

Audit Committee

What Do They Do?

The Audit Committee is a sub-committee which reports directly to City Council. Composed of five Councillors, the Audit Committee plays an instrumental role in overseeing the City's financial reporting, internal controls, management of financial risks and the City's overall values and ethics.





As part of their role in supporting City Council, the Audit Committee's mandate is to:

- Recommend the appointment of the City's external auditor
- Recommend the appointment of an external auditor to conduct the annual audit of the Auditor General's Office
- Consider the annual external audit of the financial statements of the City and its Agencies and Corporations
- Consider the external audit of the Auditor General's Office
- Consider the Auditor General's reports and audit plan
- Conduct an annual review of the Auditor General's accomplishments
- Make recommendations to Council on reports the Audit Committee considers

Our Controller's Message

I'm happy to present the City's Consolidated Financial Statements, as well as the City's Sinking Fund Statements and Trust Fund Statements for 2019. Each of the financial statements included in this financial report provides an overview of the state of the City's finances at the end of 2019, as well as changes to revenue and expenses during the year.

The City's financial statements encompass the financial results of not just the various City divisions, but also all of the organizations, boards, corporations, and enterprises that are controlled by the City, such as the Toronto Police Service, Toronto Transit Commission, Toronto Community Housing Corporation, and Toronto Public Library.

The preparation of the Consolidated Financial Statements, the Sinking Fund Statements, the Trust Fund Statements, and all other information included in this financial report is the responsibility of City management. All financial statements are prepared in accordance with generally accepted accounting principles as set by the Chartered Professional Accountants of Canada's Public Sector Accounting Board. These financial statements were approved by Audit Committee in November 2020 and City Council in December 2020. Preparation, audit and approval of the statements was delayed this year as the City prioritized its response to the COVID-19 pandemic.

PricewaterhouseCoopers (PwC), an independent registered public accounting firm appointed by City Council, acts as the City's external auditor, whose role is to express an independent opinion on the fair presentation of the City's financial position and operating results, and to confirm that the statements are free from material misstatement. This is the final year of PwC's audit services. Consistent with prior years, it is PwC's opinion that the City's consolidated financial statements and all other financial statements present fairly, in all material respects, the financial position of the City and its consolidated entities as at December 31, 2019.

The City's financial information also includes climate disclosures, which are prepared in accordance with the recommendations established by the Task Force on Climate-Related Financial Disclosures. The City is one of three Canadian municipalities that currently provide this supplementary disclosure.

I encourage you to read the City's financial statements and associated information for a complete understanding of the City's financial position and results of operations for the 2019 fiscal year.

Sincerely,

Andrew Flynn
Controller

Management's Report

The management of the City of Toronto is responsible for the integrity, objectivity and accuracy of the financial information presented in the accompanying consolidated financial statements.

The consolidated financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is disclosed in Note 1 to the consolidated financial statements.

To meet its responsibility, management maintains comprehensive financial and internal control systems designed to ensure the proper authorization of transactions, the safeguarding of assets and the integrity of the financial data. The City employs highly qualified professional staff and deploys an organizational structure that effectively segregates responsibilities, and appropriately delegates authority and accountability.

The Audit Committee, a sub-committee of City Council, reviews and approves the consolidated financial statements before they are submitted to Council. In accordance with Council's directive, the Auditor General oversees the work of the external auditors performing financial statement attest audits. The Auditor General participates in all significant meetings held between the external auditors and management, is informed of all significant audit issues, and will report on any significant matters not appropriately addressed and resolved.

The 2019 consolidated financial statements have been examined by the City of Toronto's external auditors, PricewaterhouseCoopers LLP, and their report precedes the consolidated financial statements.

Toronto, Ontario, Canada
December 16, 2020

Andrew Flynn
Controller

Heather Taylor
Chief Financial Officer and Treasurer

Chris Murray
City Manager

Independent auditor's report

To the Members of Council, Inhabitants and Ratepayers of the City of Toronto

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the City of Toronto and its subsidiaries (together, the City) as at December 31, 2019 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited
The City's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2019;
- the consolidated statement of operations and accumulated surplus for the year then ended;
- the consolidated statement of change in net debt for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the City to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
December 16, 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at December 31, 2019 (in millions of dollars)

	2019	2018 (Note 25)
FINANCIAL ASSETS		
Cash and Cash Equivalents	4,397	3,626
Accounts and Taxes Receivable (Note 2)	2,109	1,913
Loans Receivable (Note 3)	176	181
Other Assets (Note 4)	179	182
Investments (Note 5)	3,247	3,263
Investments in Government Business Enterprises (Note 6)	2,202	2,131
Total Financial Assets	**12,310**	**11,296**
LIABILITIES		
Bank Indebtedness (Note 7)	107	104
Accounts Payable and Accrued Liabilities (Note 8)	3,706	3,838
Deferred Revenue (Note 9)	4,217	3,867
Provision for Property and Liability Claims (Note 10)	522	529
Environmental and Contaminated Site Liabilities (Note 11)	452	241
Mortgages Payable (Note 12)	289	292
Long-Term Debt (Note 13)	7,104	6,502
Employee Benefit Liabilities (Note 14)	4,133	4,011
Total Liabilities	**20,530**	**19,384**
NET DEBT	**(8,220)**	**(8,088)**
NON-FINANCIAL ASSETS		
Prepaid Expenses	162	217
Inventories (Note 15)	300	328
Tangible Capital Assets (Note 16, Schedule 1)	34,564	32,717
	35,026	**33,262**
ACCUMULATED SURPLUS (Note 17)	**26,806**	**25,174**

Commitments and Contingencies (Note 18)

The accompanying Notes and Appendices are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
for the year ended December 31, 2019 (in millions of dollars)

	2019 BUDGET (Note 19)	2019 ACTUAL	2018 ACTUAL
REVENUES			
Property and Taxation from Other Governments	4,404	4,410	4,350
Government Transfers (Note 20)	3,570	3,493	3,505
User Charges	3,472	3,526	3,255
Municipal Land Transfer Tax	730	799	730
Other Revenue Sources (Note 21)	625	654	589
Rent and Concessions	476	534	506
Development Charges	512	398	339
Government Business Enterprise Earnings (Note 6)	-	234	247
Investment Income	279	335	219
Total Revenue	**14,068**	**14,383**	**13,740**
EXPENSES			
Transportation	3,802	3,581	3,578
Social and Family Services	2,892	2,553	2,474
Protection to Persons and Property	1,903	1,930	1,858
Recreation and Cultural Services	1,112	1,073	1,006
Environmental Services	1,068	1,043	976
General Government	929	886	876
Social Housing	931	830	844
Health Services	487	497	490
Planning and Development	222	358	204
Total Expenses (Note 22)	**13,346**	**12,751**	**12,306**
ANNUAL SURPLUS	**722**	**1,632**	**1,434**
ACCUMULATED SURPLUS - BEGINNING OF YEAR	**25,174**	**25,174**	**23,740**
ACCUMULATED SURPLUS - END OF YEAR (Note 18)	**25,896**	**26,806**	**25,174**

Segmented Information is presented in Appendices 2 and 3.

The accompanying Notes and Appendices are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

for the year ended December 31, 2019 (in millions of dollars)

	2019 BUDGET (Note 19)	2019 ACTUAL	2018 ACTUAL
ANNUAL SURPLUS	722	1,632	1,434
Acquisition of Tangible Capital Assets	(3,724)	(3,493)	(3,530)
Amortization of Tangible Capital Assets	1,383	1,383	1,267
(Gain) on Disposal of Tangible Capital Assets	-	(14)	(3)
Recognition of Receivable from the Province (Note 16)	-	239	-
Proceeds on Disposal of Tangible Capital Assets	-	38	13
Change Due to Tangible Capital Assets	**(2,341)**	**(1,847)**	**(2,253)**
Change in Prepaid Expenses	-	55	(98)
Change in Inventories	-	28	(16)
(Increase) in Net Debt	(1,619)	(132)	(933)
NET DEBT - BEGINNING OF YEAR	(8,088)	(8,088)	(7,155)
NET DEBT - END OF YEAR	**(9,706)**	**(8,220)**	**(8,088)**

The accompanying Notes and Appendices are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended December 31, 2019 (in millions of dollars)

	2019	2018
OPERATING ACTIVITIES		
Annual Surplus	1,632	1,434
Add (Deduct) Items Not Involving Cash		
Government Business Enterprise Income from Operations	(234)	(247)
Amortization of Tangible Capital Assets	1,383	1,267
(Gain) on Disposal of Tangible Capital Assets	(14)	(3)
Recognition of Pension Surplus	(106)	-
	2,661	**2,451**
Changes in Operating Assets and Liabilities		
Accounts and Taxes Receivable	149	(543)
Accounts Payable and Accrued Liabilities	(132)	411
Deferred Revenue	350	1,047
Provision for Property and Liability Claims	(7)	(10)
Prepaid Expenses	55	(98)
Inventories	28	(16)
Environmental and Contaminated Sites Liabilities	211	84
Employee Benefit Liabilities	122	129
Cash Provided by Operating Activities	**3,437**	**3,455**
CAPITAL ACTIVITIES		
Acquisition / Construction of Tangible Capital Assets	(3,493)	(3,194)
Tangible Capital Assets (Note 16, Schedule 1)	38	13
Cash Applied to Capital Activities	**(3,455)**	**(3,181)**
INVESTING ACTIVITIES		
Other Assets	3	(136)
Loans Receivable	5	(23)
Investment on Maturities and Sales	6,762	2,157
Purchase of Investments	(6,746)	(1,276)
Cash Assumed on Consolidation of TPLC	-	22
Dividends and Distributions from Government Business Enterprises	163	156
Cash Provided by Investing Activities	**187**	**900**

CONSOLIDATED STATEMENT OF CASH FLOWS
as at December 31, 2019 (in millions of dollars)

	2019	2018
FINANCING ACTIVITIES		
Bank Indebtedness	3	55
Principal Repayments on Mortgages Payable	(3)	(24)
Proceeds from Long-Term Debt Issuance	1,041	937
Principal Repayments on Long-Term Debt	(351)	(331)
Interest Earned on Sinking Funds	(88)	(54)
Cash Provided by Financing Activities	**602**	**583**
Net Increase in Cash and Cash Equivalents During the Year	**771**	**1,757**
CASH - BEGINNING OF YEAR	3,626	1,869
CASH - END OF YEAR	**4,397**	**3,626**
SUPPLEMENTARY INFORMATION		
Cash Paid for Interest on Debt	334	296
Cash Received for Interest on Investments	276	201

The accompanying Notes and Appendices are an integral part of these Consolidated Financial Statements.

The City of Toronto (City) is the provincial capital of Ontario and the largest city in Canada. Although the City of Toronto was originally incorporated on March 6, 1834, the 1998 amalgamation of the City of Toronto, Metropolitan Toronto, East York, Etobicoke, North York, Scarborough and York resulted in the existing City. The City operates under the provisions of the City of Toronto Act, 2006.

1. Significant Accounting Policies

Basis of Presentation

The Consolidated Financial Statements (Statements) of the City have been prepared by management in accordance with Canadian Public Sector Accounting Standards as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada).

Principles of Consolidation

The Consolidated Financial Statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, reserves and reserve funds of the City and all organizations controlled by the City. In addition, the City proportionately consolidates two entities held in partnership. The Toronto Waterfront Revitalization Corporation is a 33.33% partnership with each of the Canadian and Ontario Governments, and the Toronto PanAm Sports Centre is a 50% partnership with the University of Toronto.

The City's 100% share of the Toronto Hydro Corporation and Toronto Parking Authority follow Government Business Enterprises (GBE) accounting, using the modified equity basis of accounting where the accounting principles of the GBEs are not adjusted to conform to the City's accounting principles and inter-organizational transactions and balances are not eliminated. Inter-organizational gains and losses are, however, eliminated on assets remaining within the government reporting entities at the reporting date.

Consolidated Entities:

Agencies and Corporations:

- Board of Governors of Exhibition Place
- Board of Management of the Toronto Zoo
- Build Toronto Inc. (BTI)
- Casa Loma Corporation
- Heritage Toronto
- Invest Toronto Inc.*
- Lakeshore Arena Corporation
- TOLive
- Toronto Atmospheric Fund (TAF)
- Toronto Board of Health
- Toronto Community Housing Corporation (TCHC)
- Toronto Licensing Commission
- Toronto Police Services Board
- Toronto Public Library Board
- Toronto Transit Commission (TTC)
- Create TO
- Yonge-Dundas Square
- City of Toronto Economic Development
- Corporation c.o.b. Toronto Port Lands Company (TPLC)
- Toronto Pan Am Sports Centre Inc. (TPASC) (1/2 proportionately)
- Toronto Waterfront Revitalization Corporation (TWRC) (1/3 proportionately)

* Invest Toronto Inc. ceased its operations on June 12, 2019.

Arenas:

- Forest Hill Memorial
- George Bell
- Leaside Memorial Community Gardens
- McCormick Playground
- Moss Park
- North Toronto Memorial
- Ted Reeve
- William H. Bolton

Community Centres:

- 519 Church Street
- Applegrove
- Cecil Street
- Central Eglinton
- Community Centre 55
- Eastview Neighbourhood
- Waterfront Neighbourhood
- Ralph Thornton
- Scadding Court
- Swansea Town Hall

Business Improvement Areas (BIAs):

- Albion Islington Square
- Baby Point Gates
- Bayview Leaside
- Bloor Annex
- Bloor By The Park
- Bloor Street
- Bloor West Village
- Bloor Yorkville
- Bloorcourt Village
- Bloordale Village
- Cabbagetown
- Chinatown
- Church Wellesley Village
- City Place & Fort York
- College Promenade
- College West
- Corso Italia
- Crossroads of the Danforth
- Danforth Mosaic
- Danforth Village
- Dovercourt Village
- Downtown Yonge
- DuKe Heights
- Dupont by the Castle
- Eglinton Hill
- Emery Village
- Fairbank Village
- Financial District
- Forest Hill Village
- Gerrard India Bazaar
- Greektown on the Danforth
- Harbord Street
- Hillcrest Village
- Historic Queen East
- Junction Gardens
- Kennedy Road
- Kensington Market
- Korea Town
- Lakeshore Village
- Leslieville
- Liberty Village
- Little Italy
- Little Portugal on Dundas
- Long Branch
- Marketo District
- Midtown Yonge
- Mimico by the Lake
- Mimico Village
- Mirvish Village
- Mount Dennis
- Mount Pleasant
- Oakwood Village
- Ossington Avenue
- Pape Village
- Parkdale Village
- Queen Street West
- Regal Heights Village
- Riverside District
- Roncesvalles Village
- Rosedale Main Street
- Sheppard East Village
- shoptheQueensway.com
- St. Clair Gardens
- St. Lawrence Market Neighbourhood
- The Beach
- The Danforth
- The Eglinton Way
- The Kingsway
- The Waterfront
- Toronto Entertainment District
- Trinity Bellwoods
- Upper Village
- Uptown Yonge
- Village of Islington
- West Queen West
- Weston Village
- Wexford Heights
- Wilson Village
- Wychwood Heights
- Yonge and St. Clair
- Yonge Lawrence Village
- York Eglinton

All inter-organizational assets and liabilities and sources of financing and expenses have been eliminated in these consolidated financial statements.

Trust Funds

Trust funds and their related operations administered by the City are not included in the consolidated financial statements, but are reported separately in the Trust Fund Financial Statements (Note 23).

Use of Estimates and Measurement Uncertainty

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting year. Significant estimates and assumptions, which include employee benefit liabilities, property tax assessment appeals, property, liability and accident claims provisions, landfill closure and post-closure liabilities, and environmental and contaminated sites provisions, are based on management's best information and judgment. Actual amounts, accounted for as they become known, may differ significantly from these estimates.

Cash and Cash Equivalents

Cash and Cash Equivalents includes cash on hand, deposits held at banks, and other short-term highly liquid investments with original maturities of three months or less.

Receivables and Revenues

Loans Receivable are recorded at the lower of amortized cost and the net recoverable value, when collectability and risk of loss exists. Changes in the valuation of loans receivables are recognized in the Consolidated Statement of Operations and Accumulated Surplus. Interest is accrued on loans receivable to the extent it is deemed collectable.

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues.

Taxation Revenues are recorded at the time tax billings are issued. Additional property tax revenue can be added throughout the year, after the return of the annual assessment roll used for billing purposes, as new properties are occupied or become subject to property tax. The City may receive supplementary assessment rolls over the course of the year from the Municipal Property Tax Assessment Corporation (MPAC) identifying new or omitted assessments. Property taxes for these supplementary and/or omitted amounts are then billed according to the City Council approved tax rate for each property class. Taxation revenues may also be impacted by reductions in assessment values resulting from assessment and/or property tax appeals performed by MPAC. An annual adjustment to cover estimated revenue loss attributable to deficiencies in tax revenues is included in the City's Consolidated Statement of Operations and Accumulated Surplus.

Municipal Land Transfer tax revenues are recorded following the registration of the taxable sale.

User Charges relate to transit fees, utility charges (water, wastewater and solid waste), licensing fees, and fees for use of various programs or activities. Revenue is recognized when the activity is performed or when the services are rendered.

Government Transfers to the City are recognized as revenues in the period during which the transfer is authorized by the transferring government and all eligibility criteria are met, except if there are stipulations that creates an obligation that meets the definition of a liability. Once a liability is recognized, the transfer is recorded in revenue as the obligations related to these stipulations are met.

Development Charges are charges imposed on land development or redevelopment projects. Fees are set out in a City by-law, which conforms to the requirements of the Development Charges Act, 1997.

Development charges are collected when an above grade building permit is issued, and recognized in revenues when used to fund the growth-related portion of qualifying capital projects.

Investments

Investments consist mainly of government and corporate bonds, debentures, equity and short-term instruments of various financial institutions. Investments are accounted for at amortized cost. Where there is a permanent loss in value, the investment value is written down to recognize the loss, with the corresponding write-down reflected in the Statement of Operations and Accumulated Surplus. The Statements also disclose the carrying value as the lower of amortized cost or market value.

Investment income is reported as revenue in the period earned. Investment income earned on Deferred Revenues, which are considered to be Reserve Funds (as they are set aside for specific purposes by legislation, regulation or agreement), is added to the respective Deferred Revenue balances.

Deferred Revenue

Deferred Revenues, which include advance payments for tickets, building permits and program registration fees; contributions from developers according to Section 37 of the Planning Act; and revenues set aside for specific purposes (obligatory reserve funds), represent fees which have been collected, but for which the related services have not yet been provided. Revenue is recognized when the related activity occurs or the service is performed.

Provision for Property and Liability Claims

Estimated costs to settle Property and Liability Claims are actuarially determined based on available loss information and projections of the present value of estimated future expenses, developed from the City's historical experience on loss payments. Where the costs are deemed to be likely and reasonably determinable, liabilities are included on the Consolidated Statement of Financial Position, with annual changes expensed as operating costs.

The TTC has a self-insurance program for Automobile and General Liability claims. When claims are reported, case reserves are initially estimated on an individual basis by adjusters and lawyers. A provision is made, on a present value basis, for claims incurred, for claims incurred-but-not-reported, and for internal and external adjustments.

Environmental and Contaminated Site Liabilities

Liabilities arising from the remediation of contaminated sites are recorded when all of the following are met:

- Environmental standards exist;
- Contamination exceeds the standard;
- The City is directly responsible or accepts responsibility for the contamination;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the liability can be made.

The estimated amounts of future remediation costs are reviewed annually, based on available information and governing legislation. Where the costs are deemed to be likely and reasonably determinable, liabilities are included in the Consolidated Statement of Financial Position, with annual changes expensed as operating costs.

The City also provides for the estimated costs to remediate productive contaminated sites when conditions are identified as not compliant with environmental legislation and those costs can be reasonably determined.

The Ontario Environmental Protection Act sets out the regulatory requirements for the closure and maintenance of landfill sites. Under the Act, the City is required to provide for closure and post-closure care of solid waste landfill sites. The costs related to these obligations are provided for all inactive landfill sites and active landfill sites based on usage.

The estimated liability for the care of the active Green Lane landfill site is the present value of future cash flows associated with closure and post-closure costs discounted using the City's average long-term borrowing rate.

Post-closure care activities for inactive landfill sites are expected to occur in perpetuity and will involve surface and ground water monitoring, maintenance of drainage structures, monitoring leachate and landfill gas, and maintenance of the landfill cover. The costs to close existing landfill sites and to maintain closed solid waste landfill sites are based on estimated future expenditures in perpetuity in current dollars, adjusted for estimated inflation. These costs are reported as a liability on the Consolidated Statement of Financial Position, with annual changes expensed as operating costs.

Derivative Financial Instruments

Although the City's investment policy prevents the use of derivative financial instruments for trading or speculative purposes, they are utilized in the management of its purchase of electricity and natural gas. Derivative contracts are recorded at their fair value as an asset or liability based on quoted market prices, with changes in fair value, if any, recorded in the Consolidated Statement of Operations and Accumulated Surplus.

A derivative financial instrument (interest rate swap) is being used to manage interest rate risk with respect to a certain TCHC term loan. TCHC does not account for its interest rate swap as a hedge, and as such, any realized or unrealized gains or losses are recognized in the Consolidated Statement of Operations and Accumulated Surplus.

Employee Benefit Liabilities

Employee Benefit Liabilities include Sick Leave, Schedule 2 Employer benefits under the Workplace Safety and Insurance (WSIB) Act, Life Insurance, and Extended Health and Dental benefits for early retirees. The costs of these benefits are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care cost trends and plan investment performance. Accrued obligations and related costs of funded benefits are net of plan assets.

The costs of WSIB obligations are actuarially determined and expensed in the period they occur. The costs of termination benefits and compensated absences are recognized when the event that obligates the City occurs. Costs include projected future income payments, health care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis.

Past service costs from plan amendments related to prior period employee services are accounted for in the period of the plan amendment. The effects of a gain or loss from settlements or curtailments are expensed in the period they occur. Net actuarial gains and losses related to the employee benefits are amortized over the estimated average remaining service life of the related employee group. Employee future benefit assets are presented net of any required valuation allowance. Employee future benefit liabilities are discounted using current interest rates on the City's average long-term borrowing rate.

The cost of the City's multi-employer defined benefit pension plan, the Ontario Municipal Employees Retirement System (OMERS) pension, is accounted for as a defined benefit plan.

Non-Financial Assets

Non-Financial Assets are used to provide City services and are not available to discharge existing liabilities. These assets have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Tangible Capital Assets

Tangible Capital Assets (TCA) are recorded at historical cost or estimated historical cost based on appraisals or other acceptable methods where historical cost is not available. Cost includes amounts directly attributable to the acquisition, construction, development or betterment of the asset. Internal labour directly attributable to the construction, development or implementation of a tangible capital asset is capitalized. The City does not capitalize interest costs associated with the acquisition or construction of tangible capital assets.

The cost less expected residual value is amortized on a straight-line basis, over the estimated useful life of the assets, at the following rates:

Asset
- Land improvements: 15 - 70 years
- Buildings and building improvements: 25 - 100 years
- Machinery and equipment: 4 - 60 years
- Motor vehicles: 5 - 20 years
- Water and wastewater linear: 60 - 100 years
- Roads linear: 25 - 70 years
- Transit: 10 - 65 years

One-half of the amortization is recorded in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is substantially complete and available for productive use.

Donated tangible capital assets are recorded at estimated fair market value at the date of donation, with a corresponding recognition of revenue.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the City's ability to provide goods and services. Any impairment is accounted for as a loss in the Statement of Operations and Accumulated Surplus.

The City manages and controls various works of art and non-operational historical cultural assets which are not recorded as tangible capital assets and are not amortized. The valuation associated with these assets is not determinable. Examples of these assets include buildings, artifacts, paintings, and sculptures located at City sites and public display areas. The City's art collection includes historical buildings, artifacts, paintings and sculptures located at City sites and public display areas. In addition, the City has numerous moveable works of art collected between the 1850s and present day which include artifacts and archaeological specimens related to Toronto's history and culture.

Expenses

Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay. Interest expenses is recognized as incurred. Expenses paid in the current period attributable to future benefits received are as classified as Prepaid Expenses in the City's Non-Financial Assets.

Government transfer payments to other public sector entities are recognized in the year that the transfer is authorized, and all eligibility criteria have been met by the recipient. Any transfers paid in advance are deemed to have met all eligibility criteria.

Reserves and Reserve Funds

Reserve Funds are comprised of funds set aside for specific purposes. City Council has authorized the allocation of interest to reserve funds but not to reserves. There are two types of reserve funds:

a. Obligatory Reserve Funds are funds received and set aside for specific purposes by legislation or contractual agreements. These funds can only be used for prescribed purposes and are reported as Deferred

December 31, 2019 (in millions of dollars)

Revenue on the Consolidated Statement of Financial Position.

b. Council Directed Reserve Funds are created by Council for specific purposes through by-law and are reported in the Accumulated Surplus balance on the Consolidated Statement of Financial Position.

Future Accounting Pronouncements

The standards noted below were not in effect for the year ended December 31, 2019, therefore, have not been applied in preparing these financial statements. Management is assessing the impact of these standards on future Statements.

Standards applicable for fiscal years beginning on or after April 1, 2022:

PS 3450 Financial instruments establishes standards on how to account for and report all types of financial instruments including derivatives.

PS 2601 Foreign Currency Translation, which replaces PS 2600, establishes standards on how to account for and report transactions that are denominated in a foreign currency in government financial statements.

PS 1201 Financial Statement Presentation, which replaces PS 1200, establishes general reporting principles and standards for the disclosure of information in government financial statements. The Standard introduces the Statement of Remeasurement Gains and Losses, which reports changes in the values of financial assets and financial liabilities arising from their remeasurement at current exchange rates and/or fair value.

PS 3041 Portfolio Investments, which replaces PS 3040, establishes standards on how to account for and report portfolio investments in government financial statements.

PS 3280 Asset Retirement Obligations establishes standards on how to account for and report a liability for asset retirement obligations.

Standards applicable for fiscal years beginning on or after April 1, 2023:

PS 3400 Revenue establishes standards on how to account for and report on revenue, specifically differentiating between revenue arising from transactions that include performance obligations, referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions.

2. Accounts and Taxes Receivable

	2019	**2018 (Note 25)**
Federal and Provincial Government Receivables	1,047	1,023
Property Taxes Receivables	255	237
Trade and Other Receivables	807	653
	2,109	**1,913**

Federal and Provincial Government receivables include $292 (2018 – $536) related to Provincial Transit Infrastructure Fund (PTIF) claims, $239 (2018 – $nil) related to reimbursement of TTC upload costs from the Province, and $136 (2018 – $84) related to Provincial Gas Tax funding (PGT). PTIF funds of $16 and PGT funds of $136 were received in 2020.

December 31, 2019 (in millions of dollars)

3. Loans Receivable

	2019	2018 (Note 25)
TCHC promissory notes, loan agreements and receivables, bearing interest between 3.0% and 6.0% (2018 – 3.0% to 4.9%) with maturity dates from 2020 to 2057 (2018 – 2019 to 2057)	61	74
BTI loan facility and vendor-take-back (VTB) mortgage, bearing interest between 3.3% and 5.0% (2018 – 3.3% to 5.0%) with maturity dates from 2023 to 2027 (2018 – 2023 to 2027)	33	37
Loans receivable from community housing organizations bearing interest at rates from 0% to 5.0% (2018 - 0% to 5.0%) per annum, maturing from 2020 to 2074 (2018 - 2019 to 2074)	46	41
Energy loans receivable from organizations to enable the implementation of green initiative projects across the city bearing interest at rates from 0% to 3.7% (2018 – 0% to 3.7%) per annum, maturing from 2020 to 2040 (2018 – 2019 to 2040)	25	19
Loan receivable from Maple Leaf and Sports and Entertainment Ltd. for the expansion of BMO Stadium bearing an interest rate of 4.20% (2018 – 4.20%) and a maturity date of 2034 (2018 – 2034)	8	9
Other	3	1
	176	**181**

4. Other Assets

	2019	2018 (Note 25)
BTI 35% ownership of a General Partnership for the development of condominium properties	5	33
TCHC equal Contribution Equity in revitalization projects and equal interest Co-Tenancy Agreements for construction	15	22
TCHC – Externally restricted assets under Loan Agreements for Capital Expenditures	142	117
Other	17	10
	179	**182**

December 31, 2019 (in millions of dollars)

5. Investments

	2019		
	Cost	**Market value**	**Carrying value**
Government bonds	1,527	1,569	1,527
Money market instruments	345	345	345
Corporate bonds	961	965	961
Mortgages	115	115	115
Foreign corporate bonds	27	27	27
Equities	241	235	235
Other	31	54	31
	3,247	**3,310**	**3,241**

	2018 (Note 25)		
	Cost	**Market value**	**Carrying value**
Government bonds	1,937	2,005	1,937
Money market instruments	853	853	853
Corporate bonds	416	410	410
Other	57	74	57
	3,263	**3,342**	**3,257**

Government bonds include bonds held in trust by the City's insurance carrier as collateral for the provision of automobile and primary liability insurance with a carrying value of $66.8 (2018 - $70.4).

The weighted average yield on the cost of the bond investment portfolio during the year was 3.5% (2018 – 3.04%). Maturity dates on investments in the portfolio range from 2020 to 2044 (2018 – 2019 to 2044). Included in the City's government bonds portfolio are City of Toronto debentures at coupon rates varying from 4.15% to 4.70% (2018 – 2.40% to 6.80%) with a carrying value of $13.4 (2018 – $279.9).

As it is the City's intention to hold corporate bonds to maturity, no write-down to market value has been recorded.

Changes in provincial regulations, which came into effect on January 1, 2018, allows the Toronto Investment Board to manage the funds not immediately required by the City, as well as to transition the City's investment portfolio to a more diversified asset mix in accordance with the City's investment standards and Council-approved investment policy.

December 31, 2019 (in millions of dollars)

6. Investments in Government Business Enterprises (GBEs)

	2019	2018
Toronto Hydro Corporation	1,877	1,822
Toronto Parking Authority	325	309
	2,202	**2,131**

As a result of a change in shareholder direction made by Toronto City Council effective January 1, 2018, TPLC qualified as a controlled entity which is consolidated rather than treated as a GBE. As a result, the City's 2018 opening investment value was reclassified and the entity fully consolidated on a line by line basis in 2018.

The book value continuity of the City's GBEs is as follows:

	2019	2018
Balance – beginning of year	2,131	2,423
Income from operations (Appendix 1)	233	245
Dividends received (Appendix 1)	(100)	(94)
Distribution to City (Appendix 1)	(63)	(62)
Change in net book value of street-lighting assets eliminated on sale to Toronto Hydro Corporation (Appendix 1)	1	2
Removal of accumulated equity in TPLC	-	(383)
Balance - end of year (Appendix 1)	**2,202**	**2,131**

GBE Earnings on the Consolidated Statement of Operations and Accumulated Surplus consist of the following:

	2019	2018
Income from Operations (Appendix 1)	233	245
Change in net book value of street-lighting assets eliminated Toronto Hydro on sale to Toronto Hydro Corporation (Appendix 1)	1	2
Government Business Enterprise earnings	**234**	**247**

Condensed, audited financial results for each government business enterprise are disclosed in Appendix 1 to the Notes to these Consolidated Financial Statements.

December 31, 2019 (in millions of dollars)

Related party transactions between the City and its government business enterprises are as follows:

	2019	2018
Street-lighting, electricity, and maintenance services purchased by the City from Toronto Hydro Corporation	299	277
Rent expense paid to the City from Toronto Parking Authority	3	3
	302	**280**

Principal repayments of unsecured Long-Term Debt of the GBEs are as follows:

	Due to Others
2020	1
2021	301
2022	1
2023	251
2024	1
Thereafter	1,645
	2,200

Toronto Parking Authority has a debt payable, which relates to the purchase of equipment, of $0.6 (2018 – $0.5), bearing an effective interest rate of 2.3% and maturing on June 30, 2025.

7. Bank Indebtedness

The City has an unsecured demand revolving credit facility in the amount of $100 (2018 – $100) bearing interest at the bank prime rate with an effective rate during 2019 of 3.95% (2018 – 3.2%) per annum.

TCHC has a committed revolving credit facility of $200 (2018 – $200) that is available for short-term advances and letters of credit, with standby charges of 0.25%. Short-term advances are available by way of a prime loan at the bank prime rate and bankers' acceptances (BAs) at the bank BA rate plus 1.10%. The entity is in compliance with all bank covenants.

	2019	2018
City, net outstanding cheques	38	58
TCHC	69	46
	107	**104**

December 31, 2019 (in millions of dollars)

8. Accounts Payable and Accrued Liabilities

	2019	2018
Trade payables and accruals	3,142	3,293
Tax appeal assessments on property taxes payable	402	399
Wages payable	162	146
	3,706	**3,838**

9. Deferred Revenue

	2019	2018
Obligatory deferred revenues		
Restricted by Provincial legislation	2,353	2,178
Restricted by agreements with third parties	1,455	1,274
Total obligatory deferred revenues	**3,808**	**3,452**
Advance payments and contributions	409	415
Total deferred revenue	**4,217**	**3,867**

Deferred Revenue Continuity:

	2019		
	Obligatory deferred revenues	**Advance payments and contributions**	**Total**
Balance - beginning of year	3,452	415	3,867
Receipts during the year	1,949	4,430	6,379
Transferred to revenue	(1,593)	(4,436)	(6,029)
Balance - end of year	**3,808**	**409**	**4,217**

	2018		
	Obligatory deferred revenues	**Advance payments and contributions**	**Total**
Balance - beginning of year	2,478	334	2,812
Receipts during the year	2,303	3,370	5,673
Transferred to revenue	(1,329)	(3,289)	(4,618)
Balance - end of year	**3,452**	**415**	**3,867**

December 31, 2019 (in millions of dollars)

10. Provision for Property and Liability Claims

	2019	2018
Property and liability claims provision	381	384
TTC unsettled accident claims	141	145
	522	**529**

The City mitigates its risk through a combination of self-insurance and coverage with insurance carriers.

11. Environmental and Contaminated Site Liabilities

	2019	2018
Environmental liabilities (TTC and BTI)	20	14
Contaminated site liabilities	190	65
Active landfill site (Green Lane)	15	14
Inactive landfill sites	227	148
Total environmental and contaminated site liabilities	**452**	**241**

Environmental and Contaminated Site liabilities are based on third-party engineering reports covering estimated costs of remediating sites with known contamination for which City entities are responsible. Given that the estimate of environmental liabilities is based on a number of assumptions, such as the City's interest rate and inflation rate, actual costs may vary. The estimated amounts of future remediation costs are reviewed regularly, based on available information and governing legislation.

Liability for contaminated sites held by TPLC

TPLC owns a number of properties that are not in productive use, where contamination exceeds environmental standards. Although TPLC is responsible for each of these properties, the anticipated land use is not known at this time, therefore, no remediation efforts have been planned. However, in accordance with PS 3260, Liability for Contaminated Sites, recognizing the uncertainty of the remediation action plan until use of this land is known, management has taken a risk management approach to determine a liability of $179.6, which is an undiscounted balance, at December 31, 2019 (2018 – $56.6). While certain contaminated properties may require additional remediation once the land use is known, at this time, it has been determined that risk can be mitigated through the management or containment of the contaminants, where appropriate, through a mixture of engineered and operating measures. Management will continue to monitor this risk and update the liability when conditions change or use is known with greater certainty.

Active landfill sites

In 2007, the City acquired the Green Lane Landfill, securing the City's long term disposal requirements. The landfill is projected to reach its approved capacity by the end of 2034, based on Toronto achieving a 70% residential waste diversion rate. The post-closure care period is expected to occur in perpetuity.

December 31, 2019 (in millions of dollars)

The estimated liability for the care of this landfill site is the present value of future cash flows associated with closure and post-closure costs discounted using the City's average long-term borrowing rate of 2.5% (2018 – 3.3%). The estimated present value of future expenditures for closure and post-closure care as at December 31, 2019 is $15 (2018 – $14), based on the percentage of total approved capacity used of 56% (2018 – 57%).

Reserve Balances	**2019**	**2018**
Green Lane Reserve Fund	10	12
Green Lane Perpetual Care Reserve Fund (GLPC)	6	5
Total	**16**	**17**

Both of these reserve fund accounts are included as part of the State of Good Repair Reserve Fund (Note 17).

2019 contributions to the GLPC reserve of $0.72 (2018 – $0.72) are based on a contribution rate of 1.34 cents (2018 – 1.34 cents) per tonne of waste disposed.

Inactive Landfill Sites

The estimated liability for the care of inactive landfill sites is the present value of future cash flows associated with closure and post-closure costs discounted using the City's average long-term borrowing rate of 2.5% (2018 – 3.3%). The estimated present value of future expenditures for post-closure care as at December 31, 2019 was $227 (2018 – $148).

In order to help reduce the future impact of these obligations, the City has established a reserve fund for the care of these sites and maintains a trust fund to satisfy the requirements of the Ministry of the Environment, Conservation and Parks.

	2019	**2018**
Solid Waste Management Perpetual Care Reserve Fund	26	26
Keele Valley Site Post-Closure Trust Fund (Note 23)	8	8
	34	**34**

December 31, 2019 (in millions of dollars)

12. Mortgages Payable

	2019	2018
TCHC secured mortgages, collateralized by TCHC housing properties, with interest from 1.39% to 11% (2018 – 1.39% to 12.75%) and maturities ranging from 2020 to 2048	260	262
BTI mortgages, secured by assets and corporate guarantees of Build Toronto Holdings One Inc., BTI and common shares of PT Studios, with interest at 3.33%, maturing on March 15, 2027	29	30
	289	**292**

Principal repayments on mortgages are due as follows:

2020	43
2021	26
2022	26
2023	25
2024	23
Thereafter	146
	289

Principal re-payments made in 2019 were $0.88 (2018 – $0.85) on the BTI mortgages and $1.9 (2018 – $23.4) on the TCHC mortgages.

13. Long-Term Debt

	2019	2018
Unsecured debentures issued by the City, bearing interest at various rates ranging from 2.40% to 6.8% (2018 – 2.40% to 8.00%), maturing from 2020 to 2049	7,290	6,759
Less: sinking fund deposits bearing interest at rates between 2% and 5% (2018 – 2% to 5%)	(1,604)	(1,601)
Unsecured debentures, net of sinking fund deposits	**5,686**	**5,158**
TCHC loans from Infrastructure Ontario secured by various floating and fixed income investments at floating and fixed rates between 2.23% and 4.53%, subject to financial covenants, maturing in 2043 to 2049.	925	835
TCHC debentures, unsecured, consisting of Series A bonds of $250 at 4.87% (2007 to 2037) and Series B bonds of $200 at 5.39% (2010 to 2040).	446	446

December 31, 2019 (in millions of dollars)

	2019	2018
TCHC non-revolving, 10-year loan to assist with the financing of the construction for Phase 1 of its Building Renewal Program, which was completed in 2009. The loan was provided at a fixed interest rate of 3.39% with repayment beginning March 15, 2018.	21	24
Lakeshore Arena Corporation credit facilities secured by a mortgage over the property, a general security agreement and assignments of rents and leases, from Infrastructure Ontario, bearing interest at 3.48%, with a maturity date of October 31, 2042	25	26
BTI, collateralized by a first mortgage charge on the construction site loan facility, bearing interest at prime plus 0.50% and bankers' acceptances at 2.0%, and prime plus 0.50% respectively, paid in July 2019	-	12
Others, bearing interest between 1.75% to 8.05% maturing from 2020 to 2027	1	1
Consolidated entities debentures	**1,418**	**1,344**
Total net long-term debt	**7,104**	**6,502**

The City's ability to issue long term debt is governed by Provincial legislation; long term debt can only be issued to finance capital expenditures.

Principal repayments are due as follows:

2020	469
2021	477
2022	424
2023	433
2024	405
Thereafter	4,896
	7,104

2019 principal repayments total $351 (2018 – $331.4).

December 31, 2019 (in millions of dollars)

14. Employee Benefit Liabilities

	2019	2018
Sick leave benefits	527	485
Worker Safety Insurance Board (WSIB) obligations	789	681
Other employment and post-employment benefits	2,806	2,501
Total employee accrued benefit obligation	4,122	3,667
Unamorized actuarial gain	11	344
Employee benefit liabilities	**4,133**	**4,011**

The Employee Accrued Benefit Obligation reflects the full value of the actuarial gain; the gain increases the value of the liability until taken into income when realized.

Reconciliation of the plan assets and accrued benefit obligation, based on an actuarial assessment, to the amounts in the Consolidated Statement of Financial Position, is as follows:

	2019			
	Employment and post-employment	TTC pension plan (Note 14, b(ii))	City pension plans (Note 14, b(iii))	Total
Accrued benefit obligation	4,122	3,074	510	7,706
Plan assets	-	3,658	768	4,426
Funding deficit (surplus)	4,122	(584)	(258)	3,280
Unamortized actuarial gain	11	-	-	11
Valuation allowance	-	584	258	842
Employee benefit liability	**4,133**	**-**	**-**	**4,133**

	2018			
	Employment and post-employment	TTC pension plan	City pension plans	Total
Accrued benefit obligation	3,667	2,688	1,281	7,636
Plan assets	-	3,268	1,467	4,735
Funding deficit (surplus)	3,667	(580)	(186)	2,901
Unamortized actuarial gain	344	18	-	362
Valuation allowance	-	562	186	748
Employee benefit liability	**4,011**	**-**	**-**	**4,011**

December 31, 2019 (in millions of dollars)

Continuity of the City's employee benefit liabilities, in aggregate, is as follows:

	2019			
	Employment and post-employment	**TTC pension plan (Note 14, b(ii))**	**City pension plans (Note 14, b(iii))**	**Total**
Balance - beginning of year	4,011	-	-	4,011
Current service cost	306	82	-	388
Interest cost (revenue)	124	(32)	(11)	81
Amortization of actuarial (gain)	(31)	(7)	(61)	(99)
Employer contributions	(278)	(112)	-	(390)
Plan amendments	1	47	-	48
Change in valuation allowance	-	22	72	94
Balance - end of year	**4,133**	**-**	**-**	**4,133**

	2018			
	Employment and post-employment	**TTC pension plan**	**City pension plans**	**Total**
Balance - beginning of year	3,882	-	-	3,882
Current service cost	278	81	-	359
Interest cost (revenue)	114	(38)	(14)	62
Amortization of actuarial (gain)	(24)	(49)	121	48
Employer contributions	(269)	(120)	-	(389)
Plan amendments	30	40	-	70
Change in valuation allowance	-	86	(107)	(21)
Balance - end of year	**4,011**	**-**	**-**	**4,011**

December 31, 2019 (in millions of dollars)

Continuity of the accrued benefit obligation, in aggregate, is as follows:

	2019			
	Employment and post-employment	TTC pension plan (Note 14, b(ii))	City pension plans (Note 14, b(iii))	Total
Balance - beginning of year	3,667	2,688	1,281	7,636
Current service cost	306	80	-	386
Interest cost (revenue)	124	170	39	333
Amortization of actuarial (gain) / loss	302	264	(22)	544
Benefits paid	(278)	(175)	(120)	(573)
Transfer to OMERS	-	-	(668)	(668)
Plan amendments	1	47	-	48
Balance - end of year	**4,122**	**3,074**	**510**	**7,706**

	2018			
	Employment and post-employment	TTC pension plan	City pension plans	Total
Balance - beginning of year	3,813	2,637	1,304	7,754
Current service cost	278	81	-	359
Interest cost	114	161	62	337
Amortization of actuarial (gain) / loss	(299)	(71)	50	(320)
Benefits paid	(269)	(160)	(135)	(564)
Plan amendments	30	40	-	70
Balance - end of year	**3,667**	**2,688**	**1,281**	**7,636**

December 31, 2019 (in millions of dollars)

Continuity of the plan assets is as follows:

	2019			
	Employment and post-employment	TTC pension plan (Note 14, b(ii))	City pension plans (Note 14, b(iii))	Total
Balance - beginning of year	-	3,268	1,467	4,735
Contributions	278	129	-	407
Actual return on assets	-	438	89	527
TTC pension fund administrative	-	(2)	-	(2)
Benefits paid	(278)	(175)	(120)	(573)
Transfer to OMERS	-	-	(668)	(668)
Balance - end of year	**-**	**3,658**	**768**	**4,426**

	2018			
	Employment and post-employment	TTC pension plan	City pension plans	Total
Balance - beginning of year	-	3,323	1,597	4,920
Contributions	269	120	-	389
Actual return on assets	-	(15)	5	(10)
Benefits paid	(269)	(160)	(135)	(564)
Balance - end of year	**-**	**3,268**	**1,467**	**4,735**

Total expenses related to these employee benefits include the following:

	2019			
	Employment and post-employment	TTC pension plan (Note 14, b(ii))	City pension plans (Note 14, b(iii))	Total
Current service cost	306	82	-	388
Interest cost (revenue)	124	(32)	(11)	81
Amortization of actuarial (gain)	(31)	(7)	(61)	(99)
Plan amendments	1	47	-	48
Change in valuation allowance	-	22	72	94
Balance - end of year	**400**	**112**	**-**	**512**

December 31, 2019 (in millions of dollars)

	2018			
	Employment and post-employment	TTC pension plan	City pension plans	Total
Current service cost	278	81	-	359
Interest cost (revenue)	114	(38)	(14)	62
Amortization of actuarial (gain)	(24)	(49)	121	48
Plan amendments	30	40	-	70
Change in valuation allowance	-	86	(107)	(21)
Balance - end of year	**398**	**120**	**-**	**518**

a. Sick leave benefits, WSIB obligations, and other employment and post-employment benefits

Actuarial assumptions

	2019	2018
Discount rate for accrued benefit obligation:		
Post-employment	2.4%	3.1%
Post-retirement	2.7%	3.4%
Sick leave	2.5%	3.2%
WSIB	2.7%	3.4%
Rate of compensation increase	0.7% to 3.5%	1.75% to 3.5%
Health care inflation - LTD, hospital and other medical	3.0% to 6.5%	3.0% to 6.5%
Health care inflation - dental care	3.0% to 4.0%	3.0% to 4.5%
Health care inflation - drugs	5.25% to 7.3%	5.5% to 8.08%

	2019	2018
Discount rate for benefit costs:		
Post-employment	3.1%	2.9%
Post-retirement	3.4%	3.3%
Sick leave	3.2%	3.1%
WSIB	3.4%	3.4%
Rate of compensation increase	1.75% to 3.25%	3.29% to 3.4%
Health care inflation - LTD, hospital and other medical	3.4% to 5.94%	4.0% to 6.46%
Health care inflation - dental care	3.0% to 4.0%	3.0% to 4.0%
Health care inflation - drugs	5.5% to 10.5%	5.5% to 10.8%

For 2019 benefit costs and year end 2019 benefit obligations, the health care inflation rate for Long-Term Disability (LTD), hospital, other medical, and drugs is assumed to reduce to 4.50% by 2030.

The City has established reserve funds to help reduce the future impact of the employee benefit obligation. As at December 31, 2019, the balance in the Employee Benefits Reserve Fund was $233.7 (2018 - $229.9), which includes $41.3 (2018 - $42.2) for Sick Leave and $20.5 (2018 - $17.2) for WSIB.

b. Pension benefits

i. OMERS pension plan

The City makes contributions to the Ontario Municipal Employees' Retirement System plan (OMERS), a multi-employer pension plan, on behalf of most of its employees. The plan is a defined benefit plan that specifies the retirement benefit to be received by employees based on length of service and rates of pay. Employees and employers contribute equally to the plan.

The City does not recognize any share of the pension plan deficit based on the fair market value of OMERS assets, as this is a joint responsibility of all Ontario municipalities and their employees. Employer contributions for current service amounted to $421.3 (2018 - $416.3) and are expensed in the Consolidated Statement of Operations and Accumulated Surplus. The City is current with all payments to OMERS. As at December 31, 2019, OMERS has a deficit of $3,400.0.

The date of the most recent filed actuarial valuation for funding purposes for the OMERS Primary Pension Plan was December 31, 2019. The next required filing of an actuarial valuation for funding purposes will be performed with a date no later than December 31, 2022.

ii. TTC pension plan

The TTC participates in a defined benefit pension plan (TTC Pension Fund). The TTC Pension Fund is administrated by the Toronto Transit Commission Pension Fund Society (Society), a separate legal entity. The Board of Directors of the Society consists of 10 voting members, five of whom are appointed from the Toronto Transit Commission and five are appointed from the Amalgamated Transit Union Local 113 (ATU). Pursuant to the Sponsors Agreement between the ATU and the TTC, the TTC Pension Fund was registered as a Jointly Sponsored Pension Plan (JSPP) effective January 1, 2011.

The plan is accounted for as a joint defined benefit plan as the TTC and its employees jointly share the risk in the plan and share control of decisions related to the plan administration and to the level of benefits and contributions on an ongoing basis. The TTC is required to account for its portion of the plan (i.e. 50%) and therefore, recognized 50% of the pension expense incurred during the year and 50% of the plan's assets and obligation.

Effective January 1, 2019, in lieu of the TTC paying the administrative expenses of the TTC Pension Fund Society directly, the TTC and the Society agreed that the TTC would make a fixed contribution to the Society each January. The fixed contribution is adjusted annually based on the Toronto consumer price index. Along with the change, the former TTC employees of the Society became employees of the Society itself (as an employer). The contribution to administrative costs and the increase in the service cost have been reflected in the schedules below.

The plan covers substantially all employees of the TTC (and the Society) who have completed six months of continuous service. Under the Plan, contributions are made by the plan members and matched by the TTC (or the Society, as an employer). The contribution rates are set by the Board, subject to the funding requirements determined in the actuarial report and subject to the limitations in the Sponsors Agreements between ATU and the TTC.

December 31, 2019 (in millions of dollars)

The plan provides pensions to members, based on a formula that factors in the length of credited service and best four years of pensionable earnings up to a base year. A formula exists that sets a target for pensioner increases. The Board of Directors of the Society make decisions with respect to affordable pension formula updates, pension indexing and plan improvements based on the results of the most recent funding valuation and the priorities set out in the plan's by-laws and funding policy.

Effective January 1, 2019, the base year for the TTC pension plan and the funded supplemental pension plans was updated to December 31, 2018 from December 31, 2017. In addition, the survivor benefit date was updated to January 1, 2019 (from January 1, 2018) and an ad hoc increase of up to 2.16% (December 31, 2018 - 1.56%) was granted to all pensioners. The TTC's share of the prior service cost of these plan amendments have been reflected in the Consolidated Statement of Operations and Accumulated Surplus.

The effective date of the most recent actuarial valuation for funding purposes for the TTC Pension Fund was January 1, 2019. The next required actuarial valuation for funding purposes will be performed as at January 1, 2020. The effect date of the most recent valuation for accounting purposes was December 31, 2019.

Actuarial assumptions for the TTC Pension Plan are as follows:

	2019	2018
Discount rate	6.25%	6.25%
Expected rate of return on plan assets	6.25%	6.25%
Rate of increase in salaries	3.25%	3.25%
Inflation rate	2.00%	2.00%

iii. City pension plans

During 2019, the City continued to administer four defined benefit pension plans that provide benefits to employees who were employed prior to the establishment of the OMERS pension plan. The plans cover closed groups of employees hired prior to July 1, 1968 and provide for pensions based on length of service and final average earnings.

During 2019, the Superintendent of Financial Services provided his consent to complete the Civic, Police, Metro, and York pension plan mergers with OMERS with the effective dates of July 31, 2019, August 31, 2019, October 31, 2019 and December 20, 2018 respectively.

Actuarial valuations were completed for the future obligation amounts that OMERS would have to assume as the new pension administrator. The City transferred the corresponding funds to OMERS on October 7, 2019, November 5, 2019, January 8, 2020 and January 8, 2019 respectively. The overall actuarial valuation for funding purposes for the City's pension plans was completed on December

December 31, 2019 (in millions of dollars)

31, 2019. The next required actuarial valuation for funding purposes will be performed as at December 31, 2020.

The mergers of the City's four pension plans have resulted in the recognition of $106.0M of surplus by the City for its share of the pension plan surpluses.

There is no surplus distribution for the York pension plan merger as per the terms in the surplus sharing agreements. The City proceeded with the surplus distribution applications to the Superintendent of Financial Services as per the terms in the surplus sharing agreements and completing the regulatory documents to wind-up the pension plans for Civic, Police and Metro. These applications were submitted to the Superintendent of Financial Services on June 26, 2020, June 9, 2020 and August 21, 2020 respectively. The City anticipates these surplus distributions and wind-up of the pension plans will be approved by the Superintendent of Financial Services in late 2020 or 2021.

As at December 31, 2019, there were 317 (2018 – 340) Fire pensioners with an average age of 82.2 (2018 – 81.5) and 298 (2018 - 303) spousal beneficiaries in receipt of a pension, with an average age of 82.2 (2018 – 81.8). Pension payments and refunds during the year were $20 (2018 - $21). Given that all remaining members in the plans have over 35 years of service, there are no contributions being made into the plans.

	2019			2018
	Pension assets - market value - end of year	**Actuarial pension obligation - end of year**	**Net actuarial surplus**	**Net actuarial surplus**
Toronto Civic Employee Pension Plan	113	-	113	89
Metropolitan Toronto Pension Plan	432	345	87	66
Metropolitan Toronto Police Pension Plan	21	-	21	7
City of York Employee Pension Plan	0.4	-	0.4	0.4
Toronto Firefighters Pension Plan	202	165	37	24
Total of City Pension Plans	768	510	258	186

15. Inventories

	2019	**2018**
Inventories	175	171
Properties held for resale	125	157
	300	**328**

December 31, 2019 (in millions of dollars)

16. Tangible Capital Assets

	2019			2018
	Cost	Accumulated amortization	Net book value	Net book value
General				
Land	4,068	-	4,068	4,052
Land improvements	1,444	627	817	587
Building and building improvements	11,679	4,105	7,574	7,495
Machinery and equipment	3,040	1,702	1,338	1,351
Motor vehicles	2,876	1,593	1,283	1,140
Total general	**23,107**	**8,027**	**15,080**	**14,625**
Infrastructure				
Land	140	-	140	140
Buildings and building improvements	827	210	617	617
Machinery and equipment	2,974	1,307	1,667	1,513
Water and wastewater linear	6,927	2,463	4,464	4,228
Roads linear	4,810	2,372	2,438	2,443
Transit	9,589	4,243	5,346	4,766
Total infrastructure	25,267	10,595	14,672	13,707
Assets under construction	4,812	-	4,812	4,385
Total	**53,186**	**18,622**	**34,564**	**32,717**

General capital assets include those assets which are not part of a network. Land includes all of the City's land except land under roads. Land improvements include outdoor parks and recreation facilities, land improvements around buildings, and the active landfill site. Buildings include office buildings, community centres, police, fire and ambulance stations, TCHC housing units and transit buildings. Machinery and equipment includes equipment used by Fire and Toronto Paramedic Services as well as computers and furniture. Corporate fleet and transit buses make up the vehicle assets.

Infrastructure assets include those capital assets which are part of one of three networks: roads, water/wastewater, and transit. The land within this category is the value of the land under the City's roads. Water and wastewater treatment plants, pumping stations, and storm facilities are included within Infrastructure buildings and building improvements. Machinery and equipment include expressway signs and traffic signals, as well as equipment within water and wastewater treatment plants and pumping stations. Water and wastewater infrastructure includes pipe networks delivering water and removing waste water. Road networks are inclusive of road bases, surfaces and sidewalks. Transit infrastructure includes the subway system, rolling stock, track work and power distribution assets.

General machinery and equipment includes capital leases from TCHC totaling $3.2 (2018 - $4.5).

Contributed tangible capital assets are recognized at fair value at the date of contribution. The value of contributed assets received during the year was $0 (2018 - Nil).

On June 4, 2019, Ontario's government passed Bill 107, Getting Ontario Moving Act (Transportation Statute Law Amendment), 2019. Schedule 3 amends the Metrolinx Act, 2006, wherein the Lieutenant Governor in Council may prescribe that a rapid transit design, development or construction project is the sole responsibility of Metrolinx. On July 23, 2019, the Province filed Ontario Regulation O248/19 which came into force on the day it was filed. The regulation designated the Relief Line/Ontario Line, Scarborough Subway Extension/Line 2 East Extension, Eglinton Crosstown LRT and Yonge Subway Extension as being the sole responsibility of the Province. As a result, the City ceased to design, develop, construct or work on, or cause design, construction or work on these projects.

The City received an offer from the Minister of Transportation in October 2019, which included an offer to contractually compensate the City for investments the City had made related to the designated subway projects. In February 2020, the City and the Province signed a preliminary agreement (Ontario-Toronto Transit Partnership) that noted amongst other items, the following:

- The existing subway assets will remain the responsibility and under the ownership of the City and the TTC;
- The Province will have sole responsibility for the planning, design and construction of the former TTC subway projects, and intends to own the resulting assets; and
- The Province will undertake a financial review and reconciliation exercise with the City, related to the investments made by the TTC related to the planning, design and engineering work for these subway projects. Subject to the outcome of the exercise, the Province commits to reimburse the City for reasonable costs incurred for these projects.

In 2019, the TTC reassigned consultant contracts related to the three transit projects to Metrolinx. The City derecognized $239 million from its assets under construction balance, which represents the costs incurred related to these subway projects, and recognized a financial asset (Note 2) for the same amount that reflects the City's best estimate of amounts owing from the Province for reimbursement of reasonable costs incurred for these subway projects pursuant to the terms of the preliminary agreement. The financial review and reconciliation exercise has not yet been completed and, as a result, significant measurement uncertainty exists with respect to the reimbursement amount from the Province for these subway projects. Adjustments to the amounts owing from the Province, if any, resulting from the financial review and reconciliation exercise will be reflected in a future period once this process is completed.

The City recognized an additional write down of $4.2 of Machinery and Equipment during the year (2018 - Nil).

December 31, 2019 (in millions of dollars)

17. Accumulated Surplus

	2019	2018
Operating fund	569	363
Capital fund	1,932	1,393
Reserves and reserve funds (a)	2,241	2,276
Net investment in TCA (b)	26,719	25,682
Liabilities to be funded from future revenues (c)	(4,655)	(4,540)
Total	**26,806**	**25,174**

a. Reserves and reserve funds

	2019	2018
Reserves:		
Corporate	652	764
Stabilization	203	204
Water and wastewater	100	139
Donations	2	1
	957	1,108
Reserve funds:		
Employee benefits	296	289
Corporate	568	492
Community initiatives	174	139
State of good repair	246	248
	1,284	1,168
Total reserves and reserve funds	**2,241**	**2,276**

b. Net investment in TCA

	2019	2018
Tangible capital assets (Note 15)	34,564	32,717
Mortgages payable (Note 12)	(289)	(292)
Long-term debt (Note 13)	(7,104)	(6,502)
Environmental and contaminated site liabilities (Note 11)	(452)	(241)
Total net investment in TCA	**26,719**	**25,682**

December 31, 2019 (in millions of dollars)

	2019	2018
c. Liabilities to be funded from future revenues		
Employee benefit liabilities (Note 14)	(4,133)	(4,011)
Provision for property and liability claims (Note 12)	(522)	(529)
Total liabilities to be funded	**(4,655)**	**(4,540)**

18. Commitments and Contingencies

a. In the normal course of its operations, labour relations, and completion of capital projects, the City is subject to various litigations, arbitrations, and claims. Where the potential liability is determinable, management believes that the ultimate disposition of the matters will not materially exceed the amounts recorded in the accounts. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to claims will be recorded in the period during which the liability is determinable. Amounts recorded in the accounts have not been disclosed in the financial statements as disclosure may adversely impact the outcome. Management's estimate is based on an analysis of specific claims and historical experience with similar claims. Any amendment to amounts accrued will be recorded once new information becomes available.

b. The City of Toronto has entered into the following commitments:

	Total contract / contribution	Outstanding amount
City Council approved contribution amount to 2025 for agreements with Province of Ontario and Metrolinx for the execution of the SmartTrack Program	1,470.0	1,469.9
Contract award to end of 2021 for the rehabilitation of the F.G Gardiner Expressway	314.0	202.3
Contract award to end of 2024 for the construction of Coxwell Bypass Tunnel	404.3	270.0
Contract award to early 2024 for the construction of New Outfall at Ashbridges Bay Treatment Plant	264.8	224.4
Contract award to end of 2030 for Waste Transport Services for four City districts	191.4	191.4

c. The TTC has entered into the following commitments:

	Total contract	Outstanding amount
Contract for 82 train sets - 82 delivered to date	1,517.7	44.3
Contract for 204 light rail vehicles - 202 delivered to date	1,138.0	40.2
Contract for 1,073 low floor clean diesel buses - 1,073 delivered to date	754.5	3.4

December 31, 2019 (in millions of dollars)

	Total contract	Outstanding amount
Contract for 200 hybrid electric buses - 200 delivered to date	204.1	7.0
Contract for 128 low floor Wheel Trans mini-buses - 128 delivered to date	23.6	2.3
Contract for 55 battery electric buses - 20 delivered to date	79.0	49.1
Contracts for construction and implementation of various capital projects	462.6	462.6

The TTC could be exposed to significant or material contractual cancellation penalties if any of its commenced capital projects do not continue as planned.

d. Council has approved the Policy for the Provision of Line of Credit and Loan Guarantees for Cultural and Community-Based Organizations that have a financial relationship with the City. The total amount of all lines of credit provided by the City under the policy for operating line of credit guarantees is limited to $10 in the aggregate. The total amount of all capital loan guarantees provided by the City under the policy for capital loan guarantees is limited to $300 in the aggregate, with individual loan guarantees being limited to a maximum of $10 unless otherwise approved by Council. The total amount of all direct loans provided by the City under the policy for direct City loans is limited to $125 in the aggregate. At December 31, 2019 the City had provided capital loan guarantees to certain third parties amounting to $68.2 (2018 - $41.1), and operating line of credit guarantees of $6 (2018 - $6), primarily related to several cultural non-profit organizations, and direct City loans amounting to $52.6 (2018 - $57.9), primarily to City agencies.

Interest terms on direct City loans were generally set equivalent to the cost of City borrowing at the time the loans were made. The repayment maturity dates on these loans typically range from 20 to 30 years. For loans guaranteed by the City, third party financing rates to community organizations are closer to prime interest rates, on terms ranging from 5 to 30 years.

The City maintains priority lender status on direct City loans, and has the right to remedy any defaults on line of credit and loan guarantees. Further, the City has established a Doubtful Loan Reserve to serve as source for funding any potential losses. The current balance in this fund is $0.25 as at 2019 year end (2018 – $0.25).

e. At December 31, 2019, the City is committed to future minimum annual operating lease payments as follows:

2020	76
2021	49
2022	40
2023	33
2024	28
Thereafter	146
	372

December 31, 2019 (in millions of dollars)

19. Budget Data

Budget data presented in these consolidated financial statements is based on the 2019 operating and capital budgets approved by Council. Adjustments to budgeted values were required to provide comparative budget figures based on the full accrual basis of accounting. The following chart reconciles the approved budget with the budget figures as presented in these consolidated financial statements.

	Approved by Council	Consolidated entities	Adjustments	Total adjusted budget
Revenues				
Operating				
Operating budget (net)	11,643	325	-	11,968
Non-levy				
Solid waste management services	412	-	-	412
Toronto Parking Authority	167	-	(51)	116
Toronto Water	1,331	-	-	1,331
Re-classification of revenue for budgeting and reporting purposes	5	-	-	5
Capital budget	4,917	-	-	4,917
Adjustments				
Interfund revenue elimination	(495)	-	(2,686)	(3,181)
Other revenue	-	-	85	85
Taxation eliminated	(20)	-	-	(20)
Debt proceeds	-	-	(1,565)	(1,565)
Total revenue	**17,960**	**325**	**(4,217)**	**14,068**

December 31, 2019 (in millions of dollars)

	Approved by Council	Consolidated entities	Adjustments	Total adjusted budget
Expenses				
Operating				
Gross operating expenses (net)	11,643	304	-	11,947
Non-levy				
Solid waste management services	412	-	-	412
Toronto Parking Authority	167	-	-	167
Toronto Water	1,331	-	-	1,331
Re-classification of revenue for budgeting and reporting purposes	5	-	-	5
Capital budget	4,917	-	-	4,917
Adjustments				
Interfund revenue elimination	(495)	-	(1,895)	(2,390)
Interdepartmental charges	-	-	(316)	(316)
Taxation elimination	(20)	-	-	(20)
Acquisition of tangible capital assets	-	-	(3,724)	(3,724)
Amortization	-	-	1,382	1,382
Debt principal repayments	-	-	(365)	(365)
Total expenses	**17,960**	**304**	**(4,918)**	**13,346**
Annual surplus	**-**	**21**	**701**	**722**

December 31, 2019 (in millions of dollars)

20. Government Transfers

	2019	2018
By Function:		
Social and Family Services	1,963	1,929
Transportation	791	897
Health Services	326	323
General Government	111	118
Social Housing	106	107
Protection to Persons and Property	64	56
Environmental Services	77	40
Planning and Development	41	26
Recreation and Cultural Services	14	9
Total transfers by function	**3,493**	**3,505**

	2019	2018
By Source:		
Operating transfers		
Federal	242	208
Provincial	2,369	2,348
Other	14	13
	2,625	2,569
Capital transfers		
Federal	520	766
Provincial	308	132
Other	40	38
	868	936
Total transfers by source	**3,493**	**3,505**

December 31, 2019 (in millions of dollars)

21. Other Revenue Sources

	2019	2018
Other income	283	300
Pension surplus (Note 14)	106	-
Sale of recycled materials and properties	102	119
Utilities cut and other recoveries	95	112
Hotel, lodging and sign tax	68	58
Total other revenue sources	**654**	**589**

22. Total Expenses

	2019	2018
Salaries, wages and benefits	6,042	5,813
Contracted services	1,910	1,865
Transfer payments	1,721	1,463
Materials	866	1,289
Amortization (Schedule 1)	1,383	1,267
Interest on long-term debt	337	328
Other	492	281
Total expenses	**12,751**	**12,306**

23. Trust Funds

Trust funds administered by the City amounting to $27 (2018 - $26) have not been consolidated in these financial statements.

	2019	2018
Keele Valley Site Post-Closure Trust Fund (Note 11)	8	8
Homes for the Aged Trust Fund - Residents	6	6
Community Centre Development Levy Trust Fund - Railway Lands	5	5
Toronto Police Service Board Mounted Unit	2	2
Waterpark Place Trust Fund	1	1
Contract Aftercare Trust Fund	1	1
Other Trust Funds	4	3
	27	**26**

24. Subsequent Events

Build Toronto Dividend

On April 24, 2020, the Board of Directors of Build Toronto declared a dividend of $25 to be paid in 2020 to the City of Toronto.

Responses to COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus (COVID-19) as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. On March 23, 2020, the City declared a state of emergency. These public health and emergency measures, which include the implementation of travel bans, self-imposed quarantine period and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. The impact of COVID-19 pandemic is considered to be a non-adjusting event at the balance sheet date and accordingly, the City has not reflected these subsequent conditions in the measurement of its assets as at December 31, 2019.

Given the ongoing and dynamic nature of the circumstances surrounding COVID-19, it is difficult to predict how significant the impact of COVID-19, including any responses to it, will be on the economy and the City's operations in particular, or for how long any disruptions are likely to continue. The extent of such impact will depend on future developments, which are highly uncertain, rapidly evolving and difficult to predict, including new information which may emerge concerning the severity of COVID-19 and additional actions which may be taken to contain COVID-19, as well as the timing of the re-opening of the economy in Canada.

In response to the City's efforts in addressing COVID-19, the organization has experienced decreases to its revenues and increases to its expenditures. On July 27, 2020, the Government of Ontario, in partnership with the Government of Canada, announced financial support for Ontario's 444 municipalities as part of the Safe Restart Agreement. Under this agreement, the City has secured $668 of financial support, which are to be used towards municipal transit, social services, and general municipal operations. On December 16, 2020, the Government of Ontario announced that additional financial relief would be provided to the City pursuant to the agreement.

TCHC Financing Agreement

On December 20, 2019, a financing agreement was signed between TCHC and Canada Mortgage and Housing Corporation (CMHC). TCHC expects to receive loans up to $1,341 to fund eligible expenditures under the capital repair program between 2020 to 2027. The amount is based on a current portfolio of 58,860 units and a reduction below the current portfolio will result in a proportionate reduction in the amount. The loans contain a repayable amount up to $814 and a forgivable amount up to $527. The repayable amount is interest bearing at fixed interest rate determined by the lender at the time of each advance and is amortized for 30 years. The forgivable loan amount is forgivable over a 20-year period subject to TCHC meeting certain terms and conditions as outlined in the financing agreement.

Pursuant to the financing arrangement with CMHC, TCHC submitted a claim and received a total amount in 2020 of $116 comprised of a repayable loan amount of $58 bearing interest of 1.32% and a forgivable loan amount of $58.

25. Comparative Values

Certain 2018 values have been regrouped from consolidated financial statements previously presented, to conform with the presentation adopted in 2019.

26. Greenhouse Gas (GHG) Emission Reductions (Unaudited)

Toronto's climate action strategy (TransformTO) lays out a set of long-term, low-carbon goals and strategies to reduce local greenhouse gas emissions, and improve our health, grow the economy, and progress social equity. Under this strategy, Toronto's targets are to reduce GHG emissions from 1990 levels by 30% by 2020, 65% by 2030 and net zero by 2050, or sooner. Toronto has released its 2017 inventory on community-wide GHG emissions which indicates that GHG emissions in Toronto were 44% lower in 2017 than in 1990.

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS - SCHEDULE 1

as at and for the year ended December 31, 2019 (in millions of dollars)

	2019									
	Cost					Accumulated Amortization (Amort.)				
	Beginning	Additions	Disposals / Transfers	Donated	Ending	Beginning	Amort.	Disposals	Ending	Net book value
General										
Land	4,052	39	(23)	-	4,068	-	-	-	-	4,068
Land improvements	1,057	387	-	-	1,444	470	157	-	627	817
Buildings and building improvements	11,372	319	(12)	-	11,679	3,877	231	(3)	4,105	7,574
Machinery and equipment	2,931	181	(72)	-	3,040	1,580	189	(67)	1,702	1,338
Vehicles	2,711	351	(186)	-	2,876	1,571	206	(184)	1,593	1,283
Total General	**22,123**	**1,277**	**(293)**	**-**	**23,107**	**7,498**	**783**	**(254)**	**8,027**	**15,080**
Infrastructure										
Land	140	-	-	-	140	-	-	-	-	140
Building and building improvements	810	17	-	-	827	193	17	-	210	617
Machinery and equipment	2,733	241	-	-	2,974	1,220	87	-	1,307	1,667
Water and wastewater linear	6,604	332	(9)	-	6,927	2,376	92	(5)	2,463	4,464
Roads linear	4,734	96	(20)	-	4,810	2,291	99	(18)	2,372	2,438
Transit	8,982	885	(278)	-	9,589	4,216	305	(278)	4,243	5,346
Total infrastructure	**24,003**	**1,571**	**(307)**	**-**	**25,267**	**10,296**	**600**	**(301)**	**10,595**	**14,672**
Assets under construction	**4,385**	**752**	**(325)**	**-**	**4,812**	**-**	**-**	**-**	**-**	**4,812**
TOTAL	**50,511**	**3,600**	**(925)**	**-**	**53,186**	**17,794**	**1,383**	**(555)**	**18,622**	**34,564**

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS - SCHEDULE 1

As at and for the year ended December 31, 2018 (in millions of dollars)

	2018									
	Cost					Accumulated Amortization (Amort.)				
	Beginning	Additions	Disposals / Transfers	Donated	Ending	Beginning	Amort.	Disposals	Ending	Net book value
General										
Land	3,637	421	(6)	-	4,052	-	-	-	-	4,052
Land improvements	1,004	53	-	-	1,057	438	32	-	470	587
Buildings and building improvements	10,403	1,037	(68)	-	11,372	3,538	339	-	3,877	7,495
Machinery and equipment	2,642	342	(53)	-	2,931	1,452	180	(52)	1,580	1,351
Vehicles	2,585	374	(248)	-	2,711	1,613	205	(247)	1,571	1,140
Total General	**20,271**	**2,227**	**(375)**	**-**	**22,123**	**7,041**	**756**	**(299)**	**7,498**	**14,625**
Infrastructure										
Land	140	-	-	-	140	-	-	-	-	140
Building and building improvements	715	95	-	-	810	178	15	-	193	617
Machinery and equipment	2,363	370	-	-	2,733	1,142	78	-	1,220	1,513
Water and wastewater linear	6,364	246	(6)	-	6,604	2,293	87	(4)	2,376	4,228
Roads linear	4,592	150	(8)	-	4,734	2,198	97	(4)	2,291	2,443
Transit	8,531	501	(50)	-	8,982	4,032	234	(50)	4,216	4,766
Total infrastructure	**22,705**	**1,362**	**(64)**	**-**	**24,003**	**9,843**	**511**	**(58)**	**10,296**	**13,707**
Assets under construction	**4,371**	**894**	**(880)**	**-**	**4,385**	**-**	**-**	**-**	**-**	**4,385**
TOTAL	**47,347**	**4,483**	**(1,319)**	**-**	**50,511**	**16,884**	**1,267**	**(357)**	**17,794**	**32,717**

CONSOLIDATED SCHEDULE OF GOVERNMENT BUSINESS ENTERPRISES - APPENDIX 1

as at and for the year ended December 31, 2019 (in millions of dollars)

Condensed Financial Results Fiscal Year Ended	Toronto Hydro Corporation		Toronto Parking Authority		Total	
	2019	2018	2019	2018	2019	2018
Financial Position						
Assets						
Current	564	517	117	85	681	602
Capital	5,041	4,711	213	206	5,254	4,917
Other	179	137	42	53	221	190
	5,784	**5,365**	**372**	**344**	**6,156**	**5,709**
Liabilities						
Current	714	975	38	32	752	1,007
Long-term	3,177	2,551	9	3	3,186	2,554
	3,891	**3,526**	**47**	**35**	**3,938**	**3,561**
Net equity	**1,893**	**1,839**	**325**	**309**	**2,218**	**2,148**
City's share (Note 6)	**1,877**	**1,824**	**325**	**309**	**2,202**	**2,133**
Results of Operations						
Revenues	3,647	3,527	165	156	3,812	3,683
Expenses	3,492	3,349	86	89	3,578	3,438
Net income (loss)	**155**	**178**	**79**	**67**	**234**	**245**
City's share (Note 6)	**155**	**178**	**79**	**67**	**234**	**245**
Distribution to City (Note 6)	-	-	63	62	63	62
Dividends paid to City (Note 6)	100	94	-	-	100	94
Net book value of assets sold from the City to Toronto Hydro Corporation (Note 6)	16	17	-	-	16	17

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE - SERVICE - APPENDIX 2

for the year ended December 31, 2019 (in millions of dollars)

	2019									
	General Government	Protection	Transportation	Environmental	Health	Social and Family	Social Housing	Recreation and Cultural	Planning and Development	**Consolidated**
Taxation*	5,209	-	-	-	-	-	-	-	-	5,209
User charges	74	234	1,410	1,504	2	67	19	180	36	3,526
Government transfers	111	64	791	77	326	1,963	106	14	41	3,493
Net GBE income	234	-	-	-	-	-	-	-	-	234
Other	589	79	376	164	4	18	396	188	107	1,921
Total revenues	**6,217**	**377**	**2,577**	**1,745**	**332**	**2,048**	**521**	**382**	**184**	**14,383**
Salaries, wages and benefits	483	1,738	1,677	284	397	633	177	597	56	6,042
Materials	101	30	179	97	19	112	139	132	57	866
Contracted services	215	32	453	347	34	539	108	150	32	1,910
Interest on long-term debt	17	10	192	11	1	5	79	12	10	337
Transfer payments	(165)	64	77	112	39	1,240	95	74	185	1,721
Other	135	17	251	(17)	3	20	34	37	12	492
Amortization	102	40	753	209	4	3	198	71	3	1,383
Total expenses	**888**	**1,931**	**3,582**	**1,043**	**497**	**2,552**	**830**	**1,073**	**355**	**12,751**
Annual surplus / (deficiency)	**5,329**	**(1,554)**	**(1,005)**	**702**	**(165)**	**(504)**	**(309)**	**(691)**	**(171)**	**1,632**

*** Taxation revenues are allocated to General Government for presentation purposes however fund all consolidated entities as required.**

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE - SERVICE - APPENDIX 2
for the year ended December 31, 2018 (in millions of dollars)

	2018									
	General Government	Protection	Transportation	Environmental	Health	Social and Family	Social Housing	Recreation and Cultural	Planning and Development	**Consolidated**
Taxation*	5,080	-	-	-	-	-	-	-	-	5,080
User charges	72	205	1,351	1,343	2	66	18	162	36	3,255
Government transfers	118	56	898	40	323	1,929	107	9	25	3,505
Net GBE income	247	-	-	-	-	-	-	-	-	247
Other	343	69	375	73	4	18	472	226	73	1,653
Total revenues	**5,860**	**330**	**2,624**	**1,456**	**329**	**2,013**	**597**	**397**	**134**	**13,740**
Salaries, wages and benefits	474	1,678	1,597	274	389	610	165	574	52	5,813
Materials	168	31	384	97	20	315	131	98	45	1,289
Contracted services	183	33	486	269	35	555	91	131	82	1,865
Interest on long-term debt	6	11	193	12	1	4	78	12	11	328
Transfer payments	(163)	54	200	112	38	970	172	72	8	1,463
Other	112	13	36	19	3	18	30	47	3	281
Amortization	96	38	682	193	4	2	177	72	3	1,267
Total expenses	**876**	**1,858**	**3,578**	**976**	**490**	**2,474**	**844**	**1,006**	**204**	**12,306**
Annual surplus / (deficiency)	**4,984**	**(1,528)**	**(954)**	**480**	**(161)**	**(461)**	**(247)**	**(609)**	**(70)**	**1,434**

*** Taxation revenues are allocated to General Government for presentation purposes however fund all consolidated entities as required.**

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE - ENTITY - APPENDIX 3

as at and for the year ended December 31, 2019 (in millions of dollars)

	2019						
	City	**Toronto Police Service**	**Toronto Transit Commission**	**Toronto Public Library**	**Toronto Community Housing Corporation**	**Other Agencies and Corporations**	**Total**
Taxation*	5,209	-	-	-	-	-	5,209
User charges	2,181	30	1,206	4	19	86	3,526
Government transfers	2,594	62	778	6	-	53	3,493
Net GBE income	234	-	-	-	-	-	234
Other	1,012	33	195	14	503	164	1,921
Total revenues	**11,230**	**125**	**2,179**	**24**	**522**	**303**	**14,383**
Salaries, wages and benefits	2,986	1,137	1,485	151	177	106	6,042
Materials	401	10	207	4	139	105	866
Contracted services	1,356	23	350	29	108	44	1,910
Interest on long-term debt	248	8	-	-	79	2	337
Transfer payments	2,853	4	(741)	(191)	(258)	54	1,721
Other	149	6	260	3	34	40	492
Amortization	461	32	648	34	198	10	1,383
Total expenses	**8,454**	**1,220**	**2,209**	**30**	**477**	**361**	**12,751**
Annual surplus / (deficiency)	**2,776**	**(1,095)**	**(113)**	**(6)**	**45**	**(58)**	**1,632**

*** Taxation revenues are allocated to General Government for presentation purposes however fund all consolidated entities as required.**

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE - ENTITY - APPENDIX 3

as at and for the year ended December 31, 2018 (in millions of dollars)

	2018						
	City	**Toronto Police Service**	**Toronto Transit Commission**	**Toronto Public Library**	**Toronto Community Housing Corporation**	**Other Agencies and Corporations**	**Total**
Taxation*	5,080	-	-	-	-	-	5,080
User charges	1,952	30	1,178	4	18	73	3,255
Government transfers	2,516	55	892	6	-	36	3,505
Net GBE income	247	-	-	-	-	-	247
Other	562	31	200	16	666	178	1,653
Total revenues	**10,357**	**116**	**2,270**	**26**	**684**	**287**	**13,740**
Salaries, wages and benefits	2,890	1,101	1,413	144	165	100	5,813
Materials	764	13	260	7	131	114	1,289
Contracted services	1,390	24	244	28	91	88	1,865
Interest on long-term debt	238	9	-	-	78	3	328
Transfer payments	2,414	-	(533)	(187)	(260)	29	1,463
Other	184	4	29	3	30	31	281
Amortization	434	28	579	36	178	12	1,267
Total expenses	**8,314**	**1,179**	**1,992**	**31**	**413**	**377**	**12,306**
Annual surplus / (deficiency)	**2,043**	**(1,063)**	**278**	**(5)**	**271**	**(90)**	**1,434**

*** Taxation revenues are allocated to General Government for presentation purposes however fund all consolidated entities as required.**

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE - TANGIBLE CAPITAL ASSETS BY ENTITY - APPENDIX 4

for the year ended December 31, 2019 and 2018 (in millions of dollars)

	City, including Toronto Police Service	Toronto Transit Commission	Toronto Community Housing Corporation	Toronto Public Library	Other Agencies and Corporations	Total
2019						
General						
Cost	8,442	8,125	5,484	531	524	23,106
Accumulated amortization	2,497	3,068	2,136	196	130	8,027
Net book value	**5,945**	**5,057**	**3,348**	**335**	**394**	**15,079**
Infrastructure						
Cost	15,680	9,586	-	-	-	25,266
Accumulated amortization	6,352	4,242	-	-	-	10,594
Net book value	**9,328**	**5,344**	**-**	**-**	**-**	**14,672**
Assets under construction	**2,673**	**1,729**	**136**	**22**	**253**	**4,813**
Total	**17,946**	**12,130**	**3,484**	**357**	**647**	**34,564**
2018						
General						
Cost	8,260	7,770	5,026	490	577	22,123
Accumulated amortization	2,363	2,886	1,957	187	105	7,498
Net book value	**5,897**	**4,884**	**3,069**	**303**	**472**	**14,625**
Infrastructure						
Cost	15,021	8,982	-	-	-	24,003
Accumulated amortization	6,080	4,216	-	-	-	10,296
Net book value	**8,941**	**4,766**	**-**	**-**	**-**	**13,707**
Assets under construction	**2,070**	**1,998**	**128**	**38**	**151**	**4,385**
Total	**16,908**	**11,648**	**3,197**	**341**	**623**	**32,717**

City of Toronto Sinking Funds

Independent Auditor's Report

pwc

Independent auditor's report

To the Members of City Council of the City of Toronto

Our opinion

In our opinion, the accompanying financial statements of City of Toronto Sinking Funds (the Entity) as at December 31, 2019 and for the year then ended are prepared, in all material respects, in accordance with the basis of accounting as described in note 2 to the financial statements.

What we have audited
The Entity's financial statements comprise:

- the statement of financial position as at December 31, 2019;
- the statement of operations and changes in unrestricted surplus for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter – basis of accounting and restriction on distribution and use

We draw attention to note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Members of City Council to assess the financial performance of the Entity. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Members of City Council and management, in accordance with the terms of our engagement, and should not be distributed to or used by parties other than the Members of City Council and management. Our opinion is not modified in respect of this matter.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements in accordance with the basis of accounting as described in note 2 to the financial statements; this includes determining that the financial reporting framework is acceptable in the circumstances, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
December 16, 2020

CITY OF TORONTO SINKING FUNDS
STATEMENT OF FINANCIAL POSITION
as at December 31, 2019 (in thousands of dollars)

	2019	2018
ASSETS		
Current		
Cash	499,935	268,449
Investments (Note 4)	1,137,522	1,369,148
Total Current Assets	**1,637,457**	**1,637,597**
LIABILITIES AND NET ASSETS		
Current		
Accounts Payable and Accrued Liabilities	3	11
Total Current Liabilities	**3**	**11**
Actuarial Requirements (Note 5)	1,556,839	1,562,398
Total Liabilities	**1,556,842**	**1,562,409**
NET ASSETS		
Unrestricted Surplus (Note 6)	80,615	20,585
Internally Restricted Surplus (Note 6)	-	54,603
Total Surplus	**80,615**	**75,188**
	1,637,457	**1,637,597**

The accompanying Notes and Appendices are an integral part of these Financial Statements.

CITY OF TORONTO SINKING FUNDS
STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED SURPLUS
for the year ended December 31, 2019 (in thousands of dollars)

	2019	2018
REVENUES		
Contributions	315,499	291,463
Investment Income (Note 7)	84,369	28,444
Total Revenues	**399,868**	**319,907**
EXPENSES		
Changes in Actuarial Requirements (Note 5)	394,441	383,115
Excess (Deficiency) of Revenues Over Expenses for the Year	**5,427**	**(63,208)**
Surplus, Beginning of Year	75,188	138,396
Total Surplus, End of Year	**80,615**	**75,188**

The accompanying Notes and Appendices are an integral part of these Financial Statements.

CITY OF TORONTO SINKING FUNDS
STATEMENT OF CASH FLOWS
for the year ended December 31, 2019 (in thousands of dollars)

	2019	2018
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses for the year	5,427	(63,208)
Add (Deduct) Items Not Involving Cash		
Amortized Discount on Investments	(18,661)	(34,767)
Increase in Accrued Interest	(1,583)	53
Decrease in Unrealized Gain on Investments	3,717	24,895
Increase in Actuarial Requirements	394,441	383,115
	383,341	**310,088**
Changes in Non-Cash Working Capital Balances Related to Operations		
(Decrease) in Accounts Payable and Accrued Liabilities	(8)	(5)
Cash Provided by Operating Activities	**383,333**	**310,083**
INVESTING ACTIVITIES		
Purchase of Investments	(959,295)	(856)
Proceeds from Maturities of Investments	816,862	377,773
Proceeds from Sale of Investments	390,586	4,818
Cash Provided by Investing Activities	**248,153**	**381,735**
FINANCING ACTIVITIES		
Maturity of Debenture	(400,000)	(425,000)
Cash Used in Financing Activities	**(400,000)**	**(425,000)**
Increase in Cash During the Year	**231,486**	**266,818**
Cash, beginning of year	**268,449**	**1,631**
Cash, end of year	**499,935**	**268,449**

The accompanying Notes and Appendices are an integral part of these Financial Statements.

1. Purpose of Sinking Funds

The City of Toronto Sinking Funds (the Sinking Funds) accumulate amounts through periodic contributions, which are calculated such that the contributions and interest earnings will be sufficient to retire the principal amount of the Sinking Fund debt when it matures. When the accumulated Sinking Fund exceeds the maturity value of the related debenture, the excess may be refunded or applied against other Sinking Fund accounts created for the same purpose.

Note 8 in these financial statements contains the schedule of projected debenture maturity amounts.

The City of Toronto Sinking Funds are governed under the City of Toronto Act, 2006 and are exempt from income taxes under Section 149(1) of the Income Tax Act (Canada).

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian public sector accounting standards, except that investments are recorded at fair value to better reflect their ability to meet debt obligations. The significant accounting policies are summarized below.

Financial Instruments

The Sinking Funds financial assets include cash, short-term and long-term investments. Cash is recorded at amortized cost, which approximates fair value. Short term investments are comprised of money market instruments, such as guaranteed investment certificates and are valued based on cost plus accrued investment/interest income. The Sinking Funds invest in debentures issued or guaranteed by Provincial and Municipal governments and corporate bonds; the fair value of investments recorded in the financial statements is based on the latest bid prices and the change in fair value is included in the Statement of Operations as Investment Income. Investment transactions are recorded on a settlement date basis and transaction costs are expensed as incurred. The Sinking Funds' investment activities expose it to a range of financial risks, including market risk, credit risk, and liquidity risk (Note 9).

Revenue Recognition

Contributions are recognized as revenue in the year receivable. Interest income is recorded when earned.

Sinking Fund debenture issues are grouped by Sinking Fund interest rates. These rates represent the investment earnings assumptions for each of the respective funds and are used in determining the annual contributions required to retire the outstanding debt.

Investment income includes investment income and interest income, net of bank service charges, audit fees and unrealized gain (loss) on the increase/decrease in the fair value of the investments.

3. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities and deficit/surplus at the reporting date and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates. In particular, there is significant judgment applied in determining actuarial requirements for Sinking Funds.

The Actuarial Requirements Liability of the Sinking Funds for the year represents the amounts levied during the year as set out in the Sinking Funds debenture bylaws plus interest accrued, compounded at the Sinking Fund rates of 3.5%, 4%, or 5% per annum on debt issued in 1997 and after; and 2.0%, and 2.5% per annum on debt issued in 2015 and after. These actuarial requirement liabilities are presented at amortized cost, which approximates fair value.

December 31, 2019 (in thousands of dollars)

4. Investments

Fair value represents bid price for each financial instrument, while face value represents the original cost of the investment at the purchase date. Sinking Fund investments will be held to maturity, and no write-down to market value is required given that the fair value of the investments is lower than the face value of the investments.

	Fair Value	Face Value
2019		
Debt investments issued or guaranteed by:		
Provincial governments	589,046	807,441
City of Toronto	25,860	22,278
Other Canadian municipalities	82,633	73,081
Corporations	315,806	297,006
Total debt	**1,013,345**	**1,199,806**
Equity investments issued or guaranteed by:		
Corporations	124,177	12,182
Total equities	**124,177**	**12,182**
Total	**1,137,522**	**1,211,988**
2018		
Debt investments issued or guaranteed by:		
Provincial governments	1,027,182	1,198,513
City of Toronto	93,574	86,397
Other Canadian municipalities	216,754	198,867
Corporations	31,638	31,769
Total	**1,369,148**	**1,515,546**

	2019	2018
Amortized cost	1,111,300	1,339,209
Weighted average rate of return	4.86%	3.21%
Average term to maturity	15.67 years	6.38 years
Excess of fair value over amortized cost	26,222	32,549

December 31, 2019 (in thousands of dollars)

5. Actuarial Requirements

	2019	2018
Actuarial requirements, beginning of year	1,562,398	1,604,283
Add: change in actuarial liability requirements	394,441	383,115
	1,956,839	1,987,398
Less: value of debentures matured during the year	400,000	425,000
Actuarial requirements, end of year	**1,556,839**	**1,562,398**

6. Net Assets

	2019	2018
City of Toronto unrestricted surplus based on amortized cost	54,393	(9,354)
Unrealized gain on investments	26,222	29,939
Total unrealized surplus	80,615	20,585
Internally restricted surplus	-	54,603
Total net assets	**80,615**	**75,188**

7. Investment Income

	2019	2018
Investment income	76,315	50,886
Interest income	11,771	2,453
Unrealized loss on change in fair value	(3,717)	(24,895)
Total investment income	**84,369**	**28,444**

8. Schedule of Projected Debenture Maturities

For the year ended December 31, 2019, the following is a list of the projected maturities of the Sinking Fund debentures, held within the City of Toronto. The list only includes references to years in which a maturity of a debenture is projected to occur.

	$
2021	650,000
2023	300,000
2024	300,000
2025	300,000
2026	300,000

December 31, 2019 (in thousands of dollars)

	$
2027	700,000
2029	400,000
2035	400,000
2036	750,000
2039	200,000
2040	600,000
2041	450,000
2042	300,000
2044	300,000
2046	500,000
2048	300,000
2049	350,000
Total	7,100,000

9. Risk Exposure

The Sinking Funds are subject to market risk, credit risk, and interest rate risk with respect to the investment portfolio. The Sinking Funds' interest bearing investments are exposed to interest rate risk. Sinking Funds' investments are at risk due to fluctuations in market prices whether changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. The Sinking Funds manage risk by investing across a wide variety of asset classes and investment strategies.

The Sinking Funds hold investments in fixed income securities issued by corporations and government entities and as such have fixed income credit risk. The Sinking Funds mitigate this risk by limiting the investment portfolio to investments in BBB grade or higher.

The Sinking Funds' liquidity risk is the risk of being unable to settle or meet commitments as they come due. These commitments include payment of the funding obligations of the Sinking Funds. Liquidity risk is managed by ensuring the Sinking Funds invest in securities that are actively traded.

With the creation of the City's Investment Board and new investment policy as at January 1, 2018, through provincial regulation 610/06, sinking fund contributions can be invested in a broader range of asset classes including fixed income, equities and real assets.

10. Capital Management

In managing capital, the Sinking Funds focus on liquid resources available for reinvestment. The Sinking Funds' objective is to have sufficient liquid resources to meet its debenture obligations when they mature. The need for sufficient liquid resources is considered in the investment process. As at December 31, 2019, the Sinking Funds have met their objective of having sufficient liquid resources to meet current obligations.

11. Subsequent Events

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus (COVID-19) as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. On March 23, 2020, the City declared a state of emergency. These public health and emergency measures, which include the implementation of travel bans, self-imposed quarantine period and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. The impact of COVID-19 pandemic is considered to be a non-adjusting event at the balance sheet date and accordingly, the City has not reflected these subsequent conditions in the measurement of its assets as at December 31, 2019.

Given the ongoing and dynamic nature of the circumstances surrounding COVID-19, it is difficult to predict how significant the impact of COVID-19, including any responses to it, will be on the economy and the City's operations in particular, or for how long any disruptions are likely to continue. The extent of such impact will depend on future developments, which are highly uncertain, rapidly evolving and difficult to predict, including new information which may emerge concerning the severity of COVID-19 and additional actions which may be taken to contain COVID-19, as well as the timing of the re-opening of the economy in Canada.

In response to the City's efforts in addressing COVID-19, the organization has experienced decreases to its revenues and increases to its expenditures.

City of Toronto Trust Funds

Independent auditor’s report

To the Members of City Council of the City of Toronto

Our opinion

In our opinion, the accompanying consolidated financial statements of City of Toronto Trust Funds (the Entity) as at December 31, 2019 and for the year then ended are prepared, in all material respects, in accordance with the basis of accounting as described in note 2 to the financial statements.

What we have audited
The Entity’s consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2019;
- the consolidated statement of operations and changes in fund balances for the year then ended;
- the consolidated statement of continuity of fund balances; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter – basis of accounting and restriction on distribution and use

We draw attention to note 2 to the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared to assist the Members of City Council to assess the financial performance of the Entity. As a result, the consolidated financial statements may not be suitable for another purpose. Our report is intended solely for the Members of City Council and management, in accordance with the terms of our engagement, and should not be distributed to or used by parties other than the Members of City Council and management. Our opinion is not modified in respect of this matter.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation of the consolidated financial statements in accordance with the basis of accounting as described in note 2 to the financial statements; this includes determining that the financial reporting framework is acceptable in the circumstances, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
December 16, 2020

CITY OF TORONTO TRUST FUNDS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at December 31, 2019 (in thousands of dollars)

	2019	2018
ASSETS		
Cash	6,789	5,321
Accounts Receivable	177	42
Due from City of Toronto (Note 4)	13,427	13,005
Investments (Note 5)	52,374	52,245
Total Assets	**72,767**	**70,613**
LIABILITIES		
Accounts Payable	175	169
Fund Balances	**72,592**	**70,444**
Total Liabilities and Fund Balances	**72,767**	**70,613**

The accompanying Notes and Appendices are an integral part of these Consolidated Financial Statements.

CITY OF TORONTO TRUST FUNDS
CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

for the year ended December 31, 2019 (in thousands of dollars)

	2019	2018
REVENUES		
Investment Income	8,083	1,101
Contributions and Other Income	3,475	4,840
Total Revenues	**11,558**	**5,941**
EXPENSES		
Expenditures	9,410	6,173
Excess (Deficiency) of Revenues Over Expenses for the Year	**2,148**	**(232)**
Fund Balances, Beginning of Year	70,444	70,676
Fund Balances, End of Year	**72,592**	**70,444**

The accompanying Notes and Appendices are an integral part of these Consolidated Financial Statements.

CITY OF TORONTO TRUST FUNDS
CONSOLIDATED STATEMENT OF CONTINUITY OF FUND BALANCES
for the year ended December 31, 2019 (in thousands of dollars)

	Balance January 1, 2019	Contributions	Investment Income	Expenditures	Balance December 31, 2019
Investments held in trust for:					
Toronto Atmospheric Fund	43,979	-	7,630	5,680	45,929
Keele Valley Site Post-Closure	7,607	-	37	-	7,644
Homes for the Aged Residents	6,227	3,088	109	3,539	5,885
Community Centre Development Levy Trust	5,121	-	122	-	5,243
Toronto Police Services Board Mounted Unit	1,823	-	48	38	1,833
Indemnity Deposit - Waterpark Place	1,133	-	30	-	1,163
Contract Aftercare Project	1,122	-	22	-	1,144
Community Services and Facilities	795	-	19	-	814
Regent Park Legacy Trust	736	-	18	-	754
Music Garden Trust Fund	614	-	15	-	629
Queen's Quay Community Services	342	-	8	-	350
Lakeshore Pedestrian Bridge	261	-	7	-	268
Municipal Elections Candidates' Surplus	1	241	4	27	219
Children's Green House Trust	121	-	3	-	124
Green Lane Small Claims	116	-	3	-	119
Public Art Maintenance Trust	109	-	-	-	109
Toronto Police Services Board	77	146	-	126	97
Preservation Trust	56	-	-	-	56
Hugh Clydesdale	46	-	1	-	47
Michael Sansone	43	-	-	-	43
Tenant Displacement	29	-	1	-	30
90 Lisgar Street Trust	21	-	-	-	21
Other Trust Funds	65	-	6	-	71
Total	**70,444**	**3,475**	**8,083**	**9,410**	**72,592**

The accompanying Notes and Appendices are an integral part of these Consolidated Financial Statements.

CITY OF TORONTO TRUST FUNDS
CONSOLIDATED STATEMENT OF CONTINUITY OF FUND BALANCES
for the year ended December 31, 2018 (in thousands of dollars)

	Balance January 1, 2018	Contributions	Investment Income	Expenditures	Balance December 31, 2018
Investments held in trust for:					
Toronto Atmospheric Fund	44,373	1,200	767	2,361	43,979
Keele Valley Site Post-Closure	7,573	-	34	-	7,607
Homes for the Aged Residents	6,303	3,492	73	3,641	6,227
Community Centre Development Levy Trust	5,010	-	111	-	5,121
Toronto Police Services Board Mounted Unit	1,816	-	7	-	1,823
Indemnity Deposit - Waterpark Place	1,108	-	25	-	1,133
Contract Aftercare Project	1,104	-	18	-	1,122
Community Services and Facilities	778	-	17	-	795
Regent Park Legacy Trust	720	-	16	-	736
Music Garden Trust Fund	615	-	8	9	614
Queen's Quay Community Services	335	-	7	-	342
Lakeshore Pedestrian Bridge	255	-	6	-	261
Children's Green House Trust	118	-	3	-	121
Green Lane Small Claims	113	-	3	-	116
Public Art Maintenance Trust	107	-	2	-	109
Toronto Police Services Board	92	147	-	162	77
Preservation Trust	55	-	1	-	56
Hugh Clydesdale	45	-	1	-	46
Michael Sansone	43	-	-	-	43
Tenant Displacement	28	-	1	-	29
90 Lisgar Street Trust	21	-	-	-	21
Municipal Elections Candidates' Surplus	-	1	-	-	1
Other Trust Funds	64	-	1	-	65
Total	**70,676**	**4,840**	**1,101**	**6,173**	**70,444**

The accompanying Notes and Appendices are an integral part of these Consolidated Financial Statements.

1. Purpose of Trust Funds

The City of Toronto Consolidated Trust Funds (Trust Funds) consist of various trust funds administered by the City of Toronto. The Trust Funds are not subject to income taxes under Section 149 (1) of the Income Tax Act (Canada).

2. Summary of Significant Accounting Policies

These consolidated financial statements include trust funds administered by the City as well as those within organizations that are accountable to the City. The Trust Funds' consolidated financial statements are the representation of management and have been prepared in accordance with Canadian public sector accounting standards, except that investments are recorded at fair value to reflect their ability to support the purpose for which they were created. The significant accounting policies are summarized below.

Revenue Recognition

The Trust Funds follow the restricted fund method of accounting for contributions. The City ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided. For financial reporting purposes, the Trust Funds are all classified as "restricted" or "endowed" and are to be used only for the specific purposes as specified by each trust agreement.

Investment income includes dividends, interest and realized and unrealized gains and losses and is included in the consolidated statement of operations and changes in fund balances.

Financial Instruments and Investment Income

Financial assets include cash, accounts receivable, amounts due from the City of Toronto (Note 4) and investments (Note 5). Cash, accounts receivable,

amounts due from the City of Toronto (Note 4) and investments (Note 5). Cash, accounts receivable, and due from the City of Toronto amounts are recorded at amortized cost, which approximates fair value.

Investments consisting of government and corporate bonds, debentures and short-term instruments of various financial institutions are authorized investments pursuant to the provisions of the Municipal Act.

The Trust Funds' investment activities expose it to a range of financial risks, including market risk, and credit risk. The value of investments recorded in the consolidated financial statements is the fair value determined as follows:

a. Short-term investments are comprised of money market instruments, such as bankers acceptances and are valued based on cost plus accrued income, which approximates fair value.
b. Publicly traded bonds and debentures are determined based on the latest bid prices.

Transactions are recorded on a settlement date basis. Transaction costs are expensed as incurred.

Expenditures

Expenditures are recognized on an accrual basis of accounting based on the receipt of goods or services and the creation of a legal obligation to pay.

Distributions, withdrawals from and management fees for investments held in trust for the Toronto Atmospheric Fund are recorded as expenditures in the period incurred in the Consolidated Statement of Operations and Changes in Fund Balances.

3. Use of Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities and surplus at the reporting date and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

December 31, 2019 (in thousands of dollars)

4. Due from City of Toronto

As at December 31, 2019 the Trust Funds have amounts due from the City of Toronto of $13,427 (2018 - $13,005) for investment and banking transactions, since the City maintains bank accounts or holds investments on behalf of the Trust Funds. These amounts are non-interest bearing and are due on demand.

5. Investments

	Fair Value	Book Value
2019		
Short-term investments	4,910	4,776
Mutual fund investments	47,464	24,625
Total	**52,374**	**29,401**
2018		
Short-term investments	6,732	6,554
Mutual fund investments	45,513	29,106
Total	**52,245**	**35,660**

	2019	2018
Weighted average rate of return	3.22%	2.15%
Range of maturity dates	2020-2034	2019-2034
Excess of fair value over book value	22,973	16,585

6. Financial Instruments

The Trust Funds are subject to market risk, credit risk and interest rate risk with respect to their investment portfolio. The Trust Funds' interest bearing investments are exposed to interest rate risk. The Trust Funds' investments are at risk due to fluctuations in market prices whether changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market.

Market risks include exposure arising from holdings of foreign currency denominated investments and equity prices. The Trust Funds' reporting currency is Canadian dollars. A decrease in the relative value of the Canadian dollar as compared to the US dollar will result in an increase to the Trust Funds' US dollar investments. An increase in the relative value of the Canadian dollar as compared to the US dollar will result in a decrease to the Trust Funds' US dollar investments.

Equity price risk is the risk the fair value or future cash flows of an equity financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument, or its issuer, or factors affecting all similar financial instruments traded in the market. The Trust Funds manage risk by investing across a wide variety of asset classes and investment strategies.

The Trust Funds hold investments in fixed income securities issued by corporations and government entities and as such have fixed income credit risk. The Trust Funds mitigate this risk by limiting the investment portfolio to investments in BBB grade or higher.

7. Capital Management

In managing capital, the Trust Funds focus on liquid resources available for reinvestment. The Trust Funds' objective is to have sufficient liquid resources to meet payout requirements. The need for sufficient liquid resources is considered in the investment process. As at December 31, 2019, the Trust Funds have met their objective of having sufficient liquid resources to meet their current requirements.

8. Consolidated Statement of Cash Flows

A separate consolidated statement of cash flows has not been presented since cash flows from operating, investing and financing activities are readily apparent from the other consolidated financial statements and notes.

9. Subsequent Events

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus (COVID-19) as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. On March 23, 2020, the City declared a state of emergency. These public health and emergency measures, which include the implementation of travel bans, self-imposed quarantine period and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. The impact of COVID-19 pandemic is considered to be a non-adjusting event at the balance sheet date and accordingly, the City has not reflected these subsequent conditions in the measurement of its assets as at December 31, 2019.

Given the ongoing and dynamic nature of the circumstances surrounding COVID-19, it is difficult to predict how significant the impact of COVID-19, including any responses to it, will be on the economy and the City's operations in particular, or for how long any disruptions are likely to continue. The extent of such impact will depend on future developments, which are highly uncertain, rapidly evolving and difficult to predict, including new information which may emerge concerning the severity of COVID-19 and additional actions which may be taken to contain COVID-19, as well as the timing of the re-opening of the economy in Canada.

Climate Related Financial Disclosures

Overview of Our Progress

Introduction

The City of Toronto (the City) is committed to taking action to mitigate and adapt to the emerging and anticipated impacts of climate change. This commitment centres on Toronto's TransformTO program endorsed by Toronto City Council (Council) in November 2016. On October 2, 2019, Council declared a climate emergency, joining a global call to recognize the urgency of the climate crisis, and adopted a stronger emissions reduction target for Toronto: net zero by 2050 or sooner. Toronto's community-wide greenhouse gas (GHG) reduction goals, status, and progress are summarized in Figure 1 below.

Figure 1: Toronto's GHG Targets and Status

GHG Reduction Target	2018 Status	Progress
30% by 2020, from 1990 levels	37% lower than 1990 levels	On track
65% by 2030, from 1990 levels	37% lower than 1990 levels	Toronto must halve its 2018 emissions within 10 years to meet the 2030 target
Net zero by 2050	16.2 megatonnes emitted	16.2 megatonnes must be eliminated

Achieving these targets will require transformational changes in how we live, work, build and commute, and everyone will have a role in transforming Toronto into a low-carbon city. Our actions also include advocating, supporting and collaborating with other governments, cities and stakeholders to respond together on this global issue. This includes an intentional effort to collaborate with other cities such as Vancouver and Montreal towards a level of consistency in climate related financial disclosure that will develop over time.

We believe cities will be at the forefront of developing policy, and planning and implementing climate mitigation and adaptation measures.

The Task Force for Climate-Related Financial Disclosures (TCFD) released Recommendations in June 2017 for voluntary climate-related financial disclosures that are consistent, comparable, reliable, clear, and efficient, and provide decision-useful information to lenders, insurers, and investors. Toronto's Chief Financial Officer and Treasurer not only supports climate-related financial disclosure, but also incorporating the City's progress in the reduction of greenhouse gases (GHG) in the City's financial statement note disclosure.

Toronto's Climate Related Financial Disclosure

Since the publication of its first GHG emissions inventory in 2007, Toronto has maintained a program of regular reporting of community-wide emissions.

Currently, the City of Toronto reports according to the Global Protocol for Community-Scale Greenhouse Gas Emission Inventories (GPC), which has become the standard for cities like Toronto which are part of the C40 Cities Climate Leadership Group and the Global Covenant of Mayors. Toronto has been actively disclosing this climate related information through the global reporting platform known as CDP (formerly the Carbon Disclosure Project) since 2011. Status of GHG reduction, physical risks and climate adaptation action are disclosed in detail through CDP's platform found at the links in the endnote[1].

The City of Toronto's CDP disclosure in 2020 for the year 2019 resulted in an "A" rating for both our GHG emissions and climate adaptation disclosures achieving "Leadership" status, making Toronto one of only 88[2] cities worldwide with this acknowledgment. Toronto's "A" rating helps external decision makers compare Toronto to other cities' performance addressing climate issues.

Table 1 presents a summary of climate related financial disclosure utilizing the Guidelines from the Task Force on Climate Related Financial Disclosure (TCFD).

Table 1 – TCFD Disclosure Summary

TCFD Recommended Disclosures		City of Toronto Disclosure
Governance		
Disclose the organization's governance around climate-related risks and opportunities.	a. Describe the board's oversight of climate-related risks and opportunities.	City Divisions address and report on climate related risks and action plans to Council and Committees on an as needed basis. The Infrastructure and Environment Committee (IEC), which reports to City Council, addresses issues of infrastructure and the natural environment, with a mandate to monitor and make recommendations on Toronto's infrastructure needs and services, parks and forestry, and the sustainable use of Toronto's environment, including issues of climate change.
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	"Resilient City: Preparing for Climate Change" (item 2014.PE28.6) (p. 26) outlines an approach for integrating climate change resilience into decision-making and co-ordination of City operations and services, including the City's "Climate Change Risk Management Policy", which

TCFD Recommended Disclosures		City of Toronto Disclosure
Governance (continued)		
		defines Toronto's executive management responsibility to identify and mitigate climate risks
Strategy		
Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	a. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	The City's Strategic Plan (p.12) includes a commitment to "Tackling climate change and building resilience" as a priority…"We are committed to fighting climate change and preparing our city government, our economy, our ecosystems, and our communities, especially the most vulnerable communities, for a changing climate." On October 2, 2019, Council declared a Climate Emergency, and adopted a stronger emissions reduction target for Toronto: net zero by 2050 or sooner. In addition to annual CDP disclosures, identification of climate related risks is included in "Resilient City – Preparing for a Changing Climate Status Update and Next Steps" (PE15.2). Table 3 provides "Examples of Projected Climate Impacts on Toronto". The Resilience Strategy also indicates climate risks and opportunities for risk reduction.
	b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	City Divisions actively take into account climate risks as a normal part of their work, developing programs that address climate risks and opportunities as identified in Table 4 "Examples of Adaptation Actions in Toronto". A listing of climate adaptation actions was presented in "Resilient City – Preparing for a Changing Climate Status Update and Next Steps" (PE15.2).
	c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Toronto undertook specific modelling of local weather changes to 2050. This modelling informed climate risk assessments, and city infrastructure planning such as for sewers and roads refurbishment and new construction take into account future extreme weather predictions. For example, every year, more sewer systems are being upgraded to 100-year storm capacity as part of efforts to reduce basement flooding and

TCFD Recommended Disclosures		City of Toronto Disclosure
Strategy (continued)		
		major work is underway with the goal to reduce impacts of extreme runoff associated with climate change.
Risk management		
Disclose how the organization identifies, assesses, and manages climate-related risks.	a. Describe the organization's processes for identifying and assessing climate-related risks.	Operating divisions are ultimately responsible for identifying and assessing their own climate risks. Climate risk assessment work has been facilitated by the Environment & Energy Division using the Public Infrastructure Engineering Vulnerability Committee (PIEVC) Protocol[3] or applying a climate risk process developed by the City on the basis of ISO 31000[4]. That process and results of "high climate level risk assessments" are outlined in "Resilient City – Preparing for a Changing Climate Status Update and Next Steps" In 2019, the consultation process for the Resilience Strategy identified climate risks at a high level, and was further informed by the 2019 "Climate Resilience Framework". Further work will be done in the incorporation of Resilience Strategy into the acceleration of the TransformTO plan and reported on in future.
	b. Describe the organization's processes for managing climate-related risks.	Operational divisions are responsible to identify and address climate risks within their divisional budgets. Where additional resources are required to manage significant risks, Staff Reports are written seeking authorization from City Council to pursue action to reduce climate related risks to an acceptable level.
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Currently, this is done on a case by case basis within operating divisions.

TCFD Recommended Disclosures		City of Toronto Disclosure
Metrics and targets		
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Divisions identify relevant metrics to their own operations for climate related risks.
	b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions.	Toronto's overall city-wide GHG inventory includes Scope 1 and 2 emissions as summarized in Figure 8.
	c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Toronto's greenhouse gas reduction targets, based on 1990 levels: • 30 per cent by 2020 • 65 per cent by 2030 • Net zero by 2050, or sooner

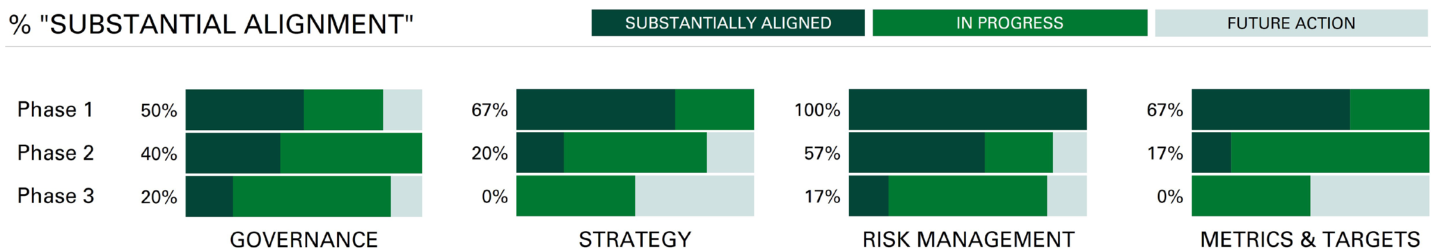
Developments in TCFD Reporting

In early 2020, CPA Canada published Enhancing Climate-related Disclosure by Cities, (CPA TCFD Guide) an overview of how cities can benefit from alignment with the TCFD recommendations, and a guide for implementation. Accounting and Sustainability staff from Toronto, Vancouver and Montreal provided input and direction as part of a working group developing this document. The CPA TCFD Guide can be scaled more broadly across the Canadian government landscape and potentially serve as a resource to global public sector organizations.

Contained in the CPA TCFD Guide is a Maturity Assessment Framework to help cities self-assess their alignment with the TCFD recommendations. The framework is divided into three phases with characteristics that typify progress. Toronto performed a preliminary self-assessment of its 2019 disclosure using a qualitative checklist approach: either aligned with a characteristic, making progress towards alignment, or will take future action towards alignment. Figure 2 below shows where Toronto's initial assessment reflects substantially alignment. Overall, Toronto considers itself largely aligned with a Phase 1 reporting city, with progress made towards Phases 2 and 3.

Toronto's voluntary application of the TCFD Guidelines is in its early stages. Figure 2 provides a preliminary rough estimate of the level of current alignment to the TCFD. As an entity with more than 40 major operating organizations under the control of City Council, the estimation below is only a preliminary assessment given that some City divisions/agencies/corporations are significantly more advanced than others. This assessment will be further developed for future reports.

Figure 2 – Preliminary Maturity Assessment of Toronto's 2019 TCFD Guidelines Implementation



Toronto's Climate Strategies and Governance

Climate Risk Governance

The City of Toronto has a multi- faceted approach to climate risk management through a number of mechanisms. Toronto City Council has the authority to direct staff and budgets in support of managing all risks including climate change. Division Heads retain the ultimate responsibility for the effective management of risks in their divisions, which includes identifying, treating, and reporting risks in their areas of responsibility. Beginning in 2019, as part of the Climate Emergency plans, the City will be developing a Climate Lens decision support process.

Toronto's Office of Emergency Management's "Hazard Identification Risk Assessment" (HIRA) has identified weather related emergencies and power failure as some of Toronto's top current risks[5]. According to Toronto Hydro, "Severe weather and equipment failure are the most common causes of power outages."[6]

Climate Risk Governance

Climate strategies and implementation plans for Toronto are listed in Table 2 below. City divisions are responsible for implementation of actions.

Table 2 – City Strategy-Level Governance

The major documents communicating Toronto's climate action strategy and implementation progress are summarized below.

Strategy and Related Reports	Governance
TransformTO: Climate Action for a Healthy, Equitable and Prosperous Toronto - Report #2 - The Pathway to a Low Carbon Future	City Council approved long-term GHG reduction goals and actions necessary to realize a low-carbon Toronto in 2050 that achieves an 80% reduction in GHG emissions against 1990 levels. Through the October 2019 Climate Emergency Declaration, Council has accelerate the goal to zero GHG emissions by 2050 or sooner and a Net-Zero Strategy is under development. City Council directed the Chief Corporate Officer to lead cross-corporate implementation of City Council's approved "Leading by Example" Strategies, towards achievement of low-carbon leadership goals.

Strategy and Related Reports	Governance
TransformTO: Climate Action for a Healthy, Equitable & Prosperous Toronto Implementation Update 2017 and 2018	Identifies the achievements and steps taken toward Toronto's low-carbon future in 2017 and 2018.
Toronto's First Resilience Strategy	Released in 2019, this report identified climate change as a current and future source of shocks and stress especially for vulnerable populations, identifying recommendations in areas such as flood reduction, resilience of buildings and infrastructure, food systems and more.
"Resilient City: Preparing for Climate Change"	Outlines the governance approach for integrating climate change resilience into decision-making and co-ordination of City operations and services, including assignment of responsibilities for risk assessment and management.
Environment and Energy Annual Report	The Environment and Energy Division's Annual Report is an overview of our strategic plan, actions and key accomplishments for the past calendar year.

Toronto's Climate Risk Assessment Work

Figure 3, taken from the 2016 C40 Report on Interdependencies, illustrates the concept of how different types of extreme weather could affect different sectors in cities. Toronto does not have sea level rise concerns, but we do have flooding. While Toronto does not, for example, have a significant issue with wildfires, the city does have issues with invasive species that can be vectors for disease.

Figure 3: Typical weather impacts on urban systems

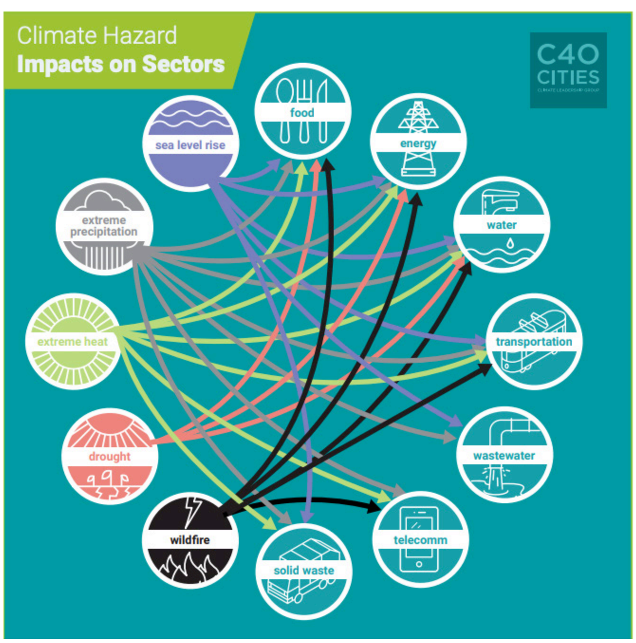
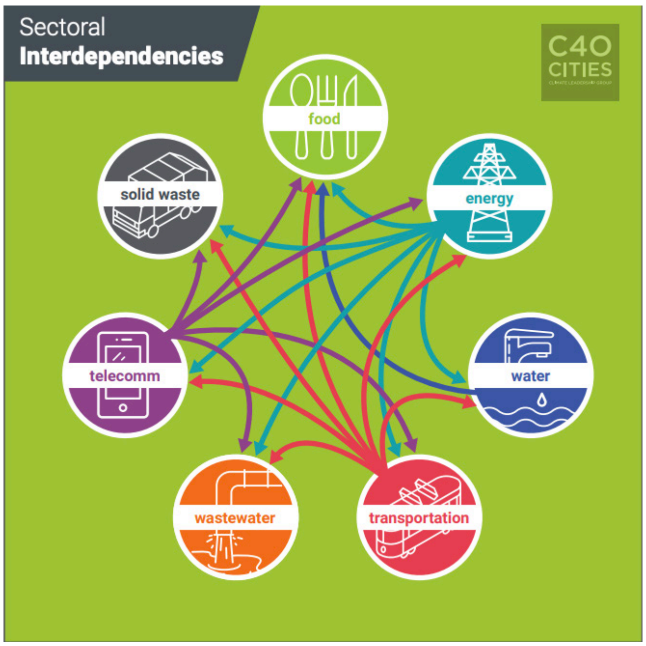


Figure 4 below, also taken from the 2016 C40 Report on Interdependencies, illustrates how major sectors provide inputs to other sectors. Infrastructure systems in cities are currently built with complex interdependencies, whereby if one system is weakened or ceases to function, then cascade or domino failure may result. For example, electricity is needed by every sector and telecommunications is also essential for operation of most sectors. There are City operations such as transportation (roads and transit) that are also important to nearly all sectors, while water supply is essential to, for example, human health and safety, various industries, as well as the food sector. It is clear that sector interdependencies can be significantly impacted by climate change.

Figure 4: Examples of Sectoral Interdependencies



Climate Risk in Toronto

Indicative cost information for climate impacts comes from costs of previous extreme weather events, which will likely increase due to increasing intensity and frequency of these events in the future. The costs of key past events are listed in Figure 5 below.

Figure 5: Examples of costs of past extreme weather events incurred by the City, as reported to City Council

Extreme Weather Event	Total Costs
Rainstorm on August 19, 2005	$44 million
Rainstorm on July 8, 2013	$65 million
Ice storm on December 21/22, 2013[7]	$101 million
High lake effect in 2017 and windstorm in 2018	$28 million

A high-level summary of key impacts of climate change in Toronto is listed in Table 3 below. This is based on the vulnerability assessments done in Toronto over the last decade and observations of impacts already experienced.

Table 3 – Examples of Projected Climate Impacts on Toronto

Impacted Areas	Impacts	Timeframe	Impacted assets / Services
Human systems (community)	Heat waves, flooding events, and power outages associated with more frequent extreme weather will lead to increases in emergency calls and impact health and safety risks for vulnerable populations such as those with lower quality housing, the City's homeless and seniors.	Short- to medium-term	Public health, emergency management, social programs
	Increased temperature and heat stress will increase demand for community cooling centres, pools, splash pads, and shade structures and green spaces.	Short-term	Public health, recreation programs and facilities, public housing
	Increases in private property sewer back-ups in combined sewer areas due to high rainfall volume in sewer system and increased costs for response actions and clean-up after heavy rain events	Short-term	Residential, commercial, industrial, institutional premises; water supply and sanitation; public health

Impacted Areas	Impacts	Timeframe	Impacted assets / Services
Natural systems	Increase in impacts to urban forests, green spaces and trees from temperature extremes and wind storms resulting in increased maintenance and replacement costs and changes to aesthetics and use	Short- to medium-term	Public health, urban forestry and biodiversity management
	Higher average temperatures can result in proliferation of invasive pests that damage trees and natural assets. Some invasive species could transmit disease to people (e.g. Lyme disease, West Nile Virus)	Short- to medium-term	Urban forest, biodiversity and human health
Built Environment (Buildings and infrastructure)	New and existing buildings may be maladapted as the climate changes in terms of thermal comfort, water ingress, wind durability, rain or flood and require additional investment or early retirement	Short- to medium-term	Urban forest, biodiversity and human health Residential, commercial, institutional premises; public health; public housing; emergency management; transportation; asset retirement obligations, accelerated amortization
	Flooding of electrical systems at or below ground level in high rise residential buildings can cause these buildings to become uninhabitable for long periods. City response to help displaced residents is costly and there is limited capacity to house displaced persons	Short- to medium-term	Residential, institutional premises; public health; emergency management; housing; asset retirement obligations, asset impairment
	Extreme heat, flooding events, and ice storms lead to service interruptions.	Short- to medium-term	Transportation, transit and recreation
	Potential increased volume of third-party liability claims against the city from major rain events.	Medium-term	Public and private assets; water supply and sanitation; public health; contingent liabilities, increased insurance costs
	Extreme weather causing power disruption to buildings needed for food distribution systems	Short- to medium-term	Public health, emergency management

Climate Adaptation in Toronto

The City of Toronto government is investing in programs and initiatives focused on increasing resilience to future extreme weather as shown in Table 4 below.

Table 4 – Examples of Adaptation Actions by the City of Toronto

Action Area	Focus
Climate Robust Infrastructure	• Basement Flood Reduction Program • Wet Weather Flow programs involving extensive construction of storage tunnels for heavy runoff • Toronto Green Standard • Increase use of green infrastructure where appropriate (Green Streets Technical Guidelines) • Culvert and bridge management program • Pavement heat resilience upgrades • Traffic light controller backup power and heat protection • Enhanced weather and road surface monitoring technologies • Modern road monitoring and de-icing technologies • Toronto Transit flood study and risk reduction actions
Climate Resilient Buildings	• Electrical system resilience assessments of critical and essential City buildings applying the PIEVC protocol • Backup power enhancements for some buildings • Toronto Green Standard for new large buildings to extend thermal survivability (i.e. livability with no power) • Green Roof Bylaw
Connected and Prepared Communities	• Heat Response Program during heat waves • Support continuation and scaling-up of community resilience-building programs • Policy for the Provision of Shade at Parks, Forestry and Recreation Sites
River and Lake Ontario Coastal Preparedness	• Naturalization of the Mouth of the Don River • River erosion control projects • Lake Ontario shoreline armouring and flood risk reduction measures
Healthy and Vigorous Natural Assets	• Programs and policies to help protect, grow and maintain the city's urban forest, including tree planting and tree stewardship on both private and public lands • Ravine Strategy to protect and enhance the natural state of ravines • Strategic Forest Management Plan • Parkland Strategy • Biodiversity Strategy • Pollinator Protection Strategy • Support for urban agriculture and local food production

Toronto's Climate Metrics and Targets

Meeting emissions targets is part of Toronto's global commitment to fulfill the 2018 1.5 Degree pledge of the Paris Accord.

Council's climate emergency declaration deepened the City's commitment to addressing climate change. As part of the climate emergency declaration, Toronto's long-term GHG emissions target was accelerated to achieve net-zero emissions by 2050 or sooner. The City's 2030 target of 65 per cent GHG reduction will help put Toronto on that path. To help reduce the worst impacts of climate change, TransformTO has set the following goals as shown in Figure 6.

Figure 6: TransformTO Goals

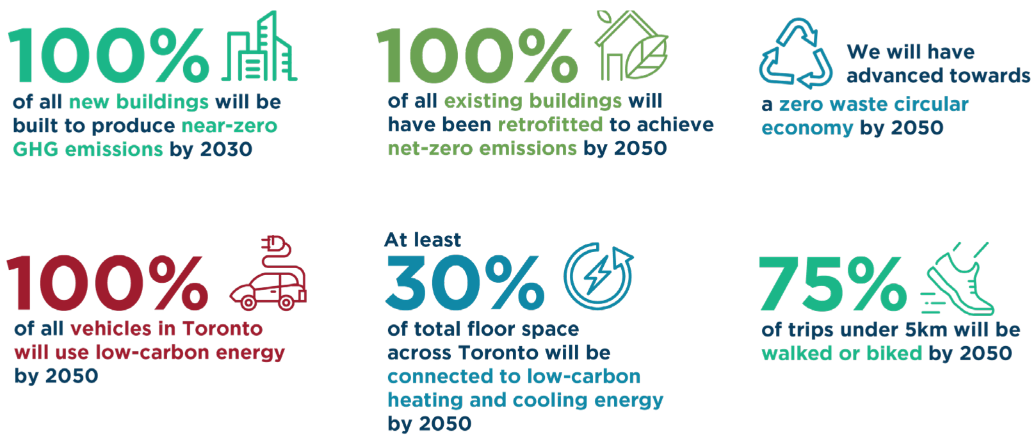
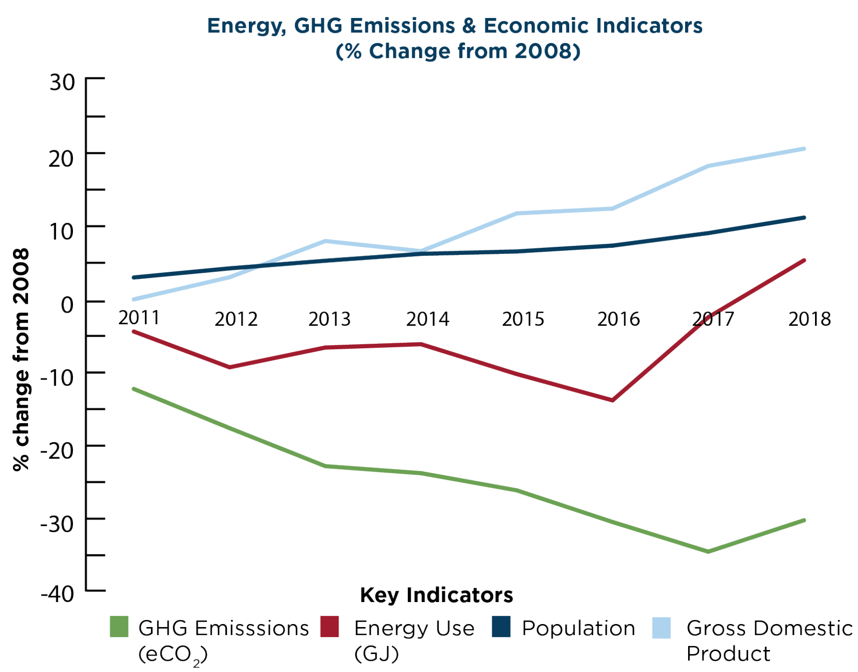


Figure 7 below, indicates that in Toronto, community-wide GHG emissions have de-coupled from economic prosperity (as measured by GDP), population and energy use. Generally over time, emissions are decreasing even as population and GDP rise, showing Toronto has started on the path to a low-carbon future.

Figure 7: Energy, GHG Emissions & Economic Indicators (% Change from 2008)



Community GHG Emissions

The City compiles annual inventories of community GHG emissions. Below are Toronto's year over year changes in sectoral emissions and the percentage breakdown of emissions according to sector for 2018. Toronto's emissions as measured according to the Global Protocol for Community-Scale Greenhouse Gas Emission Inventories (GPC), a globally recognized GHG accounting and reporting standard that ensures consistent and transparent measurement and reporting of GHG emissions between cities[8].

In 2018, Toronto's community-wide GHG emissions were 16.2 megatonnes (MT) eC02, which is 37 per cent lower than in 1990. Toronto has exceeded its target of a 30 per cent reduction by 2020.

However, as shown in Figure 8 below, in 2018, community-wide emissions increased seven per cent over 2017, when Toronto emitted 15.1 MT eCO2. The seven per cent increase in GHG emissions between 2017 and 2018 occurred mainly in the buildings sector and can be explained by a cooler winter season which drove up natural gas usage by ten percent in 2018. A sharp increase in the emissions factor for electricity also contributed to the increase in GHG emissions from buildings. In 2018, the province increased its use of carbon intensive natural gas to generate electricity in order to make up for the loss of nuclear power generated electricity resulting from nuclear plant refurbishments. This 2018 increase in GHG emissions points to the need for continual reduction in the use of natural gas for heating buildings.

Figure 8: GHG Emissions by Sector (1990 - 2018)

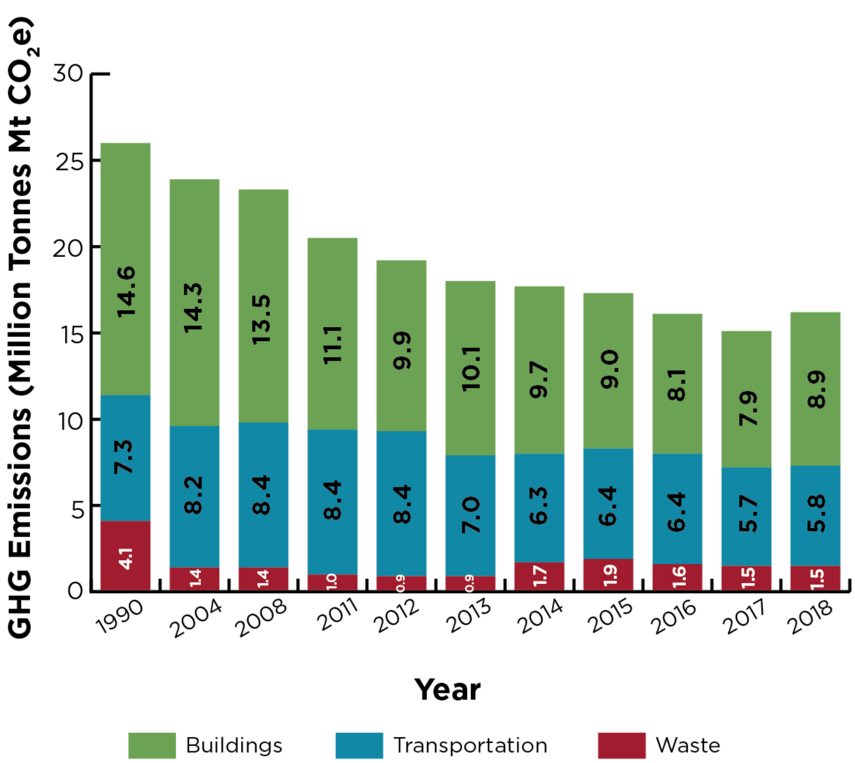
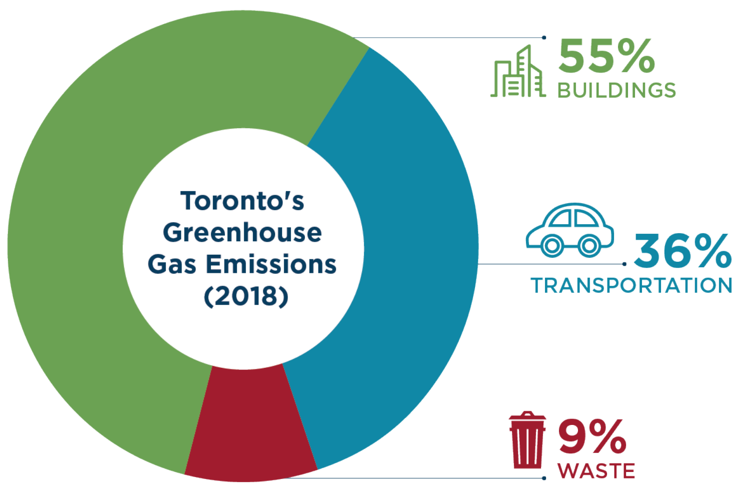


Figure 9: Greenhouse Gas Emissions by Sector 2018



Adaptation-Specific Metrics and Indicators

The City's climate change mitigation (GHG reduction) efforts have a robust measurement and reporting framework, while measurement of adaptation work is a nascent discipline still under development, significant strides have been made towards adaptation. As indicated in Table 4 above, the City has many examples of climate adaptation actions it undertakes.

One important "indicator" study was recently conducted with results published in 2019. The Tree Canopy Study offers an opportunity to evaluate what has changed in Toronto's urban forest over a ten-year period. This type of tree canopy study is an important part of the longer term adaptive management cycle for Urban Forestry. It allows City staff to work with up-to-date and reliable data to adjust program activities that reflect the changing nature of the urban forest and evolving management issues.

This type of study is undertaken in major urban centres internationally and is based on established methodologies. Table 6 below summarizes significant findings from Tree Canopy study.

Table 6: Comparison of Toronto's Urban Forest Canopy 2008-2018[9]

Measure	2008	2018
Number of trees	10.2 million	11.5 million
Urban forest canopy cover	26.6 - 28%	28.4 - 31%
Total leaf area*	101,500 hectares	90,516 hectares
Structural value	$7.1 billion	$7.04 billion
Ratio of trees on public / private land	40 / 60	45 / 55

* Although total tree population increased, leaf area has decreased because the tree population is made up of younger trees. This factor influences structural value and ecosystem services.

Measure	2008	2018
Street trees in good or excellent condition	49%	74%
Gross carbon sequestration	46,700 tonnes	35,170 tonnes
Annual pollution removal	$16.9 million	$37.6 million
Annual energy savings	$10.2 million	$8.2 million
Total annual ecosystem services	$28.2 million	$55.0 million
Urban forest trees in good / excellent condition	82%	70%
Street tree structural value	Not measured	$1.363 billion
Street tree annual ecosystem services	Not measured	$1.277 million

Endnotes

1 References to Toronto's CDP disclosures:
- Toronto profile on the Global Covenant of Mayor's website: https://www.globalcovenantofmayors.org/cities/toronto/
- C40 published GHG inventories reported for 2013-2016 (pulled from the CDP Questionnaire): https://www.c40.org/research/open_data/5
- Full City submissions of CDP database: https://data.cdp.net/Governance/2019-Full-Cities-Dataset/iapx-bpuk

2 CDP Website accessed on November 18, 2020: https://www.cdp.net/en/cities/cities-scores

3 The Public Infrastructure Engineering Vulnerability Committee (PIEVC) Protocol systematically reviews historical climate information and projects the nature, severity and probability of future climate changes and events. It also establishes the adaptive capacity of an individual infrastructure as determined by its design, operation and maintenance. It includes an estimate of the severity of climate impacts on the components of the infrastructure (i.e. deterioration, damage or destruction) to enable the identification of higher risk components and the nature of the threat from the climate change impact. For more details please see: https://pievc.ca/protocol

4 ISO 3100 ISO 31000 is the international standard for risk management originally issued in 2009 by the ISO (International Organization for Standardization). It provides a detailed framework for the design, implementation, and maintenance of risk management on a company-wide level.

5 City of Toronto, Office Emergency Management, 2017 Hazard Identification Risk Report. Accessed at: https://www.toronto.ca/wp-content/uploads/2019/04/9018-Exec-report_HIRA_A_170815.pdf

6 Toronto Hydro website "Outage causes and prevention" Accessed at: https://www.torontohydro.com/outage-causes-and-prevention

7 This includes Toronto Hydro costs and lost revenue that were ineligible for Provincial Ice Storm Assistance Program. The final recoverable claim submitted to the Province was $64.3 million.

8 For more information on the Protocol, please see the link: https://ghgprotocol.org/greenhouse-gas-protocol-accounting-reporting-standard-cities

9 City of Toronto Staff Report for Action, titled, 2018 Tree Canopy, dated December 2019, Toronto's Ravine Ecosystem Services Valuation Assessment.

Supplemental Financial and Statistical Information

Five Year Review Summary

(Not subject to audit; all dollar amounts are in thousands except per capita figure)
(See accompanying notes and schedules to financial statements)

	2019	2018	2017	2016	2015
Population (Note 1)	2,965,173	2,956,024	2,878,589	2,822,902	2,786,571
Households (Note 1)	1,208,300	1,222,235	1,190,220	1,167,195	1,116,605
Areas in square kilometres	634	634	634	634	634
Full-time employees	48,684	48,801	47,209	46,609	45,876
Housing starts	18,877	22,761	15,112	19,617	18,913
Building permit values	$11,144	$15,077	$14,845	$10,297	$7,135

Taxation Assessment Upon Which Tax Rates Were Set (Note 2)

(Not subject to audit; all dollar amounts are in thousands except per capita figure)
(See accompanying notes and schedules to financial statements)

	2019	2018	2017	2016	2015
Residential, multi-residential, new multi-residential, farmlands, and managed forest	$565,886	$522,560	$480,320	$439,853	$410,372
Commercial, industrial, and pipeline	$129,255	$121,103	$111,940	$104,593	$99,831
Total	**$695,140**	**$643,663**	**$592,260**	**$544,447**	**$510,203**
Total per capita	$234,435	$217,746	$205,746	$192,868	$183,094

Tax Rates (Urban Area) (Note 2)

	2019	2018	2017	2016	2015
Residential, New Multi-Residential, Farmlands, and Managed Forest (expressed in %) - Note - Full Rate Only					
City purposes	0.4537700%	0.4655054%	0.4826472%	0.4999731%	0.5106037%
School board purposes	0.1610000%	0.1700000%	0.1790000%	0.1880000%	0.1950000%
Total	**0.6147700%**	**0.6355054%**	**0.6616472%**	**0.6879731%**	**0.7056037%**
Multi-Residential (expressed in %)					
City purposes	1.0323420%	1.1447559%	1.2844065%	1.4521427%	1.5315482%
School board purposes	0.1610000%	0.1700000%	0.1790000%	0.1880000%	0.1950000%
Total	**1.1933420%**	**1.3147559%**	**1.4634065%**	**1.6401427%**	**1.7265482%**
Commercial (expressed in %)					
City purposes	1.2467510%	1.3138506%	1.3802233%	1.4598602%	1.5387137%
School board purposes	1.0300000%	1.0900000%	1.1400000%	1.1800000%	1.2278260%
Total	**2.2767510%**	**2.4038506%**	**2.5202233%**	**2.6398602%**	**2.7665397%**
Industrial (expressed in %)					
City purposes	1.2178330%	1.2862662%	1.3698567%	1.4521427%	1.5327263%
School board purposes	1.1108780%	1.1607730%	1.2164150%	1.2536020%	1.2946100%
Total	**2.3287110%**	**2.4470392%**	**2.5862717%**	**2.7057447%**	**2.8723363%**
Pipelines (expressed in %)					
City purposes	0.8728550%	0.8954295%	0.9284027%	0.9617302%	0.9821789%
School board purposes	1.2900000%	1.3400000%	1.3900000%	1.4820840%	1.5065730%
Total	**2.1628550%**	**2.2354295%**	**2.3184027%**	**2.4438142%**	**2.4887519%**

Property Taxes Receivable, End of the Year

	2019	2018	2017	2016	2015
Amount	$255	$237	$253	$261	$241
Per Capita	$86	$80	$88	$92	$86

Net Long-Term Debt, End of Year

	2019	2018	2017	2016	2015
Amount	$7,104	$6,502	$5,950	$5,072	$4,746
Per Capita	$2,396	$2,200	$2,067	$1,797	$1,703

Interest Charges for Net Long-Term Debt

	2019	2018	2017	2016	2015
Amount	$334	$296	$307	$289	$279
Per Capita	$113	$100	$107	$102	$100

Long-Term Debt Supported by Property Taxes

	2019	2018	2017	2016	2015
Gross Long-Term Debt	$7,393	$6,794	$6,266	$5,436	$5,257
Net Long-Term Debt (Net of Sinking Fund Deposits)	$7,104	$6,502	$5,950	$5,072	$4,746

Long-Term Debt and Mortgages Charges

(includes principal repayments, interest on long-term debt and interest earned on sinking funds)

	2019	2018	2017	2016	2015
Amount	$776	$705	$781	$890	$787
Percentage of Total Consolidated Expenses	5.97%	5.73%	6.90%	8.12%	7.22%

Legal Debt Limit (Note 3)

(15% of Property Tax Levy)

	2019	2018	2017	2016	2015
Property Tax Levy Amount	$4,312	$4,246	$4,102	$3,939	$3,880
Debt Limit	$647	$637	$615	$591	$582

Taxes Collected

	2019	2018	2017	2016	2015
City Collection	$5,302	$5,137	$4,988	$4,651	$4,466
Taxes Transferred to the School Board	$2,193	$2,169	$2,057	$1,980	$1,951
Total	**$7,495**	**$7,306**	**$7,045**	**$6,632**	**$6,417**

Trust Fund Balances - End of Year

	2019	2018	2017	2016	2015
Trust Fund Balance	$73	$70	$71	$67	$50

Summary of Consolidated Revenues and Expenses (Note 4)

Consolidated Operations
Revenue By Source

	2019	2018	2017	2016	2015
Residential and commercial property taxation	4,312	4,246	4,102	3,939	3,880
Municipal land transfer tax	799	730	805	645	524
Taxation from other government	98	103	96	112	86
User charges	3,526	3,255	3,028	3,074	2,781
Funding transfers from other governments	3,493	3,505	2,800	2,738	2,862
Government business enterprise earnings	234	247	236	166	294
Investment income	335	219	235	197	260
Development charges	398	339	314	184	221
Rental and concessions	534	506	469	461	452
Other	654	589	479	686	737
Total	**$14,383**	**$13,740**	**$12,564**	**$12,202**	**$12,098**

Consolidated Expenses by Function (Note 4)

	2019	2018	2017	2016	2015
General government	886	876	776	760	824
Protection to persons and property	1,930	1,858	1,811	1,808	1,808
Transportation	3,581	3,578	3,140	3,067	2,944
Environmental services	1,043	976	956	933	940
Health services	497	490	461	450	452
Social and family services	2,553	2,474	2,193	2,038	2,024
Social housing	830	844	824	779	775
Recreation and cultural services	1,073	1,006	1,008	1,002	989
Planning and development	358	204	147	116	146
Total	**$12,751**	**$12,306**	**$11,315**	**$10,954**	**$10,903**
Annual Surplus	**$1,632**	**$1,434**	**$1,249**	**$1,248**	**$1,194**

Accumulated Surplus (Note 4)

	2019	2018	2017	2016	2015
Financial Assets	12,310	11,296	9,970	9,293	9,071
Liabilities	20,530	19,384	17,125	15,792	15,151
Net Debt	(8,220)	(8,088)	(7,155)	(6,498)	(6,080)
Non-Financial Assets	35,026	33,262	30,895	28,989	27,323
Accumulated Surplus	**$26,806**	**$25,174**	**$23,740**	**$22,491**	**$21,243**

Consolidated Summary of Funding Transfers from Other Governments (Note 4)

	2019	2018	2017	2016	2015
Social Assistance	958	982	949	898	890
Child Care Assistance	497	500	388	345	323
Health Services	179	182	175	170	179
Social Housing	382	388	334	287	350
Other	629	555	654	477	481
Government of Canada Transfer - TTC	504	707	163	269	280
Government of Canada Transfer - Capital	16	60	25	248	304
Province of Ontario Transfer - Capital	308	132	112	43	55
Total	**$3,473**	**$3,505**	**$2,800**	**$2,738**	**$2,862**

Consolidated Expenses by Object (Note 4)

	2019	2018	2017	2016	2015
Salaries, wages and benefits	6,042	5,813	5,623	5,618	5,565
Materials	866	1,289	1,015	1,011	1,015
Contracted services	1,910	1,865	1,627	1,596	1,674
Interest on long-term debt & TCHC mortgage	337	328	320	320	315
Transfer payments	1,721	1,463	1,367	1,185	1,269
Amortization	1,383	1,267	1,136	974	851
Other	492	281	226	249	214
Total	**$12,751**	**$12,306**	**$11,315**	**$10,954**	**$10,903**

Reserve & Reserve Fund Balance

	2019	2018	2017	2016	2015
End of the year	$2,241	$2,276	$2,038	$1,983	$1,826

Tangible Capital Assets

	2019	2018	2017	2016	2015
Cost:					
General Assets	23,107	22,123	20,271	17,917	16,774
Infrastructure	25,267	24,003	22,705	20,988	19,465
Assets Under Construction	4,812	4,385	4,371	5,579	5,803
Total	**$53,186**	**$50,511**	**$47,347**	**$44,484**	**$42,042**
Accumulated Amortization:					
General Assets	8,027	7,498	7,040	6,506	6,071
Infrastructure	10,595	10,296	9,843	9,394	9,006
Total	**$18,622**	**$17,794**	**$16,883**	**$15,900**	**$15,077**
Net Book Value	**$34,564**	**$32,717**	**$30,464**	**$28,584**	**$26,965**

Note 1: Source of population data and number of households is from the City of Toronto, City Planning Division - which uses the data from the last Annual Demographic Estimate of Statistics Canada. Year 2015 to 2017 was revised based on Statistics Canada March 2019.

Note 2: Taxation related information reflect Current Value Assessment (CVA).

Note 3: Debt Limit is approved by City Council as per the City of Toronto Act (COTA) effective 2007. Debt Limit shall not be greater than 15% of the property tax levy.

Note 4: During 2015, Toronto Hydro Inc.(THI) adopted IFRS 14 Regulatory Deferral Accounts, which allows for continuation of regulatory deferral accounts until the International Accounting Standards Board (IASB) completes its comprehensive project on rate regulated activities. As THI had previously been converted to IFRS for reporting in these consolidated financial statements, this standard, implemented retro-actively, has resulted in changes to 2014 numbers (see Note 23 of the 2015 consolidated financial statements).

Certain 2015 amounts were regrouped from consolidated financial statements previously presented, to conform with the presentation adopted in 2016.


KPMG